

THE BOARD OF DIRECTORS' REPORT (Unofficial translation)

The Hexagon Group had a fourth quarter turnover of 183.1 MNOK (210.7), an operating profit before depreciation (EBITDA) of 15.5 MNOK (37.8). Operating profit (EBIT) was 0.9 MNOK (22.9). Profit before tax for the fourth quarter was 0.8 MNOK (-24.4). The final quarter of 2009 has been weak. This was expected and is due to the ramp-up of operations at the new Lincoln Composites factory, the reconstruction within the Ragasco factory and a weak market for Devold AMT.

2009 has been the best ever year for Hexagon Composites. The Group achieved a turnover of 866.2 MNOK for the year which is an increase of 13% in relation to 2008. Operating profit before depreciation (EBITDA) was 128.5 MNOK (105.6). Operating profit (EBIT) was 71.9 MNOK which is 21% better than 2008. Profit before tax amounted to 86.4 MNOK (-9.8).

Important events in the Group since the previous interim report:

- Ragasco has completed the factory reconstruction providing an increased production capacity which is expected to give a production level of 2 million units by the end of 2010.
- The high-pressure business unit has completed the qualification program for the new TITAN™ containers.
- The high-pressure business unit has received a 12 MNOK order for the sale of TITAN™ modules to PetroVietnam

Ragasco delivered an operating profit of 10.2 MNOK (17.6) in the fourth quarter. In the high-pressure container business unit (Lincoln/Raufoss) an operating result of -2.4 MNOK (-1.7) was realised. The composite reinforcement business unit (Devold AMT) reported an operating result of -4.0 MNOK (7.9)

BUSINESS AREAS

COMPOSITE CONTAINERS RAGASCO

Turnover and market

2009 has been a record year for Ragasco. The company achieved a turnover of 451.7 MNOK (326.0). This is a 39% increase from 2008. This strong growth is due to strong demand for the company's LPG containers and good productivity development.

Ragasco had a fourth quarter turnover of 99.8 MNOK (103.8). This is lower than the previous quarter and is because the factory was stopped in the middle of December for a significant reconstruction. This reconstruction was completed at the end of January and the company is now at full supply capacity again.

The market for Ragasco's LPG/propane containers is good and the company is positioned for continued strong sales growth in 2010 in relation to 2009.

Production and margins

The margin for the fourth quarter was weaker than normal due to the planned production stop and reconstruction during the period. Average operating margin for the year was 18%.

Costs and Profit

Operating profit, EBIT, for 2009 was 81.0 MNOK (47.0). This is the company's best ever result. Operating profit for the fourth quarter was 10.2 MNOK (17.6). A weak first quarter 2010 is expected due to the production stop in January and the reduced production capacity during the subsequent start-up phase, but good results are expected for the remainder of the year.

HIGH-PRESSURE CONTAINERS LINCOLN/RAUFOSS

Turnover and market

The high-pressure area reported a turnover of 251.1 MNOK (178.3) for 2009. This is an increase of 41% from 2008 and is due to the good market development for gas-driven buses particularly in Europe.

Lincoln/Raufoss reported a turnover of 50.9 MNOK (37.0) for the fourth quarter. This is lower than the previous quarter but an increase in relation to the same period in 2008. Lincoln Composites experienced continued stable turnover in its domestic North American market. Turnover for Raufoss Fuel Systems was good for the first nine months of the year but weak in the fourth quarter as several customers have not yet adjusted to the new E.U. emission requirements.

The qualification process for the TITAN™ container is now completed. Lincoln report strong international interest for TITAN™. It is expected that the increasing difference between oil and gas prices will further stimulate interest in the use of gas. The first order for 12 MNOK for the sale of TITAN™ modules to PetroVietnam has been received and will be delivered in the first half-year 2010.

Increased turnover is expected for 2010 in relation to 2009.

Production and margins

Both Lincoln Composites and Raufoss Fuel Systems reported positive operating margins for 2009. Fixed costs were at a higher level during the whole of 2009 when compared to a normal operating year due to operations at two production facilities. The old production facility for TUFFSHELL® containers is expected to be closed during the first quarter 2010. The fourth quarter was weak for both companies.

Costs and profit

The operating profit, EBIT, for Lincoln/Raufoss in 2009 was 10.6 MNOK (1.8). This is a significant improvement from 2008. Operating profit for the fourth quarter was -2.4 MNOK (-1.7). Significantly better results are expected for 2010 for this business unit.

COMPOSITE REINFORCEMENTS DEVOLD AMT

Turnover and market

The business unit had a turnover of 165.2 MNOK (266.5) for 2009. This is significantly weaker than in 2008. Devold AMT had a turnover of 33.0 MNOK (71.4) for the fourth quarter. This was the year's weakest quarter and a halving in relation to same period in 2008.

Turnover for 2010 is expected to remain at the same low level as in 2009.

Production and margins

The activity within this business area did not give sufficient coverage of fixed costs during 2009. There is strong focus on cost reduction measures (including temporary redundancies) and further relocation of production capacity from Norway to Lithuania.

Costs and profit

The business unit achieved an operating profit, EBIT, for 2009 of -10.0 MNOK (18.3). Operating profit for the fourth quarter was -4.0 MNOK (7.9). A marginal improvement in results is expected for 2010 in relation to 2009 but the first half of 2010 is expected to produce negative results.

PARENT COMPANY

Operating expenses amounted to 14.1 MNOK (11.2) for 2009 and 4.4 MNOK (2.4) for the fourth quarter.

GROUP

The Hexagon Group achieved a turnover of 866.2 MNOK (767.3) for 2009 and an operating profit before depreciation, EBITDA, of 128.5 MNOK (105.6). The operating profit, EBIT, was 71.9 MNOK (59.6). Profit before tax was 86.4 MNOK (-9.8).

The Group's equity ratio was 34.0 % (24.9%) and liquidity is good. The measures that have been implemented in the Group to reduce the balance sheet have had a good effect in 2009. The total balance sheet for the group has been reduced by almost 50 MNOK through the year from 806.2 MNOK to 758.9 MNOK.

The Board is pleased with the development at Ragasco and that the company has completed yet another successful reconstruction. The reconstruction programme is expected to increase production capacity from 2009's 1.2 million unit level up towards a 2 million unit level by the end of 2010.

The Board is satisfied that the qualification programme for the TITAN™ container has finally been completed and that the first order for the delivery of TITAN™ modules has been received. This, in addition to the new facility for the production of the TUFFSHELL® containers means that the business unit has good capacity for future profitable growth.

The Board is disappointed over the development at Devold AMT during 2009.

The Hexagon Group as a whole expects a weak first quarter for 2010 but the outlook for the year as a whole is considered to be good.

Ålesund, 15th February 2010

Hexagon Composites ASA - Profit and Loss Statement 4th Quarter 2009

(All figures in NOK 1,000)

PROFIT AND LOSS ACCOUNT

	31.12.2009	31.12.2008	4Q 2009	4Q 2008
	Unaudited	Audited	Unaudited	Unaudited
Operating income	866 234	767 273	183 067	210 672
Cost of materials	455 674	432 394	93 615	122 717
Payroll and social security expenses	172 352	123 762	43 693	11 189
Other operating expenses	109 680	105 484	30 225	38 939
Operating profit before depreciation (EBITDA)	128 529	105 633	15 534	37 827
Depreciation	56 665	46 009	14 679	14 949
Operating profit (EBIT)	71 863	59 624	854	22 878
Income from investments in associates	-3 112	-9 493	-534	-12 678
Other financial items (net)	17 601	-59 900	449	-34 597
Profit/loss before tax	86 353	-9 769	770	-24 397
Tax	-24 935	-39	-130	3 273
Profit/loss after tax	61 418	-9 808	640	-21 124

Comprehensive income statement according to IAS 1¹⁾

Profit/loss after tax	61 418
Exchange differences arising from the translation of foreign operations	-13 201
Actuarial gains/losses for the period	2 502
Fair value adjustments hedging instruments	4 911
Comprehensive income	55 630

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	125 379	135 926
Tangible fixed assets	286 201	279 625
Investments in associates	6 097	58 087
Other financial fixed assets	863	649
Inventories	95 627	145 551
Receivables	198 211	176 374
Bank deposits, cash and similar	46 563	9 938
Total assets	758 942	806 150
Paid-in capital	177 359	176 114
Other equity	80 522	24 755
Provisions	23 979	37 199
Interest-bearing long-term liabilities	309 929	311 825
Interest-bearing current liabilities	30 698	60 184
Other current liabilities	136 455	196 073
Total liabilities and equity	758 942	806 150

CASH FLOW STATEMENT

Profit before tax	86 353	-9 769
Depreciation and write-downs	56 665	46 009
Change in net working capital	-1 482	59 730
Net cash flow from operations	141 536	95 971
Net cash flow from investment activities	-46 685	-73 287
Net cash flow from financing activities	-58 225	-19 730
Net change in cash and cash equivalents	36 625	2 954
Cash and cash equivalents at start of period	9 938	6 984
Cash and cash equivalents at end of period	46 563	9 938
Available unused credit facility	85 633	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			-11 401	17 011	-11 991	-6 381
Share-based payment					1 630	1 630
Share options used by employees	43	1 692				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	31 486	200 869
Comprehensive income for the period			4 911	-13 201	63 920	55 630
Share-based payment					1 382	1 382
Balance sheet as at 31 December 2009	13 329	157 955	-7 070	-3 122	96 788	257 881

KEY FIGURES

	31.12.2009	31.12.2008
Equity ratio	34.0%	24.9%
Equity/Capital employed	43.1%	35.1%
Liquidity ratio I	2.0	1.3
Return on equity (annualised)	26.8%	-4.8%
Total return (annualised)	14.8%	2.6%
Earnings per share	0.46	-0.07
Diluted earnings per share	0.46	-0.06
Cash flow from operations per share	1.06	0.72
Equity per share	1.93	1.51
Interest-bearing liabilities	340 627	372 009

Information on Business Areas¹⁾:

	31.12.2009	31.12.2008	4Q 2009	4Q 2008
Ragasco - LPG Containers:				
Operating income	451 688	326 048	99 763	103 843
Operating profit before depreciation (EBITDA)	117 531	76 451	18 929	26 667
Operating profit (EBIT)	80 948	47 040	10 176	17 582
Lincoln/Raufoss - High Pressure Containers:				
Operating income	251 120	178 282	50 889	36 960
Operating profit before depreciation (EBITDA)	22 073	9 471	1 160	1 775
Operating profit (EBIT)	10 594	1 836	-2 387	-1 678
Devold AMT - Composite Reinforcements:				
Operating income	165 193	266 504	32 989	71 361
Operating profit before depreciation (EBITDA)	-1 382	27 263	-1 611	10 326
Operating profit (EBIT)	-9 960	18 300	-3 967	7 915

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

NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for 4th Quarter 2009, which ended December 31st 2009, comprise Hexagon Composites ASA and its subsidiaries (together referred to as “The Group”).

These condensed consolidated interim 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 interim financial statements were approved by the Board of Directors on February 15th 2010.

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.

		31.12.2009
Equity/Capital Employed		43.1%
Maximum Senior Debt	119 702	(20.0%)
Actual Senior Debt	48 805	(8.2%)

20 LARGEST SHAREHOLDERS PER 15.02.2010

INVESTOR	TOTAL SHARES	% OF 20 LARGEST	% OF TOTAL	TYPE	COUNTRY
FLAKK HOLDING AS	51 285 988	45.15 %	38.48 %	COMP.	NOR
RASMUSSENGRUPPEN AS	15 268 000	13.44 %	11.45 %	COMP.	NOR
MP PENSJON	12 903 097	11.36 %	9.68 %	COMP.	NOR
BØCKMANN HOLDING AS	11 547 531	10.17 %	8.66 %	COMP.	NOR
SKAGEN VEST	3 100 000	2.73 %	2.33 %	COMP.	NOR
THE NORTHERN TRUST CO.	3 000 000	2.64 %	2.25 %	NOM	GBR
HOLBERG NORGE	2 544 000	2.24 %	1.91 %	COMP.	NOR
FLAKK KNUT TRYGVE	1 931 248	1.70 %	1.45 %	PRIV	NOR
SPILKA INTERNATIONAL	1 883 607	1.66 %	1.41 %	COMP.	NOR
DnB NOR SMB VPF	1 798 000	1.58 %	1.35 %	COMP.	NOR
WARRENWICKLUND NORGE P652	1 346 000	1.18 %	1.01 %	COMP.	NOR
FLYDAL LARS IVAR	1 273 325	1.12 %	0.96 %	PRIV	NOR
STRAFO A/S NIL	1 160 000	1.02 %	0.87 %	COMP.	NOR
TERRA NORGE VPF	927 000	0.82 %	0.70 %	COMP.	NOR
MOLVÆR IVAR ARVID	800 000	0.70 %	0.60 %	PRIV	NOR
FJELL TORE JOHAN	741 044	0.65 %	0.56 %	PRIV	NOR
JP MORGAN CHASE BANK	550 000	0.48 %	0.41 %	NOM	GBR
YAMBA AS	550 000	0.48 %	0.41 %	COMP.	NOR
FLAKK GRETE	524 000	0.46 %	0.39 %	PRIV	NOR
ESPESET ERIK	454 544	0.40 %	0.34 %	PRIV	NOR
TOTAL SHARES AMONGST THE TOP 20	113 587 384	100.00 %	85.22 %		
OTHER INVESTORS	19 707 484		14.78 %		
TOTAL SHARES	133 294 868		100.00 %		