

An aerial photograph showing a winding asphalt road that curves through a dense forest of evergreen trees. To the right of the road, a body of water with a milky turquoise color is visible. The overall scene is lush and green, suggesting a natural, possibly mountainous, environment.

Hexagon Purus

Annual report

2020



Well-positioned to capitalize on the
zero emission mobility opportunity

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Hexagon Purus enables zero emission mobility for a cleaner energy future.

We are a world leading provider of hydrogen type 4 high-pressure cylinders, battery packs and drivetrains for fuel cell electric and battery electric vehicles.

Our class-leading high pressure hydrogen storage cylinders also enable distribution, maritime, rail and aerospace applications.



Key facts



7 locations worldwide:
4 production hubs
3 engineering hubs
Headquarters in Oslo

Revenue NOK

180
million

Workforce

142 FTEs * as of December 2020

*Hexagon Purus e-mobility

78 %
equity ratio

Cash NOK

1.2
billion

**We believe that
clean air is a right,
not a privilege.**

Hexagon Purus has now been successfully spun off from Hexagon Composites to pursue its own strategic agenda. But the organizational and industrial links to Hexagon Composites remain strong.

Guided by our common core values of Integrity and Drive, we have dedicated employees across the Group driving the change towards a cleaner energy future.

Hexagon Purus' strong values-based culture drives our performance and guides our decision-making processes and behavior. Our team works hard at turning our vision into reality because we strongly believe that clean air is a right not a privilege, that technology is no longer a barrier and that the need for change is urgent.

We hold ourselves accountable for our interactions internally, as well as externally with our customers, suppliers, shareholders and communities.

Vision

Clean Air Everywhere

Purpose

Driving Energy Transformation

Values

Integrity and Drive

Message from the CEO

Dear Shareholders, Partners and Colleagues,

As I reflect back on an unusual and uniquely challenging year, one thing is clear – 2020 was a time of unprecedented disruption. We faced a worldwide pandemic that resulted in major economic challenges, we witnessed social unrest against injustices, and everyday life changed dramatically. We were tested – physically, mentally, and emotionally. But we stood up to the test. I am so proud of how all the Hexagon Purus team members around the world responded to the sudden need for change, quickly refocusing and adjusting to the new situation. This is both comforting and encouraging as we move forward and try to navigate through the pandemic and work ourselves back to normal.

As devastating as the impact of the pandemic has been, there is a silver lining. The events in 2020 also spurred several positive developments. Sustainability and decarbonization saw long overdue momentum toward meaningful change. The green shift crossed a tipping point, where we now see a strong and united global commitment to confront climate change. And necessary policy changes were put in place – national governments around the world launched major

strategies and programs to address the climate crisis and to accelerate the transition towards renewable energy and zero emission mobility.

Hydrogen is in the fast lane

We are now standing at the early stages of this major shift. In the race for decarbonization, hydrogen has gained considerable momentum as a key energy carrier in the world's future energy mix. This is not just due to its potential to decarbonize the mobility sector but also because of its universal potential to work across the entire energy ecosystem. A significant number of countries, representing more than 70% of global GDP, have announced hydrogen strategies and roadmaps. It is encouraging to see a growing consensus that hydrogen can play an important role in decarbonizing the mobility sector.



Our role in the green transition

Hexagon Purus is one of the companies that are enabling the green transition in the mobility sector. We are global leaders in some of the key technologies needed for zero emission mobility, including high pressure composite hydrogen storage cylinders, fuel storage and distribution systems and electric drivetrain solutions. Our technology is proven across a wide range of mobility applications both on and off road, on waterways, railways and even in outer space. We are passionate about unlocking the potential of zero emission solutions to clean the air everywhere and to save our fragile ecosystems. Guided by our two core values – integrity and drive – we firmly believe that technology is no longer a barrier to zero emission mobility.

Significant accomplishments in 2020

We accomplished a lot in 2020. First of all, we grew our customer base significantly and added important contracts in several mobility segments, including Hino Trucks (heavy-duty trucks), New Flyer (transit), Everfuel (distribution), and Stadler (rail). Being successful with customers is the true test and a necessary requirement to future achievements. Second, we laid the groundwork for entering China, the world's largest clean mobility market, through a joint venture with CIMC Enric. And finally, we successfully listed Hexagon Purus on Euronext Growth Oslo at the end of the year and simultaneously raised gross proceeds of NOK 750 million in a private placement. This was an important step for us, obtaining sufficient capital to accelerate our developments and also providing direct access to the capital markets to fund our future growth. And with Hexagon Composites retaining a majority ownership, we can continue the close cooperation and maintain strong industrial synergies.

Progress can't wait

We see that the clean energy transformation continues to gather strong momentum. In addition to the political ambitions, major corporations around the world have put sustainability and green energy at the top of their strategic agendas, and several key factors that drive hydrogen adoption are moving in the right direction. We could not have asked for a better backdrop to develop our business – and we are ready to accelerate.

I want to thank all our stakeholders – customers, investors, employees, and partners – for your support and efforts in 2020. We have great ambitions for the future and are well positioned to capitalize on our unique standing in the zero emission mobility landscape. We consider this a great opportunity, not only to build a successful and profitable business, but to make a positive impact on society.

Stay safe and take care!

Morten Holum
President & CEO

Key developments



Hexagon Purus (HPUR.OL) was successfully listed on the Euronext Growth exchange in Oslo, Norway with Hexagon Composites retaining a ca. 75% ownership stake



Hexagon Purus raised NOK 750 million in gross proceeds through a private placement in conjunction with the listing



Agreed to transfer the CNG LDV business to Hexagon Composites, thus positioning Hexagon Purus as a pure play e-mobility solutions provider



Ended the year with over NOK 1.2 billion in cash and substantially debt-free



Nominated by a key Northeast Asian automotive leader for the serial supply of hydrogen cylinders for their current zero emission Fuel Cell Electric SUV, with an estimated sales value of EUR 25 million



Entered into a multi-year frame agreement agreement with Everfuel, supporting commercialization of zero emission hydrogen transport in Europe, with an estimated value of approximately EUR 14 million



Selected to work on multiple heavy duty vehicle development programs including Toyota Motors North America and Hino Trucks



Awarded a USD 5.2 million contract for high performance Type 4 pressure vessels for a new aerospace customer



Signed a contract with Stadler Rail to develop and supply hydrogen cylinder storage systems for the first hydrogen commuter train in the U.S.





Signed joint venture agreements with CIMC Enric in March 2021, to enter China which is expected to be the world's largest zero emission hydrogen vehicle and distribution market



Selected by Talgo S.A., a leading manufacturer of intercity, standard and high-speed passenger trains, to deliver high pressure cylinders for its first prototype hydrogen train



Received orders for multiple industrial gas companies to provide cylinders for hydrogen transport



Awarded an order for hydrogen cylinders from New Flyer, North America's largest transit bus OEM



Signed multi-year agreement to supply hydrogen distribution modules to Certarus

Objectives for 2021-2022



Grow revenue by at least 50% in 2021

Build organizational capabilities and resources to successfully execute on various strategic and growth initiatives

Execute ramp up plan in China together with JV partner

Successfully execute existing FCEV and BEV heavy duty programs

Diversify customer base   

Prepare facilities in North America and Europe for increased volumes

Further improve cost efficiency and manufacturing productivity with increased automation and optimized value streams



Executive management



Morten Holum, CEO

Morten Holum was appointed President of Hexagon Purus in March 2020. He joined Hexagon in 2019 as Executive Vice President and Chief Operating Officer. Morten has extensive international business expertise from different industries and prior to joining Hexagon, he was CEO of Saferoad Group, a leading European supplier of road safety and road infrastructure solutions. He has also held key management positions in Norske Skog, Norsk Hydro and American Airlines.

Number of shares: 74,471



Dilip Warriar, CFO

Dilip Warriar was appointed CFO in Hexagon Purus in August 2020. He holds an MBA from Stern School of Business, New York University. Dilip has broad experience in the clean mobility industry. Prior to his role as CFO, he was VP Finance at Hexagon Agility and previously was an equity research analyst at Stifel Nicolaus covering clean transportation and energy storage.

Executive management



Michael Kleschinski, EVP LDC

Michael Kleschinski was appointed Executive Vice President in March 2020. From 2016, Michael was President of Hexagon Purus and has previously held different management positions within production and engineering. He has extensive experience with design and manufacturing of composites.

Number of shares: 50,446



Todd Sloan, EVP Systems

Todd Sloan was appointed EVP Systems in 2020. Prior to his role, he was SVP Innovation and Global Business Development at Hexagon Agility. Todd is one of the original founders of a Hexagon Agility predecessor company and is an industry innovator with 20+ years of experience in clean mobility.

Number of shares: 45,787



Frank Haeberli, SVP Asia

Frank Haeberli was appointed SVP Asia in 2020. He joined Hexagon 15 years ago and most recently held the position of Group VP Strategic Projects. Frank has held several key management positions in Hexagon and has extensive experience and a strong track-record from international business development projects.

Number of shares: 50,355

Driving the transition to zero emission mobility

The momentum for a decarbonized future, of which zero emission transportation is a key foundational pillar, continues to build across the world. With several decades of experience in high pressure vessel technology through the Hexagon Composites lineage, Hexagon Purus is very well positioned across the hydrogen value chain with vehicle cylinders and storage systems for cars, trucks, buses, distribution, maritime, rail and aerospace applications. Additionally, with the contribution of Hexagon Agility's hydrogen and EV business, Hexagon Purus has complete medium and heavy duty vehicle battery pack and electric drivetrain integration capabilities, and working with some of the world's largest OEMs.

Hexagon Purus is one of the market leaders within the heavy-duty battery electric (BEV) and fuel cell electric (FCEV) space with early success in flagship demonstration programs such as Daimler's Innovation Fleet and ongoing development programs with Hino Trucks and Toyota Motors North America. This success builds on several years of experience of integrating low and zero emission energy storage systems on to heavy duty vehicles in highly demanding duty cycles. Hexagon Purus leads the way with energy dense, lightweight, durable and safe zero emission energy storage solutions (both hydrogen and battery) and has also developed strong vehicle integration capabilities.



Many opportunities are presenting themselves particularly in medium/heavy duty vehicle and hydrogen distribution applications. Additionally, there has been an uptick in interest in hydrogen for rail and maritime applications.

Light Duty Vehicles

In August 2020, Hexagon Purus was selected by a key Northeast Asian OEM for the serial supply of composite cylinders for their current zero emission Fuel Cell Electric SUV. The scope of the nomination is over a two-year period with an estimated sales value of EUR 25 million. The nomination also positions Hexagon Purus for further projects within a larger range of vehicle applications with this OEM.

Trucks

The zero emission medium/heavy duty truck market is developing at a rapid pace, particularly in North America, with a near-term focus on battery electric (BEV) solutions and a somewhat



longer term focus on fuel cell electric (FCEV) solutions. Hexagon Purus sees strong interest in the company's hydrogen fuel storage and battery pack as well as electric drivetrain solutions and is involved in a number of ongoing development projects in the segment.

During the year Hexagon Purus was awarded a purchase order by Hino Trucks, a Toyota Motors company, to provide battery packs and drivetrain integration for three trucks as part of Hino's "Project Z" BEV program.

Hexagon Purus was also awarded a contract to supply hydrogen systems to Toyota Motor North America (TMNA) for its newest prototype hydrogen-powered heavy-duty fuel cell electric truck powertrains. This was the third heavy-duty truck project in three years that Hexagon Purus collaborated on with Toyota. Earlier projects included Toyota's proof of concept for the Los Angeles Ports, supporting the ports' efforts to reduce harmful emissions (2017), and a hydrogen city bus from CaetanoBus that utilizes Toyota's leading fuel cell electric technology (2019).

Transit

Interest in the company's hydrogen cylinder and storage systems capabilities continues to grow in the bus segment.

In January 2021, New Flyer, North America's largest transit bus manufacturer and an existing customer of the company, placed an order for the supply of high-pressure hydrogen cylinders for their zero emission Xcelsior CHARGE H2™ hydrogen fuel cell electric transit buses.

In addition, Hexagon Purus has previously been awarded development projects with CaetanoBus and Solaris to deliver hydrogen fuel storage systems.

During the year the H2Bus consortium announced an agreement with Wrightbus for the supply of hydrogen fuel cell electric buses in Europe. The consortium, in which Hexagon Purus is a member supplier of its on-board hydrogen storage solutions aims to deploy 1,000 hydrogen fuel cell electric buses, along with supporting infrastructure, in European cities at commercially competitive rates.

Hydrogen Distribution

The demand for hydrogen distribution solutions is expected to grow as a result of increased energy demand. Hexagon Purus has served large industrial gas companies for several years. With increasing uses of hydrogen not only as an industrial gas but also more recently as a transportation fuel, the company is seeing rapidly increasing

interest in its solutions in Europe and North America which enable hydrogen to be transported from the point of production to the point of use or sale. The market is steadily converting from heavier Type 1 to lighter and more efficient Type 4 cylinders.

During the year, Hexagon Purus signed a multi-year master frame agreement with Everfuel to deliver multiple units of newly designed 45-foot, hydrogen distribution systems with an estimated sales value of EUR 14 million. The systems will be used to transport hydrogen to refuelling stations serving hydrogen fuel cell electric passenger car fleets (e.g. taxis), trucks and buses. At signing, Everfuel ordered its first six distribution units under the new frame agreement. The new system with a nominal payload capacity of 958 kg of compressed hydrogen at 300 bar includes an advanced monitoring system for improved filling efficiency and will be produced at Hexagon Purus' production and assembly facility in Kassel, Germany.

Additionally, during the year, Hexagon Purus signed a contract with a major US hydrogen fuel supplier and refuelling station operator to provide multiple X-STORE transport modules for the distribution of high-pressure hydrogen gas with an estimated sales value of USD 4.8 million. This represented the first order of its kind for the company in North America.

Rail and Maritime

Hexagon Purus is at the forefront of developing hydrogen solutions for the rail and maritime industry. The company is involved in several ongoing rail projects both in Europe and North America.

The company signed a contract with Stadler Rail to develop cylinder storage system for the first hydrogen commuter train in the U.S. The contract includes the development and homologation of a new cylinder and tank system to be approved in the U.S. The train will be built and tested in Switzerland and other European locations, then transferred to California in 2023.

In addition, in January 2021 Hexagon Purus received an order to deliver high pressure cylinders to Talgo, S.A., a leading

manufacturer of intercity, standard and high-speed passenger trains, for its first hydrogen prototype train on Spain.

Through its Hyon AS joint venture and Norwegian Hydrogen AS partnership, Hexagon Purus is involved in several ongoing demonstration projects in the Norwegian maritime sector where public funding (PILOT-E) has been made available for both hydrogen systems onboard vessels as well as the refueling infrastructure. Given the growing market interest for zero emission solutions in the maritime sector, Hexagon Purus intends to accelerate its commercial efforts within this segment.





Board of directors



Jon Erik Engeset

Chairman of the Board

Jon Erik Engeset has been CEO & President in Hexagon since 2013. He holds an MSc and MBA from NHH - Norwegian School of Economics. Prior to joining Hexagon, Jon Erik was the CEO of Saferoad Group, a leading European supplier of road safety solutions.

He also has extensive experience from executive positions at Rolls Royce and Norsk Hydro.
Number of shares: 39 899 ¹



Espen Gundersen

Board member

Espen Gundersen is currently the CFO & Deputy CEO of Tomra Systems. He is a professional accountant and has his MBA from BI.

Espen started his career at Arthur Andersen as an Auditor before moving to Selmer as a VP. He has held various positions at Tomra since 1999. He currently sits on the board of Kitron.



Martha Kold Bakkevig

Board member

Martha Kold Bakkevig has extensive board experience from various industries, including Kongsberg and BW Group. She was the CEO of Deepwell from 2007-2017.

Martha holds two PhD's, one of them specializing in Strategies for Commercialization of New Technology from BI

¹ Includes shares owned by a company controlled by Engeset

Board of directors



Jannicke Hilland

Board member

Jannicke Hilland is currently the CEO of BKK Energy. She has a PhD in Engineering from the University of Bergen.

Jannicke has extensive energy sector experience from Statoil and Norsk Hydro. She also sits on various boards, including: Nysnø Klimainvesteringer, Energi Norge and Bonheur.



Rick Rashilla

Board member

Rick Rashilla was named SVP Research & Development in Hexagon Composites in 2020. Prior to his R&D role, Rick has held several key management positions in the Group, most recently as VP Hydrogen Automotive at Hexagon Purus' location in Germany.

He has 35+ years' experience in managerial and R&D positions related to filament wound pressure vessels and other composites technology from General Dynamics, Brunswick Defence and Lincoln Composites. Number of shares: 10 458



Karen Romer

Board member

Karen Romer was appointed SVP Communications in Hexagon Composites in April 2020. Prior to joining Hexagon, Karen was Senior Director at Hill & Knowlton Norway (H+K) where she led the corporate communications practice.

Karen has extensive experience from senior communications positions at Lindorff, Couche-Tard/Statoil Fuel & Retail and Aker Solutions. Number of shares: 272

Board of directors report

FINANCIAL RESULTS

Unless otherwise stated, the income statements for the periods in 2020 and 2019 and the balance sheet as of December 31, 2020 presented in this document relate to Hexagon Purus' e-mobility business. The results of Hexagon Purus' CNG LDV business (primarily light duty vehicles) are reported as discontinued operations following the successful spin-off of Hexagon Purus from the Hexagon Composites ASA group and the intended transfer of Hexagon Purus' CNG LDV business to new entities under the ownership of Hexagon Composites ASA outside Hexagon Purus.

REVENUE/EBITDA

Reported Hexagon Purus e-mobility revenues for the year 2020 decreased by 15% to NOK 180 million compared with NOK 211 million in 2019 and reported EBITDA was NOK -141 (-143) million. The decline in revenue was due to the completion of an OEM heavy duty BEV truck demonstration program which started in 2019 and completed in Q1 2020; this was partially offset by increased activity with other OEMs both in BEV and FCEV applications. Continued investments in personnel and infrastructure to support and accelerate Hexagon Purus' development as well as the incremental costs of being an independent and publicly traded company drove negative profitability.

PROFIT/LOSS

Hexagon Purus recorded a net loss after tax for the full year 2020 (before profit from discontinued operations) of NOK -308 (-168) million. Net financial items were NOK -104 (-24) million primarily driven by net interest expense on intercompany debt due to Hexagon Composites and negative foreign exchange effects of NOK 70 million.

FINANCIAL POSITION

At year-end, the balance sheet amounted to NOK 2,095 (977) million and the Group's equity ratio was 78%. The year-over-year increase in equity was driven primarily by the NOK 750 million (gross) capital raise completed in conjunction with the listing of Hexagon Purus on Euronext Growth Oslo, as well as the conversion to equity of intercompany debt of NOK 1 340 million between Hexagon Purus and Hexagon Composites.

Property, plant and equipment were NOK 77 (103) million and intangible assets were NOK 415 (475) million. IFRS 16 was implemented on 1 January 2019; as of year-end the right of use assets balance was NOK 30 (54) million. Inventory was NOK 62 (101) million. Outstanding receivables were NOK 27 (125) million. Interest-bearing intercompany debt decreased to NOK 161 (729) million, reflecting operating and financing activities over the course of 2020 and the subsequent conversion to equity of NOK 1 340 million of debt payable to Hexagon Composites. Equity was strengthened to NOK 1,629 (-105) million due to the aforementioned capital raise and conversion of intercompany debt to equity.

CASH FLOW AND LIQUIDITY

Total cash amounted to 1 246 (65) million at the end of 2020. The Company expects that cash will be sufficient to cover planned capital expenditures, operational requirements and financing activities in 2021.

Net cash flow from operating activities was NOK -225 (17) million which included NOK -47 million related to discontinued operations. Depreciation, amortization and write-downs totaled NOK 55 (47) million. Net cash flow

from investment activities was NOK -22 (-114) million, reflecting in part lower capitalization of product development activity. Net cash flow from financing activities was NOK 1 434 (97) million, which included net proceeds from the NOK 750 million private placement in December 2020 as well as NOK 500 million of net proceeds from Hexagon Composites in August 2020. Net currency differences presented separately totalled NOK -6 (-1) million.

BORROWINGS

Hexagon Purus has short-term interest-bearing debt payable to Hexagon Composites. The balance of NOK 161 million as of year-end is expected to be substantially paid off once the transfer of the net assets of the CNG LDV business to Hexagon Composites is complete. See note 26 for more information.

SHARE PRICE DEVELOPMENT AND DIVIDENDS

At the end of 2020 the total number of shares in Hexagon Purus AS was 229 092 239 (par value NOK 0.10). The share price moved between NOK 37.0 and NOK 49.9 ending the year at NOK 49.9 and representing a market value of NOK 11.4 billion.

Given Hexagon Purus' stage of development and significant growth opportunities, the Board of Directors does not recommend a dividend for the year 2020.

COVID-19

Five confirmed cases of COVID-19 infection were reported among Hexagon Purus personnel in 2020, all of whom have recovered or are recovering. All production facilities have remained open and only marginally affected during the year. For more detail on the Company's risks, responses, impacts and resilience in relation to the COVID-19 pandemic, please refer to the Outlook section of this report.

RISK MANAGEMENT

Hexagon Purus works systematically to identify and manage risks. Risk management is executed by company management and management in operating entities. The Board's audit committee reviews the overall risk management policy and procedures and the Company's internal control routines. The committee functions as a preparatory

and advisory committee for the Company's Board and provides support for exercising its responsibilities relating to risk management, financial reporting, financial information and auditing.

FINANCIAL RISK

The Group has a centralized finance function with overall responsibility for accounting, cash management, capital management, financing arrangements and management of the Group's financial risk factors. The Group also fulfills certain financial functions through services provided by Hexagon Composites. In addition, the operating subsidiaries have financial controllers that perform similar tasks at the subsidiary level.

The Group is exposed to credit risk related to counterparty default on contractual agreements and trade, and other current receivables. The Company has policies and procedures to ensure that sales are made to customers with appropriate credit profiles within defined limits. No material losses on outstanding receivables were recorded in 2020 or 2019. Continuing business trade receivables at the end of the year amounted to NOK 27 million.

The Group's interest-bearing liabilities due to Hexagon Composites have variable interest rates, which expose the Group to volatility in future interest payment amounts. The aim of the Group's interest rate management is to reduce interest expense while keeping this volatility within acceptable limits.

Liquidity risk is the risk of the Group not being in a position to fulfil its financial liabilities when they fall due. The Group's strategy for managing liquidity risk is to set a level of available liquidity to enable it to discharge its financial liabilities when they fall due, both under normal and unexpected circumstances, without risking unacceptable losses or damaging the group's reputation.

As the Group has production and sales in different countries with different functional currencies, it is exposed to currency risk associated with movements of the Norwegian krone (its presentation currency) against other currencies. The Group's profit after tax is also affected by currency movements, as the

results of foreign companies are translated to Norwegian kroner using the weighted average exchange rate for the period. The most important foreign currencies to the Company are the US Dollar and Euro. The Group currently does not use financial instruments to manage foreign exchange risk.

Please see note 20 to the consolidated financial statements for further information related to financial risk factors and mitigating actions.

OPERATIONAL RISK

Business risk relates to the risk of loss and reduced profitability due to changes in the Group's competitive position. Factors which can impact the competitive position include new players in the industry, pressure on market prices and future demand and supply factors. Depending on developments, these factors can have a negative impact on results and financial positions.

Operational and technological risk

Hexagon Purus currently has a strong position in the markets it operates in. The Group uses its expertise to develop and commercialize new products, processes and technologies. The Group has protected its products, technologies and production processes with patents where deemed appropriate. However, the Group is exposed to competing technologies and processes that could have a negative effect on its competitive position and, in turn profitability and financial position. Hexagon Purus' Type 4 composite pressure vessel technology is industry leading, however, typically competes with existing Type 1 and Type 3 technologies. Hexagon Purus operates in markets with strict standards for quality and delivery. Deviations from these standards could result in significant additional costs, lost revenues and damage to the company's reputation. In order to mitigate these risks, the company has procedures and controls in place to identify and prevent deviations.

Raw materials risk

The Group is exposed to developments in the price of its raw materials and, in particular, the cost of carbon fiber and lithium-ion battery cells. The price of these raw materials is linked to various factors including developments in the price of oil, precursor commodities and energy

and the prevailing market balance where supply is dependent on a limited number of suppliers.

CORPORATE GOVERNANCE

While the Group is not subject to the Norwegian recommendations in NUES (Norwegian Code of Practice for Corporate Governance) updated as of 17 October 2018, the Group intends to prepare reports on the Code as if it applied to it in the future.

CORPORATE SOCIAL RESPONSIBILITY

Hexagon Purus strives to conduct its business in an economically, socially and environmentally responsible manner. The Company's principles and practices are referred to in the Sustainability Report section of Hexagon Composites' 2020 Annual Report.

THE WORKING ENVIRONMENT AND THE EMPLOYEES

Keeping its employees safe during its operations is a Hexagon Purus value. The Group's manufacturing uses complex machinery and industrial processes, rapidly moving parts and equipment, heat, caustic chemicals, and pressurized gas. The Group has established training and operational requirements to ensure a safe and healthy work environment. We believe this promotes efficiency and lowers operating costs.

Leave of absence due to illness was measured to 4% in 2020 (4% in 2019) of the total working hours in the Group. Hence, the Group has succeeded to keep the leave of absence from illness at an acceptable level for the year. The Group will continue its efforts to reduce the number of sick days and has ongoing initiatives such as offering gym memberships and physical therapy as well as plans to rotate tasks between the employees. No incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year.

The working environment is considered to be good, and efforts for improvements are made on an ongoing basis. In autumn 2020, the Group commenced a Great Place to Work survey. Overall, there is a culture of pride within Hexagon Purus. 79% of employees responded that they are proud to tell others

they work in the Group. The survey will be conducted annually. The Group's various working environment committees held regular meetings in 2020. A number of issues have been discussed in the committees, which have resulted in recommendations of improvements to the related departments.

The cooperation with employee trade unions has been constructive and contributed positively to operations.

EQUAL OPPORTUNITIES AND DISCRIMINATION

In an increasingly complex and demanding business environment, teams with complementary skill sets, backgrounds and perspectives are vital for success. As a global organization, Hexagon Purus currently employs people of many different nationalities. Research shows that companies with a more diverse workforce perform better financially. Hexagon Purus believes that people with different approaches and experience drive innovation and ensure a dynamic work environment.

The Group has continued to build a diverse internal talent pool. This is achieved both through the Group's selection processes and the work environment it promotes and supports. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background is strictly prohibited.

The Group has prioritized the recruitment of women, despite the challenges of a traditionally male-dominated, industrial operating environment. The lowest proportion of women employees is in production, while the proportion of women in other areas such as accounting and finance, human resources and administration is more balanced.

ENVIRONMENTAL REPORT

Waste from production facilities, including waste considered harmful to the environment, is within regulatory limitations. Where the Group's operations are within regulation by licenses or impositions, the operation is well within the required levels. A significant portion of the environmental work is concentrated on establishing systems for measuring

dust, physical environment and noise in the production facilities.

The Group participates in Hexagon Composites Group's program for environmental improvements. To address the challenges associated with recycling composite waste, Hexagon Purus and Hexagon Composites are engaged in initiatives locally and in the EU to develop circular value streams for ground composite materials. The Group cooperates with research partners such as SINTEF and the Norwegian University of Science and Technology (NTNU), as well as other manufacturers, to explore potential reuses of composite materials.

The majority of the manufacturing sites have recycling programs ensuring landfill diversion. Carbon fiber not used in production is sent for recycling. The raw materials and pallets used for packaging have been reduced.

RESEARCH & DEVELOPMENT

In order to maintain a leading position within its markets, Hexagon Purus invests in technological and product development. Several research & development (R&D) projects are carried out in cooperation with major customers.

The Group expensed R&D costs amounting to NOK 27 (32) million in 2020. The Group has received government contributions of NOK 1 (1) million towards research and development activities for 2020. The total net carrying amount of capitalized technology and development amounted to NOK 55 (45) million as of 31 December 2020, while amortization of capitalized patents & licenses and technology & development amounted to NOK 4 (1) million. The Group has 34 (28) full-time equivalents for engineering and R&D activities who are mostly directly expensed.

AFTER BALANCE SHEET DATE

There have been no other significant events after the balance sheet date that have not already been disclosed in this report.

OUTLOOK

With the spin off from Hexagon Composites completed, Hexagon Purus is well positioned

to pursue its own strategic and investment priorities and reinforce its leading position in the rapidly growing e-mobility space. The company has a well-capitalized balance sheet and can continue to benefit from the strong industrial linkage with Hexagon Composites.

With strong activity particularly in medium/heavy duty truck, transit bus and distribution module applications, Hexagon Purus expects to achieve more than 50% revenue growth in 2021.

Substantial organizational and capacity investments are being made to develop Hexagon Purus' capabilities and to position it for future growth. These investments impact short and medium-term profitability but are expected to be accretive to longer term shareholder value. These investments also include actions necessary to secure a strong foothold and grow the Company's presence in China.

Hexagon Purus is closely monitoring the COVID-19 situation and has prepared contingency plans at each site. The Company is not able to accurately predict the final outcome from COVID-19 related effects but will remain vigilant and committed to employing further counter measures to mitigate such effects, if required.

The forward-looking statements made above are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that are expected to occur in the future. They are therefore not guarantees of future performances. While the statements reflect the current views and expectations of Hexagon Purus based on information currently available to it, they are subject to various assumptions, in addition to risks and uncertainties that may be outside of its control. We cannot provide any assurance that the assumptions underlying such forward-looking statements are free from errors nor accept any responsibility for the future accuracy of the opinions expressed herein, or the actual occurrence of the forecasted developments. Actual results could differ materially from those expressed or implied in forward-looking statements. Any forward-looking statements are based only on conditions as of the date on which they are made and we are under no obligation to update or alter such forward-

looking statements whether as a result of new information, future events or otherwise."

GOING CONCERN

In accordance with the Norwegian Accounting Act Section 3-3a, we confirm that the conditions for continued operations are present and that the annual report has been prepared under the assumption of going concern. This assumption is based on profit forecasts for 2021 as well as the Company's long-term strategic forecasts. The Company's financial position is deemed strong with sufficient liquidity and a robust equity ratio.

THE PARENT COMPANY

The Parent Company Hexagon Purus AS incurred an operating loss of NOK 80,3 million in 2020.

The Board of Directors of Hexagon Purus AS propose the loss for the year is allocated as follows (MNOK):

Share premium	-80,3
Total allocation	-80.3

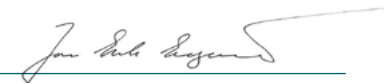
STATEMENT FROM THE BOARD OF DIRECTORS AND GROUP PRESIDENT

We confirm to the best of our knowledge that:

- the financial statements for the Company for 2020 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements gives a true and fair view of the Company's assets, liabilities, financial position and financial performance as a whole, and
- the Board of Directors' Report gives a true and fair overview of the Company's development, profit and financial position, together with a description of the principal risks and uncertainties that they face.

OSLO, 22 MARCH 2021

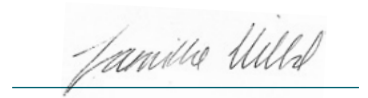
The Board of Directors of Hexagon Purus AS



Jon Erik Engeset
Chairman of the Board



Espen Gundersen
Board Member



Jannicke Hilland
Board Member



Martha Kold Bakkevig
Board Member



Rick Rashilla
Board Member



Karen Romer
Board Member



Morten Holum
President & CEO

Financial statements

Income statement Group

01.01 – 31.12

(NOK 1 000)	Note	2020	2019
CONTINUING OPERATIONS¹⁾			
REVENUE			
Revenue from contracts with customers	7	178 121	207 154
Other operating revenue	7, 6	1 693	4 140
Total revenue		179 814	211 294
OPERATING EXPENSES			
Cost of materials	14	86 717	128 232
Payroll & social security expenses	8, 22, 24, 29	123 497	143 157
Other operating expenses	4, 11, 15, 21	110 322	83 167
Total operating expenses before depreciation		320 536	354 556
Operating profit before depreciation (EBITDA)	7	-140 722	-143 261
Depreciation, amortization and impairment	9, 10	26 906	25 508
Operating profit (EBIT)		-167 628	-168 769
Share of profit of associates and joint ventures	12	-1 885	- 749
Finance income	18, 19	10 110	3 243
Finance costs	18, 26	-113 969	-27 397
Profit/loss before tax from continuing operations		-273 373	-193 672
Income tax expense	30	34 654	-25 777
Profit/loss for the year from continuing operations		-308 026	-167 895
DISCONTINUED OPERATIONS			
Profit/loss after tax for the period from discontinued operations	5	-34 602	69 279
Profit/loss for the year		-342 628	-98 616
Attributable to:			
Equity holders of the parent	25	-342 628	-98 616
Non-controlling interests		-	-
Earnings per share			
Ordinary	25	-1,50	- 298,84
Diluted	25	-1,50	-298,84
Earnings per share from continuing operations			
Ordinary	25	-1,34	-508,77
Diluted	25	-1,34	-508,77
Non-controlling interests		-	-

1) The income statement represents Purus/e-mobility as continuing operations for all periods

Statement of comprehensive income

(NOK 1 000)	Note	2020	2019
Profit/loss after tax		-342 628	-98 616
OTHER COMPREHENSIVE INCOME:			
Items that will be reclassified through profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		12 675	-957
Net total of items that will be reclassified through profit and loss in subsequent periods		12 675	-957
Total comprehensive income for the period		-329 954	-99 573
Attributable to:			
Share premium	25	-329 954	-99 573
Non-controlling interests		-	-

Financial position of the Group

(NOK 1 000)	Note	31.12.2020	31.12.2019	01.01.2019
ASSETS¹⁾				
NON-CURRENT ASSETS				
Property, plant & equipment	9	76 634	103 359	64 125
Right-of-use assets	11	30 457	53 577	53 923
Intangible assets	10	415 097	475 378	430 708
Investments in associates and joint ventures	12	2 066	651	1 400
Other non-current assets	13	751	3 226	133
Deferred tax asset	30	0	41 213	20 440
Total non-current assets continuing operation		525 005	677 404	570 728
CURRENT ASSETS				
Inventories	14	61 586	100 678	111 696
Trade receivables	15	26 657	125 015	77 394
Contracts assets (accrued revenue)	7	814	3 100	7 364
Other current assets	16	14 440	5 941	11 611
Cash and short-term deposits	17	1 246 351	65 093	66 552
Total current assets continuing operation		1 349 849	299 827	274 618
Assets held for sale	5	219 771	-	-
Total assets		2 094 625	977 231	845 346

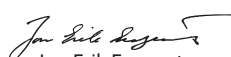
1) In the statement of financial position CNG LDV (discontinued operations) is presented as held for sale as of 31 Dec 2020. As of 31 Dec 2019 CNG LDV is reported as continuing operations.

Financial position of the Group

(NOK 1 000)	Note	31.12.2020	31.12.2019	01.01.2019
EQUITY AND LIABILITIES¹⁾				
EQUITY				
Issued capital	23	22 909	330	330
Share premium	23	1 605 739	14 443	14 443
Other paid-in capital		372	-	-
Total paid-in capital		1 629 020	14 773	14 773
Other equity		0	-119 590	-20 016
Total other equity		0	-119 590	- 20 016
Total equity		1 629 020	-104 816	- 5 243
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings, related party	11, 26	-	729 428	586 010
Lease liabilities	11	21 795	47 828	43 898
Provisions		3	1 613	1 868
Net employee defined benefit liabilities	22	2 635	2 076	1 177
Deferred tax liabilities	30	11 024	22 325	27 083
Total non-current liabilities continuing operation		35 457	803 269	660 036
CURRENT LIABILITIES				
Trade and other payables	19	83 988	139 207	42 986
Contract liabilities	7	32 068	33 276	48 019
Interest-bearing loans and borrowings, related party	11, 26	161 016	-	-
Lease liabilities, short term	11	9 244	12 810	12 343
Income tax payable	30	-	20	168
Provisions	21	17 162	13 392	9 227
Other current liabilities	28	49 512	80 073	77 810
Total current liabilities continuing operation		352 990	278 778	190 554
Liabilities directly associated with the assets held for sale	5	77 158		
Total liabilities		465 604	1 082 047	850 589
Total equity and liabilities		2 094 625	977 231	845 346


1) In the statement of financial position CNG LDV (discontinued operations) is presented as held for sale as of 31 Dec 2020. As of 31 Dec 2019 CNG LDV is reported as continuing operations.

Oslo, Norway, 22 March 2021
The Board of Directors of Hexagon Purus AS


Jon Erik Engeset
Chairman of the Board


Espen Gundersen
Board Member


Jannicke Hilland
Board Member


Martha Kold Bakkevig
Board Member


Rick Rashilla
Board Member


Kafen Romer
Board Member


Morten Holum
President & CEO

Cash flow statement Group

(NOK 1 000)	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES¹⁾			
Profit before tax from continuing operations		-273 373	-193 672
Profit/loss before tax from discontinued operations		-36 066	69 279
Profit before tax		-309 439	-124 393
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	9	16 934	12 370
Depreciation and impairment of right-of-use assets	11	20 213	20 211
Amortization and impairment of intangible assets	10	17 312	14 626
Share-based payment expense	24	372	-
Share of net profit of associate and a joint venture	12	1 885	749
Movements in pensions	22, 31	559	898
Working capital adjustments			
Change in trade receivables, contract assets and prepayments	15	81 046	-43 357
Change in inventories and right of return assets	11, 14	-21 318	11 018
Change in trade and other payables, contract liabilities	28	-34 063	81 478
Change in other non-current posts	13, 27	-18 154	8 719
Other adjustments to reconcile to operating cash flow			
Interest received	18	-1 107	-352
Interest paid	18	40 034	31 233
Income tax paid (-refunded) for the period	30	-832	98
Net foreign exchange differences		-18 905	3 318
Net cash flow from operating activities		-225 462	16 615
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment	9	-50 063	-51 640
Proceeds from sale of property, plant and equipment	9	37 372	-
Purchase and development of intangible assets	10	-15 034	-63 027
Proceeds from sale of intangible assets	10	8 357	-
Acquisition of associated companies	4, 12	-3 300	-
Interest received	18	1 107	352
Net cash flow used in investing activities		-21 561	-114 315
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from loans	26	771 588	140 325
Interest payments	18	-40 034	-31 233
Repayment of lease liabilities	11	-21 174	-12 343
Transaction costs of issue of shares	23	-26 582	-
Proceeds from new equity	23	750 000	-
Net cash flow (used in)/from financing activities		1 433 798	96 749
Net decrease/increase in cash and cash equivalents		1 186 775	-951
Net foreign exchange difference		-5 517	-509
Cash and cash equivalents at 1 January	17	65 093	66 552
Cash & cash equivalents outgoing balance		1 246 351	65 093

1) The cash flow statement is presented including CNG LDV (discontinued operations) for all periods.

Statement of changes in equity

(NOK 1 000)	Issued capital	Share premium	Other paid-in capital	Other equity and retained earnings	Foreign currency translation reserve	Total equity
As at 1 January 2019	330	14 443		-20 016		-5 243
Profit for the period				-98 616		-98 616
Other comprehensive income					-957	-957
Total comprehensive income				-98 616	-957	-99 573
Share-based payment etc.						
Changes in paid-in capital						
At 31 December 2019	330	14 443		-118 632	-957	-104 816

(NOK 1 000)	Issued capital	Share premium	Other paid-in capital	Other equity and retained earnings	Foreign currency translation reserve	Total equity
As at 1 January 2020	330	14 443		-118 632	-957	-104 816
Profit for the period		-342 628				- 342 628
Transferred to share premium		-106 915		118 632	-11 717	-
Other comprehensive income					12 675	12 675
Total comprehensive income				0	12 675	- 329 954
Share-based payment etc.			372			372
Debt conversion	19 832	1 320 168				1 340 000
Share capital increase	2 747	747 253				750 000
Transaction costs		-26 582				-26 582
At 31 December 2020	22 909	1 605 739	372	0	0	1 629 020

On 26 October 2020 there was a restructuring of Hexagon Purus Group's debt to Hexagon Group by which Hexagon Composites ASA became the sole creditor for the total outstanding loan positions entities within Hexagon Purus Group. The total loan amount did include an additional new loan of NOK 500 million to Hexagon Purus AS with the intention to provide cash for operation and growth of Hexagon Purus Group. The total loan was subordinated to any external financing in Hexagon Purus Group and it had a right to be converted to equity when the solidity in Hexagon Purus Group needed to be improved. On 30 October 2020 the Company issued 201 289 712 new shares in a share split and debt conversion. In the extraordinary shareholder's meeting 30 October 2020 the shares were split into 201 619 712 shares, and debt of NOK 1 340 million was converted to equity, resulting in a share face value of NOK 0.10. In the same extraordinary shareholders meeting, the Board of Directors was granted the power to increase the share capital by maximum NOK 8.35 million in face value.

On 9 December 2020 the Company issued 27 472 527 new shares in a private placement at the price of NOK 27.30 per share.

Notes

Note 1 Corporate information

Hexagon Purus AS, the parent of Hexagon Purus Group, is a limited liability company with its registered office in Norway. The company's headquarters is at Korsegata 4B, 6002 Aalesund, Norway. Hexagon Composites ASA owns 74.9% of the shares in Hexagon Purus AS and is the ultimate parent of Hexagon Purus Group.

The Board of Directors authorized the annual report for publication on 22 March 2021.

Hexagon Purus is the world leading supplier of lightweight Type 4 high-pressure tanks and systems for the storage and distribution of compressed gases, in particular hydrogen. In addition, Hexagon Purus Group delivers battery electric solutions. Our solutions serve a wide range of mobility and storage applications, enabling our customers to reduce their carbon footprint and increase their competitive edge. We are well positioned across the entire value chain with vehicle tanks and systems for cars, trucks, buses, ground storage, transportation, marine and rail. We have adapted our proven technology to a wide range of storage and mobility applications.

Additionally Hexagon Purus Group is a part of and consolidated into Hexagon Group. Hexagon delivers safe and innovative solutions for a cleaner energy future. Hexagon Group has 1 100 employees across 23 global locations.

The following companies are included in the consolidated financial statements of Hexagon Purus Group:

Company	Home country	Registered office	Segment	Ownership	Votes
Hexagon Purus AS	Norway	Aalesund	Purus	100 %	100 %
Hexagon Technology H2 AS	Norway	Aalesund	Purus	100 %	100 %
Hexagon Composites Germany GmbH	Germany	Herford	Purus	100 %	100 %
Hexagon Purus GmbH	Germany	Kassel	Purus	100 %	100 %
xperion E&E Overseas GmbH	Germany	Herford	Purus	100 %	100 %
xperion E&E US Holding Inc.	USA	Heath, OH	Purus	100 %	100 %
xperion E&E USA LLC	USA	Heath, OH	Purus	100 %	100 %
Hexagon Purus North America Holdings Inc.	USA	Lincoln, NE	Purus	100 %	100 %
Hexagon Purus LLC	USA	Lincoln, NE	Purus	100 %	100 %
Hexagon MasterWorks Inc.	USA	Lincoln, NE	Purus	100 %	100 %
Hexagon Purus Systems USA, LLC	USA	Costa Mesa, CA	Purus	100 %	100 %
Hexagon Purus Systems Canada Ltd	Canada	Kelowna	Purus	100 %	100 %
Joint ventures / Associates					
Hyon AS	Norway	Oslo	Purus	33.3%	33.3%
Norwegian Hydrogen AS	Norway	Aalesund	Purus	20.98%	20.98%

The planned demerger of CNG LDV operations from Hexagon Purus GmbH and subsequent sale of the operation, has caused Hexagon Composites Germany GmbH to establish two entities in Germany. These two entities will for Purus Group serve purely as vehicles for the demerger process and hold the operations separated from Purus thereafter. The entities will be sold from Hexagon Composites Germany GmbH to Hexagon Group after completion of the demerger process, expected to be finalized after year-end 2020, with financial effect from 1 January 2021.

Morten Holum is President & CEO of Hexagon Purus Group and General Manager in Hexagon Purus AS. He has in practice held this position from the summer 2020 while formally appointed from October 2020. Jon Erik Engeset is Chairman of the Board of Directors of Hexagon Purus Holding AS effective from the date of appointment of Morten Holum to Hexagon Purus Group.

Note 2 Basis of preparation and changes to the group's accounting policies

This note describes generally applicable accounting principles. Accounting principles related to specific items are described in the relevant notes below.

2.1 BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2020, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31.12.2020.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.2 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognized continuously in the accounting period.

The Group's presentation currency is NOK. This is also the Parent Company's functional currency. The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items, including goodwill, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognized in other comprehensive income ("OCI").

When investments in foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary attributable to the equity holders of the parent are recognized in the statement of comprehensive income. When a loss of control, significant influence or joint control is present the accumulated exchange differences related to investments allocated to controlled interests is recognized in profit and loss.

When a partial disposal of a subsidiary (not loss of control) is present the proportionate share of the accumulated exchange differences is allocated to non-controlling interests.

2.3 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position as either current or non-current.

The Group classifies an asset as current when it:

- Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- Holds the asset primarily for the purpose of trading
- Expects to realize the asset within twelve months after the reporting period

Or

- The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current, including deferred tax assets.

The Group classifies a liability as current when it:

- Expects to settle the liability in its normal operating cycle
- Holds the liability primarily for the purpose of trading
- Is due to be settled within twelve months after the reporting period

Or

- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current, including deferred tax liabilities.

2.4 IMPAIRMENT TESTING

Intangible assets with an indefinite useful life are not amortized but tested annually for impairment.

Items of property, plant and equipment, right-of-use assets, and intangible assets are tested for impairment if there is reason to believe that future earnings do not justify the asset's carrying amount. The difference between the carrying amount and the recoverable amount is recognized as an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

When testing for impairment, non-current assets are grouped at the lowest level at which it is possible to distinguish independent cash inflows (cash generating units, CGU). A CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets. At each reporting date, the Group considers the possibility of reversing previous impairment losses on non-financial assets (except goodwill and other intangible assets with an indefinite useful life).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Recognized goodwill is assessed annually for impairment, in fourth quarter. Recoverable amounts from cash-generating units are calculated based on their value in use. There is uncertainty associated with the assumptions used as a basis in the preparation of budgets for the calculation of value in use. These calculations require the use of estimates and assumptions about future income and expense trends. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate. See note 3 and 10 for further information related to goodwill.

2.5 ESTIMATION UNCERTAINTY AND SIGNIFICANT JUDGEMENTS

In the process of applying the Group's accounting policies in accordance with IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the management's best knowledge. Estimates and assumptions are regularly reassessed and are based on historical experience and other factors, including forecast events that are considered probable under current circumstances.

The Group prepares estimates and makes assumptions about the future. The accounting estimates based on this process are, by definition, rarely completely in line with the final outcome. Estimates and assumptions represent a risk of material changes in the reported amounts of revenues, expenses, assets, liabilities and equity over the next financial year.

The significant accounting estimates that are made are discussed in each note later in this report. The Group's most important accounting estimates and judgemental areas are related to the following items:

- Depreciation and impairment of property, plant & equipment and intangible assets
- Development cost
- Product warranty provisions
- Impairment of goodwill
- Revenue recognition
- Leases
- Deferred tax assets

2.6 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020 but is considered to not have an impact on the financial statements.

2.7 FIRST TIME ADOPTION OF IFRS

The consolidated annual financial statements for the period ended 31 December 2020 are the first the Group has prepared in accordance with IFRS. As Hexagon Purus AS and subsidiaries are part of the consolidated financial statements of Hexagon Composites ASA, no consolidated financial statements have been prepared by Hexagon Purus AS previously to these consolidated annual financial statements for the period ended 31 December 2020.

The reorganized Hexagon Purus Group is a new reporting entity applying IFRS under the pooling method of accounting. This means that the Hexagon Purus Group “adopts” the same first-time adopter accounting as the ultimate Hexagon group did in the first place and will carry forward Hexagon Composites ASA’s accounting policies and values as in the Hexagon Composites ASA Group financial statements. As noted above Hexagon Purus Group have adopted/carried forward the accounting policies applied by Hexagon group according to IFRS. The accounting policies for Hexagon Purus Group are described in these financial statements.

Accordingly, Hexagon Purus Group has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with comparative period data for the year ended 31 December 2019 as described in the summary of accounting policies. In preparing the financial statements, the Group’s opening statement of financial position was prepared as at 1 January 2019, the Group’s date of adopting to IFRS.

Note 3 Basis for consolidation and business combinations

The Group’s consolidated financial statements comprise Hexagon Purus AS and its subsidiaries as of 31 December 2020. See other note for changes in the group’s structure.

3.1 ACCOUNTING PRINCIPLES FOR CONSOLIDATION

An entity has been assessed as being controlled by the Group when the Group is exposed to or have the rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the Group’s returns.

Thus, the Group controls an entity if, and only if, the Group has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of the group’s returns.

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity, including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the Group and shareholder’s agreement or other contractual agreements. Reference is made to other notes which contains a list of the subsidiaries and also a list of associates and joint ventures.

The assessments are done for each individual investment. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests, when applicable, are presented separately under equity in the Group’s balance sheet.

3.1.1 Business combinations

Business combinations are accounted for by using the acquisition method, see also other note on changes in the group structure. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and consist of cash and contingent consideration. A contingent consideration is classified as a liability in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. Subsequent changes in the fair value are recognized in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. The acquired assets and liabilities are accounted for by using fair value in the opening group balance (unless other measurement principles should be applied in accordance to IFRS 3). The initial accounting for a business combination can be changed if new information about the fair value at the acquisition date is present. The allocation can

be amended within 12 months of the acquisition date. The non-controlling interest is set to the non-controlling interest's share of identifiable assets and liabilities. The measurement principle is done for each business combination separately.

When the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition-date fair value. The resulting gain or loss, if any, is recognized in profit and loss net after transaction cost.

3.1.2 Acquired goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not depreciated but is tested at least annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.1.3 Transaction related issues

Acquisition related costs are expensed as incurred and included in other operating expense.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

3.1.4 Change in ownership without loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognized at the equity attributable to the parent.

3.1.5 Loss of control

In cases where changes in the ownership interest of a subsidiary leads to loss of control, the consideration is measured at fair value. Assets (including goodwill) and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost.

The fair value of the consideration received is recognized and any investment retained is recognized at fair value. Gain or loss is recognized in profit and loss at the date when the control is lost. The gain or loss is presented on a separate line included in operating expenses.

3.2 BUSINESS COMBINATIONS IN PURUS

There have not been any acquisitions in Hexagon Purus Group in the period of this financial statement. Nevertheless, as part of Hexagon Group, there have been several changes under common control that are described in other notes.

Note 4 Changes in the Group structure

4.1 SEPARATION FROM HEXAGON GROUP

Purus has been reported as a business segment in Hexagon Group since 2018. Prior to this the relevant entities were part of the high-pressure segment in Hexagon Group. Over the last years, as Hexagon has gathered zero-emission activities in Purus, the Purus group structure and its own group parent - Hexagon Purus AS - have been established.

Hexagon Group's business covers the spectrum of low carbon and no carbon mobility solutions. Its strategy focuses along three axes; g-mobility, e-mobility, and world class manufacturing. Since January 2020, Hexagon Group has combined all its e-mobility activities in Hexagon Purus to develop its leading position and pursue zero-emission opportunities in the growing e-mobility market. In that reorganization, CNG LDV remained a part of the Hexagon Purus structure. On 19 August 2020, Hexagon Group publicly announced the decision of its Board of Directors to transfer its Compressed Natural Gas Light Duty Vehicle (CNG LDV) activities from Hexagon Purus, to Hexagon's gas-mobility (g-mobility) business. This transfer will be the final step to establish Hexagon Purus as a pure e-mobility business. The final accounting effect of this demerger will take place in 2021.

The transfer of CNG LDV to the g-mobility business is a logical step from an industrial perspective. It conforms more with Hexagon's g-mobility business, which is currently in the fast lane, benefitting from increased adoption of cleaner energy alternatives, especially natural gas and renewable natural gas.

4.2 COMMON CONTROL TRANSACTIONS

4.2.1 Accounting principles for common control transactions

For the purpose of preparing consolidated financial statements of Hexagon Purus Group, the transfer of entities or business into Hexagon Purus Group is accounted under the pooling method of accounting (predecessor accounting) using

values reflected in the consolidated financial statements of Hexagon Group (which can be different from transaction value in each entity). To present historical financial information that is representative for the business going forward, comparative financial information of Hexagon Purus Group is restated to reflect historical financial information of transferred entities and businesses. Comparatives are those of the existing businesses owned by Hexagon Purus Group as of 31 December 2020, subject to when the underlying entities became part of the Hexagon Group. For entities or businesses transferred out of Hexagon Purus Group and into Hexagon Group (under common control), are to be consolidated until disposal in accordance with the requirements of IFRS 10.

The tables below presents the various transactions into and out of Hexagon Purus Group treated as common control transactions as it is related to Hexagon Group entities or companies.

4.2.2 Transfers into Hexagon Purus Group

Year	Time	Entity	Transaction	Accounting
2020	January	Hexagon Purus Systems USA LLC and Hexagon Purus Systems Canada Ltd	The entities were established as subsidiaries in Hexagon Purus Group, the business operation was transferred from Hexagon Group's Agility segment	New entities are consolidated into Purus from 2020. Comparable numbers are established for 2019, with the effect from 4 January 2019 (Agility was acquired and consolidated into Hexagon Composites ASA Group from 4 January 2019)
2020	January	Hexagon Masterworks Inc	The entity was transferred into Hexagon Purus Group from Hexagon Group's Mobile Pipeline segment	Hexagon Masterworks' numbers for 2019 are used as comparable numbers

Hexagon Masterworks Inc. was transferred to the Purus segment from Hexagon Mobile Pipeline & Other segment in Hexagon Composites ASA Group on 1 January 2020. In addition, the zero-emission business previously reported in the Agility business segment was transferred to Purus on 1 January 2020.

4.2.3 Transfers out of Hexagon Purus Group

Year	Time	Entity	Transaction	Accounting
2020	January	Hexagon Purus GmbH	Mobile Pipeline customer facing business in Germany was transferred out of Purus to Hexagon's Mobile Pipeline segment	The comparable profit and loss numbers for 2019 includes this business and balance sheet figures as of 31 December 2019, From 1 January 2020 figures from this business are not included in Purus Group and the sale resulted in a smaller reduction of the customer contracts amount in Purus Group

From 1 January 2021 CNG LDV business will be demerged out of Purus (comprises full business line of LDV in addition to internal contract manufacturing for transit bus and for Mobile Pipeline).

To strengthen the zero-emission credentials for Purus Group, the customer facing part of Mobile Pipeline business (now Hexagon Mobile Pipeline GmbH) in Hexagon Purus GmbH was transferred from the beginning of 2020. Hexagon Mobile Pipeline GmbH is a 100% owned subsidiary of Hexagon Composites ASA. With the same intention, Hexagon announced 19 August 2020 that all business related to cylinders and systems for CNG applications is to be transferred from Hexagon Purus GmbH to a new entity under the ownership of Hexagon outside Purus. The transfer is mainly that of the Light Duty Vehicle business, but it also comprises the manufacturing of products for transit buses and mobile pipeline solutions offered by Hexagon. The CNG LDV operation is classified as held for sale according to IFRS as of 31 December 2020.

The transfer will establish Hexagon Purus as a pure e-mobility business.

Note 5 Discontinued operation

5.1 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and groups of non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sales transaction instead of through continued use. This is only regarded as having been fulfilled when a sale is highly probable and the non-current asset (or groups of non-current assets and liabilities) is available for immediate sale in its present form. The management must be committed to a sale and the sale must be expected to be carried out within one year after the classification date.

Non-current assets and groups of non-current assets and liabilities which are classified as held for sale are valued at the lower of their former carrying amount or fair value minus sales costs.

The estimates in discontinued operations are mainly related to the assessments made regarding the valuation of assets being part of the operation. This includes estimates of both tangible and intangible assets. In addition, there are estimates applied to allocate previously common and shared costs between the continuing and discontinuing operation. To qualify the estimates made, the company has applied its best technological and management resources in addition to drawing on external resources where necessary.

5.2 CNG LDV AS DISCONTINUED OPERATION

On 19 August 2020, Hexagon Composites publicly announced the decision of its Board of Directors to demerge and sell its Compressed Natural Gas Light Duty Vehicle (CNG LDV) activities from Hexagon Purus to Hexagon Composites' natural gas-mobility (g-mobility) business. This sale will establish Hexagon Purus as a pure e-mobility business. The decision was made by relevant management levels and the financial elements of the transactions are concluded and will be carried out at arm-lengths transaction price. The completion of the demerger process and set up of the carved out operation in Germany is expected to take place during the first half of 2021. It is unlikely that any material changes will be made to the planned transition.

The results from CNG LDV operation for the year are presented below.

(NOK 1 000)

Condensed income statement	2020	2019
Revenue	192 802	455 405
Expenses	201 734	366 196
Operating profit before depreciation (EBITDA)	-8 932	89 209
Depreciation and impairment	27 554	21 669
Operating profit (EBIT)	-36 486	67 510
Net finance	420	-6
Profit before tax from discontinuing operations	-36 066	67 516
Tax	1 464	-1 764
Post-tax profit/(loss) from discontinued operations	-34 602	69 279
Profit/(loss) after tax for the period from discontinued operations	-34 602	69 279

The major classes of assets and liabilities of the CNG LDV operation, classified as held for sale as of 31 December 2020, are presented below.

Assets and liabilities	2020
Assets	
Property, plant and equipment	26 602
Right-of-use assets	31 002
Intangible assets	82 161
Total non-current assets	139 766
Inventories	60 409
Trade receivables	19 598
Cash and short-term deposits	0
Total current assets	80 004
Total assets held for sale	219 771
Interest-bearing loans and borrowings, related party	4 256
Lease liabilities	26 395
Deferred tax liabilities	3 930
Total non-current liabilities	34 581
Trade and other payables	23 001
Contract liabilities	-637
Lease liabilities, short term	5 239
Other current liabilities	14 973
Total current liabilities	42 577
Total liabilities held for sale	77 158

The net cash flows generated/(incurred) by CNG LDV are, as follows:	2020
Operating	- 46 793
Investments	1 221
Financing	4 256
Net cash inflow/(outflow)	- 41 316
Earnings (loss) per share (EPS): ¹⁾	
Basic, profit/(loss) for the year from discontinued operations	- 0.15
Diluted, profit/(loss) for the year from discontinued operations	- 0.15

1) Number of shares = outgoing balance number of shares

There has been no cash proceeds at the balance sheet date related to accomplishment of the sale transactions. The settlement of the sale transaction will take place in 2021.

Note 6 Operating segments

The chief operating decision maker of the Hexagon Purus Group is the CEO and the Board of Directors.

For management purposes, the assessment is that the Purus Group has two operating segments; Purus and CNG LDV. The CNG LDV segment is undergoing a demerger process. Since the process is not accomplished and the segments is considered discontinued operation, it is presented also as a separate segment as of 31 December 2020. When the demerger is complete Purus Group will consist of only one operating segment.

The following tables present revenue and profit information as well as balance sheet information for the Purus Group's operating segments:

(NOK 1 000)	2020	2019
PURUS		
Sales of goods & services	178 121	207 154
Other operating revenue	1 693	4 140
Total revenue from contracts with customers	179 814	211 294
Segment operating profit before depreciation (EBITDA)	- 140 722	- 143 261
Segment operating profit (EBIT)	- 167 628	- 168 769
Segment assets	1 874 854	
Segment liabilities	388 446	
CNG LDV ¹⁾		
Sales of goods & services	189 202	455 405
Other operating revenue	3 601	-
Total revenue from contract with customers	192 802	455 405
Segment operating profit before depreciation (EBITDA)	- 8 932	89 209
Segment operating profit (EBIT)	- 36 486	67 510
Segment assets	219 771	
Segment liabilities	77 158	

1) CNG LDV is reported as discontinued operation

As described, the CNG LDV segment is under demerger process from Purus, and will be sold to other parts of Hexagon Group on fair value assessment basis. The separation implies carving out the relevant assets and liabilities at fair value by year-end 2020. The valuation of the CNG LDV operation will be finally completed when the demerger process is completed after year-end 2020. Fair value assessment of the CNG LDV operation in the range of 13-14 million EUR. Among other things, this depend on the level of working capital at the time of demerger. It is anticipated that approximately 6 MEUR of goodwill and 1.4 MEUR of customer relationships will be allocated as the sales proceeds of the transaction. It is expected that there will not be recognize any no material gain from this transaction.

REVENUE BY REGION

(NOK 1 000)	2020	2019
GEOGRAPHICAL REGIONS		
Norway	22	16
Europe	39 075	36 112
North America	130 099	169 491
Latin America & the Caribbeans	-	64
Asia	10 532	5 611
Australia/Oceania	86	-
Total	179 814	211 294

NON-CURRENT ASSETS BY REGION

(NOK 1 000)	2020	2019
GEOGRAPHICAL REGIONS		
Norway	58 247	52 826
Europe	427 531	553 436
North America	36 410	26 052
Total external	522 188	632 314

Non-current assets for this purpose consists of Property, Plant & Equipment, Right of use Assets and Intangible Assets.

INVESTMENTS BY REGION

(NOK 1 000)	Property, plant and equipment 2020	Intangible assets 2020	Property, plant and equipment 2019	Intangible assets 2019
GEOGRAPHICAL REGIONS				
Norway		12 002		60 526
Europe	41 136	1 471	42 432	1 213
North America	8 927	1 561	9 208	1 288
Total	50 063	15 034	51 640	63 027

Note 7 Revenue from contracts with customers

7.1 ACCOUNTING PRINCIPLES FOR REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's main revenues come from the sale of its own mass-produced standard products and accompanied services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The products are mainly sold in relation to separately identifiable contracts with customers.

7.1.1 Sale of goods (cylinders, products, system etc)

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. There are several payment terms, including upfront payment and secured payment, but the normal credit term is 30 to 60 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components.

7.1.1.1 Variable Consideration

Some contracts with customers provide rights of return, trade discounts or volume rebates. The Group uses the expected value method to estimate the goods that will not be returned as this best predicts the amount of variable consideration to which the Group will be entitled. For trade discounts and volume rebates the sale of goods are measured at the fair value of the consideration received or receivable, net of allowances for trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. The Group performs the assessment on individual contracts to determine the estimated variable consideration and related constraints.

7.1.1.2 Significant financing component

Generally, the Group sometimes receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

7.1.1.3 warranty provision

The Group typically provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. Such warranties are evaluated as assurance-type warranties which are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

7.1.2 Sale of services

To some extent the Group provides other services in relation to reinspection and testing of products, in addition to non-recurring engineering and design or development. These services are normally sold on their own and based on relative stand-alone selling prices. The Group recognizes revenue from services over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

7.1.3 Funded development contracts

The Group has entered into and will enter into funded development contracts with some customers for development services. The Group recognizes revenue over time as the services are performed. Progress is measured using an input method to measure progress towards certain project milestones as the customer simultaneously receives and consumes the benefits provided by the Group.

7.1.4 Contract balances

7.1.4.1 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

7.1.4.2 Trade receivable

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

7.1.4.3 contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

7.1.5 Cost to obtain a contract

The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense such costs when the related revenue is expected to be recognized within one year. When revenue will be recognized over several reporting periods the Group recognizes incremental costs of obtaining a contract with a customer as an asset, provided that the costs are expected to be recovered throughout the contract. The costs are amortized on a systematic basis that is consistent with the transfer of the related goods or services to the customer and subsequently re-assessed at the end of each reporting period.

7.2 ESTIMATES RELATED TO REVENUE RECOGNITION

A crucial estimate is related to determining the timing of satisfaction of services and funded development contracts.

The Group has concluded that revenue for services and funded development contracts in most cases is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation or the defined milestones that the Group has provided to date, demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring progress of the services and funded development contracts because there is a direct relationship between the Group's effort (i.e., total costs incurred) and the transfer of service to the customer. The Group recognizes revenue on the basis of the total costs expended relative to the total expected costs to complete the service and funded development contract.

7.3 PURUS REVENUE RECOGNITION

Set out below is the disaggregation of the Group's revenue from contracts with customers:

(NOK 1 000)	2020			2019		
	Purus	CNG LDV ¹⁾	Total 2020	Purus	CNG LDV ¹⁾	Total 2019
EXTERNAL AND INTERNAL CUSTOMERS						
Sale of cylinders and systems	132 347	146 520	278 868	183 082	450 433	633 516
Sale of services and funded development	28 611	374	28 985	9 790	4 972	14 762
Other revenues	1 593	3 458	5 051	671		671
Contracts with customers at a point in time	162 552	150 352	312 904	193 543	455 405	648 948
<hr/>						
Sale of cylinders and systems	-2 398		-2 398	-4 184		-4 184
Sale of services and funded development	4 514		4 514	18 795		18 795
Other revenues				-		-
Contracts with customers over time	2 117		2 117	14 612		14 612
<hr/>						
Revenue from contracts with external customers	164 669	150 352	315 020	208 155	455 405	663 560
<hr/>						
Sale of cylinders and systems	11 235	34 948	46 183	453		453
Sale of services and funded development	3 811	7 360	11 171	-786		-786
Other revenues	100	143	242	3 473		3 473
Contracts with related parties	15 146	42 450	57 596	3 140		3 140
<hr/>						
Total revenue	179 814	192 802	372 616	211 294	455 405	666 699
<hr/>						
TYPE OF GOODS OR SERVICE						
Sale of cylinders and systems	141 185	181 468	322 653	179 352	450 433	629 785
Sale of services and funded development	36 936	7 733	44 670	27 799	4 972	32 771
Other revenues	1 693	3 601	5 294	4 143		4 143
Total revenue from contracts with customers	179 814	192 802	372 616	211 294	455 405	666 699
<hr/>						
TIMING OF REVENUE RECOGNITION						
Goods transferred at a point in time	162 552	150 352	312 904	193 543	455 405	648 948
Services transferred over time	2 117		2 117	14 612		14 612
Transactions with related parties	15 146	42 450	57 596	3 140		3 140
Total revenue from contracts with customers	179 814	192 802	372 616	211 294	455 405	666 699

1) CNG LDV is reported as discontinued operation

CONTRACT BALANCES

(NOK 1 000)	2020	2019	01.01.2019
Trade receivable	26 657	125 015	77 394
Contracts assets (accrued revenue)	814	3 100	7 364
Contract liabilities (incl. prepayment from customers)	32 068	33 276	48 019

All contracts are for periods of one year or less, or are build based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. The entire contract liabilities was recognized in the subsequent period.

Note 8 Payroll costs and number of employees

(NOK 1 000)	Note	2020	2019
Salaries/fees ¹⁾		154 001	154 882
Contractors/hired personnel		1 709	18 156
Bonus/share-based payments/profit-sharing		7 958	9 024
Pension expense, defined-benefit plans	22	501	
Pension expense, defined-contribution plans	22	2 669	1 870
Other personnel related expenses		5 681	4 870
Other social security costs		17 422	16 182
Payroll costs related to discontinued operation		-66 444	-61 827
Payroll costs		123 497	143 157
Average number of full-time equivalents:		240	209
HEXAGON PURUS			
Canada		30	25
Norway		8	7
Germany		175	190
USA		41	31
Total number of full-time equivalents		254	253

1) Capitalized payroll costs related to technology development projects amounted to MNOK 7.6 in 2020 and MNOK 3.2 in 2019.

Note 9 Property, plant and equipment

9.1 ACCOUNTING PRINCIPLES FOR PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are valued at their cost, less accumulated depreciation and impairment losses. An asset is derecognized from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is recognized in the income statement.

The cost of an item of property, plant and equipment includes its original purchase price and all costs necessary to bring the asset to working condition for its intended use. Subsequent expenditure on repair and maintenance of assets is recognized as an expense in the income statement, while expenses that are expected to generate future economic benefits are capitalized.

The cost of a non-current asset is depreciated to the residual value over the asset's useful life. Depreciation is calculated on a straight-line basis. The following depreciation periods apply:

- Buildings 10-20 years
- Plant, machinery and equipment 3-15 years
- Fixtures & fittings, motor vehicles 3-10 years

If an item of property, plant and equipment has different parts with different useful lives, the parts are depreciated separately if the cost is significant in relation to the total cost of the item.

The depreciation period and method are assessed annually. A residual value is estimated at each year-end, and changes to the estimated residual value is recognized as a change in an estimate. When the carrying amount of property, plant and equipment exceeds the estimated recoverable amount, the value is written down to the recoverable amount.

Assets under construction are classified as property, plant and equipment and are carried at cost until its manufacture or development is completed. Assets under construction are not subject to depreciation until the assets are taken into use.

9.2 ESTIMATES RELATED TO DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Group management determines the useful lives and depreciation rates for items of property, plant & equipment. The expected useful life of the Group's production equipment is largely dependent on technological development. The present depreciation period is 3-20 years, but an uncertainty exists for the interval between 10-20 years.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group has assessed that there are no indicators of impairment as of 31 December 2020 and has therefore not recognized any impairment as per date or in 2019.

As part of the demerger of CNG LDV, substantial assets will be separated out of Hexagon Purus Group. The transfer of assets will take place at fair value assessment of the assets.

9.3 PROPERTY, PLANT AND EQUIPMENT IN HEXAGON PURUS GROUP

(NOK 1 000)	Buildings and real estate properties	Machinery and equipment	2020 total
FIXED ASSETS			
Opening balance at cost price	12 969	164 870	177 838
Opening balance accumulated depreciations	-4 241	-70 238	-74 479
Opening balance booked value	8 728	94 632	103 359
Additions this year at cost price	5 393	44 670	50 063
Depreciations this year	-1 400	-15 535	-16 934
Translation differences	416	3 705	4 121
Disposals	-470	-36 902	-37 372
Assets held for sale	-3 264	-23 338	- 26 602
Closing balance 31.12	9 403	67 232	76 634
Closing balance at cost price	15 658	153 609	169 267
Closing balance accumulated depreciations	-6 255	-86 378	-92 633
Amortization rate	5-10 %	7-33 %	
Useful life	10-20 years	3-15 years	
Depreciation method	Straight-line	Straight-line	

(NOK 1 000)	Buildings and real estate properties	Machinery and equipment	2019 total
FIXED ASSETS			
Opening balance at cost price	7 576	139 302	146 878
Opening balance accumulated depreciations	-2 674	-80 079	-82 753
Opening balance booked value	4 902	59 223	64 125
Net additions this year at cost price	4 624	47 016	51 640
Depreciations this year	-787	-11 583	-12 370
Translation differences	-12	-25	-36
Closing balance 31.12	8 728	94 632	103 359
Amortization rate	5-10 %	7-33 %	
Useful life	10-20 years	3-15 years	
Depreciation method	Straight-line	Straight-line	

Note 10 Intangible assets

10.1 ACCOUNTING PRINCIPLES FOR INTANGIBLE ASSETS

Intangible assets acquired independently are measured on initial recognition at cost. The cost of intangible assets acquired as part of a business combination is recognized at fair value in the Group's opening balance at the date of acquisition. Capitalized intangible assets are recognized at cost less any amortization and impairment.

Internally generated intangible assets, with the exception of capitalized development expenses, are not capitalized, but expensed as incurred.

The useful life is either finite or indefinite. Intangible assets with a finite useful life are amortized over their useful economic life and tested for impairment if there are any indications that the intangible asset may be impaired. The amortization method and period are assessed at least once a year. Changes to the amortization method and/or period are accounted for as a change in accounting estimate.

Intangible assets with an indefinite economic life are not amortized, but are tested for impairment at least once a year, either individually or as a part of a cash-generating unit. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

10.1.1 Patents and Licenses

Amounts paid for patents and licenses are recognized in the balance sheet and are amortized on a straight-line basis over their useful life. The expected useful life of patents and licenses varies between 6 and 17 years.

10.1.2 Research and development cost

Research costs are expensed as incurred. The development costs of projects (relating to the design and testing of new or improved products) are capitalized as intangible assets if all the following criteria are met:

1. it is technically feasible to complete the intangible asset so that the asset will be available for use or for future sale;
2. it is the management's intention to complete the asset and use or sell it;
3. it is possible to use or sell the asset;
4. it can be demonstrated how the asset will generate future economic benefits;
5. technological and financial resources are available to complete the asset; and
6. the costs can be reliably measured.

Other development costs are expensed as incurred. Development costs that have previously been expensed are not expensed in subsequent periods. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset. Capitalized development costs with an indefinite useful life or related to projects under development are tested annually for impairment in accordance with IAS 36.

10.1.3 Customer relationships

Purchased customer contracts have a finite useful life and are recognized at cost less amortization. Customer contracts and technology are amortized using the straight-line method over their estimated useful lives.

As part of the demerger of CNG LDV, some customer relationship values will be separated out of Hexagon Purus Group.

10.2 ESTIMATES RELATED TO DEPRECIATION AND IMPAIRMENT OF INTANGIBLE ASSETS

Group management determines the useful lives and depreciation rates for items of intangible assets. The expected useful life of the Group's capitalized development cost and customer relationships is largely dependent on technological development and continued sales to customers. The present depreciation period is 3-10 years, but an uncertainty exists for the interval between 10-20 years.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group has not recognized any impairment in 2020 or in 2019, as the Group has assessed that there are no indicators of impairment.

10.3 ESTIMATES RELATED TO DEVELOPMENT COSTS

The Group capitalizes development costs for a project in accordance with the Groups accounting policy. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to project plan. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2020, the carrying amount of capitalized development costs was NOK 54.6 (44.7) million.

There is uncertainty about the date for when the criteria for recognition of intangible assets are satisfied and there is uncertainty associated with the valuation and allocation of the cost of acquisition for intangible assets.

10.4 ESTIMATES RELATED TO GOODWILL

As part of the demerger of CNG LDV, assets classified as goodwill will be separated out of Hexagon Purus Group. The final value of these assets cannot be determined until demerger process is completed. The transfer of assets will take place at fair value assessment of the assets.

10.5 INTANGIBLE ASSETS IN HEXAGON PURUS GROUP

(NOK 1 000)	Technology and development	Customer relationships	Goodwill	2020 total
INTANGIBLE ASSETS				
Opening balance at cost price	62 745	110 692	369 348	542 785
Opening balance accumulated depreciations	-24 071	-43 337	-	-67 408
Opening balance booked value	38 675	67 355	369 348	475 379
Net additions this year at cost price	14 928	106		15 034
Depreciations this year	-4 282	-13 030		-17 312
Translation differences	5 354	4 452	22 710	32 516
Disposals		-8 357		-8 357
Assets held for sale	-112	-13 099	-68 951	-82 162
Closing balance 31.12	54 562	37 427	323 107	415 097
Closing balance at cost price	60 155	95 425	323 107	478 686
Closing balance addumulated depreciations	-5 593	-57 996	-	-63 589
Amortization rate	5-20 %	11-14 %	None	
Useful life	5-20 years	7-9 years	Indefinite	
Depreciation method	Straight-line	Straight-line	None	

(NOK 1 000)	Technology and development	Customer relationships	Goodwill	2019 total
INTANGIBLE ASSETS				
Opening balance at cost price		106 832	372 512	479 345
Opening balance accumulated depreciations		-48 637		-48 637
Opening balance booked value		58 195	372 512	430 708
Net additions this year at cost price	39 984	23 043		63 027
Depreciations this year	-1 310	-13 316		-14 626
Translation differences	1	-567	-3 164	-3 730
Closing balance 31.12	38 675	67 355	369 348	475 378
Amortization rate	5-20 %	11-14 %	None	
Useful life	5-20 years	7-9 years	Indefinite	
Depreciation method	Straight-line	Straight-line	None	

10.5.1 Impairment testing of goodwill

Goodwill is not depreciated but is subject to impairment testing in the fourth quarter each year. If there are particular indications of possible impairment, the impairment test is carried out on a quarterly basis. The impairment test is carried out by the calculated recoverable amount being compared with invested capital for the unit in question. When the recoverable amount exceeds invested capital, capitalized goodwill is maintained. When the recoverable amount is lower than invested capital, capitalized goodwill is written down to its recoverable amount. Invested capital consists of the units' total assets less interest-free current liabilities and interest-free non-current liabilities. The recoverable amount is based on expected future cash flows for the relevant unit based on the management's approved budget and strategy figures for the next four years. These are estimated based on current sales and margins and the expected market development. For subsequent periods it is assumed that there will be an increase in the cash flows equivalent to expected general growth within the various business areas.

The expected future investment requirements for the units are reflected in the calculations. These are in accordance with the management's approved budget and strategy. For the period beyond the next four years, it is assumed that the re-investment requirement will be equivalent to expected depreciation. Changes in working capital have been assessed and adjusted in accordance with expected developments.

When there are indications that a company's assets (including goodwill) may be impaired, an impairment test is conducted using the company's weighted average capital cost (WACC) as an estimate for the discount rate (= return on assets ratio). Correspondingly, WACC is also used for annual impairment testing. The WACC rate which is used to discount future cash flows is based on 10-year risk-free interest rates in the market, the company's borrowing interest, beta factor, equity ratio and market risk premium, adjusted for the liquidity risk and size of the company.

Value in use is calculated by discounting future cash flows. Present value calculations are based on expected future cash flows for the different cash-generating units, as described above and the units are not expected to have a finite useful life. The projections take into account substantial growth in the cash flows into perpetuity.

The Hexagon Purus goodwill in Hexagon Purus Group is the result of accounting under the pooling method of accounting in which Hexagon Purus Group use values reflected in the consolidated financial statements of Hexagon Composites ASA Group.

The goodwill of the following cash flow generating unit is subject to impairment testing:

THE GOODWILL ITEMS OF THE FOLLOWING CASH FLOW GENERATING UNITS ARE SUBJECT TO IMPAIRMENT TESTING

(NOK 1 000)	2020	2019
Purus	323 107	304 391
CNG LDV	68 951	64 957
Total goodwill	392 058	369 348

The most important assumptions for calculating value in use are related to estimates for operating revenues, EBITDA margins, discount rates and growth rates beyond the forecast period of 10 years. A weighted average cost of capital after tax of 8.9% has been used.

The Hexagon Purus business is in its early phase and hence uses a longer 10 year forecast period. The longer projection period would be required to develop and implement its addressable green technology and e-mobility activities.

Hexagon Purus group initial business plan projections imply significant growth: NOK 4 to 5 billion in revenues by 2025 and double-digit EBITDA margins in the longer-term.

In this regard the following assumptions are used specifically in relation to the business activities for which the historical goodwill attributable to Hexagon Purus arose, being hydrogen cylinders, distribution, ground storage, marine, rail and other cylinder applications at target revenue growth and attaining target EBITDA margin.

Sensitivity analysis for the goodwill

In connection with the impairment testing of goodwill as of 31 December 2020, the Group carried out sensitivity analyses. The present value of the cash flow in the calculations made is, among other things, sensitive to changes in the discount rate. The sensitivity analysis uses the economic assumptions referred to above as its starting point. Calculations have been made based on one of the estimated economic assumptions being changed and in which the other economic assumptions remain unchanged.

The sensitivity analyses for the CGU demonstrate that recoverable amounts of Hexagon Purus goodwill exceed the recognized value by a good margin, and a reasonable change in key assumption (+/- 1.0% for WACC and +/- 2.0% on EBITDA margin) would not cause the carrying amount to exceed value in use.

Note 11 Leases

11.1 ACCOUNTING PRINCIPLES FOR LEASES

The Group has applied IFRS 16. At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

11.1.1 The group as a lessee

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

The following depreciation periods apply:

- Buildings 10-20 years
- Plant, machinery and equipment 3-15 years
- Fixtures & fittings, motor vehicles 3-10 years

11.1.1.1 Lease liabilities

The lease liability is recognized at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in profit or loss.

The Group presents its lease liabilities as separate line items in the statement of financial position.

11.1.1.2 Right-of-use assets

The Group measures the right-of-use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognized
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group. An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset, unless there is an option to purchase the asset which has been determined to be exercised with reasonably certainty, in which case the right of use asset is depreciated over the expected economic life of the underlying asset.

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

11.2 ESTIMATES RELATED TO LEASES - SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS AND INCREMENTAL BORROWING RATE

The group has several offices and other facilities leases with options to extend the lease. The renewal options have been included in the calculation of the lease liability if management is reasonably certain to exercise the option to renew the contract. Management has used judgment when considering all relevant factors that create an economic incentive to extend the lease. In this assessment Management has considered the original lease term and the significance of the underlying assets, i.e. the offices and other facilities.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar

term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

11.3 LEASES IN HEXAGON PURUS GROUP, THE GROUP AS LESSEE /LEASES

From 1 January 2019 the Group has implemented IFRS16 regarding leases.

(NOK 1 000)	Buildings and real estate properties	Machinery and equipment	2020 total
RIGHT-OF-USE ASSETS			
Opening balance at cost price	52 644	24 556	77 199
Opening balance accumulated depreciations	-15 800	-21 139	-20 211
Opening balance booked value	36 843	3 416	40 260
Additions this year at cost price	9 016	29 760	38 777
Depreciations this year	-13 623	-6 590	-20 213
Translation differences	2 310	326	2 636
Assets held for sale	-17 426	-13 576	-31 002
Closing balance 31.12	17 120	13 337	30 457

(NOK 1 000)	Buildings and real estate properties	Machinery and equipment	2019 total
RIGHT-OF-USE ASSETS			
Opening balance at cost price	43 923	10 000	53 923
Opening balance accumulated depreciations			
Opening balance booked value	10 943	8 922	19 865
Additions this year at cost price	54 866	18 922	73 788
Depreciations this year	-18 862	-1 349	-20 211
Closing balance 31.12	36 004	17 573	53 577

LEASE LIABILITIES (CONTINUING OPERATION)

(NOK 1 000)	2020	2019
DISCOUNTED LEASE LIABILITIES AND MATURITY CASH OUTFLOWS		
Current lease liabilities	9 244	12 810
Non-current lease liabilities	21 795	47 282
Total lease liabilities	31 039	60 638

(NOK 1 000)	2020	2019
LEASE LIABILITY CASH FLOW (EXCL INTERESTS)		
Less than 1 year	9 244	12 810
1-2 years	11 328	24 859
2-3 years	5 490	12 048
3-4 years	4 934	10 829
4-5 years	42	92
More than 5 years	-	-
Total discounted lease liabilities at 31 December	31 039	60 638

(NOK 1 000)	2020	2019
LEASE INTEREST EXPENSE CASH FLOW		
Less than 1 year	420	582
1-2 years	513	1 126
2-3 years	196	431
3-4 years	69	150
4-5 years	1	1
More than 5 years	-	-
Total lease interest following periods	1 198	2 290

(NOK 1 000)	2020	2019
IMPLIED LEASE CASH OUTFLOW		
Less than 1 year	9 664	13 392
1-2 years	11 841	25 985
2-3 years	5 687	12 479
3-4 years	5 003	10 980
4-5 years	43	93
More than 5 years	-	-
Total discounted lease liabilities at 31 December	32 238	62 928

SUMMARY OF THE LEASE LIABILITIES

(NOK 1 000)	2020	2019
Opening balance 01.01	60 638	43 898
New lease liabilities recognized in the year	18 547	26 683
Cash payments for the principal portion of the lease liability	-18 688	-9 709
Cash payments for the interest portion of the lease liability	-1 243	-626
Interest expense on lease liabilities	1 243	626
Currency exchange differences	2 176	-234
Liabilities held for sale	-31 634	-
Total lease liabilities at 31 December	31 039	60 638

SUMMARY OF CASH OUTFLOWS LEASES

(NOK 1 1000)	2020	2019
Cash payment for leases	19 931	10 335
Variable payments	727	675
Cash payments related to short term leases and leases of low value	0	0
Total cash outflow for leases	20 658	11 010

Some of the leases have options to extend the contract beyond the period used in the calculations. For most cases the probability of utilizing such options are not high enough to include options in the calculation of the leases. The leases do not contain any termination options that are considered significant for the calculations.

The leases do not contain any restrictions on the Group's dividend policy or financing, and there are no requirements to financial performance or ratios. The Group does not have significant residual value guarantees related to its leases to disclose. No operational risks related to leases are identified.

Note 12 Investments in associates and joint ventures

12.1 ACCOUNTING PRINCIPLES FOR INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are entities where the Group has significant influence, but not control or joint control, over financial and operating management (normally a holding of between 20% and 50%).

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether the Group has joint control or significant influence over an entity are similar to those necessary to determine control over subsidiaries. Associates and joint ventures are accounted for using the equity method from the date when significant influence or joint control is achieved until such influence ceases.

Under the equity method, the investments in an associates or joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture and is recognized against profit/loss from investment in associates and joint ventures.

If there is an indication that the investment in the associate or joint venture is impaired, the Group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognized as share of profit of an associate and a joint venture in the statement of profit or loss.

If the Group's share of the loss equals or exceeds the carrying amount of the associate or joint venture, the carrying amount is set to zero and further loss is not recognized unless the Group has incurred a legal or constructive obligation on behalf of the associate or joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture, and as such the equity method ceases, the Group measures and recognizes any retained investment at its fair value. A new measurement of remaining ownership interests will not be performed if the equity method is still applicable, for example by transition from an associate to a joint venture.

12.2 JOINT VENTURE AND ASSOCIATES

The Group has classified the investments in Hyon AS and Norwegian Hydrogen AS as joint ventures. The entities is organized as limited liability companies with its own management in charge of day-to-day business. However, the composition of the board and guidelines for operation of the companies is based on an operational agreement and shareholder agreement. Under these agreements, it is required unanimity between the parties for making decisions about relevant activities. Accordingly, the ventures has joint control over the company's operations. Thus, the group as a participant is entitled to the arrangement's net assets. The Group's responsibility as a participant in the companies is limited to the capital contribution, and the return equals the Group's share of profit/loss. The investments in joint ventures are accounted for according to the equity method.

Norwegian Hydrogen AS was founded 17 January 2020.

HEXAGON PURUS AS HAS THE FOLLOWING INVESTMENTS IN JOINT VENTURE AND ASSOCIATES

Joint venture and associates	Country	Business segment	Ownership share	Votes
Hyon AS	Norway	Purus	33.33 %	33.33 %
Norwegian Hydrogen AS	Norway	Purus	20.98 %	20.98 %

THE INCOME STATEMENT INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

(NOK 1 000)	2020	2019
Sales revenue	0	0
Other operating income	0	0
Cost of materials	0	0
Other operating expenses	0	0

THE BALANCE SHEET INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

(NOK 1 000)	2020	2019
Trade receivables	0	0
Trade payables	0	0

HEXAGON PURUS GROUP'S SHARE OF PROFIT/LOSS IN HYON AS

	2020	2019
Book value as at 01.01.	651	1 400
Share capital contribution	300	0
Share of profit after tax	-1 007	-749
Book value as at 31.12.	-56	651

Hyon AS does not have an observable market value in form of market price or similar.

HEXAGON PURUS GROUP'S SHARE OF PROFIT/LOSS IN NORWEGIAN HYDROGEN AS

	2020	2019
Book value as at 01.01.	0	0
Share capital contribution	3 000	0
Share of profit after tax	-877	0
Book value as at 31.12.	2 123	0

Norwegian Hydrogen AS does not have an observable market value in form of market price or similar.

Note 13 Other non-current assets

(NOK 1 000)	2020	2019	01.01.2019
Loans (as Lender)	-	-	-
Other non-current assets	751	3 226	133
Total other non-current assets	751	3 226	133

Note 14 Inventories

Inventories are valued at the lower of historical cost and net realizable value. Net realizable value is the estimated selling price (in the normal course of business) less the estimated costs of completion and the estimated cost necessary to make the sale. Cost is based on the average cost price, and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location. Goods produced by the Group itself include variable and fixed costs that can be allocated based on normal capacity utilization.

(NOK 1 000)	2020	2019	01.01.2019
Raw materials and consumables	75 164	67 667	50 584
Work in progress	14 831	17 521	36 909
Finished goods	32 001	15 490	24 203
Inventories of business held for sale	-60 409		
Total inventories	61 586	100 678	111 696
Provision for obsolete inventory in balance sheet	7 251	14 901	17 936
Carrying amount of holdings used as pledged assets	-	-	-

Note 15 Trade receivables

Trade receivables are recognized at transaction price and subsequently measured at initial recognized amount less impairment losses.

(NOK 1 000)	2020	2019	01.01.2019
Trade receivables	47 190	127 187	78 751
Provisions for loss	- 935	-2 172	-1 357
Trade receivables of business held for sale	-19 598	-	-
Trade receivables after provision for losses	26 657	125 015	77 394
Carrying amount of trade receivables used as pledged assets	-	-	-

Losses on trade receivables are classified as other operating expenses in the income statement. In the assessment, consideration is made to guaranteed and insured amounts (see other note concerning credit risk). Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

AS OF 31 DECEMBER THE COMPANY HAD THE FOLLOWING AGEING OF TRADE RECEIVABLES

	Contract assets	Trade receivables					Total
		Not due	<30 days past due	30-60 days past due	60-90 days past due	>90days past due	
2020							
Expected credit loss rate	0.0%	0.2%	1.5%	7.5%	10.0%	14.7%	
Carrying amount at default	814	9 006	12 133	900	263	4 354	27 471
Expected credit loss	0	18	182	68	26	641	935
2019							
Expected credit loss rate	0.0%	0.2%	0.5%	1.0%	5.0%	8.3%	
Carrying amount at default	3 100	42 238	56 900	4 222	1 234	20 421	128 115
Expected credit loss	0	84	284	42	62	1 699	2 172
01.01.2019							
Expected credit loss rate	0.0%	0.2%	0.5%	1.0%	5.0%	8.4%	
Carrying amount at default	7 364	26 149	35 225	2 614	764	12 642	84 758
Expected credit loss	0	52	176	26	38	1 064	1 357

CHANGES IN THE PROVISION FOR LOSSES ARE AS FOLLOWS

(NOK 1 000)	2020	2019
Opening balance 1 January	2 172	1 357
Additions from purchase of companies		
Provision for losses for the year	-1 228	1 513
Actual losses during the year	-77	-697
Translation differences	68	-1
Closing balance 31 December	935	2 172

Credit risk and currency risk regarding trade receivables are described in more detail in note 20.1.

Note 16 Other current assets

(NOK 1 000)	2020	2019	01.01.2019
Other debtors	6 573	548	2 795
Prepaid expenses & accruals	5 138	2 771	5 369
Entitlement to VAT and sales tax	2 395	4	1 474
Entitlement to income tax refund	7	373	1 498
Other ¹⁾	327	2 245	475
Total other current assets	14 440	5 941	11 611

1) Other in 2020 includes receivables related to the Norwegian Skattefunn

Note 17 Bank deposits, cash and cash equivalents

Cash & cash equivalents consist of cash in hand and at bank. Any positive balances against bank overdrafts are included as a component of cash and cash equivalents in the cash flow statement. The cash flow statement has been prepared using the indirect method. Bank overdrafts (if any) are reported under short-term loans in the balance sheet. Received interest income is classified as investment activities and interest payments is classified as investment activities in the cash flow statement.

(NOK 1 000)	2020	2019	01.01.2019
Cash at bank and in hand	1 246 351	65 093	66 552
Bank deposits, cash and cash equivalents	1 246 351	65 093	66 552
Bank overdrafts	0	0	0
Cash & cash equivalents in the cash flow analysis	1 246 351	65 093	66 552
Undrawn Group overdraft facility	0	0	0
Undrawn loan facilities	0	0	0
Restricted funds included in cash & cash equivalents ¹⁾	528	0	0

1) Restricted tax withholdings

Note 18 Net financial items

(NOK 1 000)	2020	2019
Interest income	1 107	310
Foreign exchange items	3 343	3 229
Other finance income	6 635	0
Finance income related to discontinued operation	-975	-306
Total finance income	10 110	3 243
Loss on exchange items	73 240	2 592
Cost of interest on loans etc.	40 034	24 661
Cost of interest on lease liabilities	1 243	626
Other finance expense	9	0
Finance expense related to discontinued operation	-555	-482
Total finance expense	113 969	27 397
Net financial items	-103 860	-24 154

Note 19 Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

19.1 FINANCIAL ASSETS PRINCIPLES

The Group's financial assets are trade receivables, cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group classified its financial assets as financial assets at amortized cost.

19.1.1 Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables and other short-term deposits. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

19.1.2 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

either

- the Group has transferred substantially all the risks and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

19.2 FINANCIAL ASSETS IN HEXAGON PURUS GROUP

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 31 December 2020, 31 December 2019 and 1 January 2019:

FINANCIAL ASSETS

(NOK 1 000)	2020	2019	01.01.2019
Debt instruments at amortized cost:			
Trade receivables	26 657	125 015	77 394
Other current financial assets	14 440	5 941	11 611
Non-current financial assets	751	3 226	133
Total	41 848	134 182	89 138
Total current	41 097	130 956	89 005
Total non-current	751	3 226	133

19.2.1 Impairment of financial assets

For trade receivables and contract assets, the Group uses a simplified approach to calculating expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on ECLs over the life of the trade receivable and the contract asset on each reporting date. The Group has established a provision matrix that is based on its historical credit losses, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit

enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Further information on any impairment of financial assets is provided in notes 15 and 20.1

19.3 FINANCIAL LIABILITIES

Financial liabilities are subsequently recognized at amortized cost, as loans and borrowings, payables.

19.3.1 Loans, borrowings and payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Payables are measured at their nominal amount when the effect of discounting is not material.

19.3.2 Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

19.4 FINANCIAL LIABILITIES IN HEXAGON PURUS GROUP

Set out below is an overview of financial liabilities held by the Group as at 31 December 2020, 31 December 2019 and 1 January 2019:

FINANCIAL LIABILITIES

(NOK 1 000)	2020	2019	01.01.2019
Financial liabilities at amortized cost:			
Trade and other payables	83 988	139 207	42 986
Non-current interest bearing loans and borrowings	-	729 428	586 010
Current interest bearing loans and borrowings	161 016	-	-
Total	245 004	868 635	628 996
Total current	245 004	139 207	42 986
Total non-current	0	729 428	586 010

19.5 MEASUREMENT OF FAIR VALUE

The following of the Group's financial instruments are not measured at fair value: Cash & cash equivalents, trade receivable, other current receivables and payables and bank overdrafts. These items are recognized at amortized cost. Non-current interest-bearing liabilities are recognized in accordance with amortized cost.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(NOK 1 000)	2020		2019	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Other non-current assets	751	751	3 226	3 226
Trade receivables	26 657	26 657	125 015	125 015
Other current financial assets	14 440	14 440	5 941	5 941
Bank deposits, cash and cash equivalents	1 246 351	1 246 351	65 093	65 093
FINANCIAL LIABILITIES				
Internal loans	161 016	161 016	729 428	729 428
Trade and other payables	83 988	83 988	139 207	139 207

The management assessed that the fair values of bank deposits, cash and cash equivalents, trade receivables, other non-current assets, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Note 20 Financial risk management

The Group's principal financial liabilities, comprise intercompany loans and borrowings, and trade payables and other payables. The main purpose of these financial liabilities is to finance the Group's operation. The Group's principal financial assets include trade receivables, cash and cash equivalents that derive directly from its operations.

The Group is exposed to interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and defines guidelines on appropriate financial risk governance framework for the Group. Procedures for risk management are adopted by the board and carried out by the chief financial officer in close cooperation with the subsidiaries.

The Group may use financial instruments under its strategy to hedge risks associated with interest rate and foreign currency fluctuations. The Group is not using any such instruments for the time being.

20.1 CREDIT RISK

The Group is mainly exposed to credit risk associated with trade receivables and contract assets. The Group minimizes its exposure to credit risk by ensuring that all parties requiring credit (primarily trade receivables) are approved and undergo a credit check.

The subsidiary Hexagon Purus GmbH applies credit insurance to covers parts of the companies' receivables. Trade receivables amounted to NOK 27 million (NOK 125 million). Except for parts in Hexagon Purus GmbH these do not have credit insurance, however, are partly covered through Letter of Credits and prepayments from customers.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and that outstanding amounts do not exceed the defined credit limits. Credit information is also used in the group's regular appraisal of new and existing customers.

The Group has not issued guarantees for third party obligations.

The carrying amount of the financial assets, in the balance sheet represents the maximum risk exposure. The Group considers its maximum risk exposure to be the carrying amount of its trade receivables, contract assets and other current assets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and rating, coverage by letter of credit or prepayments or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Note 15 provides information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix.

20.2 INTEREST RATE RISK

The Group is exposed to interest rate risk from its financing activities. The Group's interest-bearing liabilities – being internal from Hexagon Group - have variable interest rates, which means it is affected by changes in interest rates. The Group has substantial in bank deposits at year-end. As the interest on deposits are low for the time being, the risk related to this part is considered limited.

In general, the aim of the Group's interest rate risk management is to reduce interest expenses, while also keeping the volatility of future interest payments within acceptable limits. The Group's strategy is for its finance departments to regularly evaluate the interest rate exposure of Hexagon Purus Group's assets and liabilities based on a total assessment of interest expectations and risk profile. The Group may use derivatives to adjust its effective interest rate exposure.

As the majority of the loan positions are converted to equity in 2020, with a remaining loan balance due in 2021, interest sensitivity is considered limited.

THE AVERAGE EFFECTIVE INTEREST RATE ON FINANCIAL LIABILITES WAS AS FOLLOWS

	2020	2019
Internal financing	5.3 %	4.7 %
Financial leases	1.5% - 4.88%	1.5% - 4.88%

20.3 LIQUIDITY RISK

Liquidity risk is the risk of the group not being in a position to fulfil its financial liabilities when they fall due. The group's strategy for managing liquidity risk is to set a level of available liquidity to enable it to discharge its financial liabilities when they fall due, both under normal and unexpected circumstances, without risking unacceptable losses or damaging the group's reputation.

The majority of excess liquidity is invested in bank deposits.

31.12.2020 REMAINING PERIOD

(NOK 1 000)	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Repayment of internal loan	-	-	161 016	-	-	161 016
Interest on loan	806	2 418	2 418	-	-	5 642
Leases	598	1 793	4 782	23 866	-	31 039
Interest on leases	27	81	215	876	-	1 199
Trade payables	21 304	19 980	1 264	-	-	42 549
Total	22 735	24 272	169 696	24 742	0	241 445

31.12.2019 REMAINING PERIOD

(NOK 1 000)	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Repayment of internal loan	-	-	-	729 428	-	729 428
Interest on loan	562	1 685	4 493	193 298	-	200 038
Leases	1 168	3 503	9 342	46 625	-	60 638
Interest on leases	14	42	113	457	-	626
Trade payables	38 555	50 397	47 622	2 633	-	139 207
Total	40 298	55 628	61 569	972 442	0	1 129 937

20.4 FOREIGN EXCHANGE RISK

As the Group has production and sales in different countries with different functional currencies, it is exposed to currency risk associated with movements of the Norwegian krone against other currencies, while the Group's presentation currency is NOK. The Group's profit after tax is also affected by currency movements, as the results of foreign companies are translated to the Norwegian currency using the weighted average exchange rate for the period. The Group can use forward contracts to reduce its currency risk from cash flows denominated in foreign currencies. Currency risk is calculated for each currency and takes into consideration assets and liabilities, off-balance sheet obligations and highly probable purchases and sales in the relevant currency.

(NOK 1000)	Movement of NOK against USD	Effect on profit/ loss before tax	Effect on pre tax equity
2020	+5 %	-10 061	-3 773
	-5 %	10 061	3 773
2019	+5 %	0	-3 519
	-5 %	0	3 519

(NOK 1000)	Movement of NOK against EUR	Effect on profit/ loss before tax	Effect on pre tax equity
2020	+5 %	-35 987	- 6 126
	-5 %	35 987	6 126
2019	+5 %	0	- 2 868
	-5 %	0	2 868

The table explains the effect on the Group's profit/loss from +/- 5% change in EUR or USD for its financial instruments. The last column explain the translation difference effect (OCI) on Group equity from +/- 5% change in EUR or USD.

20.5 CAPITAL STRUCTURE AND EQUITY

The main goal of the Hexagon Purus Group's capital structure management is to ensure it maintains a level of equity which is reasonable in relation to the Group's operations and an acceptable credit rating. Hexagon Purus Group is a growth case where high investments in business development will be necessary to achieve future growth and profitability. Hence, the major financing element in the near future is expected to be equity. By achieving a relatively low debt to equity ratio, the Group will be able to support its operations and in doing so maximize the value of its shares. In addition, relatively high share of equity will balance the business risk in a sound way.

It is targeted that the Group's shareholders shall receive a competitive return on their shares, mainly through price increases in the Group's shares. The Group is not expecting to pay dividends based on financial performance in the nearest periods.

The Group manages and makes necessary changes to its capital structure by regularly assessing prevailing economic conditions and prospects of short and medium-term growth. Capital structure management is largely dealt with by means of new share issues. The Board of Directors is granted the power to increase the share capital by maximum NOK 8.35 million in face value. No other changes to guidelines or capital structure is planned at the time of authorization of this report.

Note 21 Provisions

21.1 ACCOUNTING PRINCIPLES

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be measured reliably. If the effect is significant, the provision is calculated by discounting estimated future cash flow using a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically associated with the obligation.

A provision for guarantees is recognized when the underlying products or services are sold. The provision is based on historical information about guarantees and a weighting of possible outcomes according to the likelihood of their occurrence. A provision for onerous contracts is recognized when the Group's expected economic benefits under the contract are lower than the unavoidable costs of meeting the obligations under the contract.

21.2 ESTIMATES RELATED TO PRODUCT WARRANTY PROVISIONS

Management estimates the warranty provision using information on historical warranty costs and other relevant information relevant to future warranty claims. Factors that can influence estimated liabilities include the results of productivity and quality initiatives, as well as prices of parts and labor costs.

(NOK 1 000)	2020	2019
Balance 1 January	13 392	9 227
Provisions for the year	14 068	4 186
Translation differences	525	-21
Provisions used (and reversed) during the year		
Provision held for sale	-10 823	
Balance 31 December	17 162	13 392

The Group seeks to minimize the level of warranty or other claims from third parties through a diligent focus on quality. The Group also seeks to consistently recognize any potential impact of unanticipated events. Provisions are made for both general and, if required, specific warranty claims on Low-Pressure and High-Pressure cylinders or on delivered systems. Such provisions are typically based on i) historical warranty costs levels for equivalent products and services, ii) our assessment of any ongoing third-party legal disputes or quality related matters in the ordinary course of business. In such cases, including products liability cases, the Group prepares estimates based on experience, professional judgment of legal counsel, and other assumptions it believes to be reasonable. The Group also recognizes an asset if insurance covers all or part of any recorded liability. As additional information becomes available, potential liability related to pending litigation is reassessed and related estimates are updated., and iii) a forward view based on the changing levels and complexity of our business activities within cylinder and systems business areas respectively.

The warranty period is mostly one year from delivery with exceptions for individual contract. The provision can thereby be expected to be related to activity and new contracts.

Note 22 Pensions

22.1 ACCOUNTING PRINCIPLES FOR PENSION PLANS

22.1.1 Defined benefit pension plans

Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are valued at their fair value.

The current service cost and net interest income/costs are recognized immediately and is presented as a payroll & social security expense in the income statement. Net interest income/cost is calculated by using the discount rate of the liability at the beginning of the period on the net liability. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognized continuously through other comprehensive income. The pension cost is affecting the payroll & social security costs in the income statement. Actuarial gains and losses, including changes in value, both for assets and liabilities, are recognized through other comprehensive income. Actuarial gains and losses are not reclassified over profit and loss.

22.1.2 Defined contribution pension plans

Pension premiums relating to defined contribution plans are recognized as an expense as they are incurred.

22.2 PENSION PLANS IN PURUS

The Norwegian companies in the group are legally obliged to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The Norwegian pension arrangements satisfy the requirements of this act. This arrangement is a defined contribution plan.

Our subsidiaries in the USA offer defined contribution plans subject to USA statutory requirements. The defined contribution plans cover full-time employees and employer contributions range up to 6% of defined compensation subject to employee contributions. For some of the plans, there can also be an additional payment at the end of the year in accordance with the terms of the defined contribution plan.

In Germany most employees are not covered by a pension plan. There is a historical defined benefit plan with a very limited participation. The obligation for the defined benefit pension plans is calculated on a straight-line basis. Unrealized gains and losses resulting from changes in actuarial assumptions are recognized in other comprehensive income. There are seven active and three retired in the pension plan. The pension liability is calculated by an actuary. The net pension liability is presented below. Based on the limited participation and liability, the plan is considered of low significance.

SUMMARY OF PENSION COST IN THE GROUP

(NOK 1 000)	2020	2019
Defined contribution pension plan	2 669	1 870
Defined benefit pension plan	501	
Total	3 171	1 870

PENSION RELATED ASSETS AND LIABILITIES

(NOK 1 000)	2020	2019	01.01.2019
Pension liabilities	2 635	2 076	1 117

Note 23 Share capital and share premium

23.1 ACCOUNTING PRINCIPLES SHARE CAPITAL**23.1.1 Own shares**

In the event of a purchase of own shares, the purchase price and any directly associated costs are recognized as a change in equity. Own shares are reported as a reduction in equity. Gains or losses related to own share transactions are recognized directly in equity.

23.1.2 Costs arising from equity transactions

Transaction costs directly related to an equity transaction are recognized directly in equity.

23.2 SHARE CAPITAL AND SHAREHOLDERS

	2020	2019
Ordinary shares of NOK 0.10 (2020) and NOK 1.00 (2019) each	229 092 239	330 000
Total number of shares	229 092 239	330 000

The Company's share capital consists of one class of shares and is fully paid-up.

CHANGES IN SHARE CAPITAL AND SHARE PREMIUM

	Number of shares		Share capital (NOK 1 000)		Share premium (NOK 1 000)	
	2020	2019	2020	2019	2020	2019
Ordinary shares						
Issued and paid 1 January	330 000	30 000	330	30	14 443	
Split of shares and debt conversion (new par value 0.10)	201 289 712		19 832		1 320 168	
Issued new share capital	27 472 527	300 000	2 747	300	747 253	14 443
Transaction cost	-	-		-	- 26 582	-
Issued and paid, end of period	229 092 239	330 000	22 909	330	2 055 282	14 443

The split of shares and debt conversion was accomplished in October 2020, while the issue of new share capital happened in December prior to listing of the shares on Euronext Growth Oslo.

The company is not holding any own shares.

In an extraordinary shareholder's meeting 30 October 2020 the shares are split into 201 619 712 shares, and conversion of NOK 1 340 million of debt to equity, resulting in a share face value of NOK 0.10. In the same extraordinary shareholders meeting, the Board of Directors is granted the power to increase the share capital by maximum NOK 8.35 million in face value.

20 LARGEST SHAREHOLDERS AS OF 31.12.2020

	Number of shares	Shareholding
HEXAGON COMPOSITES ASA	171 628 057	74,9 %
CLEARSTREAM BANKING S.A.	6 992 394	3,1 %
mitsui & co ltd	5 204 029	2,3 %
MP PENSJON PK	3 362 037	1,5 %
J.P. Morgan Bank Luxembourg S.A.	3 192 049	1,4 %
FLAKK COMPOSITES AS	3 027 799	1,3 %
VERDIPAPIRFONDET DELPHI NORDIC	1 666 154	0,7 %
State Street Bank and Trust Comp	1 586 998	0,7 %
FOLKETRYGDFONDET	1 577 043	0,7 %
STOREBRAND NORGE I VERDIPAPIRFOND	1 487 522	0,7 %
BRØDR. BØCKMANN AS	1 323 120	0,6 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 307 785	0,6 %
BNP PARIBAS SECURITIES SERVICES	793 619	0,4 %
NØDINGEN AS	787 228	0,3 %
JPMorgan Chase Bank, N.A., London	764 746	0,3 %
KTF FINANS AS	756 950	0,3 %
Skandinaviska Enskilda Banken AB	731 293	0,3 %
VERDIPAPIRFONDET DELPHI NORGE	613 686	0,3 %
VERDIPAPIRFONDET KLP AKSJENORGE	600 417	0,3 %
BNP Paribas Securities Services	571 801	0,3 %
Total 20 largest shareholders	207 974 727	90,7 %
Remainder	21 117 512	9,3 %
Total	229 092 239	100,0 %

Note 24 Share-based payment

24.1 ACCOUNTING PRINCIPLES AND ESTIMATES

The Group has a share-based program for the senior and key executives. The share-based program for the senior and key executives is settled in shares. The fair value of the issued instruments is expensed over the vesting period which is over the agreed-upon future service period and, where applicable, the performance conditions are fulfilled. The fair value of the performance share units (PSUs) and restricted share units (RSUs) is measured at grant date and calculated using the Black & Scholes model or alternative generally accepted models where relevant.

The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued PSUs and RSUs of the transactions that are settled with equity instruments (settled with the company's own shares) is recognized as salary and personnel cost in profit and loss with a corresponding increase in other paid-in capital. Social security tax is recorded as a liability and is recognized over the estimated vesting period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model. This estimate also requires determination of the most appropriate inputs to the valuation model including the

expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of the Group's share program, RSUs and PSUs at the grant date, the Group uses the Black & Scholes model or alternative generally accepted models where relevant.

24.2 PROGRAMS

The Company has two share-based long-term incentive plans. The first plan is a management investment program with Performance Share Units ("PSUs") matching. This plan is limited to five members of the executive management team. Each eligible employee will in 2024 be entitled to up to three new shares in the Company per share invested, at no consideration, provided he or she is still employed in the Company at such date. The entitlement depends on fulfilment of three criteria, one per matching share. One criterion is tied to increase in share price, one is tied to Company performance criteria and one is tied to continued employment.

On 14 December 2020, the Company announced that key members of Hexagon Purus' executive management team exercised their right to purchase the maximum number of shares allowable in the management investment program, equal to a total number of 210 621 shares. As part of this management investment program, the Company awarded up to 421 242 related PSUs and 210 621 Restricted Stock Units ("RSUs") to the executives. The instruments are non-transferable and will vest in 2024 when the Board of Directors approve the annual accounts for 2023, subject to satisfaction of the applicable vesting conditions. Each vested instrument will give the holder the right to receive one share in the Company.

The second share-based long term incentive plan is an employee RSU program. On 10 December 2020 Hexagon Purus AS issued 485 000 RSUs to key personnel and management employees of the Group. Subject to satisfaction of the applicable vesting conditions, each RSU entitles eligible employees to receive such number of Hexagon Purus shares as corresponds to the number of RSUs vested at the date on which the Company's Board of Directors approves the Company's annual accounts for the financial year of 2023.

The fair value of the RSUs and PSUs are calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost of the RSU and PSU schemes, including social security, was NOK 0.5 million year-to-date 31 December 2020. The unamortized fair value of all outstanding instruments, RSUs (695 621) and PSUs (maximum 421 242), as of 31 December 2020 is estimated to be NOK 24.5 million.

There are no cash settlement obligations. As these programs do not have a precedent in the Group, the Group does not have a past practice of cash settlement for outstanding instruments.

All outstanding instruments are granted at the same date in 2020. The following table lists the input applied to calculate the fair value of the plans:

Instrument	RSU key personnel	PSU executive management	RSU executive management
Quantity 31.12.2020 (instruments)	485 000	421 242	210 621
Quantity 31.12.2020 (shares)	485 000	421 242	210 621
Contractual life ¹⁾	3,54	3,54	3,54
Strike price ¹⁾	0,00	0,00	0,00
Share price ¹⁾	27,30	27,30	27,30
Expected lifetime ¹⁾	3,54	3,54	3,54
Volatility ¹⁾	30,00%	39,65%	30,00%
Interest rate ¹⁾	0,390%	0,390%	0,390%
Dividend ¹⁾	0,00	0,00	0,00
FV per instrument ¹⁾	27,30	20,83	27,30

1) Weighted average parameters at grant of instrument

Note 25 Earnings per share

Earnings per share is calculated by dividing profit for the year by the weighted average number of shares outstanding.

To calculate diluted earnings per share, the profit and weighted average number of shares outstanding is adjusted to accommodate all dilution effects associated with share options. All share options are taken into consideration in the "denominator", and adjustments are made for recognized option expenses in the numerator. In the calculations, share options are considered to have been converted at the grant date. Redeemed options are included from the date of issue.

(NOK 1 000)	Note	2020	2019
PROFIT/LOSS FROM CONTINUING OPERATIONS FOR THE YEAR FLOWING TO HOLDERS OF ORDINARY SHARES			
Profit/loss for the year		- 308 026	- 167 895
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING 31.12			
Ordinary shares issued 01.01	23	330 000	30 000
Own shares			
Issued new shares		228 762 239	300 000
Outstanding number of shares 31.12		229 092 239	330 000
Weighted average number of shares outstanding 31.12¹⁾		229 092 239	330 000
Profit/loss per share (continuing operation)		-1.34	-508.77
DILUTED NUMBER OF SHARES OUTSTANDING 31.12			
Ordinary shares issued 01.01	23	330 000	30 000
Own shares			
Issued new shares		228 762 239	300 000
Effect of employee options issued			
Outstanding shares 31.12 adjusted for dilution effects		229 092 239	330 000
Weighted average number of shares outstanding 31.12 adjusted for dilution effects		229 092 239	330 000
Diluted profit/loss per share (continuing operation)		-1.34	-508.77

1) Weighted average number of shares represented by closing balance 31.12.2020

There are 1 116 863 instruments (including contingently issuable shares), consisting of 695 621 RSUs and 421 242 PSUs, that could potentially dilute basic earnings per share in the future. These are not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

Note 26 Interest-bearing liabilities

(NOK 1 000)	2020	2019
LOAN FROM HEXAGON COMPOSITES		
Opening balance	729 428	586 010
Closing balance 31 December	165 272	729 428
Discontinued operations	-4 256	0
Closing balance continuing operations	161 016	729 428

Hexagon Purus has been funded by Hexagon Composites up until December 2020. Movements in loan from Hexagon Composites is due to funding of operations, including investments in tangible and intangible assets, in addition to effects from changes in currency exchange rates. Funding related to operations have been made interest bearing either at time of transfer of cash or by being added to loan principal by end of each quarter. Terms of the interest-bearing positions have been at fair value floating quarterly.

At end of quarter three 2020, net debt positions in Hexagon Purus against Hexagon Composites were converted to interest bearing debt. On 30 October 2020, the net debt position was converted to equity. The residual of NOK 161 million will be settled against a share purchase agreement where Hexagon Composites acquires the CNG LDV entities from Hexagon Composites Germany GmbH. The remaining residual intercompany debt after the completion of this share purchase agreement, will be settled in cash as soon as the demerger process is completed.

(NOK 1 000)	Interest rate conditions	Currency	Maturity	Carrying amount	
				2020	2019
UNSECURED					
Internal loan	NIBOR 3 months + margin	NOK	2021	161 016	729 428
Total unsecured non-current liabilities					
Total non-current liabilities				0	729 428
1st year's instalments, non-current liabilities				0	-
Total non-current liabilities, not including 1st year's instalments				0	729 428

ESTIMATED REPAYMENT STRUCTURE FOR NON-CURRENT LIABILITIES (NOK 1 000) AS OF 31.12.2020

	2021	2022	2023	2024	2025	Thereafter
	161 016					

RECONCILIATION FOR LIABILITIES ARISING FROM FINANCING ACTIVITIES

(NOK 1 000)	Financial liabilities	Non-current lease liabilities	Current lease liabilities	Total
Liabilities 1 January 2019	586 010	43 898	12 343	642 251
Repayment of non-current liabilities			- 12 343	-12 343
Proceeds from borrowings	140 325			140 325
New non-current liabilities		16 740		16 740
Exchange differences	3 093			3 093
Other transactions without cash settlement		- 12 810	12 810	0
Balance 31 December 2019	729 428	47 828	12 810	790 066
Liabilities 1 January 2020	729 428	47 828	12 810	790 066
Cash flow from financing activities				
Conversion of debt to equity	- 1 340 000			-1 340 000
Repayment of non-current liabilities		- 8 824	- 12 350	-21 174
Proceeds from borrowings	771 588			771 588
New non-current liabilities		21 033		21 033
Exchange differences		1 716	460	2 176
Other transactions without cash settlement	4 256	-13 563	13 563	4 256
Liabilities held for sale	-4 256	-26 395	-5 239	-35 890
Balance 31 December 2020	161 016	21 795	9 244	192 055

Note 27 Short-term interest-bearing loans

(NOK 1 000)	2020	2019	01.01.2019
SECURED			
Current interest-bearing liabilities			
1st year's instalments, non-current interest-bearing liabilities	161 016		-
1st year's instalments, lease liabilities	9 244	12 810	-
Total	170 260	12 810	-

The remaining loan from Hexagon Composites ASA is classified as current due to planned settlement in 2021.

Note 28 Other current liabilities

(NOK 1 000)	2020	2019	01.01.2019
Public duties payable	3 730	7 761	4 261
Accrued expenses and other current liabilities	39 574	68 683	71 514
Other current liabilities	6 208	3 629	2 035
Total	49 512	80 073	77 810

Note 29 Related parties disclosure

The Group's related parties consist of joint ventures, main shareholders, members of the Board and management. Transactions with joint ventures (if any) are disclosed in another note.

Hexagon Group and Hexagon Purus Group historically have had a close relationship as Hexagon Purus Group is at the time of these prepared financials statements as of 31 December 2020 owned 75% of Hexagon Composites ASA. The cooperation includes sharing of manufacturing resources, contract manufacturing and exchange of capacity within all areas of business, process, product and system development. In addition, there has been a tradition to share management and administrative resources for the benefit of all parties having more and better solutions than otherwise would have been possible. All the transactions are carried out as part of normal business and at arm's length prices. Increasing independence for Hexagon Purus Group going forward, will enforce the focus on these principles.

The following table provides the total amount of transactions that have been entered into with related parties during the year, as well as balances with related parties as at 31 December 2020 and 31 December 2019.

There are no sales to, purchases from, loans to, receivables or liability/payables to associated companies/joint venture of the Group, except from the investment in associated company.

There are no sales to, purchases from, loans to, receivables or liability/payables to main shareholders and members of the Board.

There are no sales to, purchases from, loans to, receivables or liability/payables to key management personnel of the Group, except for any short-term postings related to salary payout and remuneration of out-of-the pocket expenses.

THE INCOME STATEMENT INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH RELATED PARTIES

(Hexagon sister companies and parent)
(NOK 1 000)

	2020	2019
Sales revenue	56 923	86 084
Cost of materials	34 454	18 843
Other operating expenses	70 331	42 646
Interest paid to group companies/financial expenses from related parties	40 383	31 219

THE BALANCE SHEET INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH RELATED PARTIES

(Hexagon sister companies and parent)
(NOK 1 000)

	2020	2019
Trade receivables	22 166	22 390
Trade payables	24 801	55 083
Amounts owed by related parties	123	
Amounts owed to related parties	165 648	

REMUNERATION OF THE BOARD AND MANAGEMENT

(NOK 1 000)	Salaries and fees to board members	Bonuses paid ¹⁾	Benefits in kind	Paid pension premium	Value of vested instruments ³⁾	Total remuneration 2020
EXECUTIVE MANAGEMENT						
Morten Holum, Executive Vice President	738			44		782
BOARD OF DIRECTORS						
Jon Erik Engeset, Chairman	28					28
Martha Kold Bakkevig	14					14
Espen Gundersen	15					15
Karen Romer	14					14
Jannicke Hilland	13					13
Rick Rashilla	14					14
Total remuneration	835	0	0	44	0	880

1) Bonuses paid in the year, related to the year 2019. The Board of Directors was employed from 14 December 2020.

2) Morten Holum was employed from 1 October 2020, previously employed in Hexagon Composites ASA

3) No vesting in 2020. See note 24 on share based payment related to awards in 2020 which can be vested in later years

The Chairman of the Board has no agreement relating to termination benefits. In his employment agreement, the Group President has a period of notice of 6 months. He has an agreement for up to 12 months' severance pay. The management of the Group have a target-based bonus agreement.

Group management participates in the Company's general pension arrangements, which are described in note 22 Pensions. The Group President participate in the Group's defined contribution plan.

Group management participate in the Company's share-based incentive scheme, which are described in note 24, Share-based Payment. As of 31.12.2020 the Group President holds 74 (0) thousand shares, 147 (0) thousand provisional performance share units (PSUs) outstanding, and 73 (0) thousand restricted share units (RSUs).

No loans have been made, or security provided for loans, to any member of Group management, the Board or other elected standing committees or any of their related parties.

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2020	2019
Jon Erik Engeset (Chairman) ¹⁾	39 899	
Karen Romer (Board member)	272	
Rick Rashilla (Board member)	10 458	

1) Of the shares owned by Jon Erik Engeset 9 705 are privately owned, 30 194 are owned by a company controlled by Engeset

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2020	2019
Morten Holum	74 471	-

EXPENSED AUDITOR FEES WERE DIVIDED AMONG THE FOLLOWING SERVICES (EXCL. VAT)

(NOK 1 000)	2020	2019
Statutory audit and auditing-related services	3 246	872
Other attestation services		
Tax advice	131	354
Other non-auditing services		40
Total	3 377	1 266

Note 30 Income tax

30.1 ACCOUNTING PRINCIPLES FOR INCOME TAXES

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of

- temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries, associates or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognized when it is probable that the Group will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The Group recognize previously unrecognized deferred tax assets to the extent it has become probable that the Group can utilize the deferred tax asset. Similarly, the Group will reduce a deferred tax asset to the extent that the Group no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen. Deferred tax assets and liabilities are recognized at nominal value and are classified as non-current assets and non-current liabilities in the balance sheet. Deferred tax is presented as a gross amount for the geographical countries in which the Group operates.

Deferred tax is recognized directly in other comprehensive income if the tax items relate to items recognized in other comprehensive income. Deferred tax is recognized directly in equity if the tax items relate to items recognized directly in equity.

30.2 INCOME TAXES IN PURUS

TAX EXPENSE

(NOK 1 000)

	Note	2020	2019
Income tax payable in the income statement		-	-
Change in deferred tax in income statement		34 654	-25 777
Tax expense		34 654	-25 777
Income tax payable in the balance sheet		-	20
Total income tax payable in the income statement		0	20
Nominal tax rates in Norway		22 %	22 %
Profit before tax		-273 373	-193 672
Tax based on nominal tax rate in Norway		-60 142	-42 608
Not capitalized due to uncertainty		60 142	-
Other differences relating to foreign subsidiaries		698	14 902
Reversal of capitalized tax asset		35 005	-
Share of profit/loss from associates		415	165
Tax related to discontinued operations		-1 464	1 764
Tax expense		34 654	-25 777

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

(NOK 1 000)	Balance sheet			Change in deferred tax in income statement	
	2020	2019	01.01.2019	2020	2019
DEFERRED TAX ASSET					
Loss carried forward	-91 470	-45 938	-17 259	-45 531	-13 773
Property, plant & equipment	-4 232	-	-128	- 4 232	-1 059
Intangible assets	-3 717	-3 789		72	-3 789
Inventories	-157	-		-157	
Trade receivables	-	-1 796		1 796	-1 796
Provisions for liabilities/other current liabilities	-5 526	-2 918	-693	-2 608	-2 225
Other	-3 624	-2 952	-2 360	-671	-593
Deferred tax asset- gross	-108 725	-57 394	-20 440	51 331	-23 236
Reduction of tax assets due to uncertainty	91 776	14 905	-	76 871	
Deferred tax assets - net carrying amount	-16 948	-42 489	-20 440	25 541	-23 236
DEFERRED TAX LIABILITIES					
Property, plant & equipment	5 449	2 656	674	2 793	1 982
Intangible assets	11 228	17 875	25 686	-1 598	-6 871
Trade receivables	638	656		-19	656
Pensions (overfunded)	661			661	
Provisions for liabilities/other current liabilities	9 996	2 414	723	7 276	1 691
Deferred tax liabilities - gross	27 972	23 601	27 083	9 113	-2 541
Net recognized deferred tax liabilities/assets (-)	11 024	-18 888	6 643	34 654	-25 777
Change in deferred tax from purchase of companies / OCI				0	
Net change in deferred tax in income statement				34 654	-25 777
CARRYING AMOUNTS					
Deferred tax asset	0	-41 213	-20 440		
Deferred tax liabilities	11 024	22 325	27 083		
Net recognized deferred tax assets/deferred tax liabilities	11 024	-18 888	6 643		

DEFERRED TAX RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME ARE AS FOLLOWS

(NOK 1 000)	2020	2019
Actuarial gains/losses, pensions	0	0
Derivatives	0	0
Total	0	0

Note 31 Government grants

ACCOUNTING PRINCIPLES FOR GOVERNMENT GRANTS

Government grants, including the Norwegian Skattefunn, are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received.

Grants related to income are presented as reductions of the expenses they are intended to compensate.

Investment grants are capitalized and recognized systematically over the asset's useful life. Investment grants are recognized as deferred income. The Group currently has grants with the United States Department of Energy which is recognized as grant income.

(NOK 1 000)	2020	2019
Governmental grants related to income		
Governmental grants booked as deferred revenue	354	
Governmental grants reducing booked value of asset	442	
Total governmental grants related to income	796	0
Governmental grants related to income		
Governmental grants presented as income	164	
Total governmental grants related to income	164	0
Grant total governmental grants received	960	0

Note 32 Purchasing commitments

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM PURCHASING MATERIALS

(NOK 1 000)	2020	2019
2021	-	16 052
2022	-	-
Thereafter		
Total	0	16 052

Note 33 Covid-19 considerations

Five confirmed cases of COVID-19 infection were reported among Hexagon Purus personnel in 2020, all of whom have recovered or are recovering. All production facilities have remained open and only marginally affected during the period.

Hexagon Purus is closely monitoring the COVID-19 situation and has prepared contingency plans at each site. The Company is not able to accurately predict the final outcome from COVID-19 related effects but will remain vigilant and committed to employing further counter measures to mitigate such effects, if required. At the date of approval of this report, there are not other effects identified from COVID -19.

Note 34 Events after the balance sheet date

- Hexagon Purus was selected by Talgo, S.A., a leading manufacturer of high-speed light trains, to deliver high pressure cylinders for its first prototype hydrogen train. The cylinders are expected to be delivered in the second half of 2021.
- Hexagon Purus received multiple orders for several leading European gas distributors for its X-STORE 300 bar cylinder and for its brand new X-STORE 381 bar version. These cylinders will be used for transportation of hydrogen for industrial and mobility purposes.
- New Flyer, North America's largest mass mobility solutions provider, placed an order with Hexagon Purus for the supply of high-pressure hydrogen tanks for their zero-emission Xcelsior CHARGE H2™ hydrogen fuel cell electric transit buses. The contract value is approximately NOK 7.7 million and deliveries will commence in Q1 2021.
- Hexagon Purus on 3 March 2020 signed Joint Venture agreements with CIMC Enric to enter China, which is expected to be the world's largest zero emission hydrogen vehicle and distribution market.
- Signed a multi-year agreement (as part of a broader agreement together with Hexagon Agility encompassing CNG solutions) to supply hydrogen distribution modules to Certarus. Under the agreement, Hexagon Purus received an initial order for SMARTSTORE® hydrogen distribution modules with an estimated value of USD 3.2 million.

There have been no other significant events after the balance sheet date that have not already been disclosed in this report.

Note 35 Exchange rates

	Exchange rate 1.1.2020	Average exchange rate 2020	Exchange rate 31.12.2020
USD	8.7803	9.4146	8.5326
CAD	6.7570	7.0133	6.6976
EUR	9.8638	10.7258	10.4703

Income statement – Parent Company

Hexagon Purus AS

(NOK 1 000)	Note	2020	2019
Other revenue		18	
Total operating income		18	
Payroll & social security expenses	9	3 801	
Other operating expenses		15 169	34
Operating profit/loss		-18 953	-34
Finance income	11	12 654	
Finance expense	11	74 012	
Profit/loss on ordinary activities before tax		-80 311	-34
Tax on profit on ordinary activities	8	-	-
Profit/loss on ordinary activities		-80 311	-34
Profit/loss for the year		-80 311	-34
Share premium		-80 311	-34
Total transferred		-80 311	-34

Balance sheet – Parent Company

Hexagon Purus AS


(NOK 1 000)	Note	31.12.2020	31.12.2019
ASSETS			
FINANCIAL ASSETS			
Investments in subsidiaries	2	70 375	11 772
Investments in associates and joint ventures			
Loans to group companies	4	934 694	
Other non-current receivables			
Investments in shares	2	6 350	3 050
Excess financing of pension liabilities			
Total financial assets		1 011 419	14 822
Total non-current assets		1 011 419	14 822
CURRENT ASSETS			
RECEIVABLES			
Trade receivables	4	22	
Other receivables group	4	12 184	
Other receivables	4	98	
Total receivables		12 304	
Bank deposits, cash and cash equivalents	5	1 184 250	15
Total current assets		1 196 554	15
Total assets		2 207 972	14 837

Balance sheet – Parent Company

Hexagon Purus AS

(NOK 1 000)	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
PAID-IN CAPITAL			
Share capital	1,7	22 909	330
Own shares		-	-
Share premium	1	1 974 971	14 443
Other paid-in capital	1	372	
Total paid-in capital		1 998 252	14 773
Other equity	1	-	
Total other equity		-	
Total equity		1 998 252	14 773
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Liabilities to group companies		-	
Total other non-current liabilities		-	
CURRENT LIABILITIES			
Liabilities to group companies	4	164 369	
Trade payables		28 519	
Trade payables to group companies	4	15 534	
Public duties payable		154	
Other current liabilities	5	1 144	64
Total current liabilities		209 720	64
Total liabilities		209 720	64
Total equity and liabilities		2 207 972	14 837

Oslo, Norway, 22 March 2021
The Board of Directors of Hexagon Purus AS


Jon Erik Engeset
Chairman of the Board


Espen Gundersen
Board Member


Jannicke Hilland
Board Member


Martha Kold Bakkevig
Board Member


Rick Rashilla
Board Member


Kafem Romer
Board Member


Morten Holum
President & CEO

Cash flow statement – Parent Company

Hexagon Purus AS

(NOK 1 000)	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		-80 311	-34
Tax paid for the period		-	-
Depreciation and impairment		-	-
Share-based payment expense		372	-
Change in receivables		-12 304	-
Changes in payables		43 989	25
Changes in other accrual accounting entries		1 298	39
Net cash flow from operating activities		-46 956	30
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant & equipment and intangible assets		-	-
Purchase of shares	2	-61 903	-14 822
New loans to subsidiaries	4	-934 694	-
Net cash flow from investing activities		-996 597	14 822
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities	4	164 369	-
Debt conversion		1 340 000	-
Proceeds from issues of shares		723 418	14 792
Net change in bank overdraft		-	-
Net cash flow from financing activities		2 227 787	14 792
Net change in cash & cash equivalents	5	1 184 235	0
Cash & cash equivalents at beginning of period		15	15
Cash & cash equivalents at end of period		1 184 250	15
Undrawn group overdraft facility		-	-
Undrawn credit facility		-	-

Notes – Parent Company

(NOK 1 000)

ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the provisions of the Norwegian Accounting Act and generally accepted accounting principles in Norway.

SALES REVENUE

Revenue from services is recognized as services are rendered. The portion of sales revenue relating to future rendering of services is capitalized as unearned revenue on the sale and recognized thereafter as the service is rendered.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Current assets and liabilities include items due for payment within one year of the date of acquisition. Other items are classified as non-current assets/liabilities.

Current assets are valued at the lower of cost of acquisition and fair value. Current liabilities are recognized at nominal value on the date of commencement.

Non-current assets are measured at the cost of acquisition but are written down to fair value if impairment is identified which is not considered to be of a temporary nature. Non-current liabilities are recognized at nominal value on the date of commencement. Costs associated with non-current liabilities are amortized over the duration of the loan using the effective interest method.

RECEIVABLES

Trade and other receivables are recognized in the balance sheet at their nominal value, following deductions for provisions for expected losses. Provisions for losses are made on the basis of the individual claims.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Foreign currency transactions are recognized at the exchange rate prevailing at the transaction date. Foreign currency monetary items are valued using the exchange rate prevailing at the balance sheet date. Currency gains/losses on receivables/liabilities are classified as financial items.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized and depreciated over the asset's expected useful life. Direct maintenance of property, plant and equipment is recognized under operating expenses as it is incurred, while overheads or improvement costs are added to the cost price of the asset and depreciated in pace with the asset's own depreciation. If the recoverable amount of the asset is lower than its carrying amount, this is written down to its recoverable amount. The recoverable amount is the higher of net realizable value and value in use. Value in use is the present value of future cash flows the asset will generate.

FINANCIAL INSTRUMENTS

In addition to traditional financial instruments such as trade receivables, trade payables and interest-bearing liabilities, the Company also uses forward exchange contracts and interest rate swaps to limit the Company's currency and interest rate exposure. The effects of these instruments are recognized as they arise, together with the hedged objects. The interest rate instruments are not measured at the fair value on the balance sheet date because the Company uses hedge accounting. The currency instruments are valued at fair value and converted to the exchange rate specified on the balance sheet date.

SHARES

In the company accounts, the cost method of accounting is used for all shares. All shares are valued at cost in the company accounts.

SHARE-BASED PAYMENT

Share based payment are accounted for in accordance with NRS 15A, applying IFRS 2 under Norwegian Legislation. Senior executives in the Group have from 2015 to 2018 received options to subscribe for shares in the Parent Company. From 2019 the incentive program involve performance share units (PSUs) instead of options. The fair value of share options and PSUs are measured at the grant date and the cost is recognized, together with a corresponding increase in other paid-in capital, over the period in which the performance and/or service conditions are fulfilled. The fair value is calculated using the Black & Scholes model. The employer's contribution is accrued over the period in which the service conditions are fulfilled, based on the intrinsic value.

PENSION EXPENSES

Pensions are accounted for in accordance with NRS 6A, applying IAS 19 under Norwegian Legislation.

Pension premiums relating to defined contribution plans are recognized as an expense as they are incurred.

TAX

Tax expense in the income statement includes income tax payable for the period and changes in deferred tax. Deferred tax is calculated at 22% based on the temporary differences between accounting and fiscal values and loss carryforwards at the end of the financial year.

Tax-increasing and tax-reducing temporary differences which reverse or may reverse in the same period are offset. Net deferred tax asset is recognized to the extent that it is probable that it can be utilized.

INTEREST-BEARING LOANS AND BORROWING COSTS

Loans are recognized at the initial amount received less directly related transaction costs. In subsequent periods, interest-bearing loans are measured at amortized cost using the effective interest method. Profit and loss are entered in the income statement when liabilities are deducted from the balance and via amortization. Borrowing costs are expensed as they arise.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash & cash equivalents include cash and bank deposits.

USE OF ESTIMATES

Preparation of the annual financial statements in accordance with good accounting practice requires the use of estimates and assumptions by management which influence the income statement and the valuation of assets and liabilities, and disclosures on uncertain assets and obligations at the balance sheet date.

Contingent losses which are probable and quantifiable, are expensed as incurred.

Note 1 Equity

(NOK 1 000)	Share capital	Own shares	Share premium	Other paid-in capital	Total equity
Equity as of 01.01.2020	330		14 443		14 773
Profit/loss for the year			-80 311		-80 311
Share-based payments				372	372
Actuarial gains/losses for the year					
Movement in own shares					
Split of shares and debt conversion (new par value 0,10)	19 832		1 320 168		1 340 000
Issued new share capital	2 747		747 253		750 000
Transaction cost			-26 582		-26 582
Transfer/allocation					
Equity at 31.12.2020	22 909		1 974 971	372	1 998 252

On October 2020 the Company issued 201 289 712 new shares in a share split and debt conversion. On 9 December the Company issued 27 472 527 new shares in a private placement at the price of NOK 27,30 per share.

The split of shares and debt conversion was accomplished in October 2020, while the issue of new share capital happened in December prior to listing of the shares on Euronext Growth Oslo.

Note 2 Shares in subsidiaries, associates and joint ventures

SUBSIDIARIES

(NOK 1 000)	Registered office	Ownership share	Voting share	Carrying amount
Hexagon Technology H2 AS	Ålesund, Norway	100 %	100 %	30
Hexagon Composites Germany GmbH	Herford, Germany	100 %	100 %	43 152
Hexagon Purus NA Holding Inc.	USA	100 %	100 %	27 192
				70 375

JOINT VENTURES AND ASSOCIATES

(NOK 1 000)	Registered office	Ownership share	Voting share	Carrying amount
Hyon AS	Oslo, Norway	33.3 %	33.3 %	3 350
Norwegian Hydrogen AS	Norway	20.98%	20.98 %	3 000
				6 350

EQUITY AND PROFIT/LOSS AS REPORTED IN MOST RECENT ANNUAL ACCOUNTS OF SUBSIDIARIES (COMPANY)

(NOK 1 000)	Hexagon Technology H2 AS	Hexagon Composites Germany GmbH	Hexagon Purus NA Holding inc.
Cost of acquisition	30	43 152	27 192
Equity at 31.12.2020	-18 725	-133 756	1 494
Profit 2020	-1 742	-31 894	-25 555

SHARE OF EQUITY AND PROFIT/LOSS AS REPORTED IN MOST RECENT ANNUAL ACCOUNTS OF JOINT VENTURES AND ASSOCIATES (COMPANY)

(NOK 1 000)	Hyon AS	Norwegian Hydrogen AS
Cost of acquisition	3 350	3 000
Equity at 31.12.2020	70	2 121
Profit 2020	-1 006	-877

Note 3 Receivables and liabilities

(NOK 1 000)	2020	2019
RECEIVABLES DUE FOR PAYMENT AFTER 1 YEAR		
Other non-current receivables	-	-
Loans to group companies	934 694	-
Total	934 694	0
SHORT-TERM LIABILITIES		
Liabilities to credit institutions	-	-
Total	0	0
Liabilities secured with collateral	0	0

Note 4 Intra-group transactions and balances

(NOK 1 000)	2020	2019
INCOME		
Administrative services to subsidiaries		
Total	0	0
RECEIVABLES		
Loans to group companies	934 694	
Trade receivables	12 184	
Other current receivables	0	
Total	946 878	0
LIABILITIES		
Loan from group companies - Current	164 369	
Liabilities to group companies - current	15 534	39
Total	179 904	39

Note 5 Bank deposits

(NOK 1 000)	2020	2019
Restricted tax withholdings	482	0

Note 6 Share capital and shareholder information

SHARE CAPITAL CONSISTS OF

(Amounts in NOK)	Number	Nominal	Carrying amount
A shares	229 092 239	0.10	22 909 224

The Company's share capital consists of one class of shares and is fully paid-up.

20 LARGEST SHAREHOLDERS AS OF 31.12.2020

	Number of shares	Shareholding
HEXAGON COMPOSITES ASA	171 628 057	74,9 %
CLEARSTREAM BANKING S.A.	6 992 394	3,1 %
MITSUI & CO LTD	5 204 029	2,3 %
MP PENSJON PK	3 362 037	1,5 %
J.P. Morgan Bank Luxembourg S.A.	3 192 049	1,4 %
FLAKK COMPOSITES AS	3 027 799	1,3 %
VERDIPAPIRFONDET DELPHI NORDIC	1 666 154	0,7 %
State Street Bank and Trust Comp	1 586 998	0,7 %
FOLKETRYGDFONDET	1 577 043	0,7 %
STOREBRAND NORGE I VERDIPAPIRFOND	1 487 522	0,7 %
BRØDR. BØCKMANN AS	1 323 120	0,6 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 307 785	0,6 %
BNP PARIBAS SECURITIES SERVICES	793 619	0,4 %
NØDINGEN AS	787 228	0,3 %
JPMorgan Chase Bank, N.A., London	764 746	0,3 %
KTF FINANS AS	756 950	0,3 %
Skandinaviska Enskilda Banken AB	731 293	0,3 %
VERDIPAPIRFONDET DELPHI NORGE	613 686	0,3 %
VERDIPAPIRFONDET KLP AKSJENORGE	600 417	0,3 %
BNP Paribas Securities Services	571 801	0,3 %
Total 20 largest shareholders	207 974 727	90,8 %
Remainder	21 117 512	9,2 %
Total	229 092 239	100,0 %

Ownership structure

The total number of shareholders as of 31.12.2020 was 5 408 of whom 402 were foreign shareholders. The number of shares held by foreign shareholders was 29 258 969 or 12,77%.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2020.

Note 7 Pensions and benefit obligations

The Company is legally obliged to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The Company's pension arrangements satisfy the requirements of this Act.

The parent Company's pension arrangements cover 5 employees. The employees were employed from 1 October. Pension arrangements are dealt with according to the Norwegian Accounting Standard NRS 6A for pension costs.

As of 1 October 2020 the members joined a defined contribution pension plan with the effect of the same date.

The defined contribution pension plan's contribution rates is 7% for salaries in the range of up to 7,1 times the national insurance base rate (G) and 25,1% for salaries in the range 7,1 to 12 G.

Contributions for the year were expensed at NOK 212,69 thousand, excluding employer's contributions.

Note 8 Tax

TAX EXPENSE FOR THE YEAR CONSISTS OF

(NOK 1 000)	2020	2019
Income tax payable	-	-
Change in deferred tax	-	-
Total tax expense	0	0

CALCULATION OF TAX BASE FOR THE YEAR

(NOK 1 000)	2020	2019
Profit before tax	-80 311	-34
Permanent differences	-26 431	
Change in temporary differences	120	34
Use of loss carryforwards	-	
Tax base for the year	-106 623	0

OVERVIEW OF TEMPORARY DIFFERENCES

(NOK 1 000)	2020	2019
Receivables	-	-
Non-current assets	-	-
Provisions	-120	-
Pensions	-	-
Loss carryforwards	-106 656	-34
Reduction of tax asset due to uncertainty	106 776	34
Total	0	0
Deferred tax 22%	0	0

Note 9 Payroll, number of employees, remuneration, loans to employees etc.

PAYROLL COSTS

(NOK 1 000)	2020	2019
Wages/salaries and fees	2 761	
Employer's contribution	453	
Pension expense	213	
Other contributions	375	
Total	3 801	0

There were five (0 in 2019) employees in the Company during the financial year, all employed from 1 October 2020.

The board of directors were employed from 14 December 2020.

(NOK 1 000)	Salaries and fees	Paid bonus ¹⁾	Natural contributions	Paid pension premium	Value of vested instruments	Total remuneration
EXECUTIVE MANAGEMENT						
Morten Holum, Group President ²⁾	738			44		782
BOARD OF DIRECTORS³⁾						
Jon Erik Engeset, Chairman	28					28
Martha Kold Bakkevig	14					14
Espen Gundersen	15					15
Karen Romer	14					14
Jannicke Hilland	13					13
Rick Rashilla	14					14
Total remuneration	835	0	0	44	0	880

1) Bonuses paid in the year relate to the year 2020.

2) Morten Holum was employed from 1 October 2020

3) The Board of Directors was employed from 14 December 2020.

The Chairman of the Board has no agreement relating to termination benefits. In his employment agreement, the Group President has a period of notice of 6 months. He has an agreement for up to 12 months' severance pay. The management of the Group have a target-based bonus agreement.

Group management participate in the Company's general pension arrangements, which are described in note "Pensions".

No loans have been made, or security provided for loans, to any member of Group management, the Board or other elected standing committees.

Group management participate in the Company's share based incentive scheme, which are described in note 12, Share-based Payment. As of 31.12.2020 the Group President holds 74 thousand shares, 147 thousand performance share units (PSUs) and 73 thousand restricted share units (RSUs).

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2020	2019
Jon Erik Engeset, (Chairman) ¹⁾	39 899	-
Karen Romer (Board Member)	272	-
Rick Rashilla (Board Member)	10 458	-

1) Of the shares owned by Jon Erik Engeset, 9 705 are privately owned, 30 194 are owned by a company controlled by Engeset.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2020	2019
Morten Holum	74 471	-

1) Of the shares owned by

EXPENSED AUDITORS' FEES AND COMPRISED OF THE FOLLOWING SERVICES (NOT INCLUDING VAT)

(NOK 1 000)	2020	2019
Statutory audit and auditing-related services	967	32
Other attestation services		
Tax advice		
Other non-auditing services		
Total	967	32

Note 10 Share-based payment

The Company has two share-based long-term incentive plans. The first plan is a management investment program with Performance Share Units (“PSUs”) matching. This plan is limited to five members of the executive management team. Each eligible employee will in 2024 be entitled to up to three new shares in the Company per share invested, at no consideration, provided he or she is still employed in the Company at such date. The entitlement depends on fulfilment of three criteria, one per matching share invested. One criterion is tied to increase in share price, one is tied to Company performance criteria and one is tied to continued employment.

On 14 December 2020, the Company announced that key members of Hexagon Purus’ executive management team exercised their right to purchase the maximum number of shares allowable in the management investment program, equal to a total number of 210 621 shares. As part of this management investment program, the Company awarded up to 421 242 related PSUs and 210 621 Restricted Stock Units (“RSUs”) to the executives. The instruments are non-transferable and will vest in 2024 when the Board of Directors approve the annual accounts for 2023, subject to satisfaction of the applicable vesting conditions. Each vested instrument will give the holder the right to receive one share in the Company.

The second share-based long term incentive plan is an employee RSU program. On 10 December 2020 Hexagon Purus AS issued 485 000 RSUs to key personnel and management employees of the Group. Subject to satisfaction of the applicable vesting conditions, each RSU entitles eligible employees to receive such number of Hexagon Purus shares as corresponds to the number of RSUs vested at the date on which the Company’s Board of Directors approves the Company’s annual accounts for the financial year of 2023.

The fair value of the RSUs, PSUs and Shares are calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost of the RSU, PSU and Share schemes, including social security, was NOK 0.5 million year-to-date 31 December 2020. The unamortized fair value of all outstanding instruments, RSUs (695 621), PSUs (maximum 421 242) and Shares (maximum 210 621), as of 31 December 2020 is estimated to be NOK 24.5 million.

There are no cash settlement obligations. As these programs do not have a precedent in the Group, the Group does not have a past practice of cash settlement for outstanding instruments.

All outstanding instruments are granted at the same date in 2020. The following table lists the input applied to calculate the fair value of the plans:

Instrument	RSU	PSU	Shares
Quantity 31.12.2020 (instruments)	695 621	421 242	210 621
Quantity 31.12.2020 (shares)	695 621	421 242	210 621
Contractual life ¹⁾	3,54	3,54	3,54
Strike price ¹⁾	0,00	0,00	0,00
Share price ¹⁾	27,30	27,30	0,00
Expected lifetime ¹⁾	3,54	3,54	0,00
Volatility ¹⁾	30,00%	39,65%	0,00%
Interest rate ¹⁾	0,390%	0,390%	0,000%
Dividend ¹⁾	0,00	0,00	0,00
FV per instrument ¹⁾	27,30	20,83	0,00

1) Weighted average parameters at grant of instrument

OVERVIEW OF NUMBER OF OUTSTANDING INSTRUMENTS

(NOK 1 000)	Share options 2020	RSUs 2020	PSUs 2020
Outstanding instruments 1 January	2 705 000	149 994	2 235 906
Instruments granted	0	0	0
Instruments exercised	0	0	0
Instruments lapsed	0	0	0
Share instruments outstanding 31 December	0	0	0
Exercisable at 31 December	0		0

Note 11 Net financial items

FINANCE INCOME

(NOK 1 000)	2020	2019
Interest income from group companies	12 523	
Other interest income	122	
Other finance income (currency gains)	9	
Total finance income	12 654	0

FINANCE EXPENSE

(NOK 1 000)	2020	2019
Interest expenses to group companies	6 741	
Other interest expenses	3	
Currency losses	67 268	
Other finance expense	-	
Total finance expense	74 012	0

Note 12 Financial market risk

The Company's international activities expose it to currency risk and interest risk. Derivative financial instruments are used to minimize these risks under the Group's strategy for interest and currency exposure.

INTEREST RATE RISK

Interest rate risk arises in the short and medium term from the Company's floating rate liabilities. The Company have historically used interest rate swaps to minimize the risk.

CURRENCY RISK

Fluctuations in exchange rates represent a financial risk to the Company, both directly and indirectly. The Company have used currency swaps and borrows in foreign currency to minimize the risk.

Note 13 On Covid -19

In the parent company there are no direct effects from COVID -19. In the subsidiaries there are all together five confirmed cases of COVID-19 infection were reported among Hexagon Purus personnel in 2020, all of whom have recovered or are recovering. All production facilities have remained open and only marginally affected during the period.

Hexagon Purus is closely monitoring the COVID-19 situation and has prepared contingency plans at each site. The Company is not able to accurately predict the final outcome from COVID-19 related effects but will remain vigilant and committed to employing further counter measures to mitigate such effects, if required. At the date of approval of this report, there are not other effects identified from COVID -19.

Note 14 Events after the balance sheet date

There have not been any significant events after the balance sheet date.

Auditor's report



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hexagon Purus AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hexagon Purus AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and the cashflow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the financial position of the Group as at 31 December 2020, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Group President & CEO (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Aalesund, 22 March 2021
ERNST & YOUNG AS



Ivar André Norvik
State Authorised Public Accountant (Norway)



Clean Air Everywhere