THE BOARD OF DIRECTORS' REPORT (Unofficial translation)

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

- In July Ragasco entered a three year agreement for the sale of LPG cylinders with Antargaz, one of the leading French gas distributors.
- Ragasco received an order for 300 000 LPG cylinders from PDVSA, Venezuela's state-owned oil and gas company. The order represents a breakthrough into the Latin-American market.
- Delivery of high-pressure cylinders for the Daimler Benz B-class vehicle has begun.

For the second quarter Hexagon Composites ASA reported a turnover of 194.5 MNOK (142.0) and an operating profit before depreciation/amortisation, EBITDA, of 23.5 MNOK (18.9) and an operating profit, EBIT, of 13.8 MNOK (10.3).

Ragasco delivered an operating profit of 11.5 MNOK (10.9) in the second quarter. In the high-pressure container business unit (Lincoln/Raufoss) an operating profit of 2.5 MNOK (2.0) was realised. Lincoln Composites reported a positive operating profit whilst Raufoss Fuel Systems, as expected, reported a negative result because of the continuing weakness of the European, natural-gas bus market. The composite reinforcement business unit (Devold AMT) reported an operating profit of 1.8 MNOK (-1.3)

BUSINESS AREAS

COMPOSITE CONTAINERS
RAGASCO

Turnover and market
Ragasco achieved a turnover of 146.8 MNOK (117.8) in the first half-year 2008. This represents a growth rate of 25 %. The bulk of these sales were to the European markets. The turnover for the second quarter was 74.1 MNOK (66.0).

In July Ragasco signed a three-year agreement with the leading French gas distributor, Antargaz. The size of the agreement is such that it represents a significant step on the path for realising Ragasco's growth strategy for the coming years. Teaming up with Antargaz will give the company a significant position within the French market which is one of the most important LPG markets in Europe. Previously Ragasco has only had very marginal sales in this market.

The company's 300 000 cylinder order for PDVSA in Venezuela, which will be delivered during the course of 2008, represents a significant breakthrough into the Latin-American market. This is the result of Ragasco winning an international tender showing that the company has a strong international competitiveness. The order is part of a modernisation program in Venezuela whereby old steel cylinders are replaced with corrosion resistant and safer composite cylinders.

The company's reliance on BP has been reduced and the company's strategy for entering new markets is being realised.

The company has, as expected begun deliveries of the high-pressure CNG tanks to the Daimler Benz B-class during the course of the second quarter 2008. High oil prices and an increased focus on the environment have strengthened the market's interest for CNG cylinders for natural and biogas driven vehicles.

Production and margins
Production capacity in the company is now approx. 1 million cylinders per year and is expected to increase somewhat towards the end of the year. The margins have improved in relation to the first quarter. Production capacity for the remainder of 2008 is virtually all allocated.

Costs and Profit
Operating profit, EBIT, for the first half-year was 21.3 MNOK (13.1). The positive development of the company is expected to continue.

HIGH-PRESSURE CONTAINERS
LINCOLN/RAUFOSS

Turnover and market
Lincoln/Raufoss reported a turnover of 85.2 MNOK (67.5) for the first half-year 2008. The turnover at Raufoss Fuel Systems was, as expected, low. This low turnover is due to the continuing weak market for CNG buses in Europe. There are signs that the market will improve slightly towards the end of 2008 although there is a risk that the weak market situation will continue into 2009. The market for natural gas busses in the USA is good. The high-pressure business unit has a strong market position and remains in its position as the clear market leader. Lincoln Composites achieved a turnover in line with the first half-year of 2007.

The interest for the new large TITAN™ tank is very strong, based around the products unique advantages, increased energy prices and more focus on the climate/environment. The final development processes for the TITAN™ are expected to be in place by the end of the third quarter 2008 and it is expected to have type approval and be ready for sale in selected important markets during the fourth quarter.

Production and margins
Lincoln Composites has had satisfactory margins for the first half-year. Raufoss Fuel Systems has had, because of the market situation in Europe, negative operating margins.

Costs and profit
The operating profit for Lincoln/Raufoss for the first half-year was 1.8 MNOK (3.2) and for the last quarter 2.5 MNOK (2.0). The business area is expected to breakeven for the year 2008.

COMPOSITE REINFORCEMENTS
DEVOLD AMT

Turnover and market
Devold AMT had a turnover of 132.4 MNOK (97.4) for the first half-year 2008 and 70.0 MNOK (41.7) for the second quarter. This is an improvement of 36 % in relation to the previous year and reflects strong activity in the global wind energy market. The company has strengthened its position within this market and at the same time is actively seeking a stronger foothold in other markets. 2008 is expected to show an increased turnover in relation to 2007.

Production and margins
All three operating units (Norway, USA and Lithuania) reported positive operating profits for both the first half-year and for the second quarter. Some production equipment was transferred from Langevåg in Norway to Lithuania during the course of the summer 2008. This is expected to improve the profitability of the company.

Costs and profit
Devold AMT delivered an operating profit for the first half-year of 4.8 MNOK (-2.5) which is better than the same period last year and is due to larger sales volumes and the lack of start-up costs incurred in relation to Lithuania and the USA. Earnings from the USA (PPG-Devold LLC) are good.

PARENT COMPANY
Operating expenses amounted to 6.8 MNOK (6.8) in the first half-year.

GROUP
The Hexagon Group achieved a turnover of 362.6 MNOK (282.7) for the first half-year 2008 and an operating profit before depreciation, EBITDA, of 43.0 MNOK (26.0). The operating profit, EBIT, was 23.2 MNOK (9.0). The profit before tax was 7.6 MNOK (12.0).

The Group's equity ratio was 28.6 % (32.7 %). Liquidity is good. Measures have been implemented in the Group to reduce the balance sheet.

The Board is very pleased with the positive development of Ragasco. Both turnover and operating profit developments are positive. The agreement in France and the order for Venezuela show that the company's LPG cylinders are globally competitive. There is a strong focus upon marketing and sales within the company.

With regards to the development of the high-pressure business unit, the Board is pleased with the international market's interest for the large TITAN™ tanks. The Board is of the opinion that the business area is well positioned for the expected future growth triggered by high energy prices, the global focus on climatic challenges and the development of alternative sources of energy.

The Board is satisfied that all of the operative units that make up the business area Devold AMT have had positive operating margins during the first half-year of 2008.

Medici Corporate AS has been engaged as a financial advisor for the realisation of the sale of the concern's share holding (25 %) in Comrod Communication ASA.

Transactions with related parties
For detailed information about 'Transactions with related parties' please refer to the Annual report 2007, note 28. The following transactions with related parties have arisen in addition to the transactions described in the 2007 annual report:

A Mandatory bid for all outstanding shares in Hexagon Composites ASA from Flakk Holding AS the company's leading shareholder. The offer price for the mandatory bid was NOK 3.80 per share in cash. The offer period was 28.05.08 to 24.06.08. In total shareholders representing 152,775 shares accepted the offer. After the deadline for acceptance had passed, Flakk Holding AS and related parties own a total of 50,058,800 shares in Hexagon Composites ASA, which represents 37.7 % of the total outstanding shares.

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 Concern's risk and uncertainty factors from 2007. Further information regarding these factors can be found in Hexagon Composite's 2007 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 2008, 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.

Aalesund, 13th August 2008
The Board of Directors

Signature – Knut Flakk, Chairman of the Board

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

Signature – Gunnar S. Bøckmann, Board member

Signature – Ingvild Vartdal, Board member

Signature – Sverre Narvesen, Board member

Signature – Erik Espeset, Group President

Hexagon Composites ASA - Profit and Loss Statement 1st Half-year 2008

(All figures in NOK 1.000)

PROFIT AND LOSS ACCOUNT	30.06.2008 Unaudited	2Q 2008 Unaudited	30.06.2007 Unaudited	2Q 2007 Unaudited	31.12.2007 Audited
Operating income	362 584	194 547	282 737	141 997	599 391
Cost of materials	195 881	106 592	146 182	73 503	320 312
Payroll and social security expenses	76 302	39 634	65 719	29 529	137 031
Other operating expenses	47 443	24 871	44 875	20 092	90 348
Operating profit before depreciation (EBITDA)	42 958	23 450	25 962	18 873	51 700
Depreciation	19 750	9 647	16 992	8 601	37 416
Operating profit (EBIT)	23 208	13 803	8 970	10 272	14 283
Income from investments in associates	2 176	765	799	298	2 455
Other financial items (net)	-17 735	-6 785	2 218	3 233	-10 481
Profit/loss before tax	7 649	7 783	11 987	13 802	6 257
Tax	-1 737	-2 227	-3 984	-4 251	-2 630
Profit/loss after tax	5 911	5 556	8 002	9 551	3 627
BALANCE SHEET					
Intangible assets	100 899		90 602		102 127
Tangible fixed assets	253 482		253 477		256 824
Investments in associates	66 025		56 871		66 350
Other financial fixed assets	9 604		2 148		3 049
Inventories	133 554		121 787		128 076
Receivables	168 761		116 074		147 786
Bank deposits, cash and similar	6 178		19 586		6 984
Total assets	738 504		660 546		711 196
Paid-in capital	173 558		171 725		173 000
Other equity	37 561		44 368		30 886
Provisions	22 082		14 340		24 867
Interest-bearing long-term liabilities	352 023		310 219		321 065
Interest-bearing current liabilities	13 585		11 047		43 294
Other current liabilities	139 695		108 847		118 084
Total liabilities and equity	738 504		660 546		711 196
CASH FLOW STATEMENT					
Profit before tax	7 649		11 987		6 257
Depreciation and write-downs	19 750		16 992		37 416
Change in net working capital	-13 741		23 743		-8 167
Net cash flow from operations	13 658		52 722		35 506
Net cash flow from investment activities	-15 713		-36 439		-77 557
Net cash flow from financing activities	1 250		-3 260		42 471
Net change in cash and cash equivalents	-805		13 023		420
Cash and cash equivalents at start of period	6 984		6 563		6 563
Cash and cash equivalents at end of period	6 178		19 586		6 984
Available unused credit facility	34 065		38 080		5 017
EQUITY RECONCILIATION					
Equity at start of period	203 886		206 369		206 369
Profit/loss in period	5 911		8 002		3 627
Fair value adjustments, stock based incentives, pension estimates	4 334		890		-4 092
Translation effects. Effects from investments in associates	-3 013		-2 020		-7 510
Demerger	0		-45 628		-45 628
Issue of new stock	0		48 480		51 119
Equity at end of period	211 119		216 093		203 886
KEY FIGURES					
Equity ratio	28,6%		32,7%		28,7%
Equity/Capital employed	36,6%		40,2%		35,9%
Liquidity ratio I	2,0		2,1		1,8
Return on equity (annualised)	5,7%		7,6%		1,8%
Total return (annualised)	6,4%		6,1%		4,3%
Earnings per share	0,04		0,06		0,03
Diluted earnings per share	0,04		0,06		0,03
Cash flow from operations per share	0,10		-0,25		0,27
Equity per share	1,59		1,64		1,54
Interest-bearing liabilities	365 608		321 266		364 359

Information on Business Areas [1]:	30.06.2008	2Q 2008	30.06.2007	2Q 2007	31.12.2007
Ragasco - LPG Containers:					
Operating income	146 790	74 072	117 819	66 032	251 629
Operating profit before depreciation (EBITDA)	33 682	17 586	23 865	16 277	47 936
Operating profit (EBIT)	21 266	11 530	13 146	10 871	25 392
Lincoln/Raufoss - High Pressure Containers:					
Operating income	85 171	51 148	67 542	33 389	151 530
Operating profit before depreciation (EBITDA)	4 579	3 837	5 225	2 853	10 045
Operating profit (EBIT)	1 840	2 496	3 220	1 961	4 970
Devold AMT - Composite Reinforcements:					
Operating income	132 438	69 994	97 416	41 650	197 951
Operating profit before depreciation (EBITDA)	9 377	4 050	1 792	1 007	1 744
Operating profit (EBIT)	4 782	1 801	-2 476	-1 297	-8 054

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 2008, which ended June 30th 2008, 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 2007.

These condensed consolidated half-yearly financial statements were approved by the Board of Directors on August 13th 2008.

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 2007 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.

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
-

[*)] 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.

		30.06.2008
Equity/Capital Employed		36.6%
Maximum Senior Debt	115 345	(20.0%)
Actual Senior Debt	87 239	(15.1%)