

THE BOARD OF DIRECTORS' REPORT (Unofficial translation)

In the first half year of 2009 the Hexagon Group has achieved its best ever results. The Group had a first half year turnover of 457.5 MNOK (362.6) which is a 26% increase in relation to the same period last year. Operating profit before depreciation (EBITDA) was 73.5 MNOK (43.0). Operating profit (EBIT) for the first half year was 45.1 MNOK (23.2) which is a full 94% better than the same period last year. Profit before tax was 50.7 MNOK (7.6).

Important events in the Hexagon Composites Group since the previous interim report:

- Ragasco has recently received a contract for the supply of LPG cylinders to Taji Gas in Iraq at a value of 40 MNOK.
- Ragasco received a contract in June for the supply of LPG cylinders to Woqod in Qatar at a value of 20 MNOK.
- Raufoss/Lincoln received an order for the delivery of high-pressure composite containers for a new hydrogen filling station in Berlin.

The Hexagon Group reported a turnover of 229.5 MNOK (194.5) and an operating profit before depreciation/amortisation, EBITDA, of 38.5 MNOK (23.5) for the second quarter. The operating profit, EBIT, for the second quarter was 24.1 MNOK (13.8).

Ragasco delivered an operating profit of 27.1 MNOK (11.5) in the second quarter. In the high-pressure container business unit (Lincoln/Raufoss) an operating profit of 7.5 MNOK (2.5) was realised. Both Lincoln Composites and Raufoss Fuel Systems reported a positive operating profit. The composite reinforcement business unit (Devold AMT) reported an operating profit of -8.0 MNOK (1.8)

BUSINESS AREAS

COMPOSITE CONTAINERS

RAGASCO

Turnover and market

Ragasco achieved a record turnover of 120.9 MNOK (74.1) for the second quarter. This was an improvement on the previous quarter, which had also been a record quarter, and represents a 63% increase on the same period last year. The company achieved a total turnover for the first half year of 229.9 MNOK (146.8).

Sales of Ragasco's propane gas containers (LPG) are developing well. The company was relatively unaffected by the global financial crisis during the first half year. Growth has come from new customers and increased demand from existing customers. The recent agreements with important markets in the Middle East demonstrate the company's strong international competitiveness.

Turnover of gas containers for the Mercedes Benz B Class increased a little in the second quarter. Growth is expected for this market and there will be delivery start for a new model next year.

Production and margins

The company has again in the second quarter shown a stable production capacity of over 1 million annual units.

Costs and Profit

Operating profit, EBIT, for the second quarter was 27.1 MNOK (11.5). This is a good improvement from the previous quarter and a significant increase in relation to the same period last year. Operating profit for the first half year was 46.0 MNOK (21.3). Activity levels and operating profit for the second half year are expected to be at a similar level to the first half year.

HIGH-PRESSURE CONTAINERS LINCOLN/RAUFOSS

Turnover and market

Lincoln/Raufoss reported a turnover of 72.9 MNOK (51.1) for the second quarter. This is a significant improvement from both the previous quarter and from the same period last year. Turnover at Raufoss Fuel Systems continued its strong trend from the first quarter. Lincoln Composites has also experienced satisfactory development in its domestic North American market. The business area achieved a turnover of 131.9 MNOK (85.2) for the first half year.

Development of the TITAN™ container is now almost complete. The most important technical milestones in the development and testing process have been completed and it is expected that type approval of the product will be in place in some key markets during the course of the second half year. Interest for the product is still strong and it is expected that rising oil prices with a consequent increased interest in the use of gas will further stimulate interest.

Production and margins

Both Lincoln composites and Raufoss Fuel Systems reported positive operating profits for the second quarter. However it is expected that fixed costs will be at a higher level during the whole of 2009 when compared to a normal operating year as there will be some doubling of fixed production costs at Lincoln due to the on going set-up of the new factory for Lincoln's TUFFSHELL® high-pressure all composite gas containers. The changeover of the main production line (old to new) for these containers is planned for the third quarter.

Costs and profit

The operating profit for the high-pressure area for the second quarter was 7.5 MNOK (2.5) and for the first half year it was 10.2 MNOK (1.8). Somewhat weaker activity levels, especially in Europe, are expected for the second half year with a correspondingly weaker result in the second half year when compared to the first half year.

COMPOSITE REINFORCEMENTS DEVOLD AMT

Turnover and market

The business area had a turnover of 36.3 MNOK (70.0) for the second quarter. This is a strong reduction both in relation to the previous quarter and to the same period last year. The weakening is due to a major reduction in activity within the wind energy industry so far this year. Devold AMT had a turnover of 96.6 MNOK (132.4) for the first half year.

The global wind energy industry represents the main market. The reduced activity so far in 2009 is due to difficulties with the financing of wind energy parks. The underlying trend for growth in the wind industry is still strong but is expected that the whole of 2009 will be a difficult one for the wind power industry and growth will not be forthcoming again until 2010 at the earliest.

Production and margins

The activity within this business area does not give sufficient coverage of fixed costs at today's levels.

Costs and profit

The business unit achieved an operating profit, EBIT, for the second quarter of -8.0 MNOK (1.8). Operating profit for the first half year was -5.0 MNOK (4.8). It is expected that the second half year will be as equally poor as the first half year.

PARENT COMPANY

Operating expenses amounted to 3.3 MNOK (2.6) for the second quarter and 7.7 MNOK (6.0) for the first half year.

GROUP

The Hexagon Group achieved a turnover of 457.5 MNOK (362.6) for the first half-year 2009 and an operating profit before depreciation, EBITDA, of 73.5 MNOK (43.0). The operating profit, EBIT, was 45.1 MNOK (23.2). Profit before tax was 50.7 MNOK (7.6).

The Group's equity ratio was 30.0 % (28.6%) and liquidity is good. The measures that have been implemented in the Group to reduce the balance sheet have taken effect. The total balance sheet for the group has been reduced by more than 30 MNOK through the second quarter from 808.4 MNOK to 775.6 MNOK.

The Board is very pleased with the earning development at Ragasco and that the company is delivering strong results. The planned capacity growth in 2009 has already been realised. The strong market outlook indicates that the company will be able to sell all of the production capacity that can be made available during 2009.

The Board has approved an investment of 15 MNOK in Ragasco which is expected to raise the company's production capacity to 1 500 000 LPG containers per year. Due to the strong market growth at Ragasco, in addition to the increase in capacity highlighted above, planning has begun regarding a larger expansion of the existing Ragasco production facility at Raufoss.

The Board expects that the high-pressure area will achieve a small positive result for 2009. The result will, as highlighted above, be somewhat reduced when compared to a normal year's operation by virtue of increased fixed costs in 2009. An addition factor is that the sale of the TITAN™ containers is expected to start later in the year than was originally planned. The Board are of the clear opinion that the business area is well positioned for future growth.

The Board notes that the wind energy industry had a strong downturn in 2009 and expects that Devold AMT will achieve a significantly weaker result for this year when compared to 2008. The situation in the wind energy industry is expected to gradually improve during 2010.

Transactions with related parties

For detailed information about 'Transactions with related parties' please refer to the Annual report 2008, note 28.

Risks and uncertainties

The Hexagon Group is active in sales and purchasing in a large number of markets. Export represents a considerable part of the company's sales. Currency risk is the Group's largest financial risk factor. There are no significant changes to the Group's risk and uncertainty profile as reported for the year 2008. Further information regarding these factors can be found in Hexagon Composite's 2008 Annual Report. These risks and uncertainties are not expected to have any significant impact upon the Concern's economic position during the next three months.

Statement by the Board members and the Group President

We confirm that, to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting ("IAS 34 Delårsrapportering"), the interim consolidated financial statements for the period 1st January to 30th June 2009, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim Group management report gives a true overview of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the coming accounting period and of transactions with related parties.

Raufoss, 25th August 2009

Signature – Knut Flakk, Chairman of the Board

Signature – Kristin Krohn Devold, Vice-Chairman of the Board

Signature – Runar Selmar, Board member

Signature – Annelin Henriksen, Board member

Signature – Sverre Narvesen, Board member

Signature – Erik Espeset, Group President

Hexagon Composites ASA - Profit and Loss Statement 1st Half-year 2009

(All figures in NOK 1.000)

PROFIT AND LOSS ACCOUNT	30.06.2009	2Q 2009	30.06.2008	2Q 2008	31.12.2008
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Operating income	457 512	229 539	362 584	194 547	767 273
Cost of materials	240 294	121 530	195 881	106 592	432 394
Payroll and social security expenses	87 282	40 748	76 302	39 634	123 762
Other operating expenses	56 409	28 479	47 443	24 871	105 484
Operating profit before depreciation (EBITDA)	73 527	38 782	42 958	23 450	105 633
Depreciation	28 416	14 640	19 750	9 647	46 009
Operating profit (EBIT)	45 111	24 141	23 208	13 803	59 624
Income from investments in associates	1 559	425	2 176	765	-9 493
Other financial items (net)	4 039	-7 925	-17 735	-6 785	-59 900
Profit/loss before tax	50 709	16 641	7 649	7 783	-9 769
Tax	-14 010	-4 848	-1 737	-2 227	-39
Profit/loss after tax	36 700	11 793	5 911	5 556	-9 808

Comprehensive income statement according to IAS 1¹⁾

Profit/loss after tax	36 700		5 911		-9 808
Exchange differences arising from the translation of foreign operations	-8 190		-3 013		17 011
Actuarial gains/losses for the period	0		0		-2 183
Fair value adjustments hedging instruments	2 785		3 695		-11 401
Comprehensive income	31 295		6 593		-6 381

¹⁾ The table is adjusted in accordance with the revised IAS 1 as from 1 January 2009. See also note 2 Accounting principles.

BALANCE SHEET

Intangible assets	122 827		100 899		135 926
Tangible fixed assets	272 117		253 482		279 625
Investments in associates	57 845		66 025		58 087
Other financial fixed assets	834		9 604		649
Inventories	134 122		133 554		145 551
Receivables	181 123		168 761		176 374
Bank deposits, cash and similar	6 712		6 178		9 938
Total assets	775 579		738 504		806 150
Paid-in capital	176 789		173 558		176 114
Other equity	55 553		37 561		24 755
Provisions	27 018		22 082		37 199
Interest-bearing long-term liabilities	308 538		352 023		311 825
Interest-bearing current liabilities	52 772		13 585		60 184
Other current liabilities	154 908		139 695		196 073
Total liabilities and equity	775 579		738 504		806 150

CASH FLOW STATEMENT

Profit before tax	50 709		7 649		-9 769
Depreciation and write-downs	28 416		19 750		46 009
Change in net working capital	-27 212		1 972		59 730
Net cash flow from operations	51 913		29 371		95 971
Net cash flow from investment activities	-31 086		-15 713		-73 287
Net cash flow from financing activities	-24 053		-14 463		-19 730
Net change in cash and cash equivalents	-3 226		-805		2 954
Cash and cash equivalents at start of period	9 938		6 984		6 984
Cash and cash equivalents at end of period	6 712		6 178		9 938
Available unused credit facility	95 104		34 065		48 105

Statement of changes in equity

	Share capital	Share premium reserve	Revaluation reserve	Exchange differences	Other equity	Total
Balance sheet as at 31 December 2007	13 287	156 264	-580	-6 932	41 847	203 886
Comprehensive income for the period	0	0	-11 401	17 011	-11 991	-6 381
Share-based payment	0	0	0	0	1 630	1 630
Share options used by employees	43	1 692	0	0	0	1 734
Balance sheet as at 31 December 2008	13 329	157 955	-11 981	10 079	31 486	200 869
Balance sheet as at 31 December 2008	13 329	157 955	-11 981	10 079	31 485	200 869
Comprehensive income for the period	0	0	2 785	-8 190	36 700	31 294
Share-based payment	0	0	0	0	179	179
Balance sheet as at 30 June 2009	13 329	157 955	-9 196	1 889	68 364	232 342

KEY FIGURES

	30.06.2009	30.06.2008	31.12.2008
Equity ratio	30.0 %	28.6 %	24.9 %
Equity/Capital employed	39.1 %	36.6 %	35.1 %
Liquidity ratio I	1.6	2.0	1.3
Return on equity (annualised)	33.9 %	5.7 %	-4.8 %
Total return (annualised)	16.0 %	6.4 %	2.6 %
Earnings per share	0.28	0.04	-0.07
Diluted earnings per share	0.28	0.04	-0.06
Cash flow from operations per share	0.39	0.22	0.72
Equity per share	1.74	1.59	1.51
Interest-bearing liabilities	361 310	365 608	372 009

Information on Business Areas¹⁾:

	30.06.2009	2Q 2009	30.06.2008	2Q 2008	31.12.2008
Ragasco - LPG Containers:					
Operating income	229 920	120 900	146 790	74 072	326 048
Operating profit before depreciation (EBITDA)	65 509	36 886	33 682	17 586	76 451
Operating profit (EBIT)	45 977	27 100	21 266	11 530	47 040
Lincoln/Raufoss - High Pressure Containers:					
Operating income	131 879	72 853	85 171	51 148	178 282
Operating profit before depreciation (EBITDA)	14 812	10 056	4 579	3 837	9 471
Operating profit (EBIT)	10 159	7 474	1 840	2 496	1 836
Devold AMT - Composite Reinforcements:					
Operating income	96 633	36 295	132 438	69 994	266 504
Operating profit before depreciation (EBITDA)	-729	-5 687	9 377	4 050	27 263
Operating profit (EBIT)	-4 959	-7 960	4 782	1 801	18 300

¹⁾ Figures for the business areas do not include elimination of internal sales.

NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for 1st Half-year 2009, which ended June 30th 2009, comprise Hexagon Composites ASA and its subsidiaries (together referred to as “The Group”).

These condensed consolidated half-yearly financial statements have been prepared in accordance with International Financial Standard (IFRS), IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of The Group for the year which ended December 31st 2008.

These condensed consolidated half-yearly financial statements were approved by the Board of Directors on August 25th 2009.

NOTE 2: ACCOUNTING PRINCIPLES

The accounting principles used in the preparation of these interim accounts are the same as those applied to the consolidated financial statements for 2008 and are described therein.

Investments associates are recognised in the consolidated accounts using the equity method. Interests in the joint venture PPG-Devold LLC (50 %) have been recognised in the financial statements of the group by applying proportionate consolidation. Hexagon’s share of assets, liabilities revenues and costs are consolidated item by item.

IAS 1 – Presentation of Financial Statements (revised)

The Group has applied the revised IAS 1 with effect from 1 January 2009. The implementation has resulted in changes in the Group's statement of changes in equity and income statement. According to the revised standard, the statement of changes in equity shall only show details on transactions with owners. Other transactions recognised directly in equity should be presented on a separate line in the statement of changes in equity. In the income statement, these transactions should be shown in a statement of comprehensive income according to IAS 1 under the income statement.

NOTE 3: BOND COVENANTS

Bond loan ISIN NO 001032289.4 2006/2011 issued at 300 mill NOK has the following financial covenants:

- Equity/Capital Employed^{*)} at least 30%
- Senior Debt^{**)} maximum 20 % of Capital Employed
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^{*)} Capital Employed equals equity plus interest-bearing debt.

^{**)} Senior Debt is the sum of secured debt and guarantees with higher seniority than the bond loan.

		30.06.2009
Equity/Capital Employed		39.1%
Maximum Senior Debt	118 730	(20.0%)
Actual Senior Debt	35 586	(6.0%)

20 LARGEST SHAREHOLDERS PER 24.08.2009

INVESTOR	TOTAL SHARES	% OF 20 LARGEST	% OF TOTAL	TYPE	COUNTRY
FLAKK HOLDING AS	51 285 988	45.33 %	38.48 %	COMP.	NOR
RASMUSSENGRUPPEN AS	15 268 000	13.49 %	11.45 %	COMP.	NOR
MP PENSJON	12 903 097	11.40 %	9.68 %	COMP.	NOR
BØCKMANN HOLDING AS	11 547 531	10.21 %	8.66 %	COMP.	NOR
SKAGEN VEST	3 100 000	2.74 %	2.33 %	COMP.	NOR
THE NORTHERN TRUST CO.	3 000 000	2.65 %	2.25 %	NOM	GBR
HOLBERG NORGE	2 494 000	2.20 %	1.87 %	COMP.	NOR
SPIILKA INTERNATIONAL	2 295 607	2.03 %	1.72 %	COMP.	NOR
FLAKK KNUT TRYGVE	1 931 248	1.71 %	1.45 %	PRIV	NOR
WARRENWICKLUND NORGE P652	1 289 000	1.14 %	0.97 %	COMP.	NOR
FLYDAL LARS IVAR	1 273 325	1.13 %	0.96 %	PRIV	NOR
STRAFO A/S NIL	1 210 000	1.07 %	0.91 %	COMP.	NOR
TERRA NORGE VPF	1 139 000	1.01 %	0.85 %	COMP.	NOR
MOLVÆR IVAR ARVID	800 000	0.71 %	0.60 %	PRIV	NOR
SAF-INVEST AS	800 000	0.71 %	0.60 %	COMP.	NOR
FJELL TORE JOHAN	741 044	0.65 %	0.56 %	PRIV	NOR
YAMBA AS	550 000	0.49 %	0.41 %	COMP.	NOR
FLAKK GRETE	524 000	0.46 %	0.39 %	PRIV	NOR
CAMACA AS	500 000	0.44 %	0.38 %	COMP.	NOR
NBI HF ICELAND	489 500	0.43 %	0.37 %	NOM	ISL
TOTAL SHARES AMONGST THE TOP 20	113 141 340	100.00 %	84.88 %		
OTHER INVESTORS	20 153 528		15.12 %		
TOTAL SHARES	133 294 868		100.00 %		