2020

Annual report

Contents

Hexagon Composites ASA

OSE:HEX

Hexagon delivers safe and innovative solutions for a cleaner energy future. Our solutions enable storage, transportation and conversion to clean energy in a wide range of mobility, industrial and consumer applications.

Workforce [1]

1,060

1) FTEs

Production sites and engineering hubs

Norway

Germany

Canada

USA

Revenue

3,080 MNOK

- Agility Fuel Solutions had a record year despite the impact of COVID-19, driven by strong sustainability drivers
- Hexagon Ragasco recorded solid results, reflecting its resilience in the face of the global pandemic

EBITDA

190 MNOK

- A strong contribution from Agility Fuel Solutions and particularly its medium- and heavy-duty segments.
- Hexagon Purus, e-mobility ramp-up effect: NOK -132 million

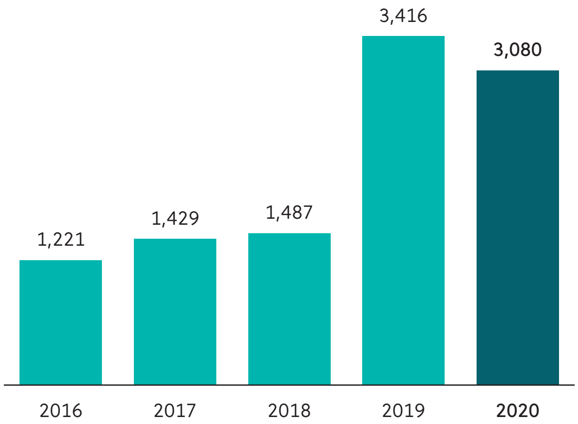
Finance

58 % equity ratio

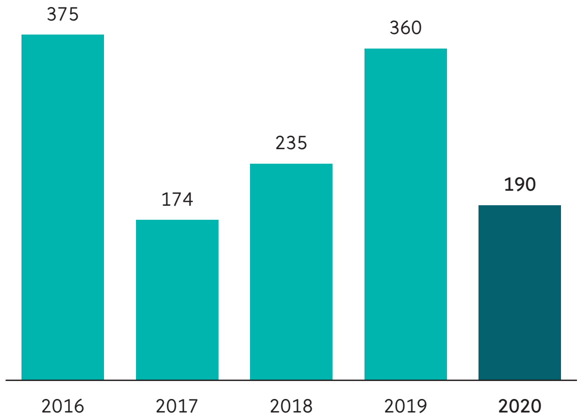
- Private placement of NOK 907 million
- Successful listing of Hexagon Purus (HPUR.OL) on Euronext Growth, raised NOK 750 million in new capital
- Strong balance sheet with 58% equity ratio

Key figures

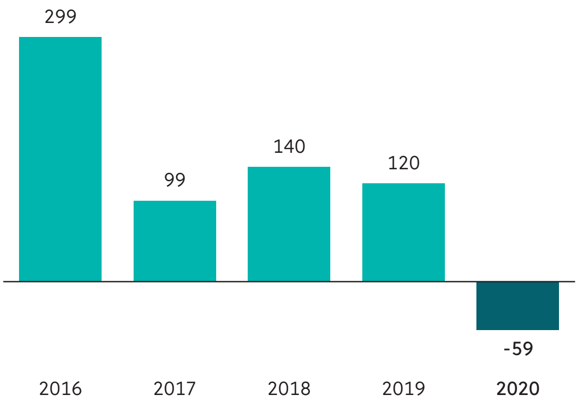
REVENUE MNOK



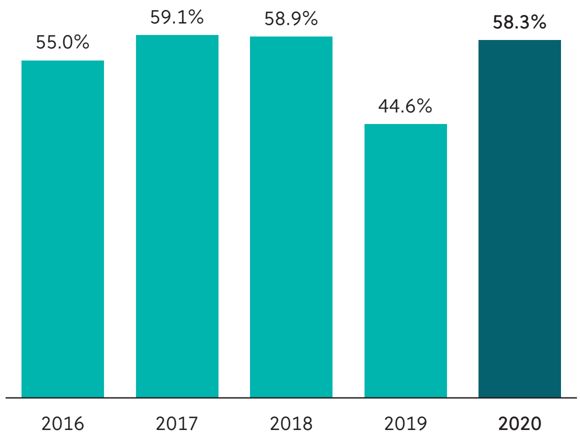
EBITDA MNOK



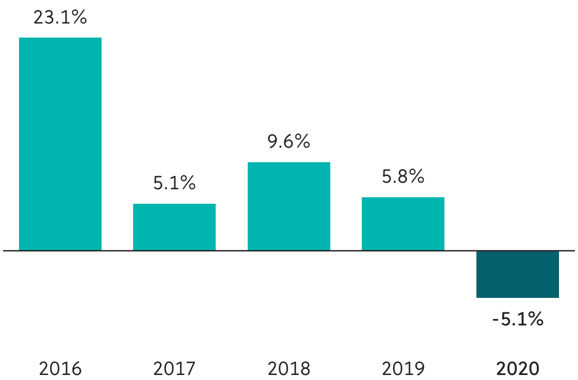
EBIT MNOK



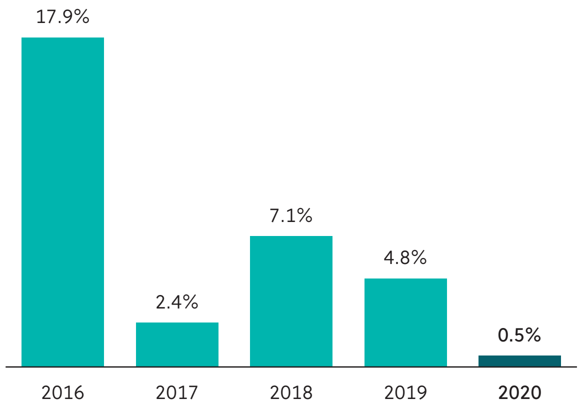
EQUITY RATIO %



RETURN ON EQUITY %



RETURN ON ASSETS %



(NOK 1 000)

Revenues and profit	2020	2019	2018	2017	2016
Revenue	3 080 375	3 416 124	1 486 521	1 429 397	1 220 511
Operating profit before depreciation (EBITDA)	189 940	359 715	234 520	174 022	374 877
Operating profit (EBIT)	-59 272	120 109	140 202	99 291	299 266
Profit before tax	-56 138	111 246	168 727	48 227	311 886
Profit after tax	-147 781	107 491	141 462	69 472	208 303
Capital 31.12					
Total assets	6 164 937	4 827 519	2 616 343	2 391 298	2 424 847
Equity	3 595 838	2 152 993	1 540 063	1 412 441	1 333 170
Equity ratio [1]	58.3 %	44.6 %	58.9 %	59.1 %	55.0 %
Profitability and rate of return					
Cash flow from operations	229 198	192 889	154 601	90 434	-4 034
Operating margin [2]	-1.9 %	3.5 %	9.4 %	6.9 %	24.5 %
Return on equity [3]	-5.1 %	5.8 %	9.6 %	5.1 %	23.1 %
Return on assets [4]	0.5 %	4.8 %	7.1 %	2.4 %	17.9 %
NIBD/EBITDA [5]	-1.7	3.1	1.6	1.2	0.6
Shares					
Share capital	20 162	18 329	16 663	16 663	16 663
Total number of shares per 31.12	201 619 712	183 290 648	166 627 868	166 627 868	166 627 868
Earnings per share [6] (NOK)	-0.78	0.63	0.86	0.42	1.40
Cash flow per share [7] (NOK)	1.20	1.12	0.92	0.55	-0.03
Equity per share [8] (NOK)	17.83	11.74	9.24	8.48	8.00

Definition of key figures

1) Shareholders' equity as a percentage of total assets.
2) Operating profit as a percentage of operating income.
3) Profit after tax divided by average shareholders' equity.
4) Profit before tax + interest expense divided by average total assets.
5) Net interest-bearing debt divided by EBITDA.
6) Net profit for the year divided by average number of shares outstanding.
7) Net cash flow from operations divided by average number of shares outstanding.
8) Shareholders' equity divided by average number of shares outstanding.

A word from the CEO

Dear Shareholders, Partners and Colleagues,

2020 brought severe challenges, but also provided new opportunities to meet global climate targets. Ground-breaking initiatives were introduced, like the EU Green Deal, California Air Resources Board's (CARB) first-in-the-world rule, the International Energy Administration's (IEA) Sustainable Recovery Plan and China's commitment to carbon neutrality by 2060 – all geared towards accelerating the transition to clean, renewable energy.

About us

Hexagon Composites ASA[1] is a global leader in clean fuel solutions - solutions that range from LPG cylinders for domestic cooking and heating, compressed natural gas (CNG) and renewable natural gas (RNG) mobility, to hydrogen and battery e-mobility. Our solutions are here today, on cars and trucks, on ferries, trains and buses, in homes and even in spacecraft. Our solutions are working for customers and partners around (and above) the world. Hexagon is driven by a clear conviction: Clean air is a right, not a privilege.

The COVID-19 pandemic has tested our commitment. I am proud of how we responded. While taking swift measures to protect the health of our team-mates, we stepped up to keep critical industries running.

Our financials

We exited 2020 even stronger than we entered it. We recorded revenues of NOK 3,080 million and EBITDA of NOK 190 million, which was down from the previous year due to COVID-19 effects in the second quarter. Demand picked up again strongly in the third quarter.

In 2020, Hexagon's technology was able to remove an estimated 730,000 tons of greenhouse gas (GHG) emissions, equivalent to saving over 960,000 acres of forest or removing 158,000 passenger vehicles from the roads.

In August we raised NOK 907 million in new equity. The year ended with the successful spin-off and public listing of Hexagon Purus, a pure-play hydrogen and battery electric e-mobility company. Separating and listing Hexagon Purus allowed us to pursue two parallel strategies (e-mobility and g-mobility) in the global push for a decarbonized transport sector. Maintaining a majority ownership in Hexagon Purus provides investors in the Hexagon Group exposure to the e-mobility market, where the addressable market is expected to exceed USD 7 billion in 2030.

g-mobility and e-mobility are equally key to driving the clean energy transformation

The total addressable mobility market is expected to grow by around four times, to approximately USD 8 billion in 2025. While the relative growth will be strongest in the e-mobility business, it is the g-mobility business that will grow the most in absolute terms in the next five years.

Significant growth in the years ahead – RNG a major driver

Renewable natural gas (RNG) is made from organic waste that would otherwise decompose as methane, causing environmental damage and contributing to climate change. To create RNG, the methane is captured and refined into natural gas. Using RNG takes carbon out of the environment, neutralizes waste and helps deliver net zero carbon emissions. It is a viable, scalable, long-term solution and it is ready to use today without investing in new vehicles.

Digitalization is a core part of the Energy Transformation

Driving energy transformation is not only about enabling the replacement of traditional energy sources and carriers; it is also about utilizing energy in smart and efficient ways.

Raising the bar with technology advancements will enable Hexagon to extend the life of its products. Introducing smart and connected systems will enable new business models, build

1) Hexagon, the Hexagon Group or the Group

customer loyalty, and create new revenue streams. Digitalization is the next big strategic step for Hexagon. Through Hexagon Digital Wave and Hexagon Ragasco, we are focused on turning these opportunities into realities.

Progress can’t wait

The backdrop for our business could not be better. The clean energy transformation is gaining massive momentum. We see that our customes in every sector have sustainability and clean energy at the top of their strategic agendas – and we have no doubt they will execute on their strategies. Meanwhile, there are few companies out there with proven solutions for multiple forms of clean energy. Hexagon is one of them.

Strengthening structure and brand

To prepare for this market opportunity, we made some changes in our structure at the start of this year. In addition to the spin-off and listing of Hexagon Purus, we lifted Hexagon Digital Wave into a separate business area with responsibility for developing digitalizing technologies and solutions for our mobility business. Hexagon Ragasco will continue with a renewed focus on smart digital solutions. In addition Hexagon Mobile Pipeline has been combined with Agility Fuel Solutions to form Hexagon Agility.

In Hexagon, our strategic focus remains sharp on environmental impact – both our own and our customers'.

In light of the momentum of the market and these structural changes, we have chosen to revitalize the Hexagon brand to reinforce Hexagon’s position as a bold leader in clean fuel solutions - a broad group that collaborates with its customers and believes that progress can’t wait.

Optimistic and focused

As I write this, the world is cautiously optimistic. President Biden’s decision to rejoin the Paris Climate Agreement on the first day of the new administration is likely to be just the first step in a sharp shift in US climate policy. The EU Green Deal has been launched to build a more sustainable EU economy and foster a range of initiatives. In Hexagon, our strategic focus remains sharp on environmental impact – both our own and our customers'.

Thank you for your continued support and encouragement.

Be safe and be well,

Jon Erik Engeset
Group President & CEO

Driving energy transformation

The energy transition towards a low-carbon society provides exciting growth opportunities for Hexagon. We are driving energy transformation by delivering the power of clean alternatives with natural gas, renewable natural gas, propane, hydrogen, and battery electric to a wide range of applications.

Our beliefs

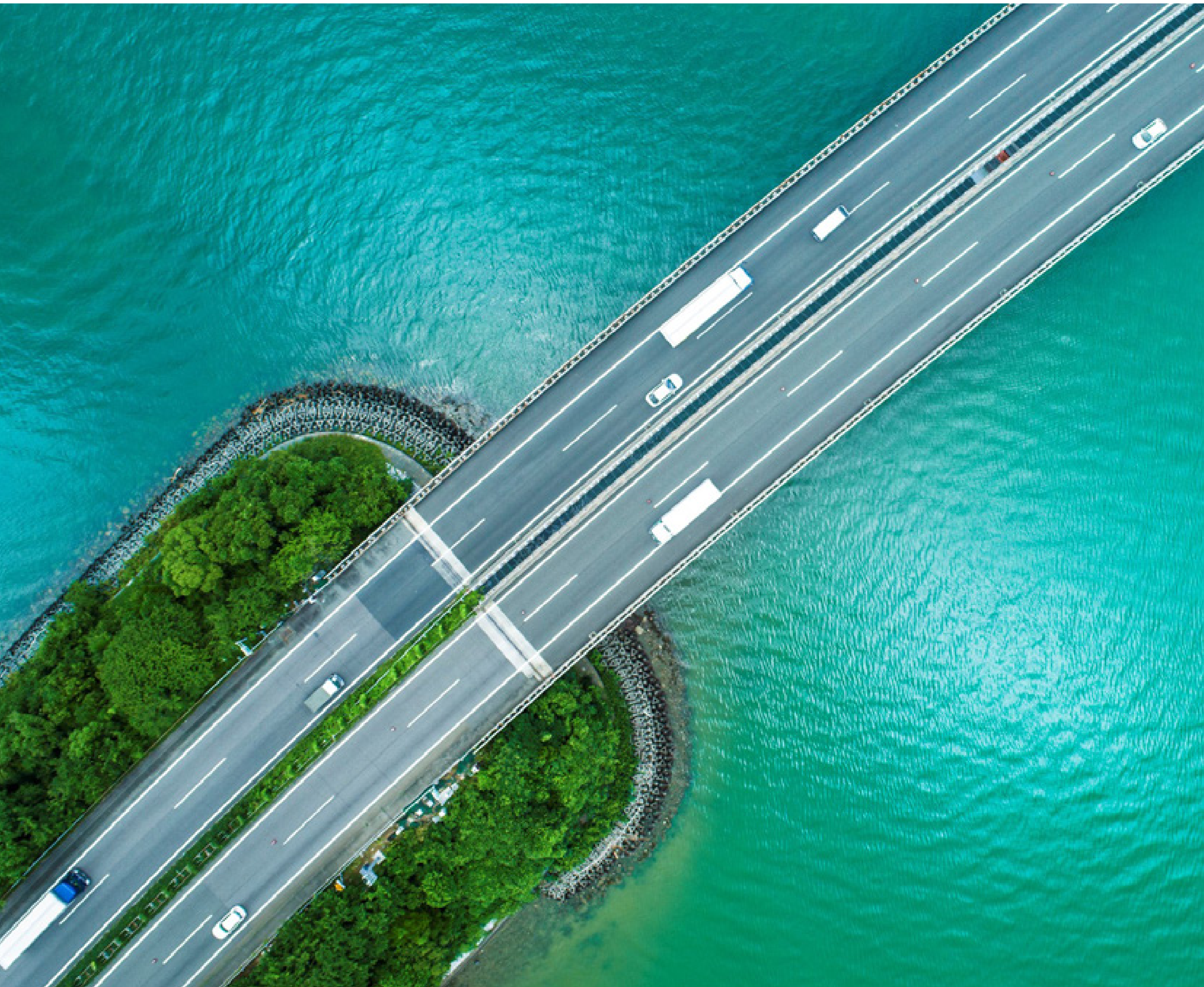
- We have a strong, values-based culture that drives our business performance and guides us in our decision-making processes. Our core values, integrity and drive, support our behavior and our beliefs.
- We believe that clean air is a right not a privilege; that technology is no longer the barrier in enabling clean transport for all; and that change is urgent.
- We hold ourselves accountable for all our interactions, with our customers, suppliers and owners, our people and the communities in which we operate.

VISION	PURPOSE	VALUES
Clean air everywhere	Driving energy transformation	Integrity and drive

Important events

Building a strong platform for continued profitable green growth

In Hexagon we focus our strategy around g-mobility, e-mobility, world-class manufacturing and digitalization. With the successful spin-off and separate listing of Hexagon Purus, the formation of Hexagon Agility and the ambition to expand Hexagon Digital Wave's expertise to digitalize Hexagon’s products and solutions, the Group has never been in a better position to pursue its global g-mobility and e-mobility opportunities.



G-mobility – providing clean fuel solutions

In January 2021, Agility Fuel Solutions and Hexagon Mobile Pipeline joined forces to create Hexagon Agility, becoming a leading global provider of clean fuel solutions for commercial vehicles and gas transportation solutions.

E-mobility – enabling zero emission solutions

The spin-off and separate listing of Hexagon Purus in 2020 has allowed the company to aggressively pursue its own strategic and investment priorities. In March 2021, CIMC ENRIC and Hexagon Purus launched their hydrogen joint venture to drive zero emission mobility solutions forward in China and Southeast Asia, the world's largest zero emission hydrogen vehicle and distribution market.

Investing in world-class manufacturing – gearing up for scale

In 2020, Hexagon substantially increased its production capacity for high-pressure fuel tanks for CNG and RNG powered heavy-duty vehicles.

Digitalization – essential on the road to decarbonization

Hexagon Digital Wave was established as a separate business area in 2021. Hexagon Digital Wave will be our center of excellence for smart technologies, developing digital solutions for our mobility business.

Executive management

JON ERIK ENGESET
Group President & CEO

Jon Erik Engeset has served as President & CEO since 2013. He has extensive experience from various senior managerial positions at Rolls Royce, Norsk Hydro and as CEO of Saferoad Group. Jon Erik holds an MSc and MBA from Norwegian School of Economics.

Number of shares:	263,554
Number of options:	120,000
Number of PSUs: 1)	180,034

Includes shares owned by related parties

DAVID BANDELE
CFO

David Bandele has served as CFO since 2014. Prior to joining Hexagon, he held several senior positions in the field of finance and controlling within the Aker Group of companies, GE Healthcare and Amersham Plc. David holds a Bachelor of Economics from the University of Sheffield and is an ICAEW Chartered Accountant (ACA).

Number of shares:	115,429
Number of options:	0
Number of PSUs: 1)	121,080

SEUNG W. BAIK
President Hexagon Agility

Seung Baik joined Agility as Chief Legal Officer in 2014 and was appointed President in February 2019. Prior to joining Agility, he practiced law with global law firms Goodwin Procter LLP and Latham & Watkins LLP. Seung holds a Juris Doctor from Northwestern University School of Law and a Bachelor of Arts with Distinction, Cornell University School of Arts & Sciences.

Number of shares:	0
Number of options:	0
Number of PSUs: 1)	181,621

SKJALG SYLTE STAVHEIM
President Hexagon Ragasco

Skjalg Sylte Satvheim joined Hexagon Ragasco in 1996 where he has held key management positions. He has broad experience from business development and manufacturing processes and has served as President since 2013. Skjalg has an MSc in Economics and Business Administration from BI Norwegian Business School.

Number of shares:	136,406
Number of options:	0
Number of PSUs: 1)	121,080

1) Number of allotted actual performance share units (PSUs) to date

JACK SCHIMENTI

President Hexagon Digital Wave

Jack Schimenti joined Hexagon in 2005 and has held several key management positions. Jack has served as Executive Vice President since 2019, and has broad experience from production processes for composites pressure vessels. He was appointed President in Hexagon Digital Wave in October 2020. He holds a BSc in Industrial Engineering.

Number of shares:	139 639
Number of options:	80,000
Number of PSUs: [1]	121,080

MORTEN HOLUM

CEO Hexagon Purus

Morten Holum was appointed CEO of Hexagon Purus in March 2020. He joined Hexagon in 2019 as Executive Vice President and Chief Operating Officer. Morten has broad industrial experience in different management roles, most recently as CEO of Saferoad. He holds an MBA from Kenan Flagler Business School, University of North Carolina.

Number of shares:	8,000
Number of options:	0
Number of PSUs: [1]	70,806

KAREN ROMER

Senior Vice President Communications

Karen Romer joined Hexagon in April 2020. She has previously held roles at Hill + Knowlton Strategies, Aker Solutions, Statoil Fuel & Retail/Couche-Tard and Lindorff, overseeing global corporate communications, public relations, marketing and CSR. Karen holds a Bachelor of Arts degree in English Literature from Fordham University.

Number of shares:	1,800
Number of options:	0
Number of PSUs: [1]	53,104

HEIKO CHUDZICK

Executive Vice President Operations

Heiko Chudzick joined Hexagon in 2018. He has broad international experience from several senior positions in the automotive sector and in ThyssenKrupp. Heiko holds a Dipl.-Ing. with a degree in Mechanical Engineering and a major in Automotive Engineering from RWTH Aachen University.

Number of shares:	80,000
Number of options:	0
Number of PSUs: [1]	121,080

This is Hexagon

Proven technology and strong track record

Hexagon's Type 4 all-composite pressure cylinder offers the best combination of weight, safety, efficiency and durability available. Hexagon fuel systems are designed and engineered with leading global automotive manufacturers to meet their requirements for safety, packaging, quality and installation.

Innovation and cost-effective production

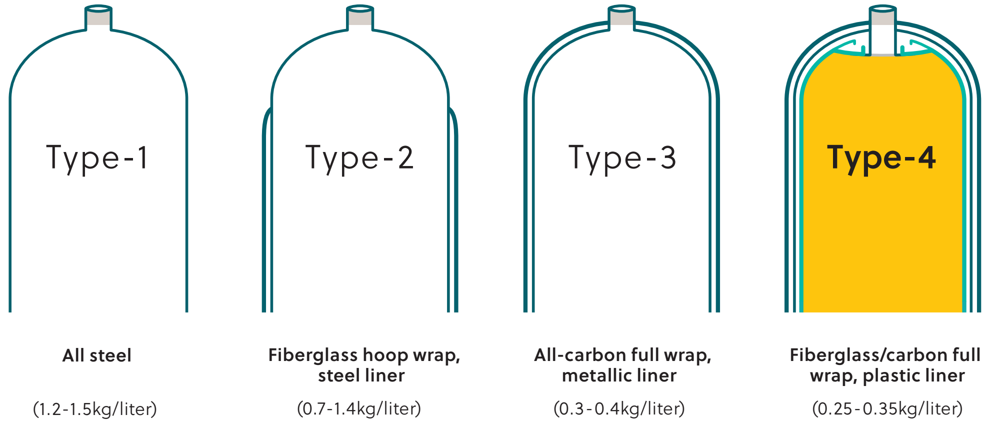
Product and process innovation start with resourceful teams at Hexagon that are dedicated to solving challenging energy problems. These teams, along with highly automated and efficient production, are core competitive strengths underlying Hexagon's global leadership. Differentiation through innovation is essential to growing market share and contribution margins. Hexagon works closely with its customers and suppliers to excel in these areas.

Product safety

A strong safety culture is essential for Hexagon, with products that are used to transport and store pressurized gases. Hexagon is involved in several international standards' development and maintenance committees, with the primary goal of bringing safety to users and the environment. All of Hexagon's products are tested and approved in accordance with established safety standards. Production and related processes are continuously monitored and controlled.

Competence and expertise

Innovation, ambition and expertise are critical success factors. Hexagon encourages diversity in selection practices with the aim of selecting people with different backgrounds and expertise. The Group emphasizes empowerment and a flat organizational structure that recognizes the accomplishments of its people and enables them to thrive.



Hexagon has delivered over 600,000 high-pressure cylinders, 65,000 fuel systems and more than 19 million LPG cylinders to customers worldwide.

We are part of the solution

Hexagon delivers safe and innovative solutions for a clean-energy future. Our solutions enable storage, transport and conversion to clean energy in a wide range of mobility, industrial and consumer applications.

Hexagon's clean energy offerings have the unique properties of being lightweight, having high capacity, long lifetimes and an outstanding safety track record.

Hexagon has more clean energy solutions in service than anyone else in the industry. The Group collaborates with leading gas distributors, vehicle manufacturers and system and component suppliers to be at the forefront of its industry. Its ambition is to create value for customers, shareholders and the community by delivering innovative and cost-effective solutions through sustainable business practices.

The Group is divided into the following business areas; Hexagon Agility, formerly known as Agility Fuel Solutions and Hexagon Mobile Pipeline, Hexagon CNG LDV, Hexagon Digital Wave, Hexagon Ragasco and Hexagon Purus, which is separately listed. Production of its composite pressure cylinders and fuel systems is carried out in modern, automated plants in Norway, Germany, Canada, the U.S. - and soon in China.

Hexagon Composites ASA is listed on the Oslo Stock Exchange (OSE:HEX) and is subject to Norwegian securities legislation and stock exchange regulations.

Having made significant strategic moves in the past few years, Hexagon's priority in 2021 is to further pursue its global g-mobility, e-mobility and digitalization opportunities as well as to further strengthen its capabilities in pursuit of world-class manufacturing.

Hexagon will continue to invest in innovation at all levels of its organization, ensuring it remains at the forefront of the transition to cleaner fuels, supporting Hexagon's vision of Clean Air Everywhere.

Hexagon's objective is to deliver shareholder value through sustainable growth and healthy profitability by pursuing opportunities from the global energy transition.

Hexagon Agility

G-MOBILITY – CLEAN FUEL AND TRANSPORTATION SOLUTIONS

In January 2021 Agility Fuel Solutions and Hexagon Mobile Pipeline joined forces to create Hexagon Agility, a leading global provider of clean fuel solutions for commercial vehicles and gas transportation. The combination enables improved operational flexibility and the pursuit of combined global market opportunities.

WORKFORCE [1]

593

FACILITIES

USA, Canada, Germany, Norway

1) FTEs

PRODUCT AREAS

Heavy-Duty Trucks | Transit Buses | Refuse Trucks | Distribution

Hexagon Agility is a leading global provider of clean fuel solutions for commercial vehicles and gas transportation solutions. Its product offerings include Type 4 vehicle fuel systems and gas transportation modules for compressed natural gas (CNG), renewable natural gas (RNG) and industrial gases, as well as propane options for powertrain systems.

Operating results

For the full year 2020, Agility Fuel Solutions reported revenues of NOK 1,928 (1,844) million, with a reported EBITDA of NOK 273 (202) million. Sales growth was primarily driven by high demand from North American Medium- and Heavy-Duty Truck and European Transit Bus customers. Hexagon Mobile Pipeline reported revenues of NOK 349 (569) million, with a reported EBITDA of NOK -30 (40) million. Read more in the Board of Directors' report.

Key developments and important events in 2020 [1)]

- Signed a master service agreement with new major global logistics customer for CNG fuel systems for medium- and heavy-duty trucks
- Renewed master service agreement with major refuse fleet customer to provide CNG fuel systems through 2022
- Received CNG fuel systems order from Anheuser-Busch, with estimated value of USD 8 million (approx. NOK 75 million)
- Received an order for TITAN® 53 transport modules from Xpress Natural Gas LLC (XNG), a leading full-service CNG provider, with an estimated value of USD 7.3 million (approx. NOK 69 million)
- Awarded an order for TITAN® XL modules for USD 1.7 million (approx. NOK 16 million) from a leading gas distributor in Mexico
- Received order for X-STORE® modules to transport RNG from the production site to the gas grid in the UK

Objectives achieved in 2020 [1)]

- Increased market share in European CNG bus market with improved capacity system offering
- Maintained leading market position in North America, especially in the Heavy-Duty Truck segment
- Continued to invest in production capacity to meet market demand
- Developed opportunities in India and South America with new business awards for Transit Bus and Heavy-Duty Truck segments
- Diversified Mobile Pipeline® into RNG and industrial gas applications
- Realized the first Mobile Pipeline® business in India
- Defined the new structure of Hexagon Agility

Objectives for Hexagon Agility 2021–2022

- Leverage Hexagon Agility's combined global market positions and resources
- Maximize customer intimacy and continue to develop best-in-class OEM (original equipment manufacturer) and fleet support with expansion of global commercial centers of excellence
- Fast-track further expansion of production capacity in North America and Europe
- Streamline operational processes and increase flexibility in the Lincoln, U.S. campus
- Further strengthen capabilities in pursuit of world-class manufacturing
- Expand after-service network to better support international customers
- Diversify the customer base, particularly outside North America and other market segments

1) Reflects the combined businesses of Agility Fuel Solutions and Hexagon Mobile Pipeline

COMMERCIAL VEHICLES

Heavy-Duty Trucks

Transit Buses

Refuse Trucks

A key competence of Hexagon Agility is integrating energy storage and fuel delivery systems into commercial vehicles. Its lightweight solutions are engineered for high performance, durability, and uncompromised safety. Hexagon Agility's global commercial presence offers OEMs regional support to assist in the homologation of clean energy storage solutions with OEM vehicle platforms. Its energy storage and fuel delivery systems are backed by comprehensive warranties and an extensive global aftermarket service and support network, making clean fuels an attractive option for vehicle fleet operators. The reduction in vehicle operating costs offered by stable natural gas provides customers a competitive edge while significantly lowering corporate fleet carbon emissions.

Market

North America is a primary market, where the business has roughly an 80% market share in natural gas heavy-duty commercial vehicles. Its systems and cylinders are installed on long-haul trucks, refuse collection trucks, buses, and other heavy-duty truck platforms.

The Transit Bus segment consists of a handful of OEMs competing for municipal tenders which designate fuel choice and system specifications. Refuse Truck and Heavy-Duty Truck demand is driven by a combination of certain committed large fleets with heavy investments in natural gas infrastructure and numerous smaller fleets which are driven by the environmental value proposition of natural gas and RNG, as well as government support for the transition to cleaner fuels through funding at local and national levels. Large fleet purchases typically vary significantly from year to year, distorting underlying trends in some markets.

Hexagon Agility's other core market is Europe, where it has a strong Transit Bus market share exceeding 50% and where volumes continued to grow in 2020 ahead of tougher emissions requirements from the EU.

Medium- and Heavy-Duty Truck

The business continued to benefit from increased adoption of cleaner energy alternatives, especially CNG and RNG. This was mainly driven by a large number of deliveries to key customers UPS, Anheuser Busch and a major global logistics supplier. Encouragingly, this trend was also visible among small fleet owners.

In 2020 the business captured significant volume in the Medium-Duty Truck segment with CNG package delivery vans for UPS.

Transit Bus

North America and Europe are primary bus markets. There has been steady growth in North America for several years due to a continued focus on environmentally-friendly public transportation. However, volumes were lower in 2020 on the back of COVID-19 related delays. Strong sales volumes in Europe continued in 2020 on the back of the EU Clean Vehicle Directive, which aims for a reduction of overall transport emissions. This reform sets out minimum procurement targets for clean, light-duty vehicles, trucks, and buses for 2025 and 2030.

Did you know

- North American new Class 4-8 vehicle sales = 450,000 to 500,000 per year
- CNG new Class 4-8 vehicle sales = 7,000 to 10,000 per year (approx. 2% adoption currently)
- North America is approx. 30% of global Class 6-8 vehicle market and 10% of class 4-8
- In North America, +1% adoption in Heavy-Duty Truck segment is equivalent to approx. USD 100+ million in incremental system revenue

Refuse Truck

The Refuse Truck segment within North America is dependent on the buying patterns of key market participants that made long-term investments in natural gas infrastructure or products. Revenue was down by 20% in 2020, with COVID-19 having a significant impact on this segment and corporate refuse needs being greatly reduced. Continued consolidation within refuse is expected to lead to increased adoption of CNG/RNG in 2021. The increased adoption of RNG as a source of vehicle fuel from landfill gas provides an ideal example of the circular economy. It is expected to contribute to improved RNG pipeline supply and improved adoption in 2021.

Competition

Within the global commercial vehicle segment, Hexagon Agility is the market leader for CNG and RNG fuel systems and Type 4 CNG cylinders in the Heavy-Duty Truck and Transit Bus segments. Hexagon Agility has also established its position in the North American medium-duty natural gas and propane fuel systems markets. The business competes with CNG cylinder manufacturers globally, with smaller CNG system integrators in North America, South America, and Asia, and with medium-duty engine fuel system vendors. Hexagon Agility also supplies Type 4 CNG cylinders directly to OEM's which choose to produce fuel systems internally.

Outlook

The business benefits from the increased focus on lower carbon emissions and the cost advantages of natural and renewable natural gas. Governmental mandates favor natural and renewable natural gas vehicles. Fleet owners and users increasingly commit to becoming more sustainable and look to existing CNG and RNG technologies to achieve their targets.

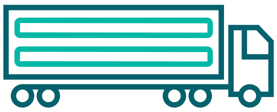
The Heavy-Duty Truck segment volumes are expected to increase, driven by the strong focus on reducing emissions and low, stable, natural gas prices. The Refuse Truck segment is expected to pick up after last year's softer purchases by large fleet customers. Growth in the Transit Bus segment is expected to come from European markets driven by the European Clean Vehicle Directive.

Did you know

In 2014 and 2015, Anheuser-Busch converted 160 diesel-fueled trucks in Houston and St. Louis to fleets powered by Compressed Natural Gas (CNG). As the next step to achieve its sustainability goal of reducing carbon emissions across its value chain by 25% by 2025, the brewer will be expanding this fleet and investing in technology to transition to cleaner-burning renewable natural gas.

MOBILE PIPELINE®

X-STORE®



TITAN®

Hexagon Agility's mobile pipeline business enables the safe transport of CNG, RNG, hydrogen, or other industrial gases by truck, marine vessel, or rail. Mobile Pipeline® is a clean energy solution that allows users lacking pipeline infrastructure to quickly and efficiently reduce energy costs and GHG emissions. Our Customers include energy-intensive operations, industrial gas users, producers of RNG, and fleet operators seeking to accelerate the deployment of alternatively-fueled vehicles. Hexagon Agility offers state-of-the-art Mobile Pipeline® solutions capable of transporting twice the gas of traditional products, that have been deployed in more than 20 countries around the world.

The Mobile Pipeline® product portfolio is the broadest in the market, comprised of the TITAN®, SMARTSTORE and X-STORE® brands to meet regulatory requirements around the world. These products are the benchmark for quality, weight efficiency, safety, and payload for composite transport solutions.

Market

North America

North America continues to be the largest market for Hexagon Agility's mobile pipeline business. Lack of infrastructure combined with growing energy needs and environmental objectives is driving demand for Mobile Pipeline® solutions. During the critical winter season, Hexagon Agility's solutions help to deliver natural gas to population centers, keeping homes warm and businesses running, while mitigating shortages and price spikes.

The oil and gas sector, historically powered by diesel, is embracing natural gas in its exploration and production operations. Stable natural gas is enabling customers to save tens of millions of dollars per fleet per year, while significantly reducing pollutant and greenhouse gas emissions. When combined with flare gas capture, this mobile pipeline solution is one of the most significant actions to fight climate change.

The USA's Renewable Fuel Standard and California's Low-Carbon Fuel Standard continue to drive demand for RNG. While early projects targeted landfills and wastewater treatment due to their access to pipeline infrastructure, a second wave of projects now focuses on RNG derived from agricultural waste. Recent studies conducted by the California Air Resources Board, the Environmental Protection Agency (EPA) and the Department of Energy have shown that agricultural RNG has the lowest carbon intensity of any fuel, sometimes being carbon negative, meaning that it can be more effective than even wind or solar energy for reducing GHG emissions. For this reason, RNG has become highly attractive as a feedstock for producing hydrogen. While many of these agricultural sites lack pipeline access, Mobile Pipeline® is enabling the RNG they produce to be connected to the energy grid. This dramatic transformation of the energy supply has transformed municipal and agricultural waste from historical cost burdens to profit centers.

In the industrial gas segment, which has a large installed base of steel cylinder trailers, our Mobile Pipeline® solutions are enabling companies to reach new customers. Hexagon Agility is proud to now be a supplier to all of the major industrial gas companies in North America and Europe. The business expects this segment to grow as its product solution demonstrates its ability to improve safety and drive down operating costs.

Europe

Despite a well-developed natural gas infrastructure and a relatively inexpensive supply of imported LNG, Europe continues to develop projects that are aimed at environmental sustainability. Mobile Pipeline® solutions enable RNG to be moved to market and play an increasing role in Europe's energy portfolio.

Asia Pacific

A large percentage of Asia's industrial sector continues to be powered by petroleum fuels. Natural gas offers a cleaner and cost-effective alternative for reducing emissions. While imports have grown recently, price instability is causing countries and regional companies to examine domestic gas production. Local gas production, including RNG and flare gas capture, are significantly underdeveloped and present strong opportunities for Hexagon Agility.

Latin America

Major pipeline projects like the Permian Highway Pipeline a collaboration between the government and private enterprise, were completed in Mexico in 2020. The significant increase in gas supply, combined with lower tariffs and more favorable rate structures, are driving conversion to natural gas across the market. The lack of pipeline infrastructure, combined with existing fleets returning to full utilization, is generating new market opportunities for Hexagon Agility.

Competition

Hexagon Agility's mobile pipeline business remains the world leader in the large-scale production of composite storage and distribution products for compressed energy gases. Our position is supported by a strong track record of safety and market-leading products. In the North American market, there is increasing competition from other Type 4 manufacturers and therefore more aggressive pricing. While Mobile Pipeline® products are often imitated, our TITAN® cylinder remains the largest composite pressure cylinder in the world and the benchmark for structural integrity, maintainability, and reliability. We maintain a favorable market position by providing customer service, continued innovation and our leadership in standards development. The competition in Latin America and Asia comes primarily from traditional steel cylinder solutions due to lower initial investment costs; however, large-scale projects and larger, more sophisticated customers continue to favor Hexagon Agility's Mobile Pipeline® solutions.

Outlook

Hexagon Agility is expanding and diversifying its customer base. In the oil and gas sector, the demand for natural gas-powered operations continues with an intense focus on eliminating fugitive emissions and monetizing associated natural gas. RNG applications are encouraged by regulation and sustainability goals to reduce greenhouse gas emissions. Natural gas utilities are replacing older and heavier Type 1 steel cylinder trailers with modern trailers that have composite cylinders and are easier and more cost-effective to deploy. Some utilities are even beginning to include our Mobile Pipeline® products as another gas distribution solution, along with a physical pipeline. Industrial gas companies are reaching new customers requiring high-volume deliveries over longer distances.

Another new and rapidly-evolving segment that leverages the combined strength of Hexagon Agility is mobile refueling. The growing demand for CNG vehicles is outpacing construction of CNG refueling stations. Mobile Pipeline® products are providing mobile refueling units to accelerate the adoption of CNG in fleets and a more flexible and economical refueling solution.

Hexagon CNG LDV

G-MOBILITY

g-mobility (CNG and RNG) is the fast-track solution to reduce greenhouse gas emissions in the transportation sector. In 2020, Hexagon's CNG Light-Duty Vehicle (LDV) business enabled its customers to avoid producing almost 30,000 metric tons of CO_2 through its supply of high-pressure CNG/RNG tanks. This is equivalent to planting 39,000 acres of trees. In January 2021, the CNG LDV business was transferred from Hexagon Purus to Hexagon Composites ASA.

Operating results

Hexagon CNG-LDV generated NOK 157 (397) million in revenue and recorded EBITDA of NOK -17 (73) million in 2020. The decrease in revenues was due to the relocation of key customer Volkswagen's Golf production from Zwickau to Wolfsburg and the subsequent hold of call-offs for several months. Read more in the Board of Directors' report.

Key developments and important events in 2020

- Implemented automated production line
- Delivered initial protypes to India and Colombia

Objectives for 2021–2022

- Expand customer portfolio globally, especially in emerging markets
- Further strengthen capabilities in pursuit of world-class manufacturing

Market

The business' principal OEM customers are located in Europe, where key CNG markets (Germany, Italy, Spain, Sweden, Czech Republic and Belgium) drive demand. There are currently almost 4,000 CNG filling stations available in Europe, where leading car manufacturer Volkswagen Group is dominant with its portfolio of 19 available CNG models. Hexagon supplies CNG tanks for the VW Golf, Audi A3, SEAT Leon and Skoda Octavia.

Competitive position

Hexagon is the largest serial production supplier of CNG composite pressure tanks for the automotive industry. The company has developed a strong and competitive position with European car manufacturers for its Type 4 tanks. Currently, steel cylinders dominate the European light-duty vehicle market because of price. Steel cylinders are heavier and vulnerable to corrosion, inducing major car manufacturers to consider non-corrosive composite cylinders. The superior product properties of composite cyliinders, combined with extensive systems knowledge, offer significant growth potential in this competitive market.

Outlook

The demand for clean fuels in Europe continues to gain momentum. In 2021, the Company expects that the EU will properly classify respectively CNG as a climate transition fuel and RNG as a climate adaption fuel in the upcoming Taxonomy Delegated Act. This would be beneficial to Hexagon's customers and further encourage the transition from diesel to alternative fuels.

The temporary global shortage of semiconductors due to COVID-19-related supply issues impacted the automotive industry at the beginning of 2021. Production by key customer Volkswagen is expected to significantly drop in the first quarter of 2021. Consequently, revenues in Hexagon CNG LDV are expected to be lower in the first part of the year.

WORKFORCE [1)]

111

FACILITIES

Germany

1) FTEs

Hexagon CNG LDV

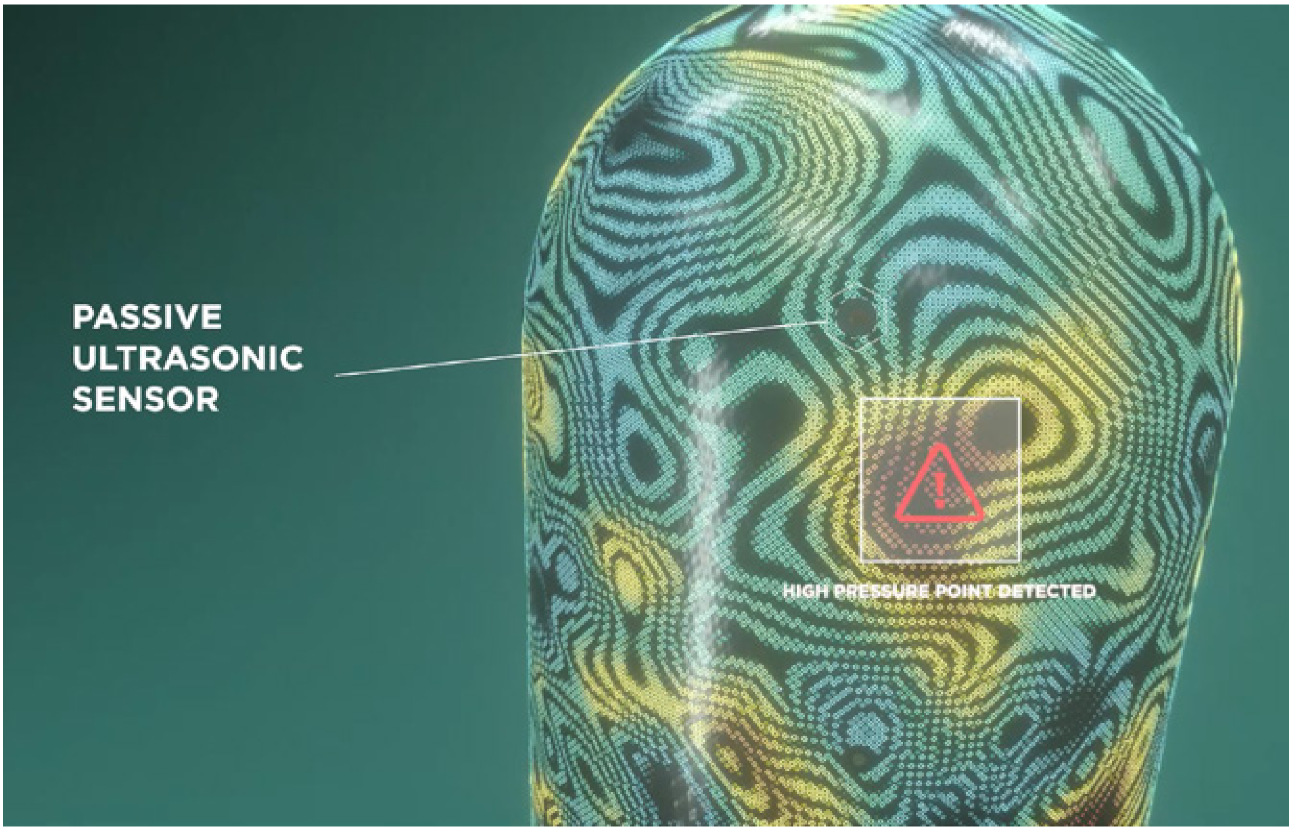
PRODUCT AREAS

CNG Light-Duty Vehicles

Hexagon Digital Wave

DIGITIZING CYLINDER SYSTEMS

From 2021, Hexagon Digital Wave is a separate business area in the Hexagon Group. As a separate business area, Hexagon Digital Wave will be better positioned to exploit its Internet of Things (IoT) opportunity and launch new business models.



WORKFORCE[1]

27

FACILITIES

USA

1) FTEs

Global leader in cylinder testing technology

Hexagon Digital Wave is the global leader in Modal Acoustic Emissions and Ultrasonic Examination non-destructive evaluation of high-pressure cylinders. High-pressure composite cylinders must be recertified via testing every five years.

Hexagon Digital Wave is becoming a key equipment and technology supplier to the gas distribution industries by reducing asset down-time and inspection costs while improving cylinder inspection accuracy.

Ultrasonic Examination (UE)

The UE inspection methodology has been accepted in many jurisdictions as the preferred re-qualification method for Type 1 cylinders. The systems accuracy, reliability and models representing varying throughput requirements have become the customer choice throughout the world. Presently, Hexagon Digital Wave UE systems have been installed in over 120 sites worldwide.

Modal Acoustic Emissions (MAE)

MAE will serve as the cornerstone of Hexagon Digital Wave's smart technologies. MAE inspection is done by equipping the tank with sensors that pick up guided ultrasound waves travelling within the composite wall. When analyzed, these waves can be used to source and locate damage in the tank structure. MAE technology can tell what caused the damage, based on the wave signatures and determine severity of the measurement.

Uniquely, Hexagon Digital Wave's MAE technology has been accepted by U.S. Department of Transport (US DOT) as the preferred method of requalification on Type 4 cylinders. MAE is also gaining traction in its mobile T1 trailer application, as it allows inspection without dismantling the cylinders from the trailer and more quickly returns the trailer to revenue-generating service.

About the market

Hexagon's addressable market of cylinder system sales is expected to grow by about four times to approximately USD 8 billion in 2025. The Group is well positioned to capture these opportunities. Hexagon Digital Wave's services apply to solutions in both the g-mobility and e-mobility segments.

Digitizing cylinder systems enable second life

As the world grows ever more digital, the demand for integrated, digital solutions is growing. In Hexagon, MAE technology will drive the digital transformation. Miniaturizing and commercializing sensors so they can be factory installed enables the creation of a digital twin of each cylinder, allowing it to communicate with other vehicle or infrastructure systems. Digitalized cylinder systems will enable increased safety, offer extended cylinder lifetimes, and ultimately enable second life through the reuse or repurposing of more viable assets.

Creating new business models

The business models for digitized cylinder systems will take various forms, including outright product purchase, subscription fees or lease payments, such as:

- **An IoT platfom enabled by smart systems,** where customers can connect with their preferred partners and software tools
- **Live health monitoring of the cylinder system**, with real-time reporting to driver and central fleet management of issues and system performance
- **Tank-as-a-service, or leasing tank systems** with live health monitoring to improve end-of-life handling, reduce risks of ownership and provide an asset-light balance sheet. Giving customers the option of long-term leasing versus an outright purchase will help adoption.
- **Repurpose tanks for next life:** Second life enablement (certified pre-owned)

Hexagon Digital Wave has first mover advantage in scaling the platform to access the of data needed to improve products, build out services and set the industry standard for safety features.

Objectives for 2021- 2022

- Launch minimum viable product for Live Health Monitoring
- Prepare for ramp-up in 2022
- Preparing to launch Tank-as-a-service in 2023

Hexagon Ragasco

MOVING INTO THE DIGITAL AGE

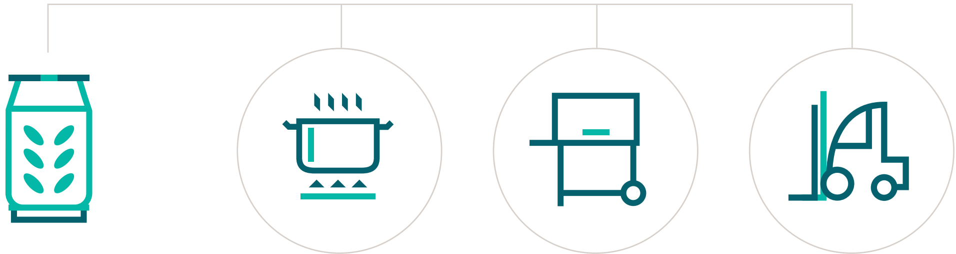
Hexagon Ragasco is the leading manufacturer of composite liquefied petroleum gas (LPG) cylinders, used mainly for leisure, household and industrial applications. As a pioneer in the industry, Hexagon Ragasco has sold more than 19 million cylinders worldwide over the last two decades, including 1.3 million in 2020.

WORKFORCE[1)]
124

FACILITIES
Norway

1) FTEs

PRODUCT AREAS



In 2020, Hexagon Ragasco focused on developing the next generation LPG smart cylinder that communicates with both users and LPG distributors.

Operating results

Hexagon Ragasco generated revenues of NOK 550 (601) million and EBITDA of NOK 100 (92) million in 2020. Revenues and margins were unfavorably impacted by lower demand from Asia as well as market development costs. Read more in the Board of Directors' report.

Key developments and important events in 2020

- Reached 19 million cylinders sold worldwide
- Expanded into new markets: Argentina, Djibouti and Georgia

Objectives achieved in 2020

- Leveraged new technologies to launch ground-breaking smart LPG composite cylinder
- Improved the recycling properties of LPG composite cylinders. Entered partnership in Europe for recycling the composite vessels cylinders.
- Achieved continued recurring sales growth

Objectives for 2021-2022

- On-board pilots for the new smart LPG composite cylinder
- Prepare for scale up in 2022
- Explore business opportunities in other segments
- Achieve continued recurring sales growth
- Increase sales and capacity utilization for the second half of the year

Market

Hexagon Ragasco's customers are primarily leading LPG distributors and marketers, located in over 90 countries. These customers manage large quantities of cylinders through their own exchange operations or through dealers. Hexagon Ragasco has focused on developing the value proposition for LPG distributors and marketers. The composite LPG cylinders' unique features enable distributors and marketers to increase market share and improve their competitive position. Furthermore, there are significant benefits related to safety and opportunities in reducing maintenance and logistics costs.

The first half of the year is traditionally strong, driven by recurring European leisure customers, while the second half of the year is seasonally slower in Europe. Meanwhile the company keeps growing its position in the Asia Pacific region, Latin America and the Middle East, generating recurring revenues and balancing the seasonal impacts.

Europe

Deliveries to Europe were strong in 2020. Leisure segments were favorably impacted by COVID 19.

The most important markets are European domestic and leisure customers, and these are mostly characterized by increased seasonal demand and sales volumes in the first half of the year. However, in France, Italy and Portugal bottled LPG is typically used year-round for cooking and heating.

Markets outside Europe

Hexagon Ragasco has maintained focus on several of the markets outside Europe, to secure growth and improve capacity utilization in the seasonally slower second half of year.

Asia Pacific

Bangladesh is expected to be a growing market in the region for LPG, especially bottled LPG for domestic use, and the company has established a strong position in the market. The COVID-19 pandemic had a significant impact on the ability to trade with Bangladesh in 2020, resulting in lower sales volumes compared to 2019. 2021 volumes are expected to come back to more substantial levels.

Middle East and Africa

The region continues to invest in lightweight composite cylinders, making domestic use of LPG more user-friendly and safer. The company has received several smaller repeat orders from the Middle East and Africa during the year.

North America

During 2020, Hexagon Ragasco focused on selected segments of the North American market, specifically businesses specializing in the hospitality and forklift truck industries.

Latin America

The region invests in lightweight composite cylinders, making domestic use of LPG more user-friendly and safer. Hexagon Ragasco has received both repeat and introductory orders from customers in the region during the year. The composite cylinders were introduced to Argentina in 2020.

Competitive position

Currently, Type 1 steel cylinders dominate markets outside of Europe due to price. Although they are cheaper, steel products are heavier and susceptible to corrosion. This affects the safety and useful life of the steel cylinders.

Hexagon's composite LPG cylinder are resistant to BLEVE (Boiling Liquid Expanding Vapor Explosion) when engulfed in fire. Hexagon Ragasco's lightweight cylinders are less costly to transport, and the translucency and superior design make the composite LPG cylinders easier to monitor and use. The company's cylinders can withstand a burst pressure that is twice as high as their steel counterparts. The superior user-friendliness and safety features are key competitive advantages. In addition, our composite cylinders have a life-time expectancy of at least twenty years.

In 2020, Hexagon Ragasco solidified its position as the leading global supplier of composite LPG cylinders. The company's position was strengthened relative to both steel and other composite cylinder alternatives. There are other composite cylinder alternatives in most markets and the company expects that competition will gradually increase over time.

"Making the cylinder talk"

In 2020, Hexagon Ragasco developed a groundbreaking, smart, composite LPG cylinder. The cylinder is based on battery-less sensors powered by energy harvesting technology, collecting data via IoT sensors and transmitting data to consumers' phones and a central cloud database.

The new smart cylinder is expected to transform the value chain and increase Hexagon Ragasco's competitive edge. It will also improve total cost of ownership and hence competitiveness with Type 1 steel cylinders.

Outlook

The outlook for composite LPG cylinders remains solid. In established markets, Hexagon Ragasco is acquiring market share from steel cylinders.

Hexagon Ragasco will focus on onboarding pilots with the smart composite LPG cylinder, with a continued launch and scale-up in 2022. Hexagon Ragasco is positioned to become the global leader in smart connected LPG cylinders.

Hexagon Purus

WELL POSITIONED TO CAPITALIZE ON THE ZERO EMISSION MOBILITY OPPORTUNITY

Hexagon Purus enables zero emission mobility for a cleaner energy future. A world-leading provider of Type 4 high-pressure hydrogen cylinders, battery packs and drivetrains for fuel cell electric and battery electric vehicles, Hexagon Purus' world-class, high-pressure hydrogen storage cylinders also enable distribution, maritime, rail and aerospace applications.

WORKFORCE [1]

142

FACILITIES

USA, Germany, Canada, Norway

1) FTEs

PRODUCT AREAS

Light-Duty Vehicles | Transit Buses | Distribution | Heavy-Duty Trucks | Maritime & other | Rail | Battery Electric Trucks

Operating results

Hexagon Purus reported e-mobility revenues for the year 2020 that decreased by 15% to NOK 180 million compared with NOK 211 million in 2019. Reported EBITDA was NOK -141 (-143) million. The decline in revenue was due to the completion of an OEM heavy-duty battery electric vehicle (BEV) truck demonstration program which started in 2019 and was completed in Q1 2020. This was partially offset by increased activity with other OEMs in both BEV and fuel cell electric vehicle (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. Read more in the Board of Directors' report.

Key developments and objectives achieved in 2020

- Hexagon Purus (HPUR.OL) was successfully listed on the Euronext Growth exchange in Oslo, Norway, with Hexagon Composites ASA retaining a c. 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 substantially debt-free and with over NOK 1.2 billion in cash
- 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 (approx. NOK 268 million)
- Entered into frame agreement with Everfuel, supporting commercialization of zero emission hydrogen transport in Europe, with an estimated value of approximately EUR 14 million (approx. NOK 150 million)
- Awarded to supply hydrogen systems to Toyota Motor North America (TMNA) for its newest prototype hydrogen-powered heavy-duty fuel cell electric truck
- Awarded a contract by Hino Trucks, a Toyota Motors Company, to provide battery packs and powertrain integration for the development of Hino's "Project Z" path to zero emission vehicles
- Awarded a USD 5.2 million (approx. NOK 49 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.

Key developments after balance sheet date

- Signed joint venture agreements with CIMC Enric in March 2021, to enter 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 from a global industrial gas company to provide cylinders for hydrogen transportation
- Awarded an order for hydrogen cylinders from New Flyer, North America's largest transit bus OEM

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
- Prepare facilities in North America and Europe for increased volumes
- Execute ramp up plan in China together with JV partner
- Successfully execute existing FCEV and BEV heavy duty programs
- Diversify customer base
- Further improve cost efficiency and manufacturing productivity with increased automation and optimized value streams

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 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 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 multiyear 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 (approx. NOK 150 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 (approx. NOK 45 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 highspeed 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.

Outlook

With its spin-off from Hexagon Composites ASA completed, Hexagon Purus is well positioned to pursue its own strategic and investment priorities and to 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 its close industrial linkage with the Hexagon Group. With strong activity, particularly in medium- and 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.

Meeting global customers' demand

Research and development

The global emphasis on g-mobility and e-mobility continues to influence the direction of Hexagon's R&D group. Of utmost importance is the drive to higher safety, greater reliability and superior product performance.

Hexagon sits in a leadership position on many international regulatory, codes and standards committees, to ensure that product innovation is considered in a safe manner without impacting overall systems performance.

Hexagon's combined spend on R&D, engineering and innovation in 2020 was NOK 137 million. The R&D group's activities are directly tied to Hexagon's world-class manufacturing initiative. In 2020 its 133 product development engineers and project leaders were active in a materials study, in materials optimization studies and in manufacturing process innovation. In conjunction with Hexagon's Operations teams, the R&D group is setting the foundation for process efficiency and stability without sacrificing product performance. They have delivered improvements in efficient composite design, permeation reduction, liquid propane storage, gas storage, hydrogen resistance and damage tolerance.

Hexagon has decided to retain fundamental materials and process research within its R&D group. Specific product design and development will be allocated to the respective business units from 2020 onwards. This change in organizational priorities will improve development alignment with the business units and result in improved speed to market and greater responsiveness to the "voice of the customer". The centralized R&D group will utilize resources in North American and European locations and will be at the core of Hexagon's center of excellence in fundamental materials and process research.

World class manufacturing

To maintain its leading position as a global leader of clean fuel solutions, Hexagon continues to develop world-class manufacturing capabilities to meet demand and increase its competitive edge.

The core of world-class manufacturing is manufacturing excellence. Continuous improvement eliminates waste and sets new competitive standards, with smart investments in the Group's value streams. Those smart investments focus on increasing effectiveness and efficiency as Hexagon increases its capacity and prepares for ramping up production.

A key focus for the Group is the cultivation of strong, committed leadership at all levels and a high degree of team member engagement throughout the organization. This includes the upskilling, formal training and qualification of team members as part of their continuous development.

To further enhance its competitive edge, the Hexagon Group is investing in state-of-the-art production technology to support:
- Hexagon Ragasco, extending its digital capabilities and integrating smart technology
- Hexagon Digital Wave, continuing to develop leading-edge technology for the real-time conditioning monitoring of cylinders
- Hexagon Agility, focusing on eliminating constraints and further developing a value stream organization at its manufacturing site in Lincoln, NE, U.S.
- Hexagon Purus, implementing a manufacturing execution system (MES) as it strives for greater digitalization

Production capacity

To meet increased demand and remain competitive, in 2020 Hexagon increased its production capacity with new machines and equipment in its Kassel, Lincoln, and Taneytown plants.

Sharing our expertise

Hexagon possesses significant high-pressure technology expertise. In the arena of regulation, codes and standards it is positioned as a convener, expert, and contributor to many of the global standards for RNG, CNG, hydrogen, LPG and other industrial gases. This leadership and engagement leverages Hexagon's wealth of knowledge about the safety and reliability of its products for the greater good.

Key developments in 2020

- Geared-up for scale at the production facilities to maintain Hexagon's leading position in g-mobility and e-mobility
- Expanded cylinder production for heavy-duty vehicles in Lincoln, Nebraska, U.S. to meet increased demand
- Commenced transfer of European heavy-duty vehicle volumes to new cylinder production line in Kassel, Germany
- Production of hydrogen cylinders established at Hexagon Purus in Taneytown, Maryland, U.S.

Key objectives for 2021-2022

- Increase production capacity in Kassel, Germany and Lincoln, Nebraska, U.S.
- Further vertical integration with liner production in Kassel
- Joint venture CIMC- Hexagon: erection of new hydrogen cylinder production facility in China
- Erection of new production facility for hydrogen and battery systems in Kelowna, Canada
- Further development of continuous improvement mindset and culture throughout the organization

Meeting global customers' demand

Global presence

WORKFORCE
THE HEXAGON GROUP
1,060

HEXAGON ADMINISTRATION, MARKETING/SALES AND REPRESENTATIVE OFFICE

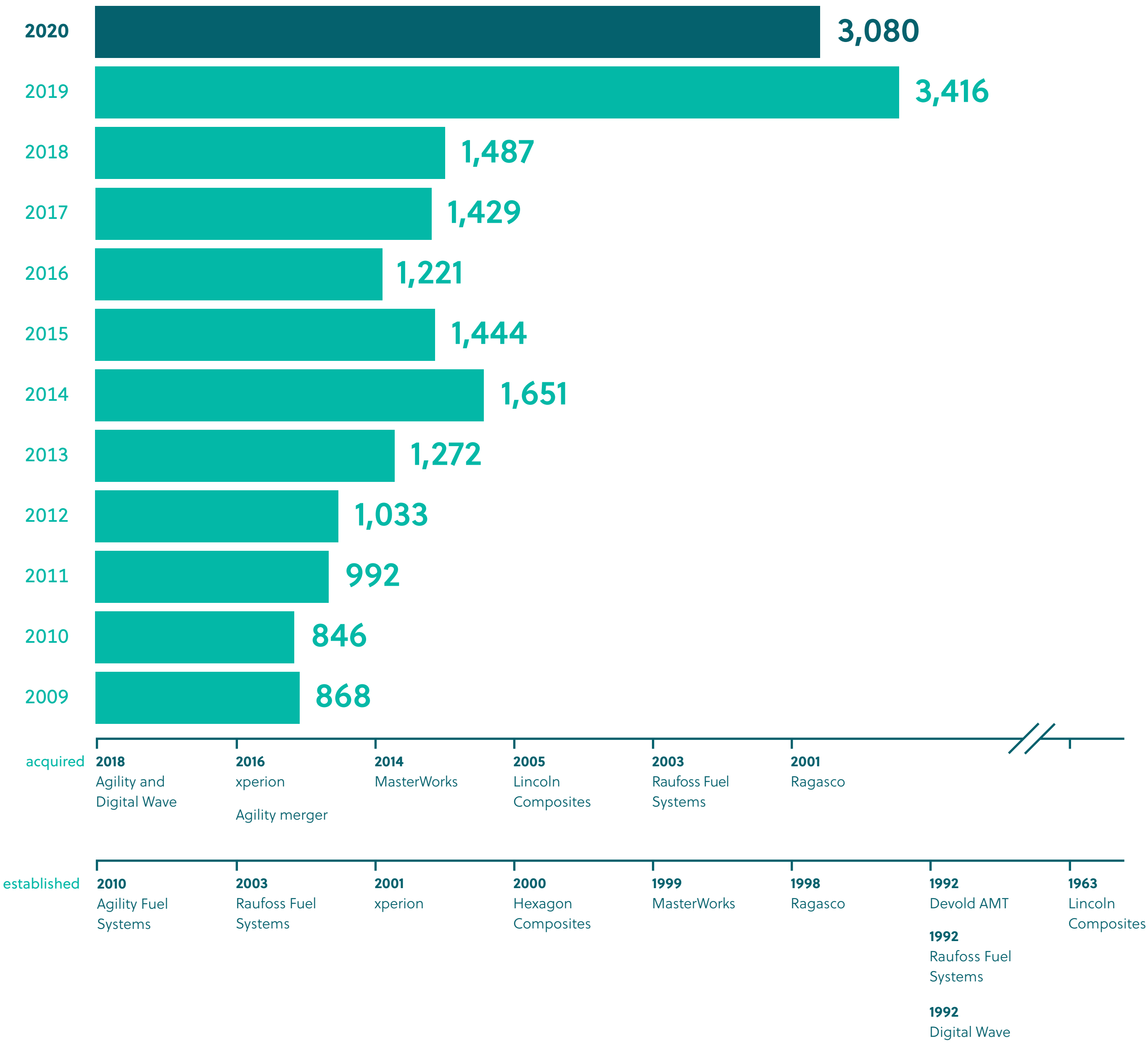
1. **Aalesund, Norway**
   Headquarters
2. **Oslo, Norway**
   Administration, marketing and sales
3. **Costa Mesa (CA), U.S.**
   Administration and customer service
4. **Heath (OH), U.S.**
   Sales and distribution
5. **Chateauroux, France**
   Sales representative
6. **London, United Kingdom**
   Sales representative and customer service
7. **Wroclaw, Poland**
   Sales representative
8. **Klagenfurt, Austria**
   Sales representative
9. **Nizhny Novgorod, Russia**
   Sales office
10. **Santiago, Chile**
    Sales representative
11. **Bangalore, India**
    Marketing office
12. **Singapore**
    Sales office

HEXAGON PRODUCTION SITES AND ENGINEERING HUBS

13. **Raufoss, Norway**
    Engineering hub
    LPG cylinders
    Bus systems
14. **Kassel, Germany**
    Engineering hub
    Hydrogen cylinders
    Light-Duty Vehicle cylinders
    Mobile Pipeline® cylinders
15. **Kelowna (BC), Canada**
    Engineering hub
    Battery pack assembly
    Test and validation
16. **Lincoln (NE), U.S.**
    Engineering hub
    Hydrogen cylinders
    Mobile Pipeline® cylinders
    Heavy-Duty Vehicle cylinders
17. **Taneytown (MD), U.S.**
    Hydrogen cylinders
18. **Denver (CO), U.S.**
    Digitization
    Modal acoustic emissions
    Ultrasonic examination
19. **Fontana (CA), U.S.**
    Systems production and installation
    Vehicle drivetrain integration
20. **Ontario (CA), U.S.**
    Systems production and installation
21. **Salisbury (NC), U.S.**
    Systems production and installation
22. **Wixon (MI), U.S.**
    Powertrain systems

History rooted in innovation and change

Revenue
MNOK



1999
Flakk Group became the largest owner of publicly listed Norwegian Applied Technology ASA of which Comrod (composite antennae) was a central member. The Flakk Group was already the largest owner of Devold AMT AS, a world leader in composite reinforcements and saw the opportunities for growth in the composite industry.

2000
Norwegian Applied Technology ASA was merged with Devold AMT AS. The Group changed its name to Hexagon Composites, and the headquarters moved from Stavanger in Norway to Aalesund, Norway.
The aim was to achieve a listed group which had the strength to make further acquisitions of industrial companies with composites expertise and global potential within niche markets.

2001
Hexagon acquired Ragasco, a leading manufacturer of composite LPG cylinders based in Raufoss, Norway. Enviromech (USA) was founded as a supplier of fuel storage solutions for natural gas and hydrogen.

2003
Hexagon acquired Raufoss Fuel Systems from Raufoss ASA, a leading supplier of high-pressure cylinders for gas-powered buses with a market focus in Europe.

2005
Hexagon acquired Lincoln Composites from General Dynamics, located in Nebraska, USA. The company operated in the same business area as Raufoss Fuel Systems, with its main focus on the American and Asian markets.

2006
Comrod acquired Eltek Defence and Lerc to extend its product portfolio. Devold AMT established new production facilities in Lithuania and USA to exploit the growth in Devold AMT's most important market segment, the wind power industry.

2007
The business area for composite antennae demerged and was listed separately as Comrod Communication ASA.

2009
A new facility with two production lines for high-pressure cylinders opened in Nebraska, USA.

2010
Ragasco's new production line for LPG cylinders opened in Raufoss. Hexagon acquired Composite Scandinavia, a Swedish company that produced LPG cylinders.

2011
FAB industries and Enviromech merged and formed Agility Fuel Systems, becoming a leading supplier of alternative fuel systems for heavy-duty trucks and buses.

2012
Remaining production of composite reinforcements in Norway was relocated to the company's factory in Lithuania. The CNG passenger car division demerged from Ragasco and merged with Raufoss Fuel Systems. Production of LPG cylinders at Composite Scandinavia in Sweden was closed down and the production volume was transferred to Raufoss.

2013
Hexagon Composites performed a re-branding and implemented a uniform profile throughout the Group.

2014
Hexagon Devold was sold to Saertex GmbH & Co. KG so the Group could focus on further development of the pressure cylinder business.
A capacity expansion program in Nebraska was initiated. The company acquired MasterWorks in Maryland, USA, securing key technology and enhanced engineering capacity.

2015
Hexagon Raufoss restructured its operating model to achieve profitable operations. The company was operationally integrated with Hexagon Ragasco to take advantage of synergies.

2016
Mitsui & Co., Ltd. acquired 25.01% of Hexagon and a strategic alliance agreement was signed. The CNG Automotive Products Division was merged with Agility Fuel Systems, to create Agility Fuel Solutions (50% Hexagon owned). xperion Energy & Environment in Germany, one of the leading Type 4 cylinder manufacturers, was acquired.

2017
xperion was successfully integrated to the organization and the Group repositioned itself for further growth. Hyon AS was launched, a joint venture with NEL ASA and PowerCell Sweden AB, focused on integrated hydrogen projects.

2018
Signed agreement to acquire the remaining 50% shares in Agility Fuel Solutions. Hexagon acquired the leading testing technology company, Digital Wave. The Hydrogen and CNG Light-Duty Vehicle activities were organized into a new business area, Hexagon Purus.

2019
Completed the 50% acquisition of Agility Fuel Solutions in January 2019. Sharpened the strategic focus on g-mobility and e-mobility solutions and introduced the ambition to combine all the e-mobility activities in Hexagon Purus.

2020
Hexagon Purus (HPUR.OL) was listed on the Euronext Growth exchange in Oslo, Norway, with Hexagon retaining a 75% ownership stake. Announced the signing of a term sheet for a strategic cooperation and joint venture agreements with CIMC ENRIC, a leading Chinese manufacturer of energy equipment. Defined the new structure of Hexagon Agility, integrating Agility Fuel Solutions and Hexagon Mobile Pipeline®.

Shareholder information

During 2020, Hexagon focused its efforts on g-mobility, e-mobility, world-class manufacturing and digitalization. On 14 December 2020, Hexagon successfully spun off its e-mobility business area, Hexagon Purus, listing it on the Euronext Growth Market in Norway. Hexagon Composites ASA maintains a majority share of 74.7% in Hexagon Purus AS. Hexagon sees significant growth opportunities in the accelerating energy transition and in the increasing focus on cleaner fuels, and digital solutions. It expects to continue allocating direct resources and investments to exploiting these prospects.

Hexagon Composites ASA is listed on the Oslo Stock Exchange (OSE:HEX). Its share capital was NOK 20.2 (18.3) million at the end of 2020, divided into 201.6 (183.3) million shares with a nominal value of NOK 0.10. Hexagon has one class of shares. See the Corporate Governance section in this report for more information on the Group's policies and procedures relating to shareholders and shares. In August 2020 the company raised NOK 907 million in gross proceeds through a private placement of 18,329,064 new shares at a price per share of NOK 49.50.

As of 31 December 2020, the market value of the Group's shares was NOK 11,028 (6,663) million, based on a price per share of NOK 54.70 (36.35). The share price closed the year 50.5% above the closing price for 2019. The highest daily closing price during the year was NOK 60.45 and the lowest recorded closing price was NOK 19.86. By comparison, the OBX Total Return Index (OBX) increased by 3.5%. The Group remains well positioned for significant growth in both the medium- and long-term as a result of continued demand for sustainable business opportunities.

Hexagon is listed on the Oslo Stock Exchange. All shares are freely transferable. In 2020, 145.1 (130.2) million shares were traded with a turnover rate of 74% (71%), computed on the average number of shares outstanding.

Share distribution and major shareholders

The number of shareholders in Hexagon Composites ASA increased by 102% to 5,113 (2,535) in 2020. The number of foreign shareholders was 375 (268), representing 50.0% (43.8%) ownership in the Group. The majority of the foreign shareholders are from Japan, Luxembourg, the U.S., Sweden and the U.K. Hexagon's largest shareholder is Mitsui & Co., Ltd., with an ownership interest of 22.7% (25.0%).

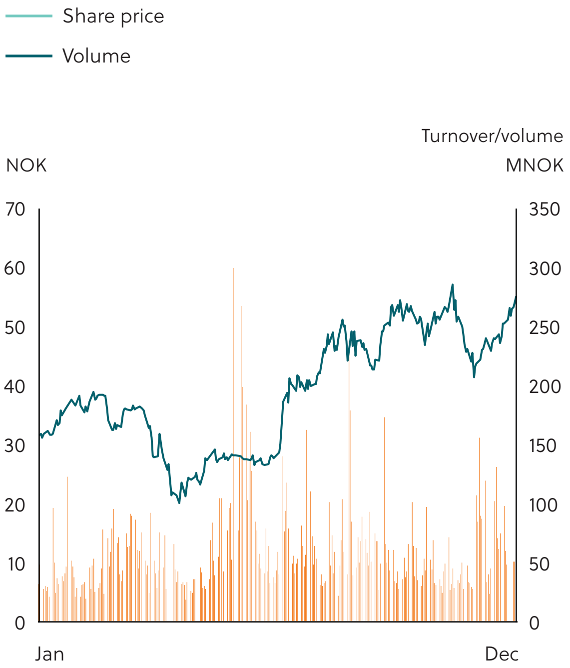
Hexagon's second-largest shareholder is Flakk Rollon AS, which, including related parties, controls 14.6% (16.0%) of the shares. Flakk Rollon AS is a wholly owned subsidiary of KTF Holding AS. Knut Flakk, who is Chairman of Hexagon, owns 100% of KTF Holding AS.

The 20 largest shareholders owned 71.5% (77.5%) of the Group. Other shareholders are primarily private individuals, institutions and small- and medium-sized companies. Several employees of Hexagon, including key management personnel, hold shares and share options in the Group.

Dividend policy

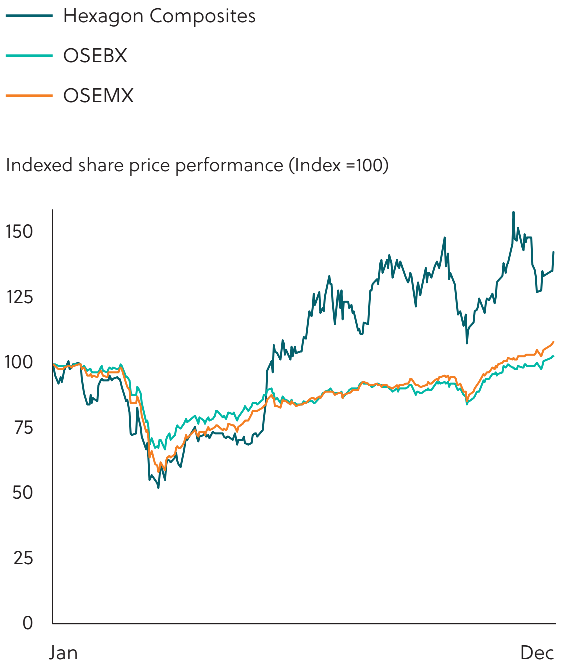
Hexagon is focusing on developing its business in high-growth markets and intends to make the investments necessary to realize its growth ambitions. Its main objective is to provide

HEXAGON SHARE PRICE AND VOLUME IN 2020



Source: Oslo Stock Exchange
Note: In February 2020, Hexagon raised NOK 907 million in proceeds through a private placement of 18,329,064new shares.

OSE PRICE TRENDS IN 2020



Source: Oslo Stock Exchange

10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2020

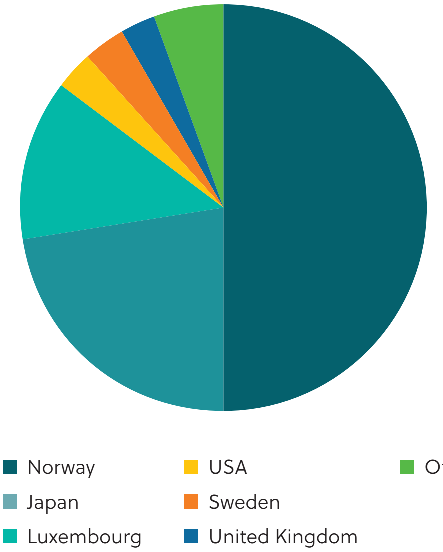
Shareholder	Number of shares	Share of total	Country
MITSUI & CO LTD	45 833 321	22.73 %	JPN
FLAKK COMPOSITES AS	20 000 000	9.92 %	NOR
CLEARSTREAM BANKING S.A.	18 653 617	9.25 %	LUX
MP PENSJON PK	11 909 966	5.91 %	NOR
BRØDR. BØCKMANN AS	7 900 000	3.92 %	NOR
NØDINGEN AS	5 350 000	2.65 %	NOR
KTF FINANS AS	5 000 000	2.48 %	NOR
VERDIPAPIRFONDET ALFRED BERG GAMBA	4 708 274	2.34 %	NOR
FOLKETRYGDFONDET	2 985 951	1.48 %	NOR
State Street Bank and Trust Comp	2 849 914	1.41 %	USA
Total 10 largest shareholders	**125 191 043**	**62.09 %**	
Remaining	76 428 669		
Total number of shares	**201 619 712**		

A detailed overview of the largest shareholders at 31.12.2020 is disclosed in Note 17 in the Financial Statements.

Shareholder information

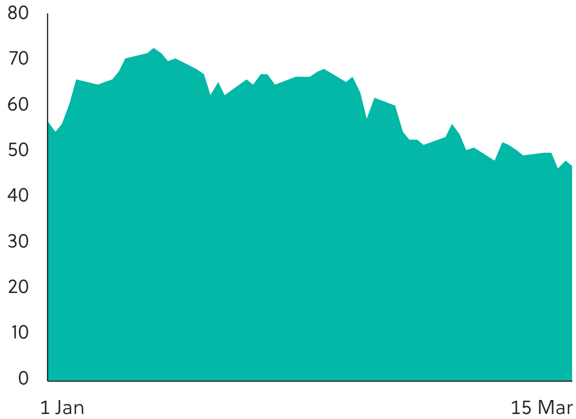
OWNERSHIP DISTRIBUTIONS OF SHARES IN 2020

31. DECEMBER 2020



HEX SHARE PRICE 2021 YTD

NOK



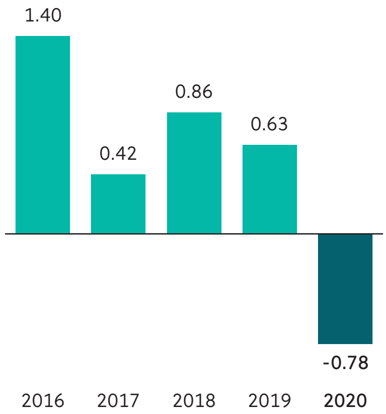
competitive returns to shareholders, primarily through increasing the intrinsic value of its business. Dividend payments are dependent on financial performance and excess cash after key investment requirements. For the year 2019, Hexagon did not pay a dividend.

As a part of the Hexagon Purus spin-off which took place in December 2020, Hexagon Composites ASA distributed a dividend in the form of shares in Hexagon Purus to Hexagon's shareholders. The dividend-in-kind was 0.15 Hexagon Purus shares per Hexagon Composites ASA share. Numbers of shares in both companies were identical at the date of approval.

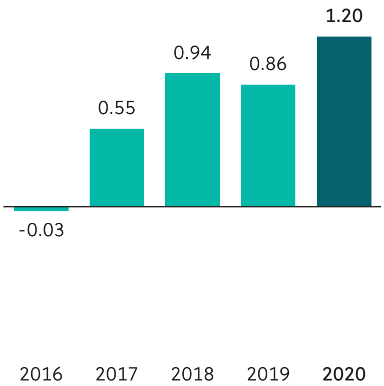
The General Meeting on 22 April 2020 granted the authority to the Board to buy back shares in the Group up to a combined nominal value of NOK 1.8 million, or 10% of the current issued share capital. This authority pertains to a buy-back of shares in connection with either: i) acquisitions, mergers, demergers or other transfers of business; ii) share equity programs for employees; iii) subsequent deletion of shares. The General Meeting also approved an authorization to increase the share capital by a maximum of NOK 1.8 million, which amounts to 18.3 million shares or 10% of the existing share capital. Based on this authorization, in August 2020, the Company raised approximately NOK 907 million in gross proceeds through a private placement (the "Private Placement") of 18.3 million shares (the "New Shares"), at a price per share of NOK 49.5. The Board authorizations are valid until the Group's Annual General Meeting in 2021, though no longer than 30 June 2021.

Given Hexagon's numerous growth opportunities, the Board does not propose any further dividend for 2020.

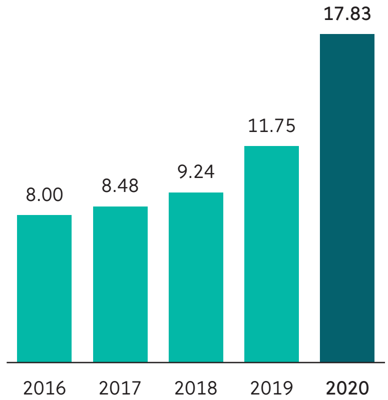
EARNINGS PER SHARE
NOK



CASH FLOW FROM OPERATIONS PER SHARE NOK



EQUITY PER SHARE
NOK



KEY FIGURES SHARES

	2020	2019	2018	2017	2016
Closing Price NOK	54.70	36.35	24.45	27.50	26.90
Tax value per share NOK (Norway)	55.70	37.18	24.80	26.95	26.70
High NOK	61.3	43.9	27.85	29.70	31.40
Low NOK	19.48	24.95	19.84	24.30	17.40
Total return	50.5 %	48.7 %	-9.9 %	2.2 %	17.5 %
Market capitalization (NOK 1 000)	11 028 598	6 662 615	4 074 051	4 582 266	4 482 290
Turnover by no. of shares (1 000)	150 149	130 248	26 957	15 852	51 607
Number of days traded	252	249	249	251	253
Turnover rate	74.5 %	71.2 %	16.2 %	9.5 %	32.8 %
Beta	2.72	2.33	0.51	0.49	0.75
P/E	-74.60	57.70	28.80	65.96	21.52
P/B	3.07	3.09	2.65	3.24	3.36
Earnings per share	-0.78	0.63	0.86	0.42	1.40
Cash flow from operations per share	1.20	0.86	0.94	0.55	-0.03
Dividend per share	0.00	0.00	0.00	0.30	0.00
Equity per share	17.83	11.75	9.24	8.48	8.00
Share capital (NOK 1 000)	20 162	18 329	16 663	16 663	16 663
Closing number of shares (1 000)	201 620	183 291	166 627	166 627	166 627
Number of shareholders, Norwegian	4 738	3 939	2 346	2 101	2 208
Number of shareholders, foreign	375	268	189	197	182
Ownership share, foreign	50.0 %	43.8 %	39.4 %	40.9 %	39.8 %


HEXAGON

Sustainability report 2020

Contents

Highlights of our contribution

HEXAGON GROUP'S SOLUTIONS HAVE AVOIDED

730,000 metric tons of CO_2 equivalent emissions [1)]

→ Equal to removing 158,000 petroleum cars from the road for a year, or
→ Equal to planting 960,000 acres of forest

1) The Alternative Fuel Life-Cycle Environmental and Economic Transportation (AFLEET) tool from the Greenhouse gases, Regulated Emissions, and Energy use in Technologies (GREET®) model has been used for estimating emission reductions. For more information see appendix report methodologies and assumptions.

ELECTRICITY CONSUMPTION

17%

reduction in Hexagon Ragasco [2)]

2) 12,250,000 kWh in 2019 vs 10,119,104 kWh in 2020

INNOVATION EFFORTS

13%

of employees are dedicated to Innovation, R&D and World-Class Manufacturing

DIVERSITY

Workforce made up of more than

30

nationalities

Responsible business

At Hexagon we take ethical, environmental, social, and governance issues into account in every business decision we make. Our vision, "Clean Air Everywhere" and our purpose, "Driving Energy Transformation", drive our business forward.

We believe that clean air is a right not a privilege; that technology is no longer the barrier in enabling clean transport for all; and that change is urgent. We hold ourselves accountable for all our interactions, with our customers, suppliers and owners, our people and the communities in which we operate.

Global challenges and sustainable solutions

One urgent challenge facing the world is climate change. It is disrupting national economies and affecting lives. Although greenhouse gas emissions are projected to have dropped by around 6%[1] in 2020, due to travel bans and economic slowdowns resulting from the COVID-19 pandemic, this improvement is expected to be temporary. Once the global economy begins properly to recover from the pandemic, emissions are expected to return to higher levels unless profound, sustainable actions are taken.

According to the Intergovernmental Panel on Climate Change (IPCC), the transport sector is responsible for approximately 24% of total energy-related CO_2 emissions. Meanwhile, in developing countries, many people rely on biomass such as firewood, charcoal and waste to meet their energy needs. The World Health Organization (WHO) estimates that around 3 billion people still use biomass as fuel for cooking. This often results in unsustainable harvesting practices, as well as illness and premature deaths from indoor pollution.

Part of the solution

The Hexagon Group provides solutions across the clean fuel spectrum. This includes high-pressure cylinders and fuel storage systems for compressed natural gas (CNG), renewable natural gas (RNG), propane and hydrogen as well as battery electric systems.

In 2020, Hexagon's solutions enabled the conversion to cleaner energy in a wide range of mobility, industrial and consumer applications – avoiding the release of 730,000 metric tons of CO_2 equivalent. To put that in perspective, it equates to removing 158,000 petroleum cars from the road for a year or planting 960,000 acres of forest.[2]

1) Source: IAE, Global Energy Review: CO_2 Emissions in 2020
2) The AFLEET tool from the GREET® model has been used for estimating emission reductions. For more information see Appendix: Report methodologies and assumptions.

Hexagon's contribution to the UN's 2030 agenda

Hexagon has prioritized seven of the seventeen Sustainable Development Goals (SDGs) set out in the UN's 2030 Agenda for Sustainable Development. The priorities were selected based on the global challenges the world faces and the solutions to which the Group can contribute.

The seven prioritized SDGs are: (3) Good health and well-being; (7) Affordable and clean energy; (8) Decent work and economic growth; (9) Industry, innovation and infrastructure; (11) Sustainable cities and communities; (12) Responsible consumption and production; and (13) Climate action. The seven prioritized SDGs are closely linked to Hexagon's core operations and are in line with the Group's business strategy, as well as reflecting its stakeholder and materiality analysis. Specific targets and KPIs are presented under the relevant topics in this Sustainability Report.

Materiality approach

Hexagon fulfils its corporate responsibilities by developing and running its operations profitably and in a manner that conforms with fundamental ethical values and respect for individual people, society and the environment as a whole.

Hexagon conducted a materiality analysis to identify and prioritize the most important and relevant sustainability topics throughout its value chain, including the seven SDGs. This process is the foundation for this Sustainability Report. The material sustainability topics for Hexagon were identified through an assessment of key stakeholder expectations, the significance of social, economic and environmental impacts, and their relevance to the Group's strategy. Stakeholders are groups that are impacted by Hexagon, that impact Hexagon and/or that are invested in Hexagon's future development.

Hexagon's stakeholders include:
Employees, investors and lenders, customers, local communities, suppliers, authorities, partners, media

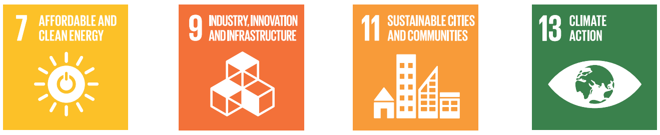
Hexagon also conducted a maturity analysis to map the status and level of internal sustainability of management practices across all its business areas. This process has led to increased cross-function discussion and collaboration, as well as a stronger and more engaged management. It informs Hexagon's sustainability focus in 2021 and the setting of new targets.

This 2020 Sustainability Report is aligned with the Global Reporting Initiative (GRI) standard. In the future Hexagon aims to report in accordance with other international reporting standards and initiatives, such as the Task Force on Climate-related Financial Disclosures (TCFD).

Materiality matrix

Climate and environmental effects of Hexagon's portfolio offering

Hexagon's addressable mobility market is expected to grow by around four times to approximately USD 8 billion by 2025[1)], creating substantial growth opportunities. Through Hexagon's expertise and world-class manufacturing processes, and bringing its cylinders into the digital age, Hexagon aims to further expand its leadership position within gas mobility (g-mobility) and electric mobility (e-mobility).



g-mobility: clean solutions

Renewable and natural gas are part of the solution to climate change

Natural gas is one of the cleanest-burning fossil fuels available today, giving lower greenhouse gas (GHG), nitrogen oxide (NOx) and particulate matter (PM) emissions when compared with petroleum fuels.

Hexagon's CNG storage and fuel systems are used in a wide range of applications. For instance, through Hexagon Agility, CNG fuel storage systems are provided to medium- and heavy-duty original equipment manufacturers (OEMs) and vehicle fleets. A CNG truck running on natural gas emits 13-21% less CO_2, 90% less NOx and almost zero PM versus comparable gasoline and diesel vehicles[2)].

As a potentially carbon-negative solution, renewable natural gas (RNG) contributes to reaching climate targets by reducing both CO_2 tailpipe emissions and methane emissions from waste. RNG can be generated from a variety of organic waste substances including municipal solid waste, sewage sludge, yard and crop wastes, food wastes and animal manure. RNG produced from organic sources through anaerobic digestion contains 45-65%[3)] methane. Without capture, this methane escapes into the atmosphere, where it is roughly 30 times more potent as a greenhouse gas than CO_2. In contrast, if it is captured and treated to remove moisture, CO_2 and other impurities, it can be fully compatible with the existing natural gas infrastructure.

Hexagon's cylinders and fuel systems can operate with 100% RNG, whilst Hexagon's Mobile Pipeline® modules are a key enabler for transporting this potentially carbon-negative fuel from rural producers to the gas grid and industrial users. Hexagon is well-positioned to drive the transition to CNG and RNG, continuing to maximize positive environmental impacts.

Did you know

Hexagon Agility's key customer, UPS, has committed to buying more than 250 million gallons of RNG through 2026 to reduce their overall carbon footprint[4)].

Renewable natural gas

Capturing the methane from the waste of 7,900 pigs is comparable to avoiding the CO_2 emissions from 1,000 passenger cars.

Bio waste → Anaerobic digester → Commercial vehicles

LPG - improving people's quality of life

In the least-developed countries (LDCs)[5] many people, particularly women, cook using wood, charcoal, animal dung or kerosene. These fuels produce hazardous particulates (soot) and air pollution that cause illnesses the WHO estimates kill 4 million people prematurely each year[6]. The majority of people affected are from the world's poorest populations.

The use of LPG for cooking produces practically no particulates. Its CO_2 footprint is 20% lower than that of heating oil and 50% lower than coal[7]. Hexagon subsidiary Hexagon Ragasco participates in organized clean cooking alliances and "cooking for life" programs to promote the use of easy-to-handle composite cylinders across the LDCs. The lightweight, user-friendly cylinders enable people, particularly women, to spend less time cooking and gathering fuel, enabling them to spend more time on education and income generation.

According to the World Bank, Bangladesh - one of Hexagon's key markets - is the eighth-most polluted country in the world. Almost 80% of households there lack access to clean cooking alternatives and more than 70,000 Bangladeshis die every year from diseases related to indoor air pollution[5].

Bio-LPG

Bio-LPG's carbon footprint is up to 80% smaller than that of conventional LPG[9] . It is another low-carbon energy source expected to play an important role on the pathway towards decarbonization. It can be produced from renewable sources and Hexagon Ragasco's LPG cylinders are fully compatible with bio-LPG, lowering the barrier to transition for Hexagon's customers.

E-mobility: zero emission solutions

Hexagon subsidiary Hexagon Purus is a global leader in some of the key technologies needed for zero emission mobility. These include high pressure composite hydrogen storage cylinders, fuel storage and distribution systems and electric drivetrain solutions. Hexagon Purus' technology is proven across a wide range of mobility applications from cars, trucks and buses to maritime, rail and aerospace applications. Despite its recent establishment as a stand-alone company, Hexagon Purus is working with some of the world's largest OEMs and putting storage systems and battery packs on the road, enabling 4,018 metric tons of CO_2 equivalent emissions to be prevented during 2020[10].

Did you know

Since 2016, Hexagon Ragasco has delivered more than 1 million composite LPG cylinders to Bangladesh – and has potentially helped avoid 137,000 metric tons of CO_2 equivalent emissions[8] by replacing dirty and dangerous fuels such as wood.

Digitalization

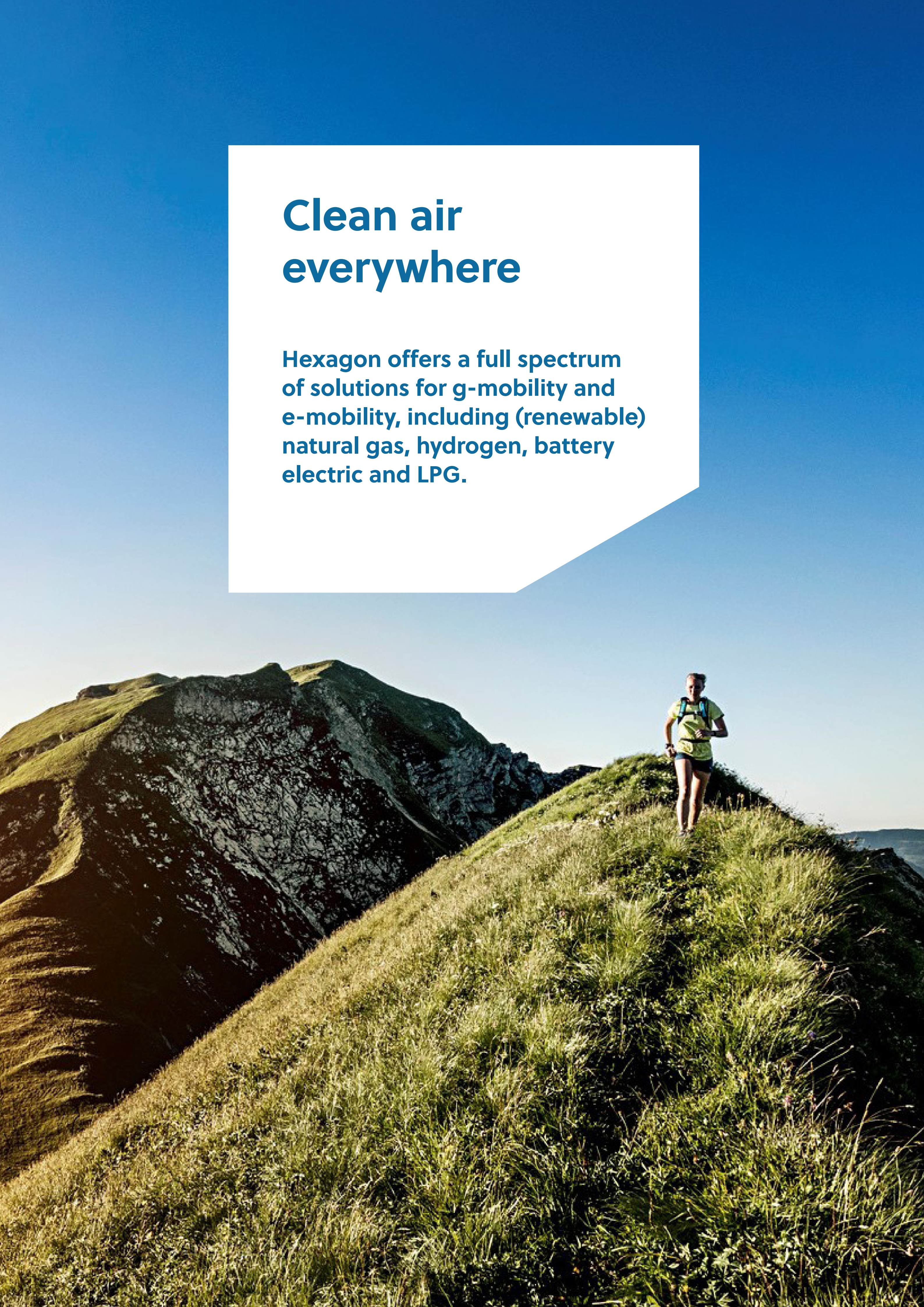
By using cutting-edge technology, sensors and energy harvesting, Hexagon Ragasco's smart cylinders will enable the transmission of real-time data from customer to distributor, enabling just-in-time and automated supplies – with the potential to rationalize the legacy value chain.

The Hexagon Group's center of excellence for smart technologies, Hexagon Digital Wave, will also access the cylinders' systems in real time. Gathering data via the Internet of Things (IoT), Hexagon Digital Wave will enable real-time health monitoring and service life extension for the cylinders. This, in turn, will give the cylinders a second life, moving from application to application rather than to disposal.

1) Source: Third party consultant
2) Source: NGV America, Argonne GREET® 2019
3) Source: An Overview of Renewable Natural Gas from Biogas, United States Environmental Protection Agency
4) Source: UPS, Environmental Responsibility
5) Source: United Nations Committee for Development Policy
6) Source: World Health Organization, Household air pollution and health
7) Source: World LPG Association
8) Note: Assuming 26.2 liter cylinders in use and refilling rate of 4 times per year
9) Source: Liquid Gas Europe
10) The AFLEET tool from the GREET® model has been used for estimating emission reductions. For more information see Appendix: Report methodologies and assumptions.

Clean air everywhere

Hexagon offers a full spectrum of solutions for g-mobility and e-mobility, including (renewable) natural gas, hydrogen, battery electric and LPG.



Hexagon's products

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Product safety

Hexagon's products are used to transport and store highly flammable, pressurized gases. Product safety is essential to the Group's license to operate.

As a pioneer in composite technology and a global leader within composite manufacturing, quality and operational excellence have always been at the forefront of Hexagon's work. Its high-pressure composite cylinders are a better, safer alternative to steel cylinders. They weigh up to 70% less than steel cylinders, are corrosion-resistant and not susceptible to material fatigue - something of crucial importance to the cylinder's life cycle and safety. In addition, composite cylinders are more economically efficient, through lower maintenance requirements and less transportation fuel consumption, thanks to their lower weight.

All of Hexagon's products are tested and approved in accordance with established safety standards. To ensure a continuous focus on quality, Hexagon's global production sites apply well-established quality management systems. Hexagon is certified to a variety of industry-specific standards.

Sharing our expertise

Hexagon possesses significant high-pressure technology expertise. In the arena of regulation, codes and standards it is positioned as a convener, expert, and contributor to many of the global standards for RNG, CNG, hydrogen, LPG and other industrial gases. This leadership and engagement leverages Hexagon's wealth of knowledge about the safety and reliability of its products for the greater good.

Resource use and waste management

Hexagon prizes the resources it uses and constantly looks for innovative ways to optimize the material used in its cylinders, whilst maintaining rigorous quality standards. Hexagon strives to achieve a zero-waste culture through a process of continuous improvement creating a lean, flexible, and highly scalable business, focused on value-added activities.

Most waste related to Hexagon's business activities are at product end-of-life and related to the disposal of the cylinders. The impact relates to the method of disposal, e.g. energy recovery, recycling, etc. Other waste related to Hexagon's operations includes scrap during production, testing etc., as well as regular household-type waste such as packaging, food and so on.

Some of the waste is hazardous. Hexagon employs specialized contractors who dispose of this waste. Waste data is provided by the third-party haulers, confirmed through local environmental health and safety team members, and validated.

Environmental compliance requirements are based on local environmental laws and regulations. No violations or non-compliances were identified in 2020.

Non-renewable materials used to create Hexagon's products include carbon fiber, glass fiber and binding materials. Currently Hexagon does not have figures for the total amount of packaging used in distributing its products but will explore collecting and reporting this data in 2021.

Waste type	2020 volume (metric tons)	2019 volume (metric tons)
Non-hazardous waste	56	74
Hazardous waste	1,872	2,102 [1]

1) Updated figures due inaccurate data reported

Waste materials include wood, cardboard and metals.

Improving recycling

To address the challenges associated with recycling composite waste, Hexagon is 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 Hexagon's manufacturing sites have recycling programs ensuring landfill diversion. Carbon fiber not used in production is sent for recycling. A recently established partnership with a Polish recycling company is producing new, patented manhole covers from ground composite materials.

Progress has been made in the field of plastic liner waste, which is recycled and reused in new liner products. Furthermore, Hexagon Ragasco offers its customers a spare parts concept for their cylinders' outer plastic casings, which prolongs the service life of the product between 10-year re-certification tests. Internally, equipment for recycling plastic waste from casings into new products was installed in 2020.

Additional initiatives include an investment in grinding equipment which will enable the breakdown of materials, testing and product innovation through in-house mechanical recycling projects.

Product lifecycle and end-of-life

Life Cycle Assessment

In 2014, Hexagon Ragasco performed its first life cycle assessment (LCA) with NTNU and SINTEF. The main aim of the assessment was to understand the environmental impact of Hexagon LPG cylinders, from raw materials to disposal. The assessment also provided a comparative understanding of conventional steel cylinders. These results provide a reference for each phase of the life of the cylinder, which is shared in detail here.

In 2020, Hexagon Ragasco engaged an independent third party, Asplan Viak, to conduct a new LCA [1] in accordance with ISO 14045:2006. The aim of this LCA was to establish updated figures for the environmental footprint of the production phase of Hexagon's cylinders, enabling the publication of the Group's first Environmental Product Declaration (EPD). Hexagon will also use the LCA to develop an LCA calculation model to be used as a strategic development tool. The implementation of LCA and EPD at Hexagon Ragasco sets an example of best practice for other business areas in the Group.

Environmental impact of the Production Phase

The new LCA focused on the production phase, including the production and transport of raw materials, the production of composite cylinders at Hexagon's Raufoss manufacturing plant in Norway, and the transport of finished composite cylinders from the manufacturing plant to Oslo. The preliminary assessment concluded that the production phase generated 23,200 metric tons CO_2 equivalents (based on 2019 production figures), of which raw materials production accounts for almost 87%. The transport of raw materials to the manufacturing site generated roughly 20% more CO_2 emissions than the cylinder production itself.

The LCA also showed that the CO_2 emissions from the entire production phase would have been 80% greater, had the energy mix been based on coal rather than renewable Norwegian hydropower [2].

Furthermore, assuming the re-use of 100% of internal plastic waste in the production can enable 60% reduction in CO_2 emissions [3].

Environmental impact of the Use Phase

The 2014 LCA provided considerable insight into the use phase. Relative to steel cylinders, composite cylinders are lighter to transport. On average, Hexagon's composite LPG cylinders weigh 50% less than conventional steel cylinders. Unlike steel cylinders they do not corrode, and they do not have the same refurbishment needs over their proven service life. Some Hexagon cylinders have, so far, been in service for 21 years. An ongoing research project with NTNU and SINTEF aims to develop mathematical models for predicting the lifetime of the composite cylinders.

Environmental impact of the End-of-Life Phase

The 2014 LCA assumed landfill as the solution for the end-of-life of Hexagon composite cylinders. This resulted in an unfavorable footprint versus steel cylinders, as steel cylinders were fully credited for their recycling options. During the last few years, Hexagon has focused on developing alternative, more sustainable end-of-life solutions such as energy recovery and material recycling through cement production, as well as material recycling in the form of new products, like manhole covers. (See Improving Recycling.)

In 2021, the LCA project continues to look at scenarios for both the use and end-of-life phases which are expected to identify further opportunities for improvement.

Key targets 2020	Result	Comments
Achieve ISO 9001 certification at all manufacturing sites.	Not achieved	8/10 manufacturing sites are ISO 9001 certified. The process for certifying the other two is ongoing.
Establish co-operation with recycling company for composite waste.	Achieved	Composite waste commercially used in manhole covers.
Further development of LCA analysis.	Achieved	Production phase finalized.
Test runs with bio-based raw materials.	Not achieved	Delayed due to challenges associated with COVID-19.

Key targets and ambitions 2021

- Testing and development of new, bio-based materials.
- Engage in different projects with SINTEF, NTNU and other composite manufacturers to explore reuse/recycling solutions for composite waste.
- Publish environmental product declarations (EPDs) for composite cylinders.
- Perform LCA for different use phase and end-of-life phase scenarios
- Develop LCA calculator tool applicable to all business areas.
- Hexagon Ragasco commits to 100% internal re-use and/or external recycling of plastic casings.

- Achieve ISO 9001 certification at all manufacturing sites.
- Achieve LEED certification for new manufacturing buildings.
- Establish roadmap for waste reduction.
- Set site-specific goals for recycling, reduction of waste and using alternative, environmentally-friendly resources.
- Measure amount of packaging used.

Innovation, R&D and world-class manufacturing

While Hexagon's products are of high quality, it acknowledges that continuous improvement is an integral part of its strategy. R&D and innovation are vital to renewing the Group's operations and ensuring its long-term financial and environmental sustainability. Hexagon strives to cultivate a strong relationship between research, material selection, product design, development and world-class manufacturing to ensure it applies the optimum, cost-effective solutions in every phase. Hexagon continues to develop its team of R&D engineers, product development engineers and project leaders.

A key focus for the Group is the cultivation of strong, committed leadership at all levels and a high degree of team member engagement throughout the organization. This includes the upskilling, formal training and qualification of team members as part of their continuous development.

The Group's manufacturing operations consider safety issues and sustainability - including energy sources and consumption - as well as work ergonomics in planning and Lean Line Design workshops.

Through continuous improvement, waste is eliminated, and new competitive standards are set. Smart investments in the Group's value streams, IoT and digitalization are all important enablers. Hexagon has increased the use of new technology and digital solutions to monitor, control and analyze its production systems and its product offering.

Hexagon Ragasco has an ongoing research project with NTNU, SINTEF Manufacturing and Benteler Automotive Raufoss AS to utilize "big data" from Hexagon's fully automated production line to further improve efficiency and waste reduction.

To further enhance its competitive edge, the Hexagon Group is investing in state-of-the-art production technology to support:

- Hexagon Ragasco, extending its digital capabilities and integrating smart technology
- Hexagon Digital Wave, continuing to develop leading-edge technology for the real-time monitoring of cylinders
- Hexagon Agility, furthering manufacturing process optimization at its manufacturing site in Lincoln, NE, USA
- Hexagon Purus, implementing a manufacturing execution system (MES) to access data and create more robust processes

Hexagon's combined spend on R&D, engineering and innovation in 2020 was NOK 137 million. The R&D group's activities are directly tied to Hexagon's world-class manufacturing initiative. In 2020 its 133 product development engineers and project leaders were active in a materials study, in materials optimization studies and in manufacturing process innovation. In conjunction with Hexagon's Operations teams, the R&D group is setting the foundation for process efficiency and stability without sacrificing product performance. They have delivered improvements in efficient composite design, permeation reduction, liquid propane storage, gas storage, hydrogen resistance and damage tolerance.

Indicators	Units	2020	2019
R&D engineers	FTEs	133	132
R&D efforts	MNOK	137	141
Government grants	MNOK	13.8	8.4

1) 2019 volume of 1.5 million 24.5 liter LPG cylinders. CO_2 emissions in production phase equate to 15.5 kg CO_2 equivalent per produced cylinder. Source: Ecoinvent version 3.6
2) All figures and estimates are based on the LCA calculator developed together with Asplan Viak
3) All figures and estimates are based on the LCA calculator developed together with Asplan Viak

Local environment and own emissions

Hexagon actively works to reduce its direct climate, environmental and resource use impacts. Hexagon's overall Environment, Health and Safety (EHS) and climate goals "will contribute to sustainable solutions, with zero harm to people or to the environment". Hexagon's subsidiaries have business-specific EHS guidelines in place that support these goals.

Energy data is monitored and compiled by Hexagon's global EHS team, using location-specific data from the Group's utility providers. In certified business areas, external assessments are conducted to assure adherence to ISO 14001 and ISO 50001.

Did you know

Guided by the principles of its ISO 50001 (energy management) certification, in 2020 Hexagon Ragasco's targeted efforts reduced its energy consumption by 17% to 10.12 MkWh.

Hexagon aims to develop a roadmap outlining its plan to cut direct and indirect emissions associated with the production of its products and solutions (Scope 1 and Scope 2). Hexagon has also identified that emissions from activities in its supply chain (Scope 3) are greater than its Scope 1 and Scope 2 emissions combined. Hexagon has, therefore, started measuring its Scope 3 impact by looking at the purchases of its key inputs: carbon fiber and resin.

Result

Emissions scope [1]	2020 greenhouse gas emissions (tons of CO_2 equivalent)	2019 greenhouse gas emissions (tons of CO_2 equivalent)
Scope 1 (direct emissions)	2,825	2,962
Scope 2 (indirect emissions from electricity use – location-based)	7,242	7,322 [2]
Scope 2 (market-based)	11,436	7,322 [2]
Scope 3	61,224	Not reported

Type of energy	2020 own energy use (GJ)	2019 own energy use (GJ)
Non-renewable fuel consumption	51,359	49,584
Renewable fuel consumption	70	2,236
Electricity consumption	90,879	97,059 [2]
Heating consumption	11,471	Not reported
Total energy consumption	153,779	148,879 [2]

1) For more information see Appendix: Report methodologies and assumptions.
2) Updated figures due inaccurate data reported

Key targets 2021

- Establish the roadmap and implementation process for achieving ISO 50001 and ISO 14001 certification at applicable manufacturing sites.
- Establish targets for direct and indirect emissions incl. setting a science-based target.
- Target setting for renewable energy.

Sustainable procurement

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hexagon works with suppliers and business partners around the world. Many of its relationships are well-established and long-term. Hexagon's relationships are built on integrity and mutual respect. Hexagon always aims to obtain products and services at the right quality, delivered in a timely manner and at the best value, whilst complying with its policies.

Hexagon sourced over 3,500 metric tons of non-renewable materials were used to create its products, including carbon fiber, glass fiber and binding materials. Some of those materials with significant environmental considerations are:

- Carbon fiber, predominantly produced in the U.S., France, Japan and South Korea
- Glass fiber, predominantly produced in China
- Plastic resins and accelerants, predominately produced in the U.S. , Netherlands and China
- Injection-molded, blow-formed and extruded plastic components, predominantly produced in the U.S. and Germany
- Valves, predominately produced in Italy
- Aluminum and stainless-steel materials and components, predominately produced in the U.S. and Europe

Assurance of supplier compliance

Hexagon communicates its sustainability requirements and objectives across its supply chain. It uses methods including a supplier code of conduct, supplier quality manual, supplier score-cards and supplier audits. Supplier audits may take several forms, from initial self-assessments to comprehensive on-site reviews. All suppliers are required to adopt and implement Hexagon's requirements as a condition of doing business with the Group.

Selection of new suppliers

The selection of suppliers and sub-contractors has a significant impact on Hexagon's social and environmental performance. Consequently, new suppliers are subject to a set of criteria and risk assessments that covers quality assurance, corporate social responsibility and responsible sourcing.

Hexagon uses tools to ensure suppliers:

- Have adequate management systems to comply with all Hexagon requirements
- Are knowledgeable and in compliance with all applicable laws, regulations, and contractual conditions
- Respect internationally-recognized human rights and commit to supporting international norms related to modern slavery and forced labor, child labor, non-discrimination, fair wages and benefits, and the freedom of association and collective bargaining
- Have a safe and healthy workplace, free from exposure to hazardous conditions and substances
- Are responsible stewards of the environment through efforts to reduce energy consumption, emissions of pollutants, use of hazardous substances, and wastes of all types
- Practice adequate due diligence with respect to responsible sourcing of raw materials
- Conduct their business in an ethical manner free of conflicts of interest and corruption, and with fair competition

Ongoing supplier evaluation

Existing suppliers are subject to the same criteria and risk assessments as new suppliers. Hexagon completes annual scorecards for suppliers covering quality, supply assurance, business interactions and corporate social responsibility. These scorecards serve to measure and drive continuous improvement and provide a mechanism for dialog and feedback from suppliers. The supplier scorecards typically cover:

- Commitment to corporate social responsibility
- On-time delivery
- Quality performance
- Responsiveness and communication
- Cost
- Innovation
- Quality support

Reviewing its results from 2019 and 2020, Hexagon recognizes the need to increase its focus on its supply chain. Many suppliers have provided feedback that they are committed to sustainability initiatives, while the number of suppliers reporting specifically on relevant metrics or improvement programs is limited. Consequently, improvement in this area will be a key objective in 2021. Hexagon will conduct environmental and social surveys with key suppliers to determine the necessary actions and sustainability initiatives.

Key targets 2021

- Conduct sustainability surveys with largest suppliers and update existing contracts as appropriate.
- Update supplier code of conduct to ensure it reflects specific and relevant initiatives in all contracts with new suppliers.

How Hexagon works

Health and safety and organizational development

Health and safety

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

Hexagon carries out quarterly, global, executive management EHS reviews aimed at identifying EHS challenges and establishing initiatives to address them. In addition, the global EHS team meets every two weeks and systematically encourages hazard recognition, assessment and control.

Hexagon's global EHS team discusses a wide range activities and initiatives related to regulatory compliance, the protection of people, property and the environment, and improvement opportunities to align with world-class manufacturing.

Specific initiatives that will lead to lower injuries and illness across Hexagon's global operations are also discussed. A shared performance metric, used as a leading indicator for reducing overall injuries and incidents, has been established for the great majority of Hexagon's facilities in 2020. This coordinated effort will promote the sharing of experience and best practice between the Group's manufacturing facilities.

All Hexagon employees receive annual health and safety training covering incident reporting, identifying hazardous situations and planning potentially-hazardous activities. Where appropriate, employees receive specialist training in hazardous tasks, e.g. working at height. This training is entered into the employee's HR system record and is required before they can begin the work.

Potential hazards are identified and reported, and corrective actions are tracked to closure in Hexagon's incident reporting system. Before any task there is a process for team members to assess and discuss potential work-related hazards. Hexagon's employees have the right to refuse unsafe work without fear of reprisal.

Hexagon's management remains committed to reducing injury. Facility managers and the EHS team monitor safety processes. In 2020, the introduction of a more robust reporting system improved employee participation, hazard recognition and data collection. Continued front-line engagement will emphasize formalized task analysis, work area assessments, peer observations and hazard reporting to recognize and prevent unsafe conditions and unsafe acts.

Indicators	Units	2020	2019
Fatalities	Number	0	0
Work related injuries (WRI)	Rate per 200,000 hours	1.99	1.89
Work related injuries (WRI)	Number	20	19
Lost time incidents (LTI)	Rate per 200,000 hours	0.69	0.49
Lost time incidents (LTI)	Number	7	5
Close calls [1]	Number	438	340

Managing the business during COVID-19

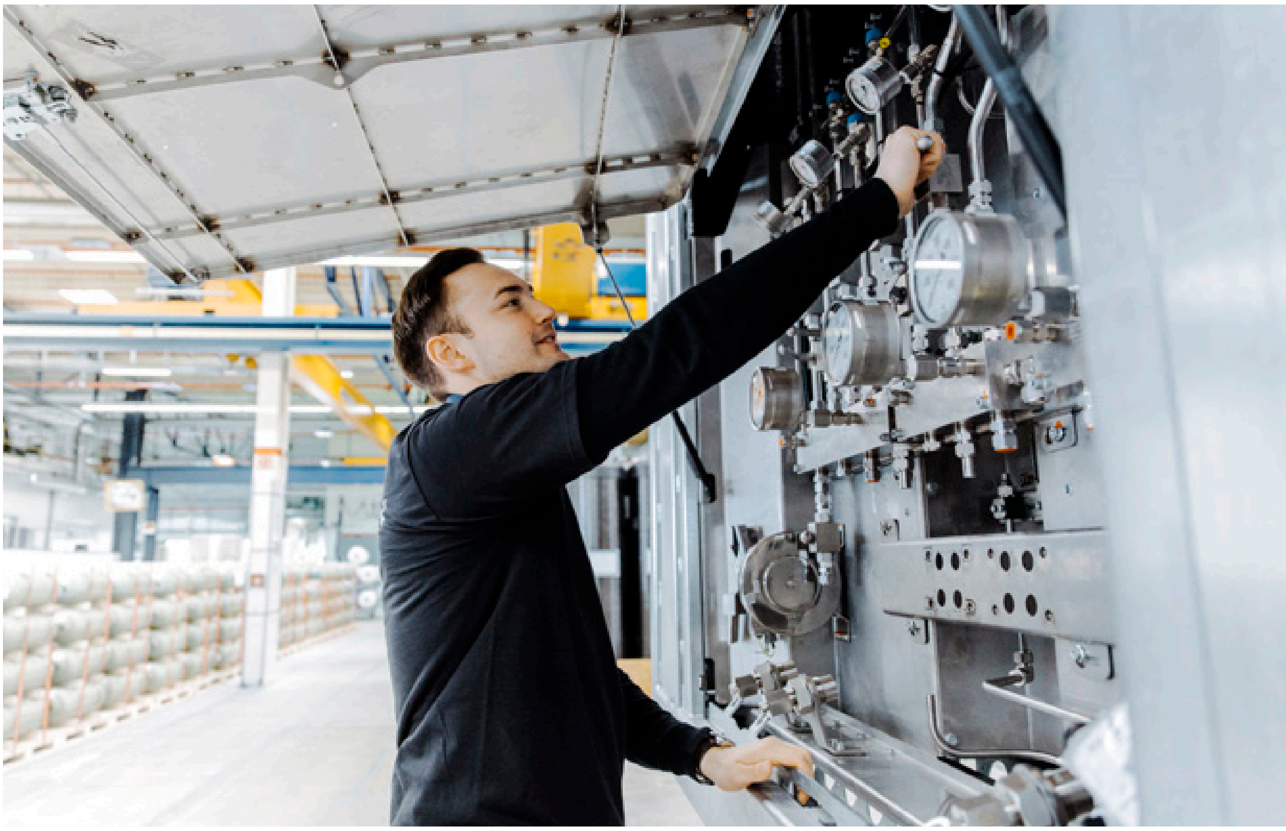
COVID-19 has presented significant challenges to Hexagon's organization. These have included remote working and temporary furloughs as well as constraints within the work environment, and were a powerful test of the Group's management approach.

Each business area built and executed contingency plans. Coordinated, global COVID-19 response calls were held every week with every business area, Human Resources and EHS teams. The Group's Executive Management Committee also held regular weekly meetings and engaged with a variety of communication tools to support its people and address their concerns regarding the pandemic and their work status. Several Hexagon facilities engaged with government-supported stimulus packages for temporarily furloughed individuals, while some locations that continued operations extended "essential worker premiums" to reward and acknowledge the extra work and risk taken on by their people.

Making Hexagon a great place to work

Hexagon is a values-driven organization. Its two core values, integrity and drive, lay the foundation for Hexagon's corporate culture. Hexagon intentionally integrates its purpose and values into its daily business and decision making. Hexagon emphasizes engagement to empower individuals to influence their own work situation. It believes a flat organizational structure ensures visibility and enables employees to develop and thrive.

Hexagon has committed to becoming a great place to work. This is measured not only by its own people's experience, but as evidenced by key stakeholders including customers, suppliers, shareholders and the communities in which Hexagon is so privileged to operate.



Hexagon embraces a culture of empowerment, transparency and continuous improvement. There is perhaps no greater example of this than Hexagon's annual Great Places to Work survey process. This globally-recognized process from the Great Places to Work Institute has been running at Hexagon since 2016.

The Group is transparent in sharing the results of the process, both in positive areas and those in need of attention. In 2020, Hexagon onboarded the remainder of its US operations acquired in 2019, increasing the number of participants in the survey by 60% and expanding the survey to the entirety of the Hexagon Group. In 2020, Hexagon's average Great Places to Work score was 67%. Both scores were down from 2019, reflecting the impact of the expanded group surveyed. It also reflects external factors and particularly the impact of COVID-19.

Great Places to Work is not just a survey. Hexagon engages with its people in continuous improvement teams to address the weaknesses identified by the survey process. Overall, there is a culture of pride within Hexagon. 81% of employees responded that they are proud to tell others they work at Hexagon.

The absence rate in Hexagon was on target in 2020. This was primarily driven by a continued focus on wellness and targeted measures such as the implementation of physical activities and guidance. In support of this key area, Hexagon offered its third annual "Hexagon Global Olympics" to encourage healthy lifestyles in a fun, semi-competitive environment.

Result

Indicators	Units	2020 [2)]	2019
Full time employees	Number	1,060	1,008
Female employees	Number	196	186
Female employees	Percentage	18%	18%
Employees at manager level (at least one direct report)		144	140
Female employees at manager level (at least one direct report)	Number	26	24
Female employees at manager level (at least one direct report)	Percentage	18%	17.1%
Female members of the Board of Directors	Number	2	2
Female members of the Board of Directors	Percentage	40%	40%
Female members of Executive team	Number	1	0
Female members of Executive team	Percentage	12%	0
Turnover	Percentage	15%	10%
Absence	Percentage	4%	4%
Recorded incidences of discrimination	Number	0	0

Organizational development

Through its internal learning and development function "Hexagon University", Hexagon builds and implements a range of programs for its employees. The aim is to bring added value to the development of Hexagon's talented people, in both their professional and personal lives.

"The Hexagon Way" module was developed and introduced in 2019. This flagship offering is an eight-hour, highly interactive and engaging curriculum that focuses on Hexagon's people and their understanding of their role in respect of the Group's purpose and values. The curriculum is delivered by senior Hexagon leaders. While the first European course was held in Hexagon's location at Kassel in Germany in February 2020, the COVID-19 pandemic has unfortunately prevented further offerings of this important program. Plans are in place to safely reintroduce the course during the second half of 2021, COVID-19 safety compliance and regulations permitting.

Diversity

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 currently employs people of more than 30 different nationalities. Research shows that companies with a more diverse workforce perform better financially. Hexagon believes that people with different approaches and experience drive innovation and ensure a dynamic work environment.

Hexagon 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.

Hexagon is proud of its work in diversity. Its 2020 Great Places to Work survey results showed some of the most positive responses were to questions targeting diversity:

	2020 score
People here are treated fairly, regardless of sexual orientation	88%
People here are treated fairly, regardless of their race	86%
People here are treated fairly, regardless of their gender	85%
People here are treated fairly, regardless of their age	82%

Hexagon has prioritized the recruitment of women, despite the challenges of a traditionally male-dominated, industrial operating environment. Hexagon's long-term target is to increase its share of female employees to at least 30%.

The lowest proportion of female employees at Hexagon is in production, while the proportion of women in other areas such accounting and finance, human resources and administration is more balanced.

Key targets 2020	Result	Comments
Harmonize the EHS policy	Not achieved	Ongoing work
5% in absence rate	Achieved	Satisfactory result
30% of female employees	Not achieved	Ongoing work
Turnover rate of 14%	Not achieved	Slightly above target

Key targets 2021

- Roll out common EHS policy and guidelines for the Group
- Complete roll-out of Hexagon University
- Track performance and career development at all levels (performance management process)
- Update whistleblowing policy and procedures
- Expand the "Hexagon Way" program
- Set up third-party whistleblowing hotline for the Group
- Executive leadership to have executive compensation program tied to non-financial KPIs

1) An event that occurred that had the potential to cause harm
2) First full year with data reporting including all Hexagon populations

Anti-corruption

Hexagon fosters an organizational culture based on integrity and high ethical standards, to maintain its high quality of products and be a trusted business partner. The Board of Directors and management of Hexagon are committed to carrying out business fairly and openly, with no tolerance for corruption. Hexagon works proactively to design, implement and monitor procedures to prevent corruption. All Hexagon employees dealing with governments, customers, suppliers and partners are expected to be familiar with the Group's policy and guidelines regarding gifts, benefits and entertainment, enabling them to assess situations that are or may potentially be in violation thereof.

Hexagon has a set of guideline documents for corporate responsibility, a Code of Conduct and ethical guidelines. It also has manuals and more specific guidelines for areas including anti-corruption, responsible sourcing, environment, health and safety, and human rights (see hexagongroup.com for more information).

Hexagon regularly evaluates various risks related to its supply chain. It has assessed the risk of corruption to ensure that relevant anti-corruption measures are in place and complied with. No high-risk corruption factors were identified, and Hexagon received no fines related to corrupt or anti-competitive behaviors in 2020.

Hexagon continues to promote zero tolerance for corruption and anti-competitive behavior.

Whistleblowing

Hexagon strives to maintain a transparent business climate with a focus on business ethics, fostering the open discussion and resolution of difficult or undesirable incidents. However, circumstances can occur which require other channels of communication. In these situations, Hexagon encourages all its employees to contact their line managers, local compliance officers and/or human resources teams. Hexagon Agility has a dedicated hotline from an independent third party, which is available to employees in multiple countries. No incidents were reported through that hotline or through Hexagon's compliance officers in 2020.

Local community

Hexagon strives to have good relations with, and be a positive force in, the local communities in which it operates. In addition to providing employment opportunities, Hexagon's sponsorship policy aims to contribute to stimulating environmental, welfare and preventive health measures. Hexagon engages with its local communities by supporting non-profit organizations that focus on sports and education opportunities for children and youth, as well as humanitarian aid.

Hexagon focuses on supporting reputable partners with local activities. These partners must have a profile that matches Hexagon's values and ethical guidelines. Hexagon places particular emphasis on areas such as equality, non-discrimination, labor conditions, the environment and anti-corruption. Hexagon ensures that all sponsorship decisions are made by impartial employees. The Group's preference is to provide funds for one year at a time, with those funds distributed to as many end-users as possible.

Some of the initiatives Hexagon supported in 2020 included:

- Frelsesarmeen to Norwegian Salvation Army
- Forskerfabrikken (Science lab for children)
- Raufoss Football club
- Gjøvik Handball club
- Food Bank of Lincoln, Nebraska
- Capital Humane Society
- Blood Drive, Salisbury, North Carolina

The ten principles of the United Nations Global Compact

WE SUPPORT

Hexagon complies with the UN Global Compact's ten principles of doing business in the areas of human rights, labor, environment and anti-corruption. The ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Since 2019 Hexagon Composites has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.

Jon Erik Engeset
Group President & CEO

Human Rights

1. Businesses should support and respect the protection of internationally-proclaimed human rights; and 2. make sure they are not complicit in human rights abuses.

Labor Standards

3. Businesses should uphold the freedom of association and the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labor; 5. the effective abolition of child labor; and 6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally-friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Appendix

Emissions savings from vehicles

The Alternative Fuel Life-Cycle Environmental and Economic Transportation (AFLEET) tool from the GREET® model has been used for estimating emission reductions relating to CNG solutions for vehicle applications including truck, refuse, transit and light duty. The GREET® model is a widely-recognized methodology from the Argonne National Laboratory for estimating greenhouse gas (GHG) emissions from transport. All assumptions are based on figures from AFLEET, including average miles per year for different vehicles, fuel economy and emissions factors. The GHG emissions factors are estimated on a well-to-wheel (lifecycle) basis. See https://greet.es.anl. gov/ for more information.

Emissions from Hexagon operations

Hexagon's own GHG emissions are calculated in accordance with the Greenhouse Gas Protocol corporate reporting standard, using the operational control approach. The scope of reporting therefore is all production sites where Hexagon has operational control. Other offices are not currently included due to lack of data availability. The emissions reported are:

- Scope 1 emissions: direct emissions from fossil fuel consumption such as natural gas and propane. GHG emissions factors are from DEFRA 2020.
- Scope 2 emissions: indirect GHG emissions from purchased electricity and heat. Hexagon uses IEA/EPA factors for estimating location-based emission factors, and AIB/Green-e factors for estimating market-based emissions. For heat consumption Hexagon receive emission factors from the grid operator. In 2020 the AIB market-based emission factor has increased due to an update in the methodology, which will be reflected in the Group's Scope 2 emissions this year. Activity data for calculating emissions is based on invoices and meter readings. Hexagon believes this reporting to be as accurate as practicable, though there is always uncertainty in GHG reporting and this is only the second year of reporting. Hexagon will continue to focus on ensuring data quality. Greenhouse gases included in the climate reporting are CO_2, CH_4, N_2O. We started to report on our GHG emissions in 2019 which is our base year for our calculations.
- Scope 3 emissions: This is Hexagon's first year reporting on Scope 3 emissions. The Group has selected to report on Scope 3 Category 1 – Purchased goods and services, which is the category associated with the most material GHG emissions for Hexagon. The calculations are based on purchased volumes of resin, carbon fiber and glass fiber from suppliers. Hexagon uses emission factors from the ICE Database (Inventory of Carbon and Energy) which is publicly available.

Definitions of hazardous waste are based on local definitions and can vary from region to region. Data sources vary but are generally based on figures from waste collection certificates. Hexagon produces a wide range of waste during its daily operations and is focused on continual improvement of reporting and management of that waste.

Board of Directors

KNUT FLAKK
Chairman

MSc (BI Norwegian Business School) and MBA (London Business School). Flakk owns the Flakk Gruppen and has extensive experience from establishing, developing and operating industrial companies both in Norway and internationally. He has been CEO of the Flakk Group since 1996.

Number of shares: 29,484,969
Includes shares owned by related parties

KRISTINE LANDMARK
Deputy Chair

MSc (NHH, Norwegian School of Economics) and was Managing Director of Slettvoll Møbler between 2012 and 2019. Landmark has extensive experience from various management positions within the banking and furniture industries. She is a Board member of several corporate groups, companies and associations. Independent Board member.

Number of shares: 10,000
Includes shares owned by related parties

KATSUNORI MORI
Board Member

Board Member Bachelor's degree in Aeronautical Engineering (Kyoto University), President & CEO of Mitsui & Co. Plastics Ltd. Mori held various management positions in Mitsui & Co. within the fields of plastics, advanced composite materials and renewable energy related materials. He has been a member of the Board of Advanced Composites Products. and Sunwize Technologies.

Number of shares: 45,833,321
Shares owned by Mitsui & Co., represented in the board by Katsunori Mori.

LIV ASTRI HOVEM
Board Member

MSc in Naval Architecture and Offshore Engineering, MSc in Civil Engineering, CEO of DNV GL's Oil& Gas area. Liv Astri has more than 25 years of experience within management of technical advisory and assurance services in a global setting, primarily within the maritime and oil and gas industries.

Number of shares: 0

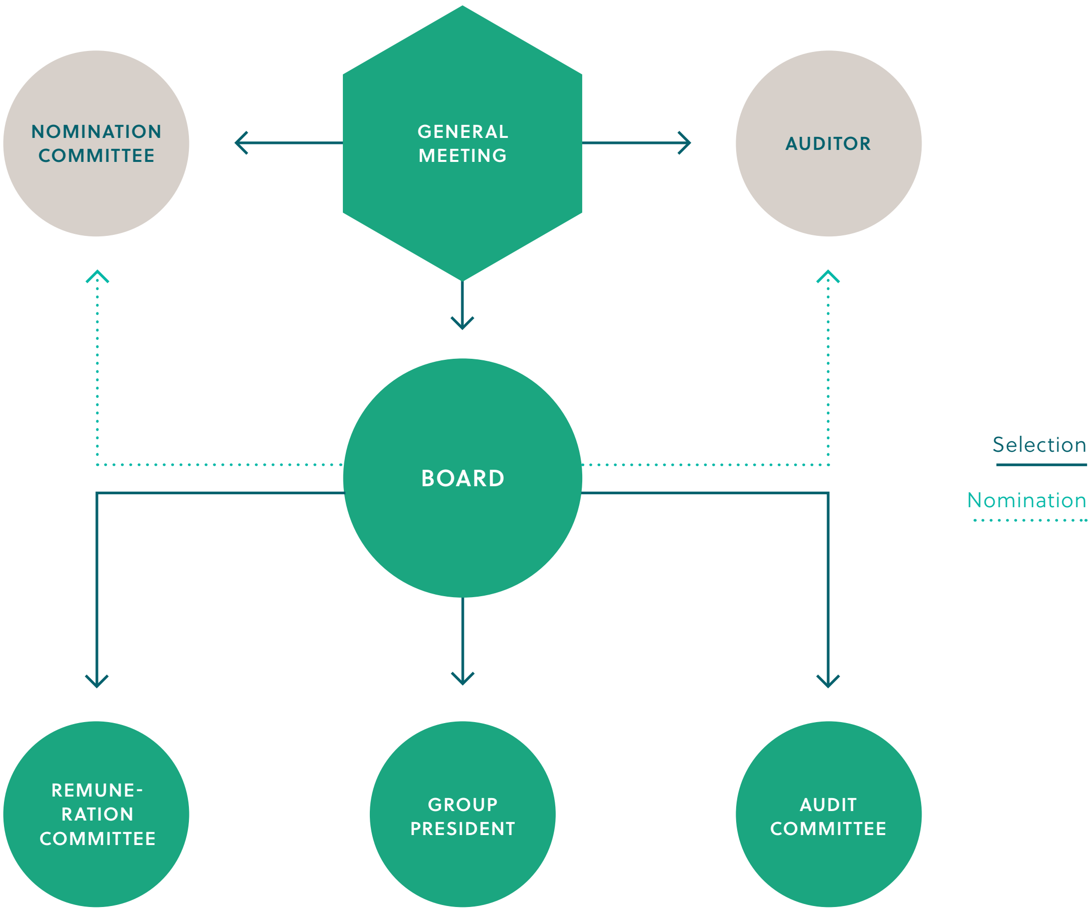
HANS PETER HAVDAL
Board Member

Msc, Division manager at Semcon International, managing an international consulting operation in Norway, UK, India and Brazil. Hans Peter was previously the CEO of Kongsberg Automotive and has held several other international management positions within the automotive industry.

Number of shares: 3,900

Creating value for our stakeholders

Corporate governance



"Good corporate governance will contribute to the greatest possible value creation over time for all interest groups."

Hexagon, The Hexagon Group or Hexagon Composites ASA follows the Norwegian Code of Practice for Corporate Governance. It aims to secure a clear division of roles and responsibilities between shareholders, the Board of Directors and executive management to ensure good corporate management. Hexagon believes this contributes to the greatest possible value creation for all interest groups and strengthens trust in the company among shareholders, in the capital markets and with other key stakeholders.

1. Description of Corporate Governance

Hexagon Composites ASA's principles for corporate governance were last revised at the Board meeting of 16 February 2021. The principles can be found on the Group's website.

Hexagon follows the Code of Practice established by the Norwegian Corporate Governance Committee (NUES). This is available at www.nues.no. The Group continues to update its principles for corporate governance in accordance with the Code of Practice of 17 October 2018. Unless otherwise indicated in the text below, there are no deviations to the Norwegian Code of Practice for Corporate Governance.

Hexagon requires that all work and activities are performed in accordance with high ethical standards and that all employees and business partners refrain from corrupt practices. Hexagon operates within a framework of common values, including formal ethical requirements governing its business practices as approved by the Board. The Board believes that the organization is characterized by strong ethical standards and a high level of integrity.

2. Nature of business

Hexagon develops and commercializes competitive, innovative products and solutions based on advanced composite technology. Its goal is to remain the international leader in selected niches.

The scope and objectives of Hexagon's business are defined in Hexagon Composites ASA's articles of association which can be found on the Group's website. A more comprehensive discussion and analysis of Hexagon's business activity and operating results are included in this annual report.

Hexagon has established objectives, strategies and risk profiles for its activities, with a focus on value creation. These objectives will be subject to annual review.

Social responsibility is an integral part of Hexagon's corporate governance process. Formal guidelines for corporate social responsibility have been approved by the Board and integrated into the Group's management systems. In the opinion of the Board, good results have been achieved in integrating social responsibility considerations into the Group's business strategies.

3. Company capital and dividends

Hexagon's capital structure is considered to be at a level appropriate to the Group's objectives, strategies and risk profile. Hexagon's main objective is to focus on high-growth areas, and it intends to make the necessary investments to develop Hexagon's business in these markets. Authorization to the Board for capital transactions is normally restricted to defined objectives and time limitations that do not exceed the next ordinary general meeting. This applies to the issuance of new shares as well as the purchase of own shares. The Board is authorized to approve the purchase of own shares in one or more tranches up to or 10% of current issued share capital.

Equity incentive programs for employees are approved by special authorization. Authorizations for increases in share capital relating to multiple purposes are considered separately.

Hexagon's main objective is to provide competitive returns to shareholders, primarily through increasing the intrinsic value of its business. Dividend payments are dependent on financial performance and investment requirements. For the year 2019 Hexagon Composites ASA did not propose a dividend. The Board does not propose a further dividend for 2020 after the dividend in kind proposed and executed as a part of the spin-off of Hexagon Purus AS in December 2020.

4. Equal treatment of shareholders and transactions with related parties

Hexagon has one class of shares and its policy is to comply with the equal treatment principles of applicable law in capital transactions. In the event where circumstances require deviation from the main rule of equal treatment of shareholders, subsequent measures will be implemented to reduce the impact of such deviation, unless the impact is justifiable. Reasons for any deviation from equal treatment of all shareholders in capital transactions are included in the notice to the stock exchange made in connection with the transaction.

The Group normally conducts transactions in its own shares through the stock exchange or at equivalent market rates. Particular prudence is applied in direct share transactions with the Group's shareholders, board members, management or related parties that have a financial or personal interest in the company. Any assessments of material transactions are performed by an independent party.

5. Freely negotiable shares

All shares in Hexagon are freely negotiable shares with full voting rights. No form of transfer or voting restrictions have been stipulated in the articles of association.

6. Annual general meeting

Hexagon has well-established procedures for publicly announcing and issuing information regarding the general meeting, and the Group's website is an important source of information. Notice of the general meeting and supporting documents, including the recommendations from the nomination committee, are published on the website 21 days in advance of the meeting date. Sufficient information is included to enable shareholders to evaluate the items to be addressed in the meeting. Minutes from the meetings are published on the Group's website.

Deviations from the Norwegian Code of Practice for Corporate Governance:
In connection with the ordinary general meeting for 2020, only Knut Flakk was in attendance from the Board and nomination committee. The general meeting was chaired by Knut Flakk.

7. Nomination committee

The company has a nomination committee to propose candidates for election to the Board. The committee is currently comprised of three members, one of whom is a Board member. The composition of the committee is intended to reflect the interests of all shareholders, and the majority of the members are normally independent of the Board and other executive management. Members are elected at the annual general meeting. In 2020 the nomination committee was comprised of Walter Hafslo Qvam (Chairman), Leif Arne Langøy and Knut Flakk.

The nomination committee's requirements are stipulated in the articles of association. The nomination committee's main responsibility is to evaluate the work and expertise profile of the Board of Directors and to propose suitable candidates. The nomination committee also proposes the fees to be paid to members of the Board. Proposals for candidates, including the reasons for selection and other relevant information are distributed with other documentation related to the annual general meeting.

Deviations from the Norwegian Code of Practice for Corporate Governance:
The Chairman of the Board is the Board's representative on the nomination committee and has also been a member of the nomination committee since it was established.

8. Board of Directors: composition and independence

The Board is composed of individuals with sufficient competence and expertise to enable independent evaluations of the Group's operations and to ensure its effectiveness as a governing body. The majority of the shareholder-elected Board members are independent of the Group's day-to-day management, important business connections and the Hexagon's major shareholders.

9. The work of the Board of Directors

The Board of Directors works with the Chief Executive Officer and external auditors to ensure that the Group is managed in accordance with its corporate objectives, values and ethical guidelines. The Board has an annual plan with particular emphasis on objectives, strategy and implementation and submits an evaluation of its work to the nomination committee each year.

Clear guidelines require Board members and executive management to notify the Board of any significant direct or indirect interest in transactions executed by Hexagon Composites ASA. These guidelines are incorporated into the Board's instructions and instructions for the Chief Executive Officer. In the event that the Board Chairman has been actively engaged in such interests, the Chairman will recuse himself and the Deputy Chair will assume responsibility for the matter in question.

The Board has an audit committee comprised of members that are independent of the Group's day-to-day management, important business connections and the major shareholders. Instructions are established for the audit committee which, in 2020, was comprised of Board member, Kristine Landmark and Deputy Chair, Liv Astri Hovem. The Board has a compensation committee which was comprised of the Board Chairman, Knut Flakk and Deputy Chair, Kristine Landmark. Knut Flakk is also the second-largest shareholder of the company.

Attendance at Board meetings in 2020

Name	Position	Meetings
Knut Flakk	Chairman	12/12
Kristine Landmark	Deputy Chair	11/12
Katsunori Mori	Board Member	12/12
Liv Astri Hoem	Board Member	10/10
Hans Peter Havdal	Board Member	10/10
Elisabeth Tørstad	former Board Member	2/2
Sverre Narvesen	former Board Member	1/2

10. Risk management and internal controls

Hexagon works systematically to identify and manage the specific risks facing its business. Risk management is executed by Group management and management in subsidiary companies. The corporate finance department is responsible for ensuring that the Group has an adequate system of internal controls, including controls over financial reporting. The department reports to the CEO and has overall responsibility for ensuring compliance with the Group's accounting principles and financial controls. Hexagon believes that its overall strategy, management principles and organizational structure provide a good control environment. The Group's ethical guidelines include considerations related to Hexagon's stakeholders in value creation and contribute to a culture and values that support this environment.

The Board ensures that the Group has good internal controls and appropriate systems for risk management in relation to the scope and type of its business operation. This includes ensuring that the Group's risk management and internal controls are adequate and systematic and that processes are established in accordance with laws and regulations, articles of association, instructions and external and internal guidelines. The Board regularly and systematically assesses strategies and guidelines for risk management. The Board's audit committee reviews the overall risk management policy and procedures and the Group's internal control routines. The committee functions as a preparatory and advisory committee for the Group's Board and provides support for exercising its responsibilities relating to risk management, financial reporting, financial information and auditing.

Please see Risk Management section of the Board of Directors' report for further information on the Group's main risks.

11. Remuneration of the Board

The remuneration of the Board of Directors is intended to reflect the Board's responsibility, expertise, time commitment and the complexity of the Group's activities. On 22 April 2020 the annual general meeting established the Board fees for 2019 in connection with the approval of the annual accounts.

Position	Fees
Chairman	NOK 600 000 (500 000)
Deputy Chair	NOK 350 000 (250 000)
Other Board Members	NOK 300 000 (200 000)

Leaders of the Board committees are paid additional fees per positions of NOK 60,000 (50,000). Members of the Board committees are paid additional fees per positions of NOK 40,000 (35,000). Fees are fixed and are not linked to the Group's performance. Board members are not eligible for share option programs.

Business transactions between companies owned by the two primary shareholders, Knut Flakk and Mitsui & Co., and Hexagon are described in note 27 to the consolidated financial statements – transactions with related parties.

12. Remuneration of the Executive Management

The Board has established guidelines for the remuneration of the executive management, which include the main principles for the Group's management remuneration policy. Executive management remuneration is based on business and individual performance, and both the method and the amount are intended to promote long-term value creation for the Group. Hexagon believes this can be achieved through the prudent use of share options and/or other equivalent financial instruments and/or bonus schemes. The requirements related to capital increases in relation to option agreements and other agreements regarding the allocation of shares are approved by the annual general meeting. Remuneration guidelines for the CEO and other executive management are established by the Board and also presented to the general meeting for approval.

13. Information and communication

The Group follows the Oslo Stock Exchange's recommendations for reporting investor information. The Group's information policy is based on openness and equal treatment of all shareholders and participants in the securities market. Its policy is to provide all shareholders with correct, clear, relevant and prompt information. Efforts are being directed towards developing disclosures on major value drivers and risk factors. Hexagon believes it is important that employees, shareholders and investors have equal opportunities to monitor the Group's performance and receive sufficient information to value Group's correctly. Hexagon seeks to communicate information about its products and markets to central target groups, while ensuring that all stakeholders have equal access to the information it provides.

14. Company acquisition

The Board acknowledges that it should not prevent or obstruct offers for purchase of Hexagon's business operations or shares. Agreements that restrict the possibility of obtaining other offers for Hexagon Composites ASA's shares should only be entered into when clearly justified as being in the joint interests of Hexagon and its shareholders. Agreements between Hexagon Composites ASA and an offeror that are important to the market's assessment of the offer are made public before or at the same time as notice is given that an offer will be made.

15. Auditor

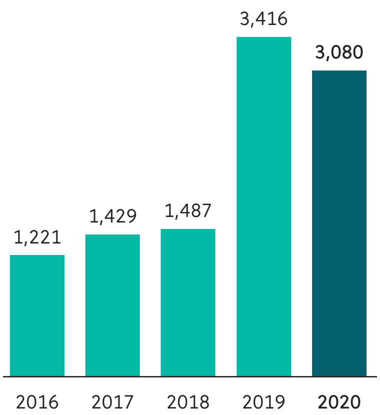
Each year, the company's external auditor provides an annual written confirmation of his/her independence and objectivity. The auditor attends Board meetings that address the annual accounts and presents to the audit committee the main features of a plan for implementing the auditing work. Annually the auditor presents to the Board an opinion on the Group's accounting principles, asset management and internal control procedures. EY are the Group's auditors, appointed by the general meeting of shareholders. The auditors have no engagements with the Group that could impair their independence.

See note 27 to the consolidated financial statements for information about remuneration to the auditor, including statutory audit and other services

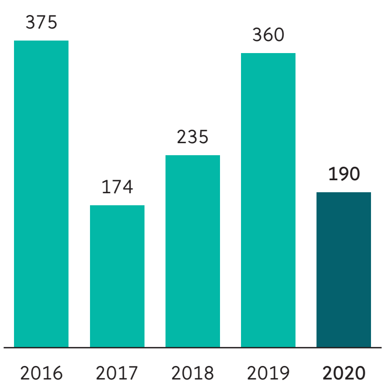
Navigated COVID-19 and well positioned for profitable growth in 2021

Hexagon Group reported revenues of NOK 3,080 million for the year 2020 compared with 3,416 million in 2019 and reported EBITDA was NOK 190 (360) million. Agility Fuel Solutions had a record year in total, despite the impacts of COVID-19, while Hexagon Ragasco recorded solid results given its resilience to the impacts of the global pandemic. The CNG Light-Duty Vehicles business experienced COVID 19 related shutdowns combined with the VW assembly relocation which led to approximately only 40% of sales volumes versus 2019. Hexagon Mobile pipeline has been impacted by COVID-19 throughout the year leading to lower volumes versus 2019.

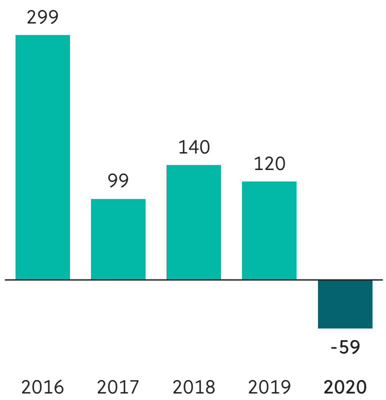
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



PRO FORMA FULL YEAR 2020 [1] NUMBERS FOR HEXAGON EX. PURUS [2]

NOK MILLION	Hexagon (ex. Purus) [4]	Hexagon Purus [2]	Hexagon Group [4]
Revenue	2,899	181	3,080
Adjusted Operating profit before interest, tax, depreciation and amortization (EBITDA)	340	-121	219
Transaction/strategic related gains/charges 3)	-18	-11	-29
Operating profit before interest, tax, depreciation and amortization (EBITDA)	322	-132	190

1) Aggregated and unaudited proforma numbers
2) Excluding the CNG Light-Duty vehicles business reported in Hexagon Purus in 2020 but carved-out effective 1.1.21
3) All costs related to strategic transactions/activities on new business combination.
4) Post eliminations

All subsequent numbers in parentheses refer to comparative figures for the same period last year. All figures in NOK are rounded to the nearest million. All percentages are rounded to the nearest one percent.

Effective start of 2020, the Hexagon Group reorganized such that all electric mobility (e-mobility) related businesses were contained within Hexagon Purus. This meant that Agility's Medium and Heavy-Duty hydrogen and battery electric vehicles businesses, as well as Hexagon Mobile Pipeline's MasterWorks e-mobility business were transferred to Hexagon Purus. The CNG Light-Duty gas-mobility (g-mobility) business remained a part of Hexagon Purus through 2020 and will be transferred to Hexagon in 2021.

Hexagon Purus remains fully consolidated in the Hexagon Group accounts after the successful spin-off in December 2020, with Hexagon retaining a 75% ownership. Proforma aggregated and unaudited full year 2020 numbers for Hexagon excluding and including Hexagon Purus on page 78.

Key developments in 2020

- Hexagon Purus (HPUR.OL) was successfully launched on the Euronext Growth exchange in Oslo, Norway with Hexagon retaining a 75% ownership stake
- Hexagon Purus raised NOK 750 million in gross proceeds through a private placement
- Hexagon Composites ASA raised approximately NOK 907 million in gross proceeds through a private placement on 24 August 2020
- Hexagon Purus was nominated by key Northeast Asian automotive leader for Fuel Cell Vehicles (FCEVs) 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 25 million Euro (approx. NOK 268 million)
- Agility Fuel Solutions signed a master services agreement with a new major global logistics customer to deliver CNG fuel systems for medium and heavy-duty trucks
- Hexagon Purus entered a frame agreement with Everfuel for hydrogen transport in Europe with an estimated value of approximately EUR 14 million (approx. NOK 150 million)
- Hexagon Purus has been awarded a USD 5.2 million (approx. NOK 49 million) contract for high-performance Type 4 pressure vessels to a new major aerospace customer for its launch vehicle
- Agility was awarded an order for USD 10 million (approx. NOK 94million) in the U.S. to deliver transit bus compressed natural gas (CNG) fuel storage systems
- Mobile Pipeline was also awarded an order for X-STORE® modules to transport Renewable Natural Gas (RNG) from the production site to the gas grid in the UK
- Hexagon was granted USD 2.6 million (approx. NOK 24 million) in initial funding, under the U.S Department of Energy's (DOE) H2@Scale initiative, to research reduction in hydrogen and natural gas storage tank cost

Key developments after balance sheet date

- Signed joint venture agreements with CIMC Enric for China and Southeast Asiain March 2021
- Defined the new structure of Hexagon Agility, integrating Agility Fuel Solutions and Hexagon Mobile Pipeline® effective 1 January 2021
- In January 2021, the CNG LDV business was transferred from Hexagon Purus
- Hexagon Agility received an order for TITAN® 53 transport modules with a total estimated value of USD 5.7 million (approx. NOK 54 million)
- Hexagon Agility received two orders from major global logistics customer for CNG trucks, with an estimated value of USD 13.5 million (approx. NOK 127 million)
- Hexagon Agility and Hexagon Purus signed a USD 85 million (approx. NOK 718 million) multi-year agreement with Certarus for the supply of CNG and hydrogen distribution modules, as well as heavy-duty truck CNG fuel systems

Segment results

Agility Fuel Solutions

FUEL SOLUTIONS FOR MEDIUM- AND HEAVY-DUTY VEHICLES

Key figures
Table represents actual figures on a 100% basis

NOK MILLION	2020	2019	2018
Revenue	1 950	1 844	1 413
Operating profit before depreciation (EBITDA)	272	202	107
EBITDA %	13.9%	11.0%	7.6%

Key developments
- Signed a master services agreement with a new major global logistics customer to deliver CNG fuel systems for medium and heavy-duty trucks
- Awarded an order to deliver compressed natural gas (CNG) fuel storage systems for a bus customer in the U.S. with an estimated value of USD 10 million (approx. NOK 94 million)
- Agility received an order from Anheuser-Busch to expand their fleet with an estimated value of USD 8.0 million (approx. NOK 75 million)
- Defined the new structure of Hexagon Agility, integrating Agility Fuel Solutions and Hexagon Mobile Pipeline®, which came to effect 1 January 2021

Sales and market
Strong sales volumes in European Transit bus continued as tough EU clean air directives in cities requiring compliance within 2025, drove CNG/RNG adoption in European cities. The Refuse truck sector and North American bus volumes remained lower on the back of COVID 19 shutdown-related delays compared with 2019. The Medium-Duty segment enjoyed a 150% increase over prior year and the Heavy-Duty Truck revenues increased by 50%. Deliveries to major customers deploying sustainability related CNG and RNG vehicles in their fleet, continue to drive the Heavy-Duty Truck in 2020. The volumes demonstrate both the attractiveness of low emission solutions, and Agility's strong competitive position in this market.

Agility secured a major new global logistics customer, encompassing a master services agreement and orders worth USD 8.9 million (approx. NOK 84 million) in 2020. The company placed additional orders at the start of 2021 with a total estimated value of USD 13.5 million (approx. NOK 122 million). This customer has seen increased demand during the pandemic and combined with increased global focus on sustainability, more orders are expected to follow. These orders underline both the attractiveness of g-mobility solutions to lower emissions by increased use of natural gas and renewable natural gas (CNG/RNG) and Agility's strong competitive position in this market.

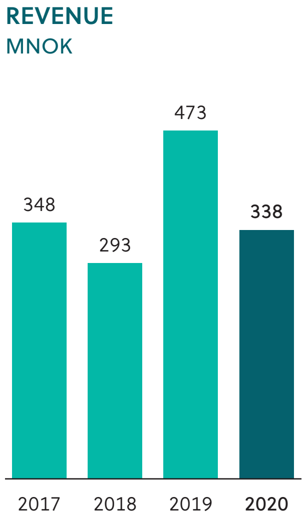
Furthermore, Agility received a substantial order from long-time customer Anheuser-Busch. The order included over 180 new trucks equipped with Agility's ProCab® 175 CNG Fuel Systems. As a step to achieve their 2025 sustainability goal of reducing carbon emissions across their value chain by 25% by 2025, the brewer will be expanding this fleet and investing in technology to transition to cleaner-burning renewable natural gas.

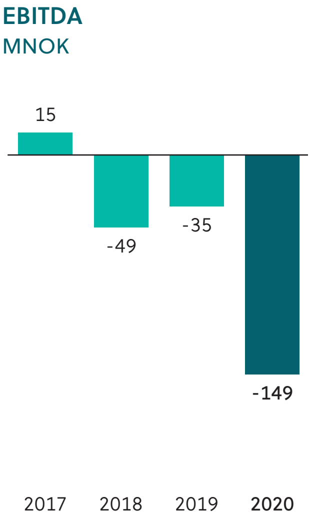
In March 2020, Agility was awarded an order from an existing U.S. based transit bus customer to deliver compressed natural gas (CNG) fuel storage systems. The order represented an estimated total value of USD 10.0 million (approx. NOK 94 million). The North American CNG transit bus market continues to grow steadily, driven by the environmental benefits and operating cost savings of CNG. About 35% of new transit bus orders are powered by natural gas.

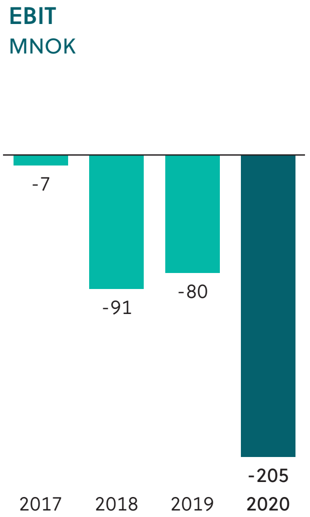
Profit/ loss
For the full year, Agility increased revenues by 6% to NOK 1,950 (1,844) million. Reported EBITDA increased by 35% to NOK 272 (202) million. Operating profit (EBIT) for the segment was NOK 157 (91) million in 2020.

Hexagon Purus

HYDROGEN & CNG LIGHT-DUTY VEHICLES







Current segment reporting structure implemented in 2018. Pro-forma numbers prepared for 2017.

Key developments

- Hexagon Purus (HPUR.OL) was successfully launched on the Euronext Growth exchange in Oslo, Norway with Hexagon retaining a 75% ownership stake
- Raised approximately NOK 750 million in gross proceeds through a private placement
- Signed joint venture agreements with CIMC Enric for China and Southeast Asia, the world's largest zero emission hydrogen vehicle and distribution market in March 2021
- A key Northeast Asian automotive leader for Fuel Cell Vehicles (FCEVs) nominated Hexagon Purus for the serial supply of composite cylinders for their SUV model, with an estimated sales value of 25 million Euro (approx. NOK 268 million)
- Awarded to supply hydrogen systems to Toyota Motor North America (TMNA) for its newest prototype hydrogen-powered heavy-duty fuel cell electric truck
- Awarded a contract by Hino Trucks, a Toyota Motors Company, to provide battery packs and powertrain integration for the development of Hino's "Project Z" path to zero emission vehicles
- Signed a contract with Stadler Rail to develop and supply a hydrogen cylinder storage system for the first hydrogen commuter train in the U.S
- Entered into a frame agreement with Everfuel for hydrogen transport in Europe with an estimated value of approximately EUR 14 million (approx. NOK 150 million)
- Hexagon Purus entered into an agreement with New Flyer for the supply of high-pressure hydrogen cylinders with a total contract value of USD 0.9 million (approximately NOK 8 million)
- Hexagon Purus selected by Talgo for first zero-emission hydrogen train in Spain
- In January 2021, the CNG LDV business was transferred from Hexagon Purus

Sales and market

Post initial COVID-19 disruption, de-carbonization is high up on the global agenda and there is a strong push to limit carbon emissions. This momentum is evidenced by many government responses which have put attention firmly back on climate change, renewable energy and new green technologies. This is creating unprecedented opportunities for both g-mobility and e-mobility players.

Since January 2020, the Company 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. And as of January 2021, the CNG LDV business was transferred from Hexagon Purus.

Hexagon Purus is well positioned across the hydrogen value chain with vehicle cylinders for cars, trucks, buses, ground storage, transportation, marine, rail, aerospace and drones as well as within battery-electric vehicle integration.

A key Northeast Asian automotive leader for Fuel Cell Vehicles nominated Hexagon Purus 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 25 million Euro (approx. NOK 268 million).

Hexagon Purus entered into an agreement with North America's largest mass mobility solutions provider, New Flyer to deliver high-pressure hydrogen cylinders with an estimated contract value of USD 0.9 million (approximately NOK 8 million).

The Company was selected by Stadler Rail to develop and supply an onboard fuel storage tank system for the first hydrogen powered commuter train in the U.S. In addition the company was also awarded a contract by Talgo for the first zero-emission hydrogen train in Spain

Hexagon Purus was awarded a contract by Hino Trucks, a Toyota Motors Company, to provide battery packs and powertrain integration for the development of Hino's "Project Z" path to zero emission vehicles.

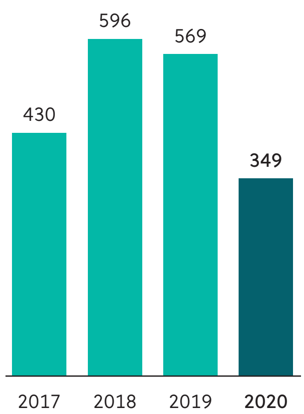
At the end of the year VW completed the relocation of its CNG vehicle assembly line, however ramp-up had not yet reached the same level as in 2019. From 2021, the CNG LDV business will no longer be reported within the Hexagon Purus segment results following the internal transfer of that business to g-mobility.

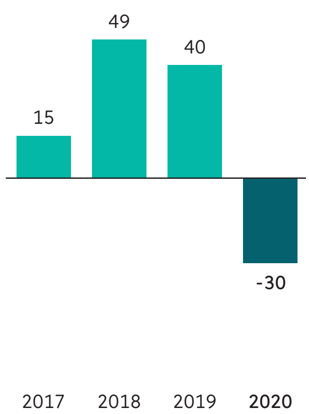
Profit/ loss

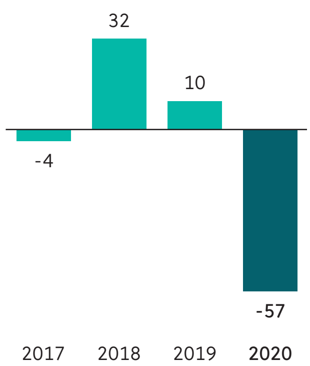
For the full year 2020, revenues for the segment amounted to NOK 338 (473) million of which NOK 157 (397) million was generated from the CNG LDV g-mobility business and NOK 181 (76) million from the e-mobility business. The drop in g-mobility revenues was a result of Volkswagen's production relocation and some impact of the pandemic in the year. EBITDA for the full year was NOK -149 (-35) million of which NOK -132 (-108) million was related to the e-mobility business. EBIT for the segment was NOK -205 (-80) million, which was impacted by continued investments in the Hydrogen business unit. These relate to expanding the organization as well as research and product development towards multiple customer contracts.

Mobile Pipeline & other

GAS DISTRIBUTION







Current segment reporting structure implemented in 2018. Pro-forma numbers prepared for 2017.

Key developments

- Contract for TITAN® 53 transport modules from Xpress Natural Gas LLC (XNG) a leading full-service provider of compressed natural gas (CNG), with a total value of USD 7.3 million (approx. NOK 69)
- Received an order for TITAN® 53 transport modules from an industrial gas company with a total estimated value of USD 5.7 million (approx. NOK 54 million)
- Awarded an order for TITAN® XL modules for USD 1.7 million (approx. NOK 16 million) from a leading gas distributor in Mexico
- Awarded an order for X-STORE® modules to transport Renewable Natural Gas (RNG) from the production site to the gas grid in the U.K

Sales and market

The demand for the company's Mobile Pipeline® products is driven by conversion from petroleum fuels to cleaner CNG and RNG. The generally low volumes are a result of the macro impacts of COVID -19 delaying demand and some customers' project financing. A program of cost initiatives helped mitigate the impact of lower volumes. Despite this backdrop, there were strong deliveries to virtual-interconnect opportunities in North America. In addition, sales were made to markets such as Mexico, Indonesia and the UK.

With effect from 1 January 2021 the Mobile Pipeline business has been combined with Agility Fuel Solutions and jointly named Hexagon Agility. A primary objective of the restructuring is to further optimize the operating model and better manage the volatile nature of the mobile pipeline business. Hexagon Agility, together with the CNG Light-duty vehicles business carved out of Hexagon Purus, will be reported as the g-mobility segment in 2021.

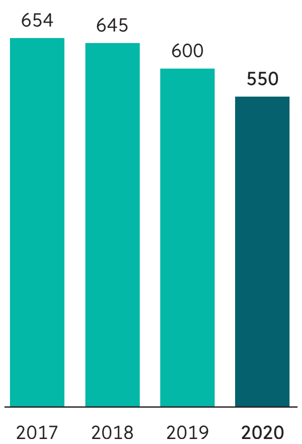
Profit/loss

In 2020 revenues for the segment were NOK 349 (569) million and EBITDA was NOK -30 (40) million. Operating profit (EBIT) amounted to NOK -57 (10) million.

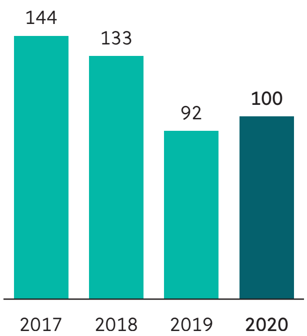
Hexagon Ragasco

LPG CYLINDERS

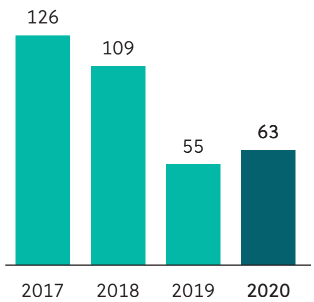
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



Key developments

- Strong demand from European leisure market, favorably impacted by COVID 19
- Unveiled in 2021 ground-breaking, next generation LPG smart cylinders that communicate with both users and LPG distributors

Sales and market

Hexagon Ragasco reached 1.4 million cylinders sold in 2020. Sales were primarily made to the leisure market in Europe, while there were few deliveries to Asia Pacific. The COVID-19 pandemic had a significant impact on ability to trade with Bangladesh in the quarter. This market was very significant in the corresponding 2019 numbers. New market entries to Djibouti, Georgia and Argentina took place in 2020.

Hexagon Ragasco focuses on developing its product and service offering enabling LPG marketers and distributors to pursue increased market share. It sees major growth opportunity and ability to enter new markets with its new smart tank concept. The onboarding of smart tank pilot programs with key European customers is taking place through 2021.

Profit/loss

Revenues for the full year amounted to NOK 550 (600) million and EBITDA was NOK 100 (92) million. Operating profit (EBIT) amounted to NOK 63 (55) million.

Group

Hexagon's headquarters are located in Aalesund, Norway. At the end of 2020, the corporate administration consisted of 13 employees, responsible for general administration, finance, strategy, business development, IT, operations, investor relations and communications.

Profit/loss

Net profit after tax for the full year 2020 was NOK -148 (107) million. Net financial items were NOK 5 (-8) million driven by positive foreign exchange fluctuation effects of NOK 53 (77) million and interest and other charges of NOK -48 (-85) million for the full year. Profit from joint ventures and associates amounted to NOK -2 (-1) million.

Financial position

At year-end the balance sheet amounted to NOK 6,165 (4,828) million and the Group's equity ratio was 58% (45%). The year over year increase in equity ratio was primarily driven by the issue of 907 million of new share capital in the third quarter and the listing and private placement of NOK 750 million in Hexagon Purus in the fourth quarter. Property, plant and equipment were NOK 747 (804) million and intangible assets were NOK 2,034 (2,073) million. As of year-end, the right of use assets was NOK 267 (284) million. Inventory was NOK 740 (784) million. Outstanding receivables were NOK 643 (524) million. Long-term interest-bearing debt was NOK 1,206 (1,298) million. Equity was NOK 3,596 (2,153) million, including non-controlling interests of NOK 412 (0) million.

Cash flow and liquidity

Total cash amounted to 1,650 (178) million at the end of 2020. During the year, the Company terminated its NOK 400 million acquisition facility while leaving the multi-currency revolving credit facility of NOK 600 million in place. Unused credit and overdraft facilities thus amounted to NOK 453 million at the end of 2020 compared with NOK 784 million at end of 2019. The Group expects that cash and available credit facilities will be sufficient to cover planned capital expenditures, operational requirements and financing activities in 2021.

Net cash flow from operating activities was NOK 229 (193) million. Depreciation, amortization and write-downs totaled NOK 249 (240) million. Net cash flow from investment activities was NOK -120 (-1,274) million. The 2019 figure includes the acquisition of the remaining 50% stake in Agility Fuel Solutions. Net cash flow from financing activities was NOK 1,363 (1,084) million, which reflected increases in share capital of NOK 1,598 (477) million, net repayments on financing facilities of NOK -143 (671 net drawings) and interest payments of NOK -85 (-66) million. Net currency differences presented separately were NOK 0 (0) million. Share repurchases/sales were NOK -7 (2) million.

Long term borrowing

The Group's financing requirement is covered by bank facilities and bond loan as stated in note 20 in the financial statements. See also note 24 for more information.

Share price development and dividends

At the end of 2020 Hexagon's per share value was NOK 54.70, 50.5% above the closing price on 31 December 2019. This represented a market value at the end of the year of NOK 11 billion. By comparison, the OBX Total Return Index (OBX) increased by 3.5%. In August 2020 the company raised NOK 907 million in gross proceeds through a private placement of 18,329,064 new shares at a price per share of NOK 49.50.

At the end of the year the Group held 1,851,723 of its own shares. For the year 2019, Hexagon did not pay a dividend.

As a part of the Hexagon Purus spin-off which took place in December 2020, the Company distributed dividend in the form of shares in Hexagon Purus to the Company's shareholders. The dividend-in-kind was 0.15 Hexagon Purus shares per Hexagon Composites ASA share. Numbers of shares in both companies were identical at the date of approval.

Given Hexagon's growth opportunities and in consideration of the net group loss generated for the year, the Board does not propose a dividend for 2020.

Risk management

Hexagon works systematically to identify and manage risks. Risk management is executed by Group management and management in subsidiary companies. The Board's audit committee reviews the overall risk management policy and procedures and the Group's internal control routines. The committee functions as a preparatory and advisory committee for the Group'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. In addition, the business areas have financial controllers that perform similar tasks on the subsidiary level. The most significant financial risks for the Group include interest rate risk, liquidity risk, currency risk and credit risk. The Group currently uses financial instruments to hedge risks associated with foreign currency fluctuations and credit risk. Please see note 24 to the consolidated financial statements for further information related to financial risk factors and mitigating actions. Unexpected events and potential fluctuations in cash generation from operations could result in the Group being unable to meet its financial obligations. To mitigate this risk, the Group targets a sufficient liquidity position and adequate level of credit facilities. At the end of the year, the Group had unused credit overdraft facilities totaling NOK 453 (784) million. See also note 16,20 and 21 for more information.

The Group is exposed to credit risk related to counterparty default on contractual agreements and trade, and other current receivables. The Group has policies and procedures to secure that sales are made to customers with appropriate credit profiles within defined limits. Actual losses on outstanding receivables in 2020 were NOK 1 (1) million. Trade receivables at the end of the year amounted to NOK 450 (439) million. The Group is exposed to changes in currency rates which can impact the competitive position and have a significant effect on reported results. The most important foreign currencies to the Group are the US Dollar and Euro. According to the Group's finance policy certain forward exchange contracts have been entered into to reduce this risk. Certain of the Group's interest-bearing liabilities 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. See discussion under Long-term borrowing for information relating to interest rate hedging agreements maintained by the Group.

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, including the price of natural gas and the relative price of gas compared with diesel. Shortages in key raw materials can impact the whole industry that the Company operates in especially in relation to high-grade carbon fiber and automotive batteries and electronic components. Adverse developments in the regulatory environment of alternative fuels is also a risk. Depending on developments, these factors can have a negative impact on results and financial positions.

Operational and technological risk Hexagon currently has a strong position in the markets. The company uses its expertise to develop and commercialize new products, processes and technologies. The company has protected its products, technologies and production processes with patents were deemed appropriate. However, the company is exposed to competing technologies and processes that could have a negative effect on competitive positions and, in turn profitability and financial position. Hexagon's Type 4 composite pressure vessel technology is industry leading, however, typically competes with existing Type 1 and Type 3 technologies. Hexagon operates in markets with strict standards for quality and delivery. Deviations from these standards could result in significant additional costs, lost sales 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 material and, in particular, the cost of carbon fiber. The price of carbon fiber is primarily linked to the prevailing market balance where supply is dependent on a limited number of manufacturers. To mitigate this risk the Group has a procurement policy which requires periodic fixed price agreements with its most important suppliers. The policy requires a minimum of two suppliers for the purchases of principal materials.

Corporate Governance

The Group's principles for corporate governance were last revised by the board on 11 February 2020 and follow the Norwegian recommendations in NUES (Norwegian Code of Practice for Corporate Governance) updated as of 17 October 2018. The Group's report is referred to in a separate chapter in the annual report (pages 74-77).

Corporate social responsibility

Hexagon strives to conduct its business in an economically, socially and environmentally responsible manner. The description of corporate social responsibility (CSR) has been provided in accordance with the provision in section 3-3 (c) of the Norwegian Accounting Act. The Group's principles and practices are referred to in the Sustainability Report (page 48-70).

Research & development

In order to maintain a leading position within its markets, the Group invests in technological and process development. Several research & development (R&D) projects are carried out in cooperation with major customers. The Group expensed R&D costs amounting to NOK 137 (89) million in 2020. The Group has received government contributions of NOK 14 (8) million towards research and development activities for 2020. The total net carrying amount of capitalized technology and development amounted to NOK 147 (148) million as of 31 December 2020, while amortization of capitalized patents & licenses and technology & development amounted to NOK 30 (25) million. The Group has 133 (130) fulltime equivalents for engineering and R&D activities who are mostly directly expensed.

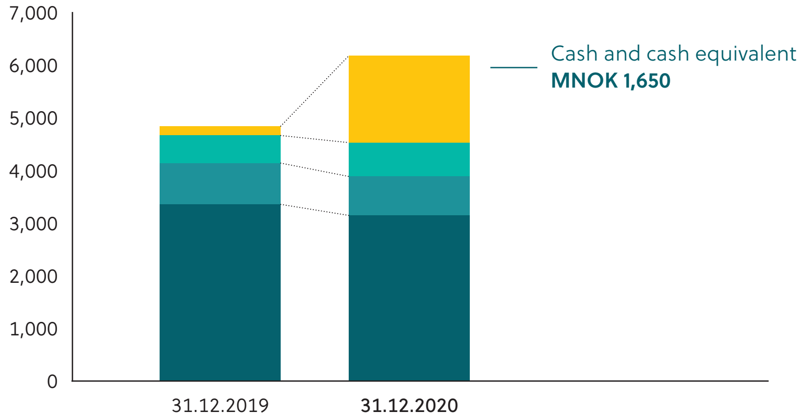
After balance sheet date

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

Outlook

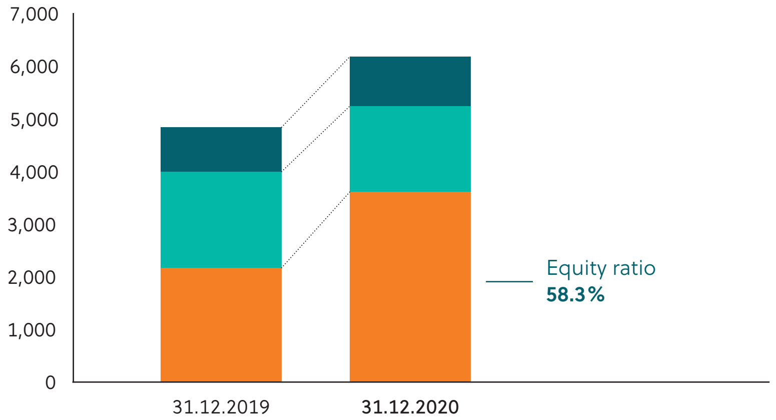
Hexagon has prepared COVID-19 contingency plans by site, based on local requirements and we are closely monitoring the COVID-19 situation, including developments and decisions being made in areas where we do business. The Company is

ASSETS
MNOK



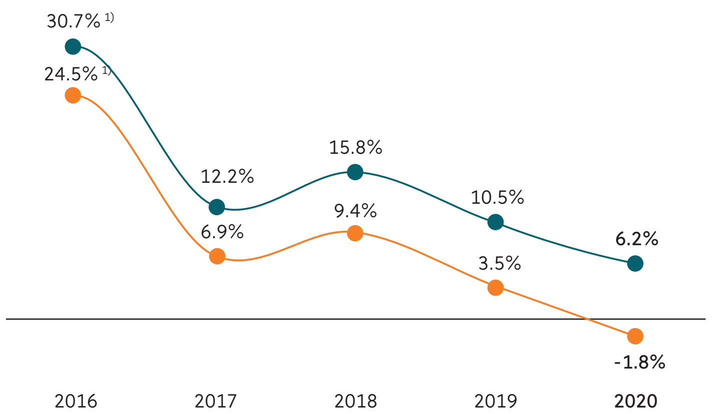
- Cash
- Receivables and other current assets
- Inventory
- Non-current assets

LIABILITIES AND EQUITY
MNOK



- Current liabilities
- Non-current liabilities
- Equity

MARGINS
%



- EBITDA %
- EBIT %

1) Margins were positively impacted by the one-off gain recorded following the Agility transaction in Q4 2016.

not able to accurately predict the final outcome from COVID-19 related effects but will remain vigilant and employ further counter measures to mitigate such effects, if required.

COVID-19 will most likely continue to impact global energy demand in 2021. Pandemic-linked behavioral shifts, like remote working and reduced commuting, may have a lasting effect lowering energy use. Despite flat energy demand and a growing renewable share, the energy transition is nowhere near fast enough to deliver on the Paris Agreement. A lot more renewable power, decarbonization, energy-efficiency improvement, and carbon capture is needed. Hexagon is well positioned as a leading clean technology provider to help drive this energy transformation.

At Hexagon we have a strategic focus on; g-mobility, e-mobility, world class manufacturing and digitalization. Our spectrum of solutions is already making a difference, and our group collectively helped remove approximately 730,000 tons of greenhouse gas (GHG) in 2020. Hexagon Ragasco continued to sell a substantial volume of its LPG cylinders to least developed countries, bringing safe fuel sources to meet their energy needs. At the same time, Hexagon Ragasco is facing an increased use of Bio LPG, made from a range of sustainable sourced raw materials in the European market. We see leading market players adapting to meet new targets, e.g.:

- Amazon is introducing new sustainable solutions for freight transportation including CNG, electric and other. The Company recently ordered 700 natural gas trucks
- UPS is planning to purchase more than 6000 natural gas vehicles between 2020 – 2022
- Anheuser-Busch plans to convert its entire long-haul dedicated fleet to renewable energy-powered trucks by 2025
- Toyota and Hino are launching zero emissions heavy and medium duty trucks
- Hyundai targets to sell 670,000 electric vehicles annually by 2025, comprising 560,000 BEVs and 110,000 fuel-cell electric vehicles (FCEVs)
- Waste Management intends to cut fleet emissions by 45% by 2038

Digitalization is essential on the road to decarbonization. As the energy transformation gains momentum, new ecosystems are forming, and new technologies are emerging. At Hexagon we have established Hexagon Digital Wave – our center of excellence for Smart Technologies - as a separate business area from 2021. Hexagon Digital Wave is a global leader of Modal Acoustic Emissions and Ultrasonic Examination. It has customers in 15 countries. We will expand Digital Wave's expertise to digitalize Hexagon's products and solutions, including development of new revenue models. With its extensive portfolio of gas mobility (g-mobility) and electric mobility (e-mobility) solutions, and its new center of excellence for Smart Technologies, Hexagon is well positioned as a globally leading clean technology provider in this new reality.

With the successful spin-off of Hexagon Purus, a well-capitalized balance sheet and strong industrial linkage with Hexagon Composites, Hexagon Purus is aggressively pursuing its own strategic and investment priorities and reinforcing its leading position in the rapidly growing e-mobility space. We continue to see strong momentum in several segments, in particular, medium and heavy-duty vehicles and distribution modules, as well as rail applications.

The spin-off of Hexagon Purus is viewed as an important step for strengthening both Hexagon's g-mobility and e-mobility (Hexagon Purus) businesses. The spin-off unlocks further value from an industrial and financial perspective by creating two focused companies, each with its own strategic agenda and investment story. The separation also allows the two businesses to have individual strategies for future funding, capital allocation and dividend policy. Hexagon Purus is a pure-play zero-emission company attractively positioned to benefit from the tremendous growth that is expected in the e-mobility market.

In March CIMC Enric and Hexagon Purus successfully launched the strong partnership and two joint venture (JV) agreements that encompass cylinder and systems production for Fuel Cell Electric Vehicles (FCEVs) and hydrogen distribution in China and Southeast Asia. The Chinese market for Fuel Cell Electric Vehicles (FCEVs) is expected to grow to become the largest global market over the next decade and beyond. The JVs expect to start production of high-pressure T3 fuel storage in 2021. Production line capacity will be designed to accommodate approximately 100,000 cylinders per annum, in a first stage towards the middle of the decade. Construction of the new facility is expected to commence as early as the second quarter 2021.

Agility continues to benefit from increased adoption of cleaner energy alternatives, especially CNG and RNG (renewable natural gas). This is mainly driven by a large number of deliveries to a major global logistics supplier as well as increased adoption among smaller fleet owners. European bus business is expected to continue to be strong– mainly due to its ramp up following the onset of COVID-19, while a slower start of the year is expected in the transit bus sector for North America.

The onshore oil and gas sector in North America is picking up which is expected to benefit Mobile Pipeline. Conversion from petroleum fuels to cleaner CNG and RNG is also driving demand.

Production by our key customer Volkswagen, is estimated to significantly drop in the first quarter of 2021, due to the temporary global shortage of semiconductors due to Covid-19 related supply issues. Consequently, revenues in Hexagon's CNG LDV are expected to be negatively impacted in the short term.

On the LPG front, Hexagon Ragasco is expecting seasonally strong demand from the European leisure market in the first half of 2021. Deliveries are expected to continue to Bangladesh in 2021. Hexagon Ragasco continues to focus on its SMART cylinder pilots for planned market launch in 2022. Smarter and more digitally interactive products will generate new business models and revenue streams with enhanced value to distributors and end customers alike. With this initiative, among others, Hexagon Ragasco is aiming at increasing the adoption rate of composite cylinders to achieve doubling of turnover by 2025.

The forward-looking statements made above are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circum¬stances that are expected to occur in the future. They are therefore no guarantees of future performances. While the statements reflect the current views and expectations of Hexagon 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 accounting act § 3-3a we confirm that the conditions for continued operations are present and that the annual report have been prepared based on the going concern assumption. This assumption is based on profit forecasts for 2021 as well as the Group's long-term strategic forecasts. The Group's financial position is deemed strong with sufficient liquidity and a robust equity ratio.

The Parent Company

The Parent Company Hexagon Composites ASA incurred an operating loss of NOK -17 (-25) million in 2020 and a profit of NOK 807 (164) million.

The Board of Hexagon Composites ASA proposes that the profit for the year is allocated as follows:

(MNOK)	
Allocated to dividends	0
Transferred from/to other equity	807
Total allocations	**807**

Statement from the Board of Directors and Group president

We confirm to the best of our knowledge that:

- the financial statements for the Group and Parent 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 Group's and Parent 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 Group's and Parent Company's development, profit and financial position, together with a description of the principal risks and uncertainties that they face.

Aalesund, Norway, 24 March 2021
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Liv Astri Hovem
Board Member

Hans Peter Havdal
Board Member

Jon Erik Engeset
Group President & CEO

Financial statements 2020

FINANCIAL STATEMENTS GROUP

FINANCIAL STATEMENTS PARENT COMPANY

AUDITOR'S REPORT

Income statement Group

01.01 – 31.12

(NOK 1 000)	Note	2020	2019
REVENUE			
Revenue from contracts with customers	4	3 070 865	3 404 209
Rental income	4	9 511	11 915
Total revenue		**3 080 375**	**3 416 124**
OPERATING EXPENSES			
Cost of materials	13	1 502 305	1 673 120
Payroll & social security expenses	9,18,26,27	940 096	853 706
Depreciation, amortization and impairment	10,11	249 212	239 606
Other operating expenses	5,14,19,23	448 034	599 209
Gain on transaction/fair value adjustment of earn-out	3	0	-69 625
Total operating expenses		**3 139 647**	**3 296 016**
Operating profit	**4**	**-59 272**	**120 109**
FINANCE INCOME AND EXPENSES			
Finance income	6,24	319 622	122 517
Finance expense	6,20	314 604	130 630
Net financial items		**5 018**	**-8 114**
Profit/loss from associates and joint ventures	25	-1 885	-749
Profit before tax		**-56 138**	**111 246**
Tax expense	7	91 643	3 755
Profit/loss for the year		**-147 781**	**107 491**
Attributable to:			
Equity holders of the parent		-140 776	107 491
Non-controlling interests		-7 005	0
Earnings per share (NOK)			
Basic	8	**-0.78**	0.63
Diluted	8	**-0.78**	0.63

Statement of comprehensive income

(NOK 1 000)	Note	2020	2019
Profit/loss after tax		-147 781	107 491
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Translation differences when translating foreign activities		-68 972	7 964
Net total of items that will be reclassified through profit and loss in subsequent periods		**-68 972**	**7 964**
ITEMS THAT WILL NOT BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial gains/losses for the period	18	-636	-899
Tax on actuarial gains/losses for pensions for the period	7	140	198
Net total of items that will not be reclassified through profit and loss in subsequent periods		**-496**	**-701**
Other comprehensive income for the period		**-69 468**	**7 263**
Total comprehensive income for the period		**-217 249**	**114 754**
Attributable to:			
Equity holders of the parent		-210 918	114 754
Non-controlling interests		-6 331	0

Financial position of the Group

(NOK 1 000)	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	10	747 266	804 099
Right-of-use assets	23	266 552	283 817
Intangible assets	11	2 034 355	2 073 294
Investments in associates and joint ventures	25	2 066	651
Other non-current assets	12	79 924	48 992
Deferred tax asset	7	1 775	130 959
Total non-current assets		**3 131 938**	**3 341 811**
CURRENT ASSETS			
Inventories	13	739 998	783 669
Trade receivables	14	450 457	438 562
Contracts assets (accrued revenue)	4	814	3 962
Other current assets	15	191 849	81 864
Bank deposits, cash and cash equivalents	16	1 649 882	177 651
Total current assets		**3 033 000**	**1 485 708**
Total assets		**6 164 937**	**4 827 519**

Financial position of the Group

(NOK 1 000)	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	20 162	18 329
Share premium	17	2 075 999	1 203 145
Own shares	17	-185	-197
Other paid-in capital		69 615	48 741
Total paid-in capital		**2 165 590**	**1 270 018**
Other equity		1 018 349	882 975
Equity attributable to equity holders of the parent		**3 183 939**	**2 152 993**
Non-controlling interests		411 899	0
Total equity		**3 595 838**	**2 152 993**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	20	1 206 127	1 298 058
Lease liabilities	23	230 559	246 929
Pension liabilities	18	3 904	2 735
Deferred tax liabilities	7	187 359	278 280
Non-current provisions	3	2 157	4 497
Total non-current liabilities		**1 630 106**	**1 830 499**
CURRENT LIABILITIES			
Current interest-bearing liabilities	16,21	0	2 857
Lease liabilities short term	23	45 146	47 703
Trade payables and other current liabilities	3,22,24,25	634 484	572 580
Contract liabilities (incl. prepayment from customers)	4	51 665	94 540
Income tax payable	7	118 397	53 876
Provisions	19	89 301	72 471
Total current liabilities		**938 993**	**844 027**
Total liabilities		**2 569 099**	**2 674 526**
Total equity and liabilities		**6 164 937**	**4 827 519**

Aalesund, Norway, 24 March 2021
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Liv Astri Hovem
Board Member

Hans Peter Havdal
Board Member

Jon Erik Engeset
Group President & CEO

Cash flow statement Group

(NOK 1 000)	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		-56 138	111 246
Tax paid for the period/refunded for the period		-51 979	-32 822
Depreciation/amortization and impairment	10,11,23	249 212	239 606
Interest income	6	-5 968	-6 373
Interest expenses	6	84 387	72 584
Profit/loss from associates and joint ventures	25	1 885	749
Share-based payments		21 245	19 005
Gain on transaction/fair value adjustment of earn-out	3	0	-69 625
Changes in inventories, trade receivables and payables		14 914	-76 881
Changes in pension liabilities	18	1 169	138
Changes in other accrual accounting entries		-29 525	-64 738
Net cash flow from operating activities		**229 198**	**192 889**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds sale of fixed assets	10	60 338	1 330
Purchase of property, plant & equipment	10	-146 578	-151 589
Purchase of intangible assets	11	-30 502	-52 311
Interest received	6	5 968	6 373
Acquisition of subsidiaries	5	-9 249	-1 074 467
Other investments		-262	-3 766
Net cash flow from investing activities		**-120 284**	**-1 274 430**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities	20	0	2 242 266
Repayment of non-current liabilities	20	-77 085	-1 523 330
Repayment of current liabilities	20,21	-2 857	-2 911
Repayment lease liabilities	20	-62 647	-44 960
Interest payments	6	-85 142	-66 329
Payments of dividends		0	0
Payments of own shares		-7 169	0
Cash effect sale of own shares		0	2 000
Increase in share capital (parent company)		874 687	477 172
Increase in share capital (subsidiary)		723 418	0
Net cash flow from financing activities		**1 363 205**	**1 083 908**
Net change in cash & cash equivalents		1 472 119	2 367
Net currency exchange differences		112	478
Cash & cash equivalents at beginning of period		177 651	138 531
Cash and cash equivalents acquisition		0	36 275
Cash & cash equivalents at end of period	**16**	**1 649 882**	**177 651**
Undrawn loan facilities	16,20	453 416	784 320
Restricted funds, included in cash & cash equivalents	16	8 766	8 310

Statement of changes in equity

(NOK 1 000)	Share capital	Own shares	Share premium	Other paid-in equity	Translation differences	Other equity	Total	Non-controlling interest	Total equity
Balance 01.01.2019	16 663	-237	727 639	29 738	126 587	639 673	1 540 063	0	1 540 063
Dividends to shareholders							0		0
Movement in own shares		39				1 961	2 000		2 000
Increase share capital	1 666		491 552				493 218		493 218
Transaction cost			-16 047				-16 047		-16 047
Share-based payment etc.				19 005			19 005		19 005
Profit/loss for the year						107 491	107 491		107 491
OTHER COMPREHENSIVE INCOME									
Translation differences when translating foreign activities					7 964		7 964		7 964
Actuarial gains/losses for the period						-701	-701		-701
Actual gains or losses on instruments used for cash flow hedging							0		0
Total other comprehensive income					**7 964**	**-701**	**7 263**		**7 263**
Balance as of 31.12.2019	**18 329**	**-197**	**1 203 145**	**48 742**	**134 551**	**748 423**	**2 152 993**	**0**	**2 152 993**

On 27 February 2019 the Company issued 16 662 780 new shares in a private placement at the price of NOK 29,60 per share.

(NOK 1 000)	Share capital	Own shares	Share premium	Other paid-in equity	Translation differences	Other equity	Total	Non-controlling interest	Total equity
Balance 01.01.2020	18 329	-197	1 203 145	48 742	134 551	748 423	2 152 993	0	2 152 993
Dividends to shareholders							0		0
Movement in own shares		12				-7 181	-7 169		-7 169
Share-based payment etc.				20 873		278	21 151	94	21 245
Capital increase parent company	1 833		905 456				907 289		907 289
Transaction cost			-32 601				-32 601		-32 601
Capital increase subsidiary						540 501	540 501	182 917	723 418
Distributed dividend Hexagon Purus AS						-187 306	-187 306	235 219	47 913
Profit/loss for the year						-140 776	-140 776	-7 005	-147 781
OTHER COMPREHENSIVE INCOME									
Translation differences when translating foreign activities					-69 646		-69 646	673	-68 972
Actuarial gains/losses for the period						-496	-496		-496
Actual gains or losses on instruments used for cash flow hedging							0		0
Total other comprehensive income					**-69 646**	**-496**	**-70 142**	**673**	**-69 468**
Balance as of 31.12.2020	**20 162**	**-185**	**2 075 999**	**69 615**	**64 906**	**953 443**	**3 183 939**	**411 899**	**3 595 838**

On 7 December 2020 the subsidiary Hexagon Purus Group issued 27,472,527 new shares in a private placement at the price of NOK 27.30 per share. The increase in capital was MNOK 750.0. The increase is presented net after transaction costs of MNOK 26.6.

On 24 August 2020 the Company issued 18,329,064 new shares in a private placement at the price of NOK 49.50 per share.

Own shares comprise cost of acquisition for the Company's shares owned by the Group. As of 31.12.2020 the Company had 1 851 723 own shares (1 974 882).

Other equity includes accumulated actuarial gains/losses for pensions after tax of NOK -20 924 thousand (change of NOK -496 thousand from NOK -20 428 thousand as of 31.12.2019).

Notes

Note 1 General

Hexagon Composites ASA is a public limited Company with its registered office in Norway. The company's headquarters is at Korsegata 4B, 6002 Aalesund, Norway.

The Board of directors authorized the annual report for publication on 24 March 2021.

The Group's operations are described in note 4.

Note 2 Accounting policies

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) 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, with the exception of financial instruments at fair value through profit or loss and fair value through OCI.

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 and 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 BASIS OF CONSOLIDATION
The Group's consolidated financial statements comprise Hexagon Composites ASA and its subsidiaries as of 31 December 2020. 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 note 30 which contains a list of the subsidiaries and note 25 which lists investments in 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.

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. 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 is presented separately under equity in the Group's balance sheet.

Business combinations and goodwill
Business combinations are accounted for by using the acquisition method. For description of the measurement of non-controlling interest, see below. Acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received and included in other operating expense.

The consideration paid in a business combination is measured at fair value at the acquisition date and normally consist of cash and contingent consideration. A contingent consideration is classified as a liability in accordance with IFRS 9. 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 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 are the previously held equity interest remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit and loss net after transaction cost.

Goodwill is recognized as the aggregate of the consideration transferred and the amount of any non-controlling interest and deducted by the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated but is tested at least annually for impairment. In connection with this, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination.

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.

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 Group has made a policy choice, when control is lost and the reminder of the interest is retained through a joint venture or associate, to partly recognize the gain or loss as to that attributable to the other party of which control is lost. The gain or loss is presented on a separate line included in operating expenses.

2.4 INVESTMENT IN ASSOSIATES AND JOINT VENTURES

The Group has investments in associates and joint ventures. Associates are entities over which 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.

If there are indication of 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 an obligation to make up for the loss.

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.

2.5 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.

2.6 CASH AND CASH EQUIVALENTS
Cash consist of cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months. Any positive balances against bank overdrafts are included as a component of cash in the cash flow statement. The cash flow statement has been prepared using the indirect method. Bank overdrafts are reported under short-term loans in the balance sheet. Received interest income is classified as investment activities and interest payments is classified as financing activities in the cash flow statement.

2.7 INVENTORIES
Inventories are recognized at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution cost. The cost is arrived at using 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.

2.8 PROPERTY, PLANT & EQUIPMENT
Property, plant and equipment are valued at their cost, less accumulated depreciation and impairment losses. When asset are sold or disposed of, the carrying amount is derecognized and any gain or loss is recognized in the statement of comprehensive income.

The cost of property, plant and equipment includes the purchase price and all costs necessary to bring the asset to working condition for its intended use. Costs incurred after the asset is in use, such as regular maintenance costs, are recognized in the statement of comprehensive income, while other costs that are expected to provide future financial benefits are capitalized.

The cost of property, plant & equipment is depreciated to the residual value over the asset's useful life. Depreciation is calculated using the straight-line method over the following useful life:

- 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 recognized at cost until the production or development process is completed. Assets under construction are not subject to depreciation until the assets are taken into use.

2.9 LEASES, GROUP AS LESSEE
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.

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.

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.

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.

The Group as a lessor
For contracts where the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The group as a lessor does not have any finance leases.

For operating leases, the Group recognizes lease payments as rental income. Rental income is recognized mainly on a straight-line basis over the lease terms. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the rental income.

2.10 BORROWING COST
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.11 FINANCIAL INSTRUMENTS
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.

Financial asset
The Group's financial assets are derivatives, non-listed equity instruments, trade receivables and 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. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group classified its financial assets in following categories:
- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets at fair value through profit and loss

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 Groups 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.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held where the business model objective of both holding to collect contractual cash flows and selling, 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group does not hold any debt instruments at fair value through OCI.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. The category includes foreign exchange contracts and interest rate swaps not designated as hedging instruments.

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

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

Financial liabilities
Financial liabilities are subsequently recognized at amortized cost, as loans and borrowings and payables. Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives assets.

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.

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.

Hedges of a net investment in a foreign operation

A hedge of a net investment in a foreign operation is accounted for in a similar way as a cash flow hedge. Foreign exchange gains or losses on the hedging instruments relating to the effective portion of the hedge are recognized directly in OCI, while any foreign exchange gains and losses related to the ineffective portion are recognized in profit and loss. On disposal of the foreign entity, the cumulative value of foreign exchange gains or losses recognized directly in equity is transferred to profit and loss.

Fair value hedges are not applicable to the group.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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.

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.

2.12 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. Intangible assets with an indefinite economic life are not amortized. 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.

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 expected useful life. The expected useful life of patents and licenses varies between 6 and 17 years.

Research and development cost
Expenses relating to research activities are recognized in the statement of comprehensive income as they incur. Expenses relating to development activities (relating to the design and testing of new or improved products) are capitalized to the extent that the product or process is technical and commercially viable and the Group has sufficient resources to complete the development work. Expenses that are capitalized include the costs of materials, direct salary costs and a share of the directly attributable common expenses. Capitalized development costs are recognized at their cost minus accumulated amortization and impairment losses.

Other development costs are recognized as incurred. Development costs that have previously been expensed are not recognized 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.

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.

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS
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.

2.14 PROVISIONS
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 considerable, 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.

Warranty provisions: The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognized when the product is sold or the service is provided to the customer. Initial recognition is based on historical information about warranties and a weighting of possible outcomes according to the likelihood of their occurrence. The initial estimate of warranty-related costs is revised annually.

Onerous contracts: If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

2.15 EQUITY

Financial instruments are classified as liabilities or equity in accordance with the underlying economic realities. Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

(I) 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 presented as a reduction in equity. Gains or losses on transactions involving own shares are recognized directly in equity.

(II) Costs arising from equity transactions

Transaction costs directly related to an equity transaction are recognized directly in equity after deducting tax expenses.

(III) Other equity

(a) Translation differences

Translation differences arising in connection with exchange-rate differences on consolidation of foreign entities are recognized in other comprehensive income. Exchange-rate differences in monetary amounts (liabilities or receivables) which are in reality a part of a company's net investment in a foreign entity are also included as translation differences.

If a foreign entity is sold, the accumulated translation differences linked to the entity are reversed and recognized in profit or loss in the same period in which the gain or loss on sale is recognized.

(b) Change in actuarial gains/losses (pension commitments)

Actuarial gains or losses resulting from changes in assumptions and basic data are recognized directly in other comprehensive income.

(c) Dividends

Proposed dividends are classified as other equity until they are approved by the general assembly of Hexagon Composites ASA.

(IV) Other paid-in capital – Share-based payments

The Group has a share-based program for certain employees in senior and key positions. The fair value of the share instruments is measured at the date of the grant using the Black & Scholes model. The fair value of the issued options, performance share units (PSUs) and restricted share units (RSUs) is expensed as an employee cost with a corresponding increase in other paid in capital over the vesting period, which is over the agreed-upon future service time.

(V) Hedging reserve

Forward exchange contracts and interest rate derivatives that qualify as hedging instruments (cash flow hedges) are recognized at fair value, with a corresponding entry in total comprehensive income, and transferred to the revaluation reserve (net of tax). Realized gains or losses are recognized in profit or loss to offset gains or losses on the items that were hedged.

2.16 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's main revenues come from the sale of its own mass-produced standard products in the different segments:

1. Agility Fuel Solutions
2. Hexagon Purus
3. Hexagon Mobile Pipeline & Other
4. Hexagon Ragasco LPG

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.

Sale of goods (cylinders, products, systems 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 credit terms, including upfront payment and secured payment, but normal credit term is 30 to 45 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.

(i) 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.

(ii) Significant financing component
Generally, the Group 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.

(iii) 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. See note 19 for an overview of the warranty provision.

Services
To some extent the Group provides other services in relation to reinspection and testing of products and 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.

Funded development contracts
The Group has entered into funded contracts with a limited number of 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.

Contract balances

(i) 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.

(ii) 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).

(iii) 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 fulfils the performance obligation under the contract.

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.

2.17 EMPLOYEE BENEFITS

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 trough other comprehensive income. Actuarial gains and losses are not reclassified over profit and loss.

Multi-employer plans
Some of the Norwegian employees participate in a new AFP pension scheme. The scheme is a defined benefit multi-employer pension plan, funded through premiums that are defined as a percentage of salary. The scheme's retirement benefit obligation and plan assets cannot be reliably measured and allocated at present. For accounting purposes, the scheme is treated as a defined contribution plan, with premium payments expensed as incurred, and no pension liability recognized.

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

Share-based payment
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 stocks, and consist of share options, performance share units (PSUs) and restricted share units (RSUs). The fair value of the share-based programs 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 share options, PSUs and RSUs is measured at grant date and calculated using the Black & Scholes model.

The cost of the employee share-based transaction is expensed over the vesting period. The value of the issued options, 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.

2.18 GOVERNMENT GRANTS
Government grants, including the Norwegian Skattefunn incentive scheme, are recognized when there is reasonable assurance that the Group will comply with the conditions stipulated for the grants, and that the grants will be received. Operating grants are recognized systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. 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.

2.19 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 their nominal value and classified as non-current assets and non-current liabilities in the balance sheet.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to items recognized directly in equity.

2.20 SEGMENTS
For management reporting purposes, the Group is organized into different business areas according to product/service range. The Group's segment reporting format is business areas. Financial information relating to segments and geographical areas is presented in note 4. In segment reporting, internal gains on sales between segments are eliminated.

2.21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognized in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

2.22 EVENTS AFTER THE BALANCE SHEET DATE
New information on the Group's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the Group's financial position on the end of the reporting period but which will affect the Group's financial position in the future are disclosed if significant.

2.23 NEW ACCOUNTING 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. Standards, interpretations and amendments that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are considered not relevant and not to have an impact on the consolidated financial statements of the Group.

Note 3 Estimation uncertainty and significant judgments

The management has used estimates and assumptions that have affected assets, liabilities, income, expenses and information on potential liabilities. This particularly applies to the depreciation of tangible and intangible fixed assets, impairment of goodwill and evaluations related to acquisitions. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience and other factors, including forecast events that are considered probable under current circumstance. Changes in accounting estimates are recognized during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods.

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 Group's most important accounting estimates are related to the following items:

- Fair value of assets and liabilities acquired in a business combination
- Depreciation and impairment of property, plant & equipment and intangible assets
- Capitalized development cost
- Impairment of goodwill
- Product warranty provisions
- Share-based payments
- Revenue from contracts with customers
- Leases

Fair value of assets and liabilities at the time of acquisition
The Group are required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For the acquisitions of Agility Fuel Solutions in 2019 the Group engaged a third-party appraisal firm to assist the Group in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant judgments in selecting valuation methods, estimates and assumptions. The significant purchased intangible assets recorded by Hexagon Composites included customer relationships, trade name and technology. Critical estimates in the evaluations for such intangible assets include, but are not limited to, estimated average customer relationship based on customer attrition, applying a relief from royalty model using an appropriate royalty rate and expected developments in technology and markets.

Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Management's fair value estimates are based on reasonable, but not entirely certain, assumptions. See also note 5.

Depreciation and impairment of property, plant & equipment and intangible assets
Group management determines the useful lives and depreciation rates for items of property, plant & equipment and intangible assets. 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 recognized an impairment of MNOK 0.3 (The impairment in 2019 was MNOK 0.01), principally related to specific production equipment. See also note 10.

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 147 318 (148 180) thousand. For criteria for recognition, see note 2.12 and note 11.

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.

Impairment of goodwill
Recognized goodwill is assessed annually for impairment. 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 also note 11 for further information on impairment testing of goodwill.

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. See also note 19.

Share-based payments
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 option program, RSUs and PSUs at the grant date, the Group uses the Black & Scholes model and Monte Carlo simulations when relevant. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26.

Revenue from contracts with customers
Determining the timing of satisfaction of services and funded development contacts.
The Group has concluded that revenue for services and funded development contracts 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. See also note 4.

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). See also note 23 Leases.

Note 4 Segment information

By this the Group's operation is divided into four strategic business areas, which are organized and managed separately. These four business areas are also defined as the group's reportable operating segments as the different business areas sell different products, address different customer groups and have different risk profiles.

THE HEXAGON COMPOSITES GROUP IS DIVIDED INTO THE FOLLOWING REPORTABLE OPERATING SEGMENTS

a) Hexagon Agility - the leading global provider of highly engineered and cost-effective compressed natural gas, liquid natural gas and propane fuel systems and Type 4 composite cylinders for medium- and heavy-duty commercial vehicles.
b) Hexagon Purus - development and supply of high-pressure composite cylinders and solutions for a wide range of Hydrogen applications as well as CNG-fueled Light-Duty Vehicles.
c) Hexagon Mobile Pipeline & Other - development and supply of high-pressure composite storage and transportation cylinders and modules for compressed natural gas (CNG) and biogas.
d) Hexagon Ragasco LPG - manufactures low-pressure composite cylinders, i.e. cylinders for propane gas.

The executive management group is the Chief Operating Decision Makers (CODMs) and they monitor the operating results of their respective business areas separately for the purpose of making decisions about resource allocation and performance assessment.

No operating segments have been aggregated to form the above reportable operating segments. Transactions between the segments are based on arm's length basis.

OTHER INFORMATION

The Group's customer base is relatively fragmented in terms of size and concentration such that it is not dependent upon any one single customer. No customer or customer group is exceeding 10% of annual sales in the group in 2020 and 2019.

GEOGRAPHICAL AREAS

The Group's activities are divided into the following regions: Europe, North America, South-East Asia, Middle East, Other and Norway.

Transactions within the segments have been eliminated.

BUSINESS SEGMENT DATA 2020

(NOK 1 000)	Agility	Hexagon Purus	Hexagon Mobile pipeline & other	Hexagon Ragasco LPG	Unallocated	Elimination	Consolidated 2020
REVENUE FROM EXTERNAL CUSTOMERS:							
Sale of cylinders and equipment (at a point in time)	1 929 063	278 122	95 810	550 045	15 707		3 068 748
Sale of services and funded development (transferred over time)	0	2 117	0	0	0		2 117
Internal transactions	21 170	57 412	44 365	61	131 094	-254 102	0
Total revenue from contracts with external customers	**1 950 234**	**337 651**	**340 175**	**550 105**	**146 802**	**-254 102**	**3 070 865**
Rental income	0	0	8 799	0	712		9 511
Total revenue	**1 950 234**	**337 651**	**348 974**	**550 105**	**147 514**	**-254 102**	**3 080 375**
Operating profit for segment before depreciation/amortization (EBITDA)	**272 048**	**-148 770**	**-30 203**	**99 538**	**-2 024**	**-645**	**189 940**
Operating profit for segment (EBIT)	**156 860**	**-204 732**	**-57 050**	**63 113**	**-17 979**	**516**	**-59 272**
Profit/loss from associates and joint ventures		-1 885				0	-1 885
Net financial items	1 623	-105 018	-39 731	-15 821	163 966	0	5 018
Tax expense	-39 736	-32 265	2 374	-13 278	-8 738	0	-91 643
Profit/loss for the year	**118 747**	**-343 900**	**-94 407**	**34 014**	**137 250**	**0**	**-147 781**
Segment assets	**2 769 345**	**2 115 874**	**450 807**	**484 994**	**6 725 133**	**-6 381 216**	**6 164 937**
Segment liabilities	**461 103**	**475 080**	**873 835**	**394 037**	**3 224 529**	**-2 859 485**	**2 569 099**
Investments in fixed assets for the year	54 924	65 357	5 861	19 300	1 137		146 578
Depreciation/amortization/impairment	60 526	18 437	15 030	29 490	2 272		125 576
Investments in intangible assets for the year	16 769	13 370	0	0	9 611		39 751
Depreciation/amortization/impairment	37 289	17 312	1 470	0	10 174		66 245
Additions of right-of-use assets for the year	1 045	25 463	802	11 543	1 491		40 346
Depreciation/amortization/impairment	17 372	20 213	10 347	6 935	2 343		57 210

GEOGRAPHICAL INFORMATION 2020

(NOK 1 000)	Europe	North America	South-East Asia	Middle East	Other	Norway	Consolidated 2020
Income divided among customer locations from external customers	910 450	1 945 136	24 860	14 323		71 295	3 080 375
Non-current assets [1)]	568 894	2 090 582	9 145			379 553	3 048 173
Investments in fixed assets for the year	54 130	72 845				19 602	146 578

1) Non-current assets for this purpose consists of property, plant & equipment, right-of-use assets and intangible assets

CONTRACT BALANCES FOR THE YEAR ENDED 31 DECEMBER 2020

(NOK 1 000)	2020	2019
Trade receivable	450 457	438 562
Contracts assets (accrued revenue)	814	3 962
Contract liabilities (incl. prepayment from customers)	51 665	94 540

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2020, TNOK 13 293 (2019 TNOK 14 574) was recognized as provision for dubious debtors on trade receivables.

Contract assets are initially recognized for revenue earned from installation and project services as receipt of consideration is conditional on successful completion of installation or project. Upon completion and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. The lower amount in contract assets in 2020 is the result of normal fluctuations in this part of the business at the end of the year. All contracts are for period of one year or less or are build based on time incurred. As permitted under IFRS 15, the transaction price allocated the these unsatisfied contracts is not disclosed.

Contract liabilities include short-term advances received for funded services & development and paid not delivered goods to external customers. The outstanding balances of these accounts decreased in 2020 due to decreasing activities in services & funded development projects. The entire contract liabilities was recognized in the subsequent period.

PERFORMANCE OBLIGATIONS

Information related to the Group´s performance obligations and related revenue recognition is summarized below:

Sale of goods

The performance obligation is generally satisfied upon delivery of cylinders and other equipment. The normal credit term is 30 to 45 days upon delivery. Recognition of revenue at the point of delivery is only recognized for an amount of the consideration that reflects the estimated variable consideration the Group is expected to ultimately be entitled. The variable consideration is re-assessed at the end of each reporting period and recognized as (or when) the uncertainty is subsequently resolved and is estimated based on the expected value approach.

Sale of services

The Group provides services in relation to reinspection and testing of products and non-recurring engineering and design or development. These may be sold separately or bundled together with the sale of goods. The Group has determined that these services should be accounted for as a separate performance obligation as the services are separately identifiable. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue on the basis of the labor hours incurred relative to the total expected labor hours to complete the installation. When a contract includes separate performance obligations in relation to both sale of goods and installation, the consideration is allocated between the performance obligations based on observable stand-alone selling prices.

Sale of funded development contracts

The Group has entered into contracts with a limited number of customers for development services. As the inputs (raw materials, labor hours etc.) are integrated into a combined output, the combined product has been determined to constitute one performance obligation. Further, the customization process & integration significantly modifies the assets under construction until delivery.

The Group assessed that the performance obligation is satisfied over time because it has at all times an enforceable right to payment for performance completed to date, including a reasonable margin. Additionally, the asset has no alternative use for the Group as it is limited practically from readily directing the asset in its completed state, as the Group would suffer a significant loss from modifying the asset before it could be sold to another customer.

The Group measures progress based on costs incurred relative to the total expected costs to complete the project as this measurement most faithfully depicts the Group's progress towards complete satisfaction of the performance obligation.

BUSINESS SEGMENT DATA 2019

(NOK 1 000)	Agility	Hexagon Purus	Hexagon Mobile Pipeline & other	Hexagon Ragasco LPG	Unallocated	Elimination	Consolidated 2019
REVENUE FROM EXTERNAL CUSTOMERS:							
Sale of cylinders and equipment (at a point in time)	1 822 994	418 380	531 907	592 166			3 365 447
Sale of services and funded development (transferred over time)		39 107					39 107
Internal transactions	21 193	15 176	26 210	8 313	101 851	-172 744	0
Total revenue from contracts with external customers	**1 844 187**	**472 664**	**558 117**	**600 479**	**101 851**	**-172 744**	**3 404 554**
Rental income			10 854		716		11 570
Total revenue	**1 844 187**	**472 664**	**568 971**	**600 479**	**102 567**	**-172 744**	**3 416 124**
Operating profit for segment before depreciation/amortization (EBITDA)	**202 160**	**-35 168**	**39 748**	**91 875**	**62 015**	**-914**	**359 715**
Operating profit for segment (EBIT)	**91 329**	**-80 221**	**10 109**	**54 501**	**44 144**	**246**	**120 109**
Profit/loss from associates and joint ventures		-749			83 358	-83 358	-749
Net financial items	-11 436	-28 936	-26 041	-2 529	76 886	-16 057	-8 114
Tax expense	-7 161	24 070	-4 157	-12 342	-23 562	19 397	-3 755
Profit/loss for the year	**72 732**	**-85 836**	**-20 089**	**39 630**	**180 826**	**-79 772**	**107 491**
Segment assets [2)]	**2 796 506**	**964 741**	**663 576**	**486 571**	**5 847 085**	**-5 930 959**	**4 827 519**
Segment liabilities	**541 845**	**1 015 463**	**1 054 537**	**388 715**	**3 316 897**	**-3 642 932**	**2 674 526**
Investments in fixed assets for the year	49 660	54 810	24 958	20 928	1 232		151 589
Depreciation/amortization/ impairment	64 153	12 095	17 788	30 492	1 001		125 529
Investments in intangible assets for the year	11 740	37 182	221	0	3 167		52 311
Depreciation/amortization/ impairment	30 730	14 645	0	0	14 666	-1 160	55 882
Additions of right-of-use assets for the year	13 049	1 267	101	716	0		15 133
Depreciation/amortization/ impairment	15 674	18 630	11 688	6 646	2 559		55 196

GEOGRAPHICAL INFORMATION 2019

(NOK 1 000)	Europe	North America	South-East Asia	Middle East	Other	Norway	Consolidated 2019
Income divided among customer locations from external customers	1 011 693	2 067 855	195 330	28 902	58 490	50 556	3 416 124
Non-current assets [1)]	138 902	2 769 302				253 259	3 161 463
Investments in fixed assets for the year	54 749	75 783				21 057	151 589

1) Non-current assets for this purpose consists of property, plant & equipment, right-of-use assets and intangible assets

Note 5 Changes in the Group's structure

LISTING OF HEXAGON PURUS AS ON EURONEXT GROWTH 2020

With effect from 14 December the subsidiary Hexagon Purus AS was listed on the Euronext Growth. In relation with the listing a share capital increase was completed on MNOK 750.0, in addition Hexagon Composites ASA distributed 15% of its shares in Hexagon Purus AS to the existing share holders. As of 31.12.2020 Hexagon Composites ASA controls 75% of the shares in Hexagon Purus AS.

ACQUISITION OF HEXAGON CYLINDERS PVT, LTD IN 2020

With effect from 30 November 2020 Hexagon Composites acquired Hexagon Cylinders Pvt Ltd. The company is pursuing various high-pressure market in India.

The fair value of the identifiable assets and liabilities of Agility Group as at the date of acquisition were:

HEXAGON CYLINDERS PVT, LTD

(NOK 1 000)	**Fair value recognized on acquisition**
ASSETS	
Intangible assets	4 576
Total assets	**4 576**
Net identifiable assets and liabilities at fair value	**4 576**
Goodwill	4 673
Purchase consideration/Paid in cash	**9 249**
Analysis of cash flows on acquisition:	
Cash paid	-9 249

In 2020 Hexagon Cylinders Pvt Ltd contributed from the date of acquisition to the Group's revenues and profit before tax by NOK 0.0 million and -0.1 million respectively. If the acquisition had occurred at the beginning of 2020, revenues for 2020 and profit before taxes for 2020 for the Group would have been NOK 0 million and NOK -1.2 million respectively.

In the Group's profit for 2020, Hexagon Cylinders Pvt Ltd was included from the acquisition date.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Hexagon Cylinders Pvt Ltd with the Hexagon Group. The goodwill is not deductible for income tax purposes.

There is no material transaction costs related to the acquisition.

ACQUISITION OF AGILITY FUEL SOLUTIONS IN 2019

With effect from 4 January 2019 Hexagon Composites acquired the remaining 50% of the shares of Agility Fuel Solutions and its subsidiaries. Agility Fuel Solutions is reported as a separate segment in the Hexagon Group from the acquisition date.

Agility has production facilities in Salisbury, North Carolina, Lincoln, Nebraska and Fontana, California (US) and Raufoss (Norway) with technology centers in Lincoln, Nebraska and Wixom, Michigan (US) and Kelowna, British Columbia (Canada). Agility maintains sales offices in North America, South America, India, the United Kingdom and Norway. The Agility Group reports financial results as a separate business area, fully consolidated into Hexagon's accounts.

The fair value of the identifiable assets and liabilities of Agility Group as at the date of acquisition were:

AGILITY FUEL SOLUTIONS

(NOK 1 000)	Fair value recognized on acquisition
ASSETS	
Property, plant and equipment	421 140
Intangible assets	531 344
Cash	36 275
Inventories	339 657
Deferred tax asset	0
Trade accounts receivable	350 813
Other current assets	28 935
Total assets	**1 708 166**
LIABILITIES	
Long term liabilities	81 676
Short term liabilities	306 987
Deferred tax liabilities	92 168
Total liabilities	**480 830**
Net identifiable assets and liabilities at fair value	**1 227 336**
Goodwill	921 597
Purchase consideration	**2 148 933**
50% purchase consideration transferred/paid in cash	1 074 467
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	36 275
Cash paid	-1 074 467

The fair value of the Agility Group was NOK 2 149 million of which Hexagon Composites ASA Group`s 50% share was NOK 1 074 million. According to IFRS, excess value related to Hexagon Composites ASA Group's 50% share as of 4 January 2019 is presented as gain in a separate line in the financial statements included in operating profit. The net accounting gain was MNOK 69.4 after transaction costs of MNOK 16.4.

In the Group's profit for 2019, Agility Group is included from the acquisition date.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Agility Group with the Hexagon Group. The goodwill is not deductible for income tax purposes.

Transaction costs of NOK 16.4 million are part of operating cash flows in the statement of cash flows.

Note 6 Net financial items

(NOK 1 000)	2020	2019
Interest income	5 968	6 373
Unrealized gains from forward exchange contracts with actual gains or losses through profit and loss	34 256	6 988
Foreign exchange items	272 762	107 140
Other finance income	6 635	2 016
Total finance income	**319 622**	**122 517**
Loss on exchange items	220 035	30 196
Unrealized loss on forward exchange contracts and interest rate swaps with actual gains or losses through profit and loss	0	0
Cost of interest on loans etc.	70 883	69 092
Cost of interest on lease liabilities	11 123	8 380
Other finance expense	12 563	22 962
Total finance expense	**314 604**	**130 630**
Net financial items	**5 018**	**-8 114**

Note 7 Tax

TAX EXPENSE

(NOK 1 000)	Note	2020	2019
Income tax payable in the income statement		53 240	53 642
Change in deferred tax in income statement		38 403	-49 886
Tax expense		**91 643**	**3 755**
Income tax payable in the balance sheet		118 397	53 875
Prepaid tax overseas in the balance sheet	15	-63 121	-1 030
Settled tax overseas		-2 037	797
Total income tax payable in the income statement		**53 240**	**53 642**
Nominal tax rates in Norway		**22 %**	**22 %**
Profit before tax		-56 138	111 246
Tax based on nominal tax rate in Norway		-12 350	24 474
Change in not capitalized loss due to uncertainty		49 447	0
Reversal of capitalized tax assets prior year		62 228	0
Other differences relating to foreign subsidiaries		1 102	5 874
Tax effects from gain on transactions		0	-15 318
Share of profit/loss from associates		-415	-165
Other non-taxable income and non-deductable expenses		-8 369	-11 111
Effect of changes in tax rate		0	0
Tax expense		**91 643**	**3 755**

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Balance sheet		Change in deferred tax in income statement	
(NOK 1 000)	2020	2019	2020	2019
DEFERRED TAX				
Loss carryforwards	-118 904	-89 858	-29 046	-40 114
Pension	442	-141	583	-27
Property, plant & equipment	45 382	47 788	-2 406	25 984
Intangible assets	87 110	95 118	-8 008	95 118
Inventories and trade receivables	-14 562	12 496	-27 058	14 764
Derivatives	17 352	9 815	7 536	10 760
Provisions for liabilities/other current liabilities	-20 884	-21 288	404	-10 450
Other	83 526	65 762	17 764	-81 582
Deferred tax asset– net	**79 462**	**119 692**	**-40 230**	**14 453**
Reduction of tax assets due to uncertainty	106 122	27 629	78 493	27 629
Deferred tax assets / liabilities - net carrying amount	**185 584**	**147 321**	**38 263**	**42 082**
Change in deferred tax from purchase of companies / OCI			140	91 969
Net change in deferred tax in income statement			**38 403**	**-49 886**
CARRYING AMOUNTS				
Deferred tax asset	-1 775	-130 959		
Deferred tax liabilities	187 359	278 280		
Net recognized deferred tax assets/ deferred tax liabilities	**185 584**	**147 321**		

The Group has a total loss carried forward of MNOK 535 (MNOK 279.7) as of 31 December 2020, of which MNOK 423.1 (MNOK 279.7) is related to foreign activities. The loss carried forward are indefinitely.

Deferred tax assets are recognized when it is probable that the Group will have sufficient taxable profit in subsequent periods to utilize the tax assets.

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

(NOK 1 000)	2020	2019
Actuarial gains/losses, pensions	140	198
Derivatives	0	0
Total	**140**	**198**

Note 8 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 recognised option expenses in the numerator. There are 5 942 632 (5 090 900) instruments that could potentially dilute basic earnings per share in the future. These are not included in the calculation of the diluted earnings per share because they are antidilutive for the periods presented. See note 26 for further specification type of instruments.

(NOK 1 000)	Note	2020	2019
PROFIT/LOSS FOR THE YEAR FLOWING TO HOLDERS OF ORDINARY SHARES			
Profit/loss for the year		**-147 781**	**107 491**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		183 290 648	166 627 868
Own shares		-1 851 723	-1 974 882
Issued new shares		18 329 064	16 662 780
Outstanding number of shares 31.12		**199 767 989**	**181 315 766**
Weighted average number of shares outstanding 31.12		**190 541 878**	**172 788 780**
Profit/loss per share		**-0,78**	**0.63**
DILUTED NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		183 290 648	166 627 868
Own shares		-1 851 723	-1 974 882
Issued new shares		18 329 064	16 662 780
Outstanding shares 31.12 adjusted for dilution effects		**199 767 989**	**181 315 766**
Weighted average number of shares outstanding 31.12 adjusted for dilution effects		**190 541 878**	**172 788 780**
Diluted profit/loss per share		**-0,78**	**0.63**

Note 9 Payroll costs and number of employees

(NOK 1 000)	Note	2020	2019
Salaries/fees [1)]		756 539	634 489
Bonus/share-based payments/profit-sharing		73 457	75 023
Pension expense, defined-benefit plans	18	2 063	1 438
Pension expense, defined-contribution plans	18	33 607	35 020
Other social security costs		74 430	107 736
Payroll costs		**940 096**	**853 706**
Average number of full-time equivalents:		**1 036**	**962**
CORPORATE MANAGEMENT R&D AND SUPPORT			
Norway		13	13
Germany		10	0
USA		41	50
AGILITY			
Canada		25	44
Norway		21	17
USA		484	430
HEXAGON PURUS			
Canada		30	0
Norway		8	7
Germany		175	190
USA		41	31
HEXAGON MOBILE PIPELINE AND OTHER			
USA		86	99
Germany		4	3
HEXAGON RAGASCO LPG			
Norway		118	122
USA		2	3
Russia		4	4
Total of		**1 060**	**1 012**

1) Capitalized payroll costs related to technology development projects amounted to MNOK 10.0 in 2020 and MNOK 3.3 in 2019.

Note 10 Property, plant & equipment

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	Assets under construction	2020 total
COST OF ACQUISITION					
Cost of acquisition 01.01.2020	178 201	904 445	188 164	164 189	1 434 999
Additions	9 615	11 525	29 961	95 477	146 578
Transfer from assets under construction	5 375	116 691	41 064	-163 130	0
Disposals/scrap	-164	-25 380	-45 096	-3 568	-74 208
Additions from purchase of companies	0	0	0	0	0
Translation differences	-3 093	-16 728	-1 819	4 055	-17 585
Cost of acquisition 31.12.2020	**189 935**	**990 552**	**212 274**	**97 024**	**1 489 784**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2020	43 353	517 127	70 420	0	630 901
Depreciation for the year	11 826	91 640	22 023	0	125 489
Impairment	0	268	0	0	268
Disposals/scrap	643	-15 521	8 790	0	-6 087
Translation differences	-772	-6 288	-991	0	-8 051
Accumulated depreciation and impairment 31.12.2020	**55 049**	**587 226**	**100 243**	**0**	**742 518**
Net carrying amount as of 31.12.2020	**134 885**	**403 326**	**112 031**	**97 024**	**747 266**
Of which pledged					0
Amortization rate	5-10 %	7-33 %	10-33 %	None	
Useful life	10-20 years	3-15 years	3-10 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	Assets under construction	2019 total
COST OF ACQUISITION					
Cost of acquisition 01.01.2019	64 945	647 645	141 752	30 799	885 141
Additions	6 299	30 673	18 045	96 572	151 589
Transfer from assets under construction	864	26 973	4 5120	-32 349	0
Disposals/scrap	-680	-27 714	-1 253	-509	-30 155
Additions from purchase of companies	105 147	223 046	24 248	68 700	421 140
Translation differences	1 626	3 821	861	976	7 284
Cost of acquisition 31.12.2019	**178 201**	**904 445**	**188 164**	**164 189**	**1 434 999**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2019	35 956	455 471	45 257	0	526 684
Depreciation for the year	7 903	91 823	25 803	0	125 529
Impairment for the year	0	0	0	0	0
Disposals/scrap	-495	-21 251	-444	0	-22 190
Additions from purchase of companies	0	0	0		0
Translation differences	-11	1 083	-196	0	877
Accumulated depreciation and impairment 31.12.2019	**43 353**	**517 127**	**70 420**	**0**	**630 901**
Net carrying amount as of 31.12.2019	**134 848**	**387 318**	**117 744**	**164 189**	**804 099**
Of which pledged					0
Amortization rate	5-10 %	7-33 %	10-33 %	None	
Useful life	10-20 years	3-15 years	3-10 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

Note 11 Intangible assets

HEXAGON COMPOSITES ASA HAS THE FOLLOWING PURCHASED AND OWN-DEVELOPED INTANGIBLE ASSETS

OK 1 000)	Goodwill	Patents and licences	Technology and development[1]	Customer relationships	2020 total
COST PRICE					
Opening balance 01.01.2020	1 370 058	207 659	228 752	454 116	2 260 585
Additions from purchase of companies	4 673	0	0	4 576	9 249
Additions	0	13 736	16 766	0	30 502
Disposals	0	0	0	0	0
Translation differences	-4 598	-5 960	-1 367	-2 171	-14 095
Cost of acquisition 31.12.2020	**1 370 132**	**215 435**	**244 151**	**456 522**	**2 286 240**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2020	274	24 100	80 572	82 345	187 291
Depreciation for the year	0	12 927	16 707	36 612	66 245
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Translation differences	0	-884	-445	-322	-1 651
Accumulated depreciation and impairment 31.12.2020	**274**	**36 143**	**96 833**	**118 635**	**251 885**
Net carrying amount 31.12.2020	**1 369 859**	**179 292**	**147 318**	**337 887**	**2 034 355**
Amortization rate	None	6-34 %	5-20 %	11-14 %	
Useful life	Indefinite	3-17 years	5-20 years	7-9 years	
Depreciation method	None	Straight-line	Straight-line	Straight-line	

Addition from purchase of companies of MNOK 9.2 relates to the acquisition of SGT Pvt Ltd, India (see note 5).
1) Consist mainly of internally developed technology

HEXAGON COMPOSITES ASA HAS THE FOLLOWING PURCHASED AND OWN-DEVELOPED INTANGIBLE ASSETS

(NOK 1 000)	Goodwill	Patents and licences	Technology and development[1]	Customer relationships	2019 total
COST PRICE					
Opening balance 01.01.2019	432 477	20 034	141 808	135 219	729 539
Additions from purchase of companies	921 597	170 074	47 754	313 516	1 452 941
Additions	221	13 927	38 162	0	52 311
Disposals	0	0	0	0	0
Translation differences	15 762	6 623	1 028	5 381	25 794
Cost of acquisition 31.12.2019	**1 370 058**	**207 659**	**228 752**	**454 116**	**2 260 585**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2019	274	14 900	64 762	48 742	128 678
Amortization for the year	0	9 213	15 810	33 860	58 882
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Additions from purchase of companies	0	0	0	0	0
Translation differences	0	-12	0	-257	-269
Accumulated depreciation and impairment 31.12.2019	**274**	**24 100**	**80 572**	**82 345**	**187 291**
Net carrying amount 31.12.2019	**1 369 784**	**183 558**	**148 180**	**371 771**	**2 073 294**
Amortization rate	None	6-34 %	5-20 %	6-14 %	
Useful life	Indefinite	3-17 years	5-20 years	7-16 years	
Depreciation method	None	Straight-line	Straight-line	Straight-line	

Addition of MNOK 1 453 relates to the acquisition of Agility Fuel Solutions (see note 5).
1) Consist mainly of internally developed technology

Research & development costs totaling MNOK 137.3 (MNOK 89.0) were expensed in 2020. The Group has received government grants of MNOK 13.8 (MNOK 8.4) in 2020. MNOK 13.1 (MNOK 8.4) has been offset against research and development costs.

The Group has recognized goodwill as a result of four acquisitions of business enterprises. Each goodwill item is linked to a cash generating unit (CGU). When the acquired business enterprise is maintained as an independent business enterprise it is, as a starting point, the CGU. Entities that have considerable synergies and for which the type of activity is the same, are considered to be a unified CGU. This applies when acquired business enterprises are integrated with an existing Hexagon Composites company or the acquired business enterprise is, in operative terms, closely linked together with existing Hexagon Composites businesses. In these instances, it is the linking enterprise that is the level of the CGU where goodwill is measured and followed up. In the Group, four CGU's have been identified which capitalized goodwill has been linked to.

IMPAIRMENT TESTING

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 only modest forms of growth in the cash flows into perpetuity.

Key assumptions used in value in use calculations
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 5 years and 10 years for Hexagon Purus. A weighted average cost of capital after tax of 8.9% has been used for all Cash Generating units (CGUs).

Following the spin-off and separate listing of Hexagon Purus in December 2020, the Hexagon Group has defined separate targets for the Hexagon businesses ex Purus ("Hexagon proforma"), namely Hexagon Agility, Hexagon Ragasco and Hexagon Digital Wave. These are typically more mature businesses with a longer historical basis for the forecast.

Hexagon Purus is less mature, however is in the leading position, operating in an extreme growth environment. The addressable market and opportunity roadmap have been thoroughly studied and a business plan produced on the basis of maintaining a significant market share of the rapidly developing e-mobility market globally.

All operating revenues and EBITDA margins are based on the stated forecast periods, past performance and management expectations of market development for the future. Growth rates are consistent with industry and market forecasts except where conservatively applied outside the primary forecast periods.

Hexagon (ex Purus)
Hexagon proforma primary forecast horizon is 3 years from 2021 to 2023 and from which projections are made two following years, on a rolling 5 year basis, using prudently conservative growth rates of 5 to 15%. Hexagon proforma collectively employs targets of:

- At least 15% annual operating revenue growth
- Attaining 15% EBITDA margin

The differing CGUs within Hexagon proforma may have differing revenue growth and EBITDA margins at differing periods of time, but collectively are expected to attain the Hexagon proforma targets within the primary forecast horizon. Hexagon Digital wave is in the middle of a transformational business plan, through digitalization, incorporating opex investments over the next three years which will lower margins short-term and increase growth in revenues and margins longer-term. The Assumptions used per CGU in relation to the Hexagon proforma targets are as follows:

- Hexagon Agility > target revenue growth and attaining target EBITDA margin
- Hexagon Ragasco on target revenue growth and above target EBITDA margin
- Hexagon Digital Wave > target revenue growth and attaining target EBITDA margin after the primary forecast period

Hexagon Purus
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 are for 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

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

(NOK 1 000)	2020	2019
Agility	913 646	935 361
Hexagon Digital Wave	31 804	32 725
Hexagon Purus	392 058	369 348
Hexagon Ragasco	32 350	32 350
Total goodwill	**1 369 859**	**1 369 784**

The assumptions that were used as a basis for the calculations made at the end of 2020 were met by good margins for all of the above.

OTHER ASSUMPTIONS FOR THE IMPAIRMENT TESTING OF GOODWILL

The recoverable amount is calculated based on the general assumptions referred to above. The calculations do not assume major changes in the level of activity or operating margins compared with the results achieved in 2020. In the prognosis period, an increase in the operating profit equal to the general growth in the economy is expected.

SENSITIVITY ANALYSES FOR THE GOODWILL

In connection with the impairment testing of goodwill, the Group has carried out sensitivity analyses. These sensitivity analyses are carried out for each cash-generating unit. The present value of the cash flow in the calculations made is, among other things, sensitivity 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 Agility, Hexagon Ragasco, Hexagon Digital Wavene and 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 12 Other non-current assets

(NOK 1 000)	2020	2019
Cross-currency interest swap (see note on non-current interest-bearing debt)	78 829	44 859
Other non-current assets	1 094	4 133
Total other non-current assets	**79 924**	**48 992**

More information relating to cross-currency interest swap can be found in note 24.

Note 13 Inventories

(NOK 1 000)	2020	2019
Raw materials and consumables	529 686	546 555
Work in progress	55 345	55 688
Finished goods	154 966	181 426
Total inventories	**739 998**	**783 669**
Provision for obsolete inventory in balance sheet	-35 129	-28 738
Carrying amount of holdings used as pledged assets	**0**	**0**

Note 14 Trade receivables

(NOK 1 000)	2020	2019
Trade receivables	463 748	453 136
Provisions for loss	-13 293	-14 574
Trade receivables after provision for losses	**450 456**	**438 562**
Carrying amount of trade receivables used as pledged assets	**0**	**0**

Losses on trade receivables are classsified as other operating expenses in the income statement. 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

2020	Contract assets	Total	Not due	<30 days	30-60 days	60-90 days	>90 days
Expected credit loss rate	0%		1%	2%	8%	10%	16%
Estimated total gross carrying amount at default	814	463 748	295 936	89 741	45 975	2 269	29 728
Expected credit loss	0	13 293	2 959	1 795	3 448	237	4 853

2019	Contract assets	Total	Not due	<30 days	30-60 days	60-90 days	>90 days
Expected credit loss rate	0%		1%	2%	8%	15%	20%
Estimated total gross carrying amount at default	3 962	453 136	296 720	87 316	25 548	16 668	26 883
Expected credit loss	0	14 574	2 967	1 746	1 916	2 541	5 403

CHANGES IN THE PROVISION FOR LOSSES ARE AS FOLLOWS

(NOK 1 000)	2020	2019
Opening balance 1 January	14 574	5 524
Additions from purchase of companies	0	8 609
Provision for losses for the year	117	1 885
Actual losses during the year	-1 303	-1 357
Translation differences	-96	- 87
Closing balance 31 December	**13 293**	**14 574**

Credit risk and currency risk regarding trade receivables are described in more detail in note 24.

Note 15 Other current assets

(NOK 1 000)	2020	2019
Prepaid expenses	43 788	26 229
VAT refund	10 551	6 413
Prepaid tax overseas	63 121	1 030
Forward exchange contracts	41	
Other [1)]	74 348	48 192
Total other current assets	**191 849**	**81 864**

1) Other in 2020 included receivables from the Skattefunn tax incentive scheme and other grants of NOK 8 330 thousand (5 720 thousand).

Note 16 Bank deposits, cash and cash equivalents

(NOK 1 000)	2020	2019
Cash at bank and in hand	1 649 882	177 651
Bank deposits, cash and cash equivalents	**1 649 882**	**177 651**
Bank overdrafts	0	2 857
Cash & cash equivalents in the cash flow analysis	1 649 882	177 651
Undrawn Group overdraft facility	85 000	82 143
Undrawn loan facilities	368 416	702 177
Restricted funds included in cash & cash equivalents [1)]	8 766	8 310

1) Restricted tax withholdings

Note 17 Share capital and share premium

(NOK 1 000)	2020	2019
Ordinary shares of NOK 0.10 each	201 619 712	183 290 648
Total number of shares	**201 619 712**	**183 290 648**

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	183 290 648	166 627 868	18 329	16 663	1 203 145	727 639
Issued new share capital	18 329 064	16 662 780	1 833	1 666	905 456	491 552
Transaction cost					-32 601	-16 047
Issued and paid 31 December	**201 619 712**	**183 290 648**	**20 162**	**18 329**	**2 075 999**	**1 203 145**
OWN SHARES						
1 January	1 974 882	2 366 075	197	237		
Change during period	-123 159	-391 193	-12	-39		
31 December	**1 851 723**	**1 974 882**	**185**	**197**		

As of 31.12.2020 the Company had 1 851 723 own shares (1 974 882). The cost of acquisition of NOK 45 218 thousand (NOK 48 359 thousand) is entered as a reduction in equity. The shares are held as "own shares", and the Company is entitled to sell them in the future.

20 LARGEST SHAREHOLDERS AS OF 31.12.2020

	Number of shares	Shareholding
MITSUI & CO LTD	45 833 321	22,73 %
FLAKK COMPOSITES AS 1)	20 000 000	9,92 %
CLEARSTREAM BANKING S.A.	18 653 617	9,25 %
MP PENSJON PK	11 909 966	5,91 %
BRØDR. BØCKMANN AS	7 900 000	3,92 %
NØDINGEN AS	5 350 000	2,65 %
KTF FINANS AS 1)	5 000 000	2,48 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	4 708 274	2,34 %
FOLKETRYGDFONDET	2 985 951	1,48 %
STATE STREET BANK AND TRUSST COMP	2 849 914	1,41 %
SKANDINAVISKA ENSKILDA BANKEN AB	2 600 000	1,29 %
FLAKK ROLLON AS 1)	2 340 504	1,16 %
SKANDINAVISKA ENSKILDA BANKEN AB	2 145 417	1,06 %
STOREBRAND NORGE I VERDIPAPIRFOND	2 108 990	1,05 %
VERDIPAPIRFONDET ALFRED BERG NORGE	1 909 645	0,95 %
HEXAGON COMPOSITES ASA	1 851 723	0,92 %
VERDIPAPIRFONDET NORDEA KAPITAL	1 431 968	0,71 %
JPMORGAN CHASE BANK, N.A., LONDON	1 418 500	0,70 %
FLAKK INVEST AS 1)	1 300 000	0,64 %
VERDIPAPIRFONDET ALFRED BERG AKTIV	1 289 499	0,64 %
Total 20 largest shareholders	**143 587 289**	**71,22 %**
Remainder	58 032 423	28,78 %
Total	**201 619 712**	**100,00 %**

1) These shareholdings are controlled by the Chairman of the Board, Knut Flakk.

OWNERSHIP STRUCTURE

The total number of shareholders as of 31.12.2020 was 5 113 of whom 375 were foreign shareholders. The number of shares held by foreign shareholders was 100 817 479 or 50.0%.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2020, the same as for 2019.

Dividends are included as allocations to the owners in the period in which they are paid.

The Board (unanimous) had a mandate to increase share capital by up to NOK 1 832 906 by issuing up to 18 329 064 shares (par value NOK 0.10). This authorization was valid until the next ordinary general assembly. The Board exercised this mandate on 24 August 2020 and the company issued additional 18 329 064 new shares in a private placement.

Note 18 Pensions and other non-current employee benefits

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. Below is a summary table of the pension cost in the Group for the various pension plans. Further details on the various plans is provided below:

SUMMARY OF PENSION COST IN THE GROUP

(NOK 1 000)	2020	2019
Defined contribution pension plan	31 668	33 026
Defined benefit pension plan in Norway	2 063	1 438
Multi-employer pension plan in Norway (new AFP)	1 940	1 994
Total	**35 670**	**36 458**

DEFINED CONTRIBUTION PENSION PLANS IN THE GROUP

The defined contribution pension plans in the Norwegian companies have contribution rates from 7% for salaries in the range of up to 7,1 times the national insurance base rate (G) and from 8% for salaries in the range from 7,1 G to 12 G. As of 31.12.2020 the Norwegian defined contribution pension plans had 158 (140) members.

Our subsidiaries in the USA and Canada offer defined contribution plans subject to USA and Canada 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. As of 31.12.2020, 706 (655) members were covered by the plan.

DEFINED CONTRIBUTION PLANS EXPENSES

(NOK 1 000)	2020	2019
Defined contribution pension plans - Norway	10 813	11 481
Defined contribution pension plans - USA / Canada	20 855	21 545
Total	**31 668**	**33 026**

LIABILITIES FROM DEFINED BENEFIT PENSION PLAN IN THE GROUP

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. Net accumulated actuarial gains/losses after tax as of 31.12.2020 amounted to NOK -20 924 thousand, compared with NOK -20 428 thousand as of 31.12.2019. As of 31.12.2020 the Groups defined benefit plans had 19 members (19 members in 2019).

PENSION EXPENSES FOR THE YEAR RELATING TO THE DEFINED BENEFIT PENSION PLANS ARE CALCULATED AS FOLLOWS

(NOK 1 000)	2020	2019
Current service cost	1 642	1 201
Interest cost on benefit obligation	457	481
Expected return on plan assets	-371	-401
Administrative costs	276	97
Employer's contribution	59	58
Recognized effect of change of plan	0	0
Total pension expenses	**2 063**	**1 438**

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	2020	2019
Present value of funded obligations	24 826	22 255
Fair value of plan assets	-21 056	-19 602
Employer's contributions on net pension liabilities	133	81
Net liability recognized in balance sheet 31 December	**3 904**	**2 735**

(NOK 1 000)	2020	2019
Net liability recognized in balance sheet 1 January	2 735	1 698
Translation differences	127	107
Recognized benefit expense	2 063	1 438
Benefits paid	-1 657	-1 394
Additions from purchase of companies	0	18
Actuarial gains and losses arising from changes in financial assumptions	691	-111
Actuarial gains and losses arising from changes in demographic assumptions	-55	1 010
Net liability recognized in balance sheet 31 December	**3 904**	**2 735**
Retirement benefit obligation	**3 904**	**2 735**

CHANGE IN BENEFIT LIABILITY DURING YEAR

(NOK 1 000)	2020	2019
Benefit obligation 1 January	22 255	19 258
Current service cost	1 642	1 201
Interest expense	457	481
Actuarial gains/losses (-)	703	702
Pension payments	-577	-325
Translation differences	347	107
Effect change of plans	0	0
Additions from purchase of companies	0	829
Retirement benefit obligation 31 December	**24 826**	**22 255**

Expected premium payment next year is NOK 2 021 thousand.

CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR

(NOK 1 000)	2020	2019
Plan assets 1 January	19 602	17 624
Return on plan assets	371	401
Actuarial gains/losses (-)	67	-197
Administrative costs	-276	-67
Pension premiums	1 554	1 358
Paid pensions	-481	-335
Translation differences	219	0
Effect change of plans	0	0
Additions from purchase of companies	0	816
Plan assets 31 December	**21 056**	**19 602**

AVERAGE DISTRIBUTION OF PLAN ASSETS BY INVESTMENT CATEGORY AS OF 31 DECEMBER

	2020		2019	
(NOK 1 000)	Allocation	Amount	Allocation	Amount
Shares	7 %	1 516	13 %	2 548
Bonds/certificates	79 %	16 592	76 %	14 897
Property	14 %	2 864	11 %	2 156
Other	0 %	84	0 %	0
Total	**100 %**	**21 056**	**100 %**	**19 602**

The actual return on plan assets in 2020 was NOK 437 thousand (225 thousand in 2019), allowing for previous years' actuarial gains/losses.

CALCULATION OF PENSION EXPENSES AND NET PENSION LIABILITIES IS BASED ON THE FOLLOWING ASSUMPTIONS

	2020		2019	
(NOK 1 000)	Norway	Germany	Norway	Germany
Discount rate	1.7 %	1.14 %	2.31 %	1.46 %
Return on plan assets2	1.7 %	1.14 %	2.31 %	1.46 %
Salary increases	2.25 %	2.0 %	2.25 %	2.00 %
Pension increases	2.0 %	1.5 %	0.50 %	1.50 %
Adjustment of national insurance base rate	2.0 %	1.5 %	2.00 %	1.50 %
Mortality table	K2013 BE	RT Heubech 2018G	K2013 BE	RT Heubech 2018G

The Group has used the Norwegian covered bonds (OMF) as basis for the discount rate as of 31 December for both 2020 and 2019 for the Norwegian plans.

MULTI-EMPLOYER PENSION PLAN IN NORWAY

137 (144) of the Norwegian employees is a member of a new "agreement-based early retirement plan" (new AFP). The AFP plan is a lifelong supplement to the regular pension. Employees can take the new AFP scheme from the age of 62 or remain in employment and earn further benefits until the standard retirement age of 67. The AFP pension scheme is a defined benefit multi-employer pension plan, funded through premiums that are defined as a percentage of salary. The scheme's retirement benefit obligation and plan assets cannot be reliably measured and allocated at present. For accounting purposes, the scheme is treated as a defined contribution plan, with premium payments expensed as incurred, and no obligation recognized in the balance sheet. Premiums is 2.5% (2.5% in 2020) for salaries in the range 1.0 - 7.1 times the national insurance base rate (G) and is expected to increase in the coming years. Total contribution for the arrangement were NOK 1 940 thousand in 2020 and NOK 1 994 thousand in 2019. Expected premium for 2020 is NOK 1 983 thousand.

Note 19 Provisions

(NOK 1 000)	2020	2019
Balance 1 January	72 471	34 122
Additions from purchase of companies	0	19 940
Provisions for the year	32 879	28 957
Translation differences	-1 623	181
Provisions used (and reversed) during the year	-14 425	-10 729
Balance 31 December	**89 301**	**72 471**

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 20 Interest-bearing liabilities

				Carrying amount	
(NOK 1 000)	Interst rate conditions	Currency	Maturity	2020	2019
UNSECURED					
Bond loan	Nibor 3 month + 3,75%	NOK	15.03.2023	1 100 000	1 100 000
Total unsecured non-current liabilities				**1 100 000**	**1 100 000**
SECURED					
Bank loan (bullet)	Euribor 3 month + margin	EUR	15.03.2023	146 584	138 132
Bank loan (bullet)	Libor 3 month + margin	USD	15.03.2023	0	74 690
OTHER					
Amortized transaction costs loans		NOK		-40 457	-14 765
Total secured and other non-current liabilities				**106 127**	**198 057**
Total non-current liabilities				1 206 127	1 298 058
1st year's instalments, non-current liabilities				0	0
Total non-current liabilities, not including 1st year's instalments				**1 206 127**	**1 298 058**
Cross-currency hedging of bond loan	Pay Libor USD 3 month+/ Receive Nibor 3m+	USD		-78 829	-44 859

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

2021	2022	2023	2024	2025	Thereafter
0	0	1 206 127	0	0	0

The current financing facility is a bilateral facility with DNB Bank. The overall size of the facility is NOK 600 million, comprising a main revolving credit with overdraft facility of NOK 600 million.

There are no breaches of the financial covenants under the financing facility agreements.

On 7 March 2019 the Group completed a new senior unsecured bond issue of NOK 1.1 billion with maturity in March 2023 and a coupon of 3 month NIBOR + 3.75% p.a. with quarterly interest payments. The bond, Hex 03 is listed on Oslo Stock Exchange. The unsecured bond for NOK 1 100 million was issued to complete the long-term financing of the Agility transaction. The company also entered into a cross-currency swap to effectively convert the NOK denominated bond loan into USD. The fixed USD denominated balance on entering into the swap was USD 120.3million. The swap has a term concurrent with the bond loan.

RECONCILIATION FOR LIABILITIES ARISING FROM FINANCING ACTIVITIES

(NOK 1 000)	Non-current interest-bearing liabilities	Short-term loans	Lease liabilities	Total
Liabilities 1 January 2019	**516 163**	**5 769**	**267 266**	**789 198**
Addition from acquisition of companies	73 254	0	47 921	121 175
Repayment of non-current liabilities	-1 523 330	0	0	-1 523 330
Repayment of lease liabilities	0	0	-44 960	-44 960
Repayment of current liabilities	0	-2 912	0	-2 912
New non-current liabilities	2 242 266	0	0	2 242 266
New lease liabilities	0	0	15 133	15 133
Exchange differences	3 322	0	4 927	8 249
Other transactions without cash settlement	-13 617	0	4 345	-9 272
Balance 31 December 2019	**1 298 058**	**2 857**	**294 632**	**1 595 547**
Liabilities 1 January 2020	**1 298 058**	**2 857**	**294 632**	**1 595 547**
Repayment of non-current liabilities	-77 085	0	0	-77 085
Repayment of lease liabilities	0	0	-62 647	-62 647
Repayment of current liabilities	0	-2 857	0	-2 857
New lease liabilities	0	0	40 346	40 346
Exchange differences	10 943	0	-2 023	8 920
Other transactions without cash settlement	-25 789	0	5 398	-20 391
Balance 31 December 2020	**1 206 127**	**0**	**275 705**	**1 481 832**

Note 21 Short-term interest-bearing loans

(NOK 1 000)	2020	2019
SECURED		
Current interest-bearing liabilities	0	2 857
1st year's instalments lease liabilities	45 146	47 703
Total	**45 146**	**50 560**

Current short-term interest-bearing debt is subject to the same financial terms as the secured non-current interest-bearing debt disclosed in note 20. The overdraft facility in Norway is subject to NIBOR + margin. In addition to this is a periodic commission on the facility.

As at 31.12.2020 the Group had not drawn on these facilities.

Note 22 Trade payables and other current liabilities

(NOK 1 000)	2020	2019
Trade payables	290 371	307 237
Forward exchange contracts	0	245
Public duties payable	28 162	23 279
Accrued expenses and other current liabilities	228 851	241 819
Withholding tax	87 095	0
Total	**634 484**	**572 580**

Note 23 Leases

THE GROUP AS LESSEE /LEASES

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

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	2019 total
AT COST				
Cost of acquisition 1.1 (right-of-use asset implementation)	279 206	380	5 451	285 037
Additions of right-of-use assets	14 049	0	1 084	15 133
Disposals	0	0	0	0
Transfers and reclassifications	0	0	0	0
Additions from purchase of companies	47 921	0	0	47 921
Translation differences	1 746	4	-21	1 729
Cost of acquisition 31.12	**342 921**	**384**	**6 515**	**349 820**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Accumulated depreciation and impairment 1.1 (at implementation)	10 159	0	531	10 689
Depreciation for the year	52 465	384	2 346	55 196
Impairments for the year	0	0	0	0
Disposals	0	0	0	0
Transfers and reclassifications	0	0	0	0
Translation differences	123	0	-5	118
Accumulated depreciation and impairment	**62 747**	**384**	**2 872**	**66 003**
Carrying amount of right-of-use assets as of 31.12	**280 174**	**0**	**3 643**	**283 817**

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	2020 total
AT COST				
Cost of acquisition 1.1	342 921	384	6 515	349 820
Additions of right-of-use assets	10 125	30 068	152	40 346
Disposals	0	0	0	0
Transfers and reclassifications	0	0	0	0
Additions from purchase of companies	0	0	0	0
Translation differences	-3 368	531	225	-2 612
Cost of acquisition 31.12	**349 678**	**30 983**	**6 892**	**387 553**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Accumulated depreciation and impairment 1.1	62 747	384	2 872	66 003
Depreciation for the year	50 614	5 173	1 423	57 210
Impairments for the year	0	0	0	0
Disposals	0	0	0	0
Transfers and reclassifications	0	0	0	0
Translation differences	-3 375	1 106	57	-2 212
Accumulated depreciation and impairment	**109 986**	**6 663**	**4 352**	**121 002**
Carrying amount of right-of-use assets as of 31.12	**239 692**	**24 320**	**2 540**	**266 552**

LEASE LIABILITIES

(NOK 1 000)	2020 total	2019 total
UNDISCOUNTED LEASE LIABILITIES AND MATURITY CASH OUTFLOWS		
Less than 1 year	66 483	64 791
1-2 years	58 518	47 660
2-3 years	38 408	41 365
3-4 years	34 060	30 127
4-5 years	19 258	26 693
More than 5 years	141 638	183 239
Total undiscounted lease liabilities at 31 December	**358 364**	**393 875**

SUMMARY OF THE LEASE LIABILITIES

(NOK 1 000)	2020 total	2019 total
Lease liabilities 1.1 / At initial application 1.1.	294 632	267 266
New lease liabilities recognized in the year	40 346	15 133
Additions from purchase of companies	0	47 921
Transfers and reclassifications	0	0
Cash payments for the principal portion of the lease liability	-62 647	-44 960
Cash payments for the interest portion of the lease liability	-5 725	-4 537
Interest expense on lease liabilities	11 123	8 883
Currency exchange differences	-2 023	4 927
Total lease liabilities at 31 December	**275 705**	**294 632**
Current lease liabilities	45 146	47 203
Non-current lease liabilities	230 559	246 929

SUMMERY OF CAHS OUTFLOWS LEASES

(NOK 1 000)	2020	2019
Cash payments for leases	68 372	49 498
Variable payments	727	672
Cash payments related to short-term leases and leases of low value	127	121
Total cash outflows for leases	**69 226**	**50 190**

Some of the leases have options to extend the contract beyond the period used in the calculations. For most cases the probabliity 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 opertional risks related to leases are identified.

The Group has entered into some minor short-term leasing agreement for mobile pipeline systems to customers. The carrying amount of assets leased to others under operating leases are as follows:

THE GROUP AS A LESSOR

(NOK 1 000)	2020	2019
Fixtures & fittings	60 299	64 169
Total	**60 299**	**64 169**
Accumulated depreciation	12 791	7 491
Booked value	**47 508**	**56 678**

All leases are on short-term and the future minimum lease payment related to the fixed assets in 2021 are expected to be MNOK 2.8.

Note 24 Financial instruments

FINANCIAL RISK

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade 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 use some financial derivatives for hedging purposes.

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 to hedge risks associated with interest rate and foreign currency fluctuations. The Group uses derivative financial instruments to minimize these risks under its strategy for interest and currency exposure. The accounting treatment of financial derivatives is described in note 2.

THE GROUP HAS THE FOLLOWING FINANCIAL ASSETS AND LIABILITIES DIVIDED INTO DIFFERENT CATEGORIES FOR ACCOUNTING TREATMENT AND RECONCILED AGAINST THE BALANCE SHEET ITEMS 31.12.2020

(NOK 1 000)	Derivatives designated as hedging instruments through profit or loss	Equity instruments designated at fair value through OCI	Financial instruments at fair value through OCI	Financial instruments at amortized cost	Total
ASSETS					
Other non-current assets	78 829			1 094	79 924
Trade receivables				450 456	450 456
Forward exchange contracts	41				41
Bank deposits, cash and cash equivalents				1 649 882	1 649 882
Total financial assets	**78 870**	**0**	**0**	**2 101 432**	**2 180 302**
LIABILITIES					
Non-current interest-bearing liabilities				1 206 127	1 206 127
Non-current lease liabilities				230 559	230 559
Current lease liabilities				45 146	45 146
Trade payables and other current liabilities				634 484	634 484
Total financial liabilities	**0**	**0**	**0**	**2 116 316**	**2 116 316**

THE GROUP HAS THE FOLLOWING FINANCIAL ASSETS AND LIABILITIES DIVIDED INTO DIFFERENT CATEGORIES FOR ACCOUNTING TREATMENT AND RECONCILED AGAINST THE BALANCE SHEET ITEMS 31.12.2019

(NOK 1 000)	Derivatives designated as hedging instruments through profit or loss	Equity instruments designated at fair value through OCI	Financial instruments at fair value through OCI	Financial instruments at amortized cost	Total
ASSETS					
Other non-current assets	44 859			4 133	48 992
Trade receivables				438 562	438 652
Bank deposits, cash and cash equivalents				177 651	177 651
Total financial assets	**44 859**	**0**	**0**	**620 346**	**665 295**
LIABILITIES					
Non-current interest-bearing liabilities				1 298 058	1 298 058
Non-current lease liabilities				246 929	246 929
Current lease liabilities				47 203	47 203
Short-term loans				2 857	2 857
Forward exchange contracts	245				245
Trade payables and other current liabilities				572 580	572 580
Total financial liabilities	**245**	**0**	**0**	**2 167 382**	**2 167 627**

(I) 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 Group has a small number of large customers or counterparties who could be considered to be a Group due to similarities in credit risk. The risk associated with these counterparties is regularly reviewed and is minimized by measures such as use of credit insurance. The subsidiaries Hexagon Ragasco AS and Hexagon Purus GmbH applies credit insurance to cover parts of the companies' receivables.

Trade receivables amounted to NOK 463 748 thousand (453 136 thousand). Except of parts in Hexagon Ragasco AS and 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, including derivatives, in the balance sheet represents the maximum risk exposure. As counterparties in derivative transactions are normally banks, the credit risk associated with derivatives is considered to be negligible. The Group considers its maximum risk exposure to be the carrying amount of its trade receivables (see note 14), contract assets (see note 4) and other current assets (see note 15).

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 14 disclose the ageing of trade receivables.

(II) INTEREST RATE RISK

The Group is exposed to interest rate risk from its financing activities (see notes 20 and 21). The majority of the Group's interest-bearing liabilities have variable interest rates, which means it is affected by changes in interest rates.

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 Composites liabilities based on a total assessment of interest expectations and risk profile. The total fixed-interest term must not be below 0 years and must not exceed 10 years. The Group may use derivatives to adjust its effective interest rate exposure. As a starting point, all interest rate derivatives are adapted to the duration and other conditions of individual loans. Bank loan facility has been drawn in Euro and USD, with EURIBOR/LIBOR base rates. As part of the financing of the acquisition of Agility a new senior unsecured bond was issued of NOK 1,1 billion with a coupon of 3-month NIBOR + margin. A cross-currency hedge has been established where the Group receives a variable rate equal to NIBOR + margin and pays a variable rate equal to LIBOR + margin. Apart from this, the group remains unhedged at end 2020 as was the case by end 2019.

The following table shows the group's sensitivity to potential changes in interest rates. The calculations take into account all interest-bearing instruments and associated interest rate derivatives (if any) as of 31.12.

	Change in interest rates in base points	Effect on profit/loss after tax (NOK 1 000)	Gains or losses on interest rate derivatives in comprehensive income after tax (NOK 1 000)
2020	+50	-4 704	0
	-50	4 704	0
2019	+50	-5 062	0
	-50	5 062	0

Based on the interest-bearing liabilities which existed as of 31 December 2020, an interest rate increase of 1% would reduce profit after tax by NOK 9 407 thousand (10 125 thousand).

THE AVERAGE EFFECTIVE INTEREST RATE ON FINANCIAL LIABILITES WAS AS FOLLOWS

	2020	2019
Bank overdrafts	1.7 %	3.9 %
Bank loan	3.0-3.8 %	3.6-3.9 %
Bond loan	4.8 %	5.8 %

(III) 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. Undrawn credit facilities are dealt with in note 16.

The majority of excess liquidity is invested in bank deposits.

The following table provides an overview of the maturity structure of the group's financial obligations based on undiscounted contractual payments. In cases where the counterparty is entitled to ask for early settlement, the amount is included in the earliest period in which the payment may be demanded. If the counterparty is entitled to ask for on-demand settlement, the amount is included in the first column (under 1 month):

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 bank loan				1 246 584		1 246 584
Interest on loan		14 593	43 778	72 963		131 333
Repayment of leases	3 762	7 524	33 860	115 594	114 966	275 706
Interest on leases	1 333	2 665	11 993	33 997	26 672	82 660
Trade payables and other current liabilities	294 141	111 487	228 856			634 484
Total	**299 236**	**136 101**	**318 310**	**1 475 523**	**141 638**	**2 370 766**

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 bank loan				1 298 058		1 298 058
Interest on loan		18 507	55 520	171 836		245 863
Other short-term liabilities (earn-out and other)			2 857			2 857
Forward exchange contracts		-54	332	-33		245
Repayment of leases		11 926	35 777	95 395	151 534	294 632
Interest on leases		4 272	12 816	46 999	35 156	99 244
Trade payables and other current liabilities	214 835	115 681	241 819			572 335
Total	**214 835**	**150 332**	**349 122**	**1 612 255**	**186 690**	**2 513 234**

(IV) 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 carrying amount of the Group's net investments in foreign companies fluctuates as the Norwegian krone moves in relation to other relevant currencies. 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 uses 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.

The following table shows the group's sensitivity to potential changes in the Norwegian krone, with all other conditions remaining constant. The calculation is based on the same movement of the krone against the relevant currencies. The effect on the profit/loss is caused by changes in the value of monetary items and currency derivatives. The effect on equity is caused by currency effects of net investments in foreign currencies.

	Movements of NOK against USD	Effect on profit/loss before tax	Effect on other income and expenses before tax (NOK 1 000)
2020	+5 %	13 991	-16 255
	-5 %	-13 991	16 255
2019	+5 %	26 544	1 886
	-5 %	-26 544	-1 886

	Movements of NOK against EUR	Effect on profit/loss after tax	Effect on other income and expenses after tax (NOK 1 000)
2020	+5 %	18 624	-4 984
	-5 %	-18 674	4 984
2019	+5 %	16 728	-2 936
	-5 %	-16 728	2 936

The fair values of derivatives classified as hedging instruments are reported under other current assets/liabilities or other non-current assets/liabilities depending on the recovery or settlement date for the associated hedged item.

As of 31.12.2020, the group had the following forward contracts to hedge forecast sales to customers. Forward contracts are used to reduce currency risk associated with expected future sales. The terms of the contracts are as follows:

FORWARD EXCHANGE CONTRACTS

	Currency sell/buy	Amount (NOK 1 000)	Maturity	Exchange rate	Fair value 31.12.2020
Forward contracts to hedge expected future sales 1)	EUR/NOK	2 975/30 911	2021	9.97 - 11.07	-344
Forward contracts to hedge expected future sales 1)	EUR/NOK	1 250/13 660	2022	10.67 - 11.22	386
Total					**41**

1) The forward contracts do not qualify for hedge accounting under IFRS 7

As of 31.12.2019, the Group had the following forward contracts to hedge future sales to customers.

	Currency sell/buy	Amount (NOK 1 000)	Maturity	Exchange rate	Fair value 31.12.2019
Forward contracts to hedge expected future sales 1)	EUR/NOK	6 520/64 731	2020	9.78 - 10.41	-278
Forward contracts to hedge expected future sales 1)	EUR/NOK	2 000/20 424	2021	9.97 - 10.63	+33
Total					**-245**

1) The forward contracts do not qualify for hedge accounting under IFRS 7.

Net investments in foreign operations

An intercompany interest-bearing loan from Hexagon Composites ASA at 31 December 2020 of USD 105 091 thousand (MNOK 896.7) and USD 55 091 thousand (MNOK 483.7) at 31 December 2019 has been designated as net investments in the subsidiary in the United States, Hexagon USA Holdings Inc. Settlement of this loan is neither planned nor is likely to occur in the foreseeable future. This borrowing is being used to reduce the exposure to the USD foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses in the Group on translation of this loan in the Group.

At 31 December 2020 there is recognized a hedging loss of NOK 77 221 thousand (hedging gain on NOK 3 945 thousand at 31 December 2019) in OCI related to this loan. Accumulated OCI effect in equity at 31 December 2020 is NOK -60 207 thousand (NOK 17 014 thousand at 31 December 2019). The hedging loss recognized in OCIis equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognized in profit and loss.

(V) MEASUREMENT OF FAIR VALUE

The fair value of forward exchange contracts is calculated by comparing the agreed forward rate and the estimated equivalent forward rate prevailing on the balance sheet date with the same maturity multiplied by the fixed volume specified in the contract. For the derivatives, the fair value is confirmed by the financial institution with which the Company has entered into the contract.

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 nominal value in the balance sheet as of 31 December, without taking into account the discount rate which relates to future inflows and outflows. Loans to employees and non-current interest-bearing liabilities are recognized in accordance with amortized cost.

The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and other current receivables and payables is approximately equal to fair value since they are short term and entered into on "normal" terms and conditions. The carrying amount of bank overdrafts are assessed to be approximately equal to fair value because the floating interest rate are adjusted to reflect current conditions.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		2020		2019	
(NOK 1 000)	Level	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS					
Other non-current assets	2	79 924	79 924	48 992	48 992
Trade receivables		450 456	450 456	438 562	438 562
Forward exchange contracts	2	41	41	0	0
Bank deposits, cash and cash equivalents		1 649 882	1 649 882	177 651	177 651
FINANCIAL LIABILITIES					
Bank loans	2	146 250	146 584	212 072	212 823
Bond loan (incl amortized costs)	2	1 059 877	1 094 500	1 085 986	1 112 650
Lease liabilities	2	275 705	275 705	294 632	294 632
Short-term loans	2	0	0	2 857	2 857
Forward exchange contracts	2	0	0	245	245
Trade payables and other current liabilities		634 484	634 484	572 580	572 580

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.

The fair value of the bond loan is based on the latest observable transaction at Oslo Stock Exchange (HEX03). The other parts of the Group's interest-bearing bank loans and finance leases are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31.12.2020 and 31.12.2019 was assessed to be insignificant.

The Group enters into foreign exchange contracts with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations.

FINANCIAL INSTRUMENTS APPRAISED AT FAIR VALUE WITH GAINS AND LOSSES IN THE INCOME STATEMENT

(NOK 1 000)	2020	2019
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	1 015 630	1 157 264
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**1 015 630**	**1 157 264**

FINANCIAL INSTRUMENTS APPRAISED AT FAIR VAUE WITH GAINS AND LOSSES OVER OTHER INCOME AND EXPENSES IN TOTAL COMPREHENSIVE INCOME

(NOK 1 000)	2020	2019
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	0	0
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**0**	**0**

OTHER INFORMATION RELATING TO FINANCIAL INSTRUMENTS

During the reporting period there were no financial assets or liabilities which were reclassified by changing the measurement method from amortized cost to fair value or vice versa, and there were no changes in the fair value measurement which caused transfers between level 1 and level 2, and no transfers to or from level 3

(VI) CAPITAL STRUCTURE AND EQUITY

The main goal of the Group's capital structure management is to ensure it maintains a strong credit rating (and therefore reasonable borrowing terms from lenders) and a level of equity which is reasonable in relation to the Group's operations.

By achieving a good debt/equity ratio, the Group will be able to support its operations and in doing so maximize the value of its shares.

The Group's shareholders shall receive a competitive return on their shares, mainly through price increases in the Group's shares, but also in the form of dividends based on financial performance/investment needs.

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. No changes to guidelines in this area were made in 2019 or 2020.

Note 25 Investments in joint ventures and associates

The Group has classified the investment in Hyon AS and Norwegian Hydrogen AS as joint ventures and associates. The entities are 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 are based on a operational agreement and shareholder agreement. Under these agreements, it is required unanimity between the parties for making decisions about relevant activities. Accordingly, the ventures have 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 are limited to the capital contribution, and the return equals the Group's share of profit/loss. The investments in joint ventures and associates are accounted for according to the equity method.

HEXAGON COMPOSITES ASA HAS THE FOLLOWING INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Company	Country	Business segment	Ownership share	Votes
Hyon AS	Norway	Hexagon Purus	33.33 %	33.33 %
Norwegian Hydrogen AS	Norway	Hexagon 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	18	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	18	0
Trade payables	0	0

HEXAGON COMPOSITES 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	-951	-749
Book value as at 31.12.	**0**	**651**

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

HEXAGON COMPOSITES 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	-934	0
Book value as at 31.12.	**2 066**	**0**

There are no material transactions between Hexagon Group, Hyon AS and Norwegian Hydrogen AS in 2020 and 2019 . Hyon AS and Norwegian Hydrogen does not have an observable market value in form of market price or similar.

Note 26 Share-based payment

The Group has a share option program and a restricted share units program (RSUs) covering certain employees in senior positions.

As at 31.12.2020, 79 employees were included in the share option and RSUs programs.

1 April 2016 Hexagon Composites ASA issued 925,000 call options to senior executives and managers in the Group at NOK 20 per share. These options were fully exercised during the first quarter 2019.

5 April 2017 Hexagon Composites ASA issued 1,450,000 new call options to senior executives and managers in the Group at NOK 27 per share. 7 September 2017 additional 190,000 call options were added to this program. 1 565 000 of these options were exercised during 2020.

22 May 2018 Hexagon Composites ASA issued 1,200,000 call options to senior executives and managers in the Group at NOK 20,85 per share, provided that the share price on the date of exercise is minimum NOK 25.36 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2020, first quarter of 2021 or second quarter of 2021.

20 December 2018 Hexagon Composites ASA issued 100 000 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

12 April 2019 Hexagon Composites ASA provisionally awarded 2,492,438 Performance Share Units (PSUs) to senior executive management in the Group. The PSUs are non-transferable and will vest on 11 February 2022 subject to satisfaction of the applicable vesting conditions (fulfilling Group EBITDA and revenue targets). The actual number of PSUs vested will depend on 2019 performance and attain minimum zero and maximum 2,492,438. Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

26 September 2019 Hexagon Composites ASA issued 49,994 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

22 April 2020 Hexagon Composites ASA decided to provisionally award up to 3 711 634 Performance Share Units ("PSUs") to executives. The PSUs are non-transferable and will vest in Q1 2023 subject to satisfaction of the applicable vesting conditions (fulfilling Group EBITDA and revenue targets). Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

29 July 2020 Hexagon Composites ASA issued 70,000 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

The fair value of the options, PSUs and RSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with these programs were NOK 22.9 million YTD 31 December. The fair value of all outstanding share options (1,140,000), PSUs (4,582,675) and RSUs (219,994) is estimated to NOK 28.8 million per 31 December 2020.

There are no cash settlement obligations. The Group does not have a past practice of cash settlement for outstanding share options and RSUs.

OVERVIEW OF NUMBER OF OUTSTANDING INSTRUMENTS

(NOK 1 000)	Share options 2020	RSUs 2020	PSUs 2020	Share options 2019	RSUs 2019	PSUS 2019
Outstanding instruments 1 January	2 705 000	149 994	2 235 906	3 675 000	100 000	0
Instruments granted	0	70 000	3 711 634	0	49 994	2 422 476
Instruments exercised	-1 565 000	0		-875 000	0	
Instruments lapsed/cancelled	0	0	-1 364 902	-95 000	0	-186 570
Share instruments outstanding 31 December	**1 140 000**	**219 994**	**4 582 638**	**2 705 000**	**149 994**	**2 235 906**
Exercisable at 31 December	0	0	0	0	0	0
Weighted average exercised price (NOK)	27.00	NA	NA	20.00	NA	NA

THE FOLLOWING TABLE LIST THE INPUT TO THE MODEL USED FOR THE PLAN FOR YEAR ENDED 31 DECEMBER

(NOK 1 000)	RSUs awarded 2020	PSUs awarded 2020	RSUs awarded 2019	PSUs awarded 2019
Weighted average fair values at the measurement date per share (NOK)	46,76	27,40	27,65	36,50
Dividend yield (%)	0 %	0 %	0 %	0 %
Expected volatility (%)	0 %	0 %	0 %	0 %
Risk-free interest rate (%)	0 %	0 %	0 %	0 %
Expected life of share options (years)	4,00	3,84	4,00	3,83
Weighted average share price (NOK)	0,00	0,0	0,0	0,0
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

Note 27 Transactions with related parties

The Group's related parties consist of associates, joint ventures, main shareholders, members of the Board and management. Transactions with joint ventures and associates are disclosed in note 25.

There are no sales to, purchases from, loans to, receivables or liability/payables to 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.

All the transactions were carried out as part of normal business and at arm's length prices.

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

(NOK 1 000)	2020	2019
Sales revenue	7 472	18 765
Cost of materials	0	0
Other operating expenses	0	2 024

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

(NOK 1 000)	2020	2019
Trade receivables	0	399
Trade payables	0	0

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 instruments3)	Total remuneration 2020	Total remuneration 2019
EXECUTIVE MANAGEMENT							
Jon Erik Engeset, Group President	3 662	1 902	14	175	2 237	7 990	6 820
David Bandele, CFO	2 314	755	13	175	1 410	4 667	3 957
Morten Holum, EVP	2 299	0	9	161	0	2 470	817
Jack Schimenti, EVP	3 194	1 087	0	155	1 515	5 952	5 049
Heiko Chudzick, EVP Operations	2 386	2 016	252	0	0	4 655	4 333
Karen Romer, SVP Communications	1 108	0	8	102	0	1 218	0
Skjalg Sylte Stavheim, President Hexagon Ragasco LPG	2 168	442	6	125	1 410	4 152	4 127
Seung W. Baik, President Agility Fuel Solutions	3 622	3 889	165	161	0	7 837	6 167
BOARD OF DIRECTORS							
Knut Flakk, Chairman	700					700	585
Kristine Landmark, Deputy Chair	430					430	320
Hans Peter Havdal	0					0	0
Liv Astri Hovem	0					0	0
Katsunori Mori 2)	0					0	0
FORMER BOARD MEMBERS							
Sverre Narvesen	360					360	250
Elisabeth Heggelund Tørstad	300					300	200
Suzana Quintana Plaza	0					0	200
Total remuneration	**22 544**	**10 092**	**468**	**1 054**	**6 572**	**40 731**	**32 826**

1) Bonuses paid in the year relate to the year 2019.
2) Mr. Katsunori Mori has advised the company that he waives any board remuneration for the period he will serve on the board of directors.
3) The value of exercised share options relates to options issued in 2017. Executives hold other share-based instruments as well (see note Share based payments).

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.

At the end of the year, the following bonuses were allocated:

NOK 2 106 thousand to the Group President and NOK 871 thousand to the Group CFO.

Group management participates in the Company's general pension arrangements, which are described in note 18, Pensions. The Group President and CFO participate in the Group's defined contribution plan.

Group management participate in the Company's share-based incentive scheme, which are described in note 26, Share-based Payment. As of 31.12.2020 the Group President has 120 thousand (370 thousand) share options and 180 thousand (137 thousand) provisional performance share units (PSUs) outstanding. The CFO has 80 thousand (230 thousand) share options and 121 thousand (93 thousand) provisional PSUs outstanding.

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
Knut Flakk, (Chairman) [1)]	29 384 969	29 384 969
Kristine Landmark (Deputy chair) [2)]	10 000	10 000
Katsunori Mori (Board member) [3)]	45 833 321	45 833 321
Hans Petter Havdal	3 900	0

1) Of the shares owned by Knut Flakk, 131 248 are privately owned, 500 000 are owned by his wife and 28 753 721 are owned through limited liability companies.

2) The shares are owned by Kristine Landmark's husband.

3) Shares owned by Mitsui & Co., Ltd., represented in the Board by Katsunori Mori.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2020	2019
Jon Erik Engeset, Group President [1)]	263 554	201 315
David Bandele, Chief Financial Officer	88 317	68 949

1) The shares owned by Jon Erik Engeset, 64 106 are privately owned and 199 448 are owned by related limited liability companies.

Pursuant to Section 6-16a of the Norwegian Public Limited Liabilities Companies Act, the board must prepare a declaration regarding the determination of pay and benefits to the managing director and other key management personnel. Reference is made to the separate management declaration.

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

(NOK 1 000)	2020	2019
Statutory audit and auditing-related services	7 391	6 302
Other attestation services	332	510
Tax advice	2 992	4 585
Other non-auditing services	1 851	178
Total	**12 565**	**11 576**

Note 28 Purchasing commitments

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM PURCHASING MATERIALS

(NOK 1 000)	2020	2019
2020		231 057
2021	276 130	
Thereafter	98 296	
Total	**374 425**	**231 057**

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM CONTRACTS FOR INVESTMENTS IN PRODUCTION FACILITIES/MACHINES

(NOK 1 000)	2020	2019
2020		14 762
2021	38 806	
Thereafter		
Total	**38 806**	**14 762**

Note 29 COVID-19 considerations

Hexagon has prepared COVID-19 contingency plans by site, based on local requirements. We are closely monitoring the COVID-19 situation, including developments and decisions being made in areas where we do business. The Company is not able to accurately predict the final outcome from COVID-19 related effects, but we remain vigilant and will employ further counter-measures to mitigate such effects if required.

Over one hundred confirmed cases of COVID-19 infection to-date have been reported among Hexagon personnel. Tragically, in February 2021 we were informed of our first fatality in the Hexagon family due to the pandemic. The infection was non-work related. Of the other confirmed cases, all have recovered or are recovering. All production facilities have remained open and only marginally affected during the year. Hexagon businesses typically are offered essential worker/ infrastructure services status which allows us to operate even during strict lockdown periods.

The largest financial impacts were observed in Q2 2020, mainly in Hexagon Agility's Transit bus and mobile pipeline businesses. However, market demand has remained strong and recovery was effective within Hexagon Agility in the second half of 2020. This momentum is expected to continue in 2021, though generally it is difficult to assess or predict with precision the future broad effects of COVID-19. The actual ongoing impact will depend on many factors beyond a company's control and knowledge. As of the date of approval of this report the Company has not required any material impairments in the balance sheet related to COVID-19 and remains financially robust with good liquidity.

Note 30 List of subsidiaries and associates

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Company	Home country	Registered office	Business segment	Ownership share	Votes
SUBSIDIARIES					
Hexagon Ragasco AS	Norway	Raufoss	Hexagon Ragasco LPG	100 %	100 %
Hexagon Ragasco NA Inc.	USA	Lincoln, NE	Hexagon Ragasco LPG	100 %	100 %
Composite Scandinavia AB	Sweden	Piteå	Hexagon Ragasco LPG	100 %	100 %
Hexagon Composites India Pvt. Ltd.	India	Bangalore	Hexagon Ragasco LPG	100 %	100 %
Hexagon Composites Russia LLC	Russia	Nizhny Novgorod	Hexagon Ragasco LPG	100 %	100 %
Hexagon Mobile Pipeline GmbH	Germany	Kassel	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon USA Holdings Inc.	USA	Delaware, DE	Unallocated	100 %	100 %
Hexagon R&D Services LLC	USA	Lincoln, NE	Unallocated	100 %	100 %
Hexagon Lincoln LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Technical Services LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Digital Wave LLC	USA	Denver, CO	Hexagon Mobile Pipeline & Other	100 %	100 %
Agility Fuel Solutions Holding Holding Inc	USA	Delaware, DE	Agility	100 %	100 %
Agility Fuel Solutions LLC	USA	Delaware, DE	Agility	100 %	100 %
Agility Fuel Systems LLC	USA	Costa Mesa, CA	Agility	100 %	100 %
FAB Holding LLC	USA	Fontana, CA	Agility	100 %	100 %
FAB Enterprice LLC	USA	Fontana, CA	Agility	100 %	100 %
FAB Services West LLC	USA	Fontana, CA	Agility	100 %	100 %
Enviromech Industries LLC	USA	Costa Mesa, CA	Agility	100 %	100 %
Enviromech Industries ULC	Canada	Kelowna, BC	Agility	100 %	100 %
AFS MGF LLC	USA	Costa Mesa, CA	Agility	100 %	100 %
AFS Salisbury LLC	USA	Salisbury, NC	Agility	100 %	100 %
Agility Cylinders, LLC	USA	Lincoln, NE	Agility	100 %	100 %
Agility Powertrain Systems, LLC	USA	Costa Mesa, CA	Agility	100 %	100 %
Agility India Private Ltd	India	Bangalore	Agility	100 %	100 %
Agility Fuel Solutions Norway AS	Norway	Raufoss	Agility	100 %	100 %
Agility Fuel Solutions Brazil Ltda	Brazil	Sao Paulo	Agility	100 %	100 %
Hexagon Raufoss AS	Norway	Raufoss	Hexagon Purus	100 %	100 %
Hexagon Purus Holding AS	Norway	Aalesund	Hexagon Purus	75 %	75 %
Hexagon Technology H2 AS	Norway	Aalesund	Hexagon Purus	75 %	75 %
Hexagon Composites Germany GmbH	Germany	Herford	Hexagon Purus	75 %	75 %
Hexagon Purus GmbH	Germany	Kassel	Hexagon Purus	75 %	75 %
xperion E&E Overseas GmbH	Germany	Herford	Hexagon Purus	75 %	75 %
xperion E&E US Holding Inc.	USA	Heath, OH	Hexagon Purus	75 %	75 %
xperion E&E USA LLC	USA	Heath, OH	Hexagon Purus	75 %	75 %
Hexagon Purus North America Holdings Inc.	USA	Lincoln, NE	Hexagon Purus	75 %	75 %
Hexagon Purus LLC	USA	Lincoln, NE	Hexagon Purus	75 %	75 %
Hexagon Masterworks Inc.	USA	Lincoln, NE	Hexagon Purus	75 %	75 %
Hexagon Purus Systems USA, LLC	USA		Hexagon Purus	75 %	75 %
Hexagon Purus Systems Canada, LLC	Canada		Hexagon Purus	100 %	100 %
Hexagon Technology AS	Norway	Aalesund	Unallocated	100 %	100 %
Hexagon Cylinders India Pvt. Ltd.	India		Hexagon Mobile Pipeline & Other	100 %	100 %
JOINT VENTURES / ASSOCIATES					
Hyon AS	Norway	Oslo	Hexagon Purus	33.33 %	33.33 %
Norwegian Hydrogen AS	Norway	Oslo	Hexagon Purus	20.98 %	20.98 %

Note 31 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
GBP	11.5936	12,0514	11.6462
RUB	14.1000	13,0653	11.4470
CHF	908.7700	1001,6900	969.2500
SEK	94.4200	102,2658	104.3500

Note 32 Events after the balance sheet date

- Signed joint venture agreements with CIMC Enric for China and Southeast Asiain March 2021
- Defined the new structure of Hexagon Agility, integrating Agility Fuel Solutions and Hexagon Mobile Pipeline® effective 1 January 2021
- In January 2021, the CNG LDV business was transferred from Hexagon Purus
- Hexagon Agility received an order for TITAN® 53 transport modules with a total estimated value of USD 5.7 million (approx. NOK 54 million)
- Hexagon Agility received two orders from major global logistics customer for CNG trucks, with an estimated value of USD 13.5 million (approx. NOK 127 million)
- Hexagon Agility and Hexagon Purus signed a USD 85 million (approx. NOK 718 million) multi-year agreement with Certarus for the supply of CNG and hydrogen distribution modules, as well as heavy-duty truck CNG fuel systems

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

Income statement – Parent Company

Hexagon Composites ASA

(NOK 1 000)	Note	2020	2019
Other revenue	5	108 836	72 611
Total operating income		**108 836**	**72 611**
Payroll & social security expenses	7,10,13	56 823	49 321
Depreciation and impairment	2	217	273
Other operating expenses	10	68 569	47 760
Operating profit		**-16 773**	**-24 743**
Income from investment in subsidiaries	9	62 000	94 358
Finance income	11,12	963 637	242 442
Finance expense	4,11,12	164 482	102 284
Profit on ordinary activities before tax		**844 381**	**209 773**
Tax on profit on ordinary activities	9	37 295	46 111
Profit on ordinary activities		**807 086**	**163 662**
Profit/loss for the year		**807 086**	**163 662**
Allocated to dividends	1	0	0
Transferred equity	1	807 086	163 662
Total transferred		**807 086**	**163 662**

Balance sheet – Parent Company

Hexagon Composites ASA

(NOK 1 000)	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings and other real estate	2	6 101	6 000
Fixtures/fittings, equipment and tools	2	927	942
Total property, plant & equipment		**7 028**	**6 942**
FINANCIAL ASSETS			
Investments in subsidiaries	3	1 257 608	126 622
Investments in associates and joint ventures	3	0	0
Loans to group companies	4,5	2 320 303	2 803 069
Other non-current receivables	4	78 862	44 859
Investments in shares		301	367
Total financial assets		**3 657 075**	**2 974 916**
Total non-current assets		**3 664 103**	**2 981 858**
CURRENT ASSETS			
RECEIVABLES			
Other receivables	5	141 508	94 557
Total receivables		**141 508**	**94 557**
Bank deposits, cash and cash equivalents	6	106 985	1 345
Total current assets		**248 492**	**95 901**
Total assets		**3 912 595**	**3 077 760**

Balance sheet – Parent Company

Hexagon Composites ASA

(NOK 1 000)	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
PAID-IN CAPITAL			
Share capital	1,8	20 162	18 329
Own shares	1	-185	-197
Share premium	1	2 075 999	1 203 145
Other paid-in capital	1	69 615	48 742
Total paid-in capital		**2 165 591**	**1 270 018**
Other equity	1	348 880	374 607
Total other equity		**348 880**	**374 607**
Total equity		**2 514 470**	**1 644 625**
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	4	1 206 127	1 298 058
Deferred tax liabilities	9	12 869	33 297
Total other non-current liabilities		**1 218 997**	**1 331 355**
CURRENT LIABILITIES			
Liabilities to credit institutions	4,12	0	43 033
Trade payables		5 127	1 273
Income tax payable	9	56 171	35 026
Public duties payable		8 622	5 305
Allocated dividends	1	0	0
Other current liabilities	5	109 209	17 143
Total current liabilities		**179 128**	**101 779**
Total liabilities		**1 398 125**	**1 433 134**
Total equity and liabilities		**3 912 595**	**3 077 760**

Aalesund, Norway, 24 March 2021
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Liv Astri Hovem
Board Member

Hans Peter Havdal
Board Member

Jon Erik Engeset
Group President & CEO

Cash flow statement – Parent Company

Hexagon Composites ASA

(NOK 1 000)	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		844 381	209 773
Tax paid for the period		-36 578	-33 995
Depreciation and impairment		217	273
Recognized group contribution and dividend		-62 000	-94 358
Gain/losses on shares		-670 322	0
Impairment on shares		19 000	0
Changes in trade payables		3 854	-2 481
Changes in other accrual accounting entries		-5 263	-23 473
Net cash flow from operating activities		**94 841**	**55 738**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant & equipment and intangible assets		-303	-269
Purchase of shares/sales of shares		-9 183	-276
Net payments on loans to/from subsidiaries		-727 116	-1 377 337
Net cash flow from investing activities		**-736 602**	**-1 377 882**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities		0	2 242 266
Repayment of non-current liabilities		-77 085	-1 441 692
Proceeds from issues of shares		874 687	477 172
Net change in bank overdraft		-43 033	42 885
Purchase of own shares		-7 169	2 000
Net cash flow from financing activities		**747 401**	**1 322 631**
Net change in cash & cash equivalents		105 640	488
Cash & cash equivalents at beginning of period		1 345	857
Cash & cash equivalents at end of period	6	**106 985**	**1 345**
Undrawn group overdraft facility	6	**85 000**	**82 143**
Undrawn credit facility		**368 416**	**702 178**

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.

CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements have been prepared in accordance with the international IFRS standards.

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 it's 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

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	Other equity	Total equity
Equity as of 01.01.2020	18 329	-197	1 203 145	48 742	374 607	1 644 625
Profit/loss for the year					807 086	807 086
Share-based payment				20 873		20 873
Dividend of distributed shares in Hexagon Purus AS					-825 633	-825 633
Movement in own shares		12			-7 181	-7 169
Issued new share capital	1 833		905 456			907 289
Transaction cost			-32 601			-32 601
Transfer/allocation						
Equity at 31.12.2020	**20 162**	**-185**	**2 075 999**	**69 615**	**348 880**	**2 514 470**

At 14.12.2020 Hexagon Composites ASA distributed 15% of its shares in Hexagon Purus AS. This distribution is accounted for according to NRS (V) on revenues at fair value and a gain on 670 MNOK (see note 11) was recognized in profit and loss relevant to difference of proportionate value of the acquisition cost and fair value. The equity effect is related to the proportionate value of acquisition cost and recognized gain in profit and loss.

Note 2 Property, plant & equipment

(NOK 1 000)	Land/ buildings and other property	Fixtures/ fittings, equipment and similar	Total
Cost of acquisition as of 01.01.2020	8 345	4 156	12 501
Property, plant & equipment purchased	101	202	303
Cost of acquisition 31.12.2020	**8 446**	**4 358**	**12 803**
Accumulated depreciation and impairment 31.12.2020	2 345	3 431	5 776
Carrying amount at 31.12.2020	**6 101**	**927**	**7 028**
Depreciation for the year	0	217	217
Useful life	20 years - perpetual	4-10 years - perpetual	

Note 3 Shares in subsidiaries, associates and joint ventures

SUBSIDIARIES

(NOK 1 000)	Registered office	Ownership share	Voting share	Carrying amount
Hexagon Ragasco AS	Raufoss	100 %	100 %	64 905
Hexagon Raufoss AS	Raufoss	100 %	100 %	6 309
Hexagon Technology AS	Ålesund	100 %	100 %	7 666
Hexagon Purus Holding AS	Ålesund	100 %	100 %	1 150 183
Hexagon USA Holdings Inc.	Delaware, USA	100 %	100 %	19 020
Hexagon Mobile Pipeline GmbH	Kassel, Germany	100 %	100 %	276
Hexagon Composites Russia LLC	Nizhny Novgorod, Russia	100 %	100 %	1
Hexagon SGT India	India			9 249
				1 257 608

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

(NOK 1 000)	Hexagon Ragasco AS	Hexagon Raufoss AS	Hexagon Technology AS	Hexagon USA Holdings Inc.
Carrying amount	64 905	6 309	7 666	19 020
Equity at 31.12.2020	65 460	6 527	51 240	685 877
Profit 2020	19 561	-2 543	-4 743	-65 259

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

NOK 1 000)	Hexagon Mobile Pipeline GmbH	Hexagon Composites Russia LLC	Hexagon Purus Holding AS	Hexagon SGT India
Carrying amount	276	1	1 150 183	9 249
Equity at 31.12.2020	-4 238	8 841	1 998 252	0
Profit 2020	-4 631	5 231	-80 311	0

Note 4 Receivables and liabilities

(NOK 1 000)	2020	2019
RECEIVABLES DUE FOR PAYMENT AFTER 1 YEAR		
Other non-current receivables	0	0
Loans to group companies	2 320 303	2 803 069
Total	**2 320 303**	**2 803 069**
SHORT-TERM LIABILITIES		
Liabilities to credit institutions	0	43 033
Total	**0**	**43 033**
Liabilities secured with collateral	**0**	**0**

LONG-TERM FINANCING

(NOK 1 000)	Currency amount	Carrying amount	Interest	Duration	Maturity
Bond loan 2019/2023 ISIN NO0010846280	NOK 1 100 000	1 100 000	Nibor 3 month + 3.75%	4 years	15.03.2023
Bank loan[1)]	EUR 14 000	146 584	Euribor 3 month + margin	5 years	15.03.2023
Amortized costs[2)]		-40 457			
Total non-current interest-bearing liabilities		**1 206 127**			
Cross-currency swap (NOK/ USD)[3)]		-78 829	Pay Libor USD 3 m + / Receive Nibor 3 m +	4 years	15.03.2023
Non-current receivables related to interest-bearing liabilities		**-78 829**			
Net non-current interest-bearing liabilities		**1 127 298**			

1) Relates to a loan financing facility which is a Senior Secured bilateral facility with DNB Bank. The overall size of the facility is NOK 600 million,
comprising a main multi-currency revolving credit and overdraft facility of NOK 600 million.

2) Costs associated with the loans are amortised over the duration of the loans using the effective interest method.

3) The company entered into a cross-currency swap to effectively convert the NOK denominated bond loan into USD. The fixed USD denominated balance on entering into the swap was USD 120.3 million. The swap has a term concurrent with the bond loan. The value of the swap as of 31 December 2020 was NOK 78 829 thousand.

The bond loan is listed on the Oslo Stock Exchange.

There are no breaches of the financial covenants under the financing agreements.

Note 5 Intra-group transactions and balances

(NOK 1 000)	2020	2019
INCOME		
Administrative services to subsidiaries	108 096	71 895
Total	**108 096**	**71 895**
RECEIVABLES		
Loans to group companies	2 320 303	2 803 069
Other current receivables	119 326	91 984
Total	**2 439 630**	**2 895 053**
LIABILITIES		
Liabilities to group companies - long-term	0	0
Liabilities to group companies - current	11 750	6
Total	**11 750**	**6**

Note 6 Bank deposits

(NOK 1 000)	2020	2019
Restricted tax withholdings	1 191	1 344

The Group's liquidity in Norway is organized in a Group overdraft facility. This means that the Norwegian subsidiaries' cash in hand is formally considered a receivable from the Parent Company and that the companies are jointly responsible for withdrawals made by the Group under this arrangement.

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 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 2 012 thousand (1 660), excluding employer's contributions.

Note 8 Share capital and shareholder information

SHARE CAPITAL CONSISTS OF

(Amounts in NOK)	Number	Nominal	Carrying amount
A shares	201 619 712	0.10	20 161 971

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
MITSUI & CO LTD	45 833 321	22,73 %
FLAKK COMPOSITES AS 1)	20 000 000	9,92 %
CLEARSTREAM BANKING S.A.	18 653 617	9,25 %
MP PENSJON PK	11 909 966	5,91 %
BRØDR. BØCKMANN AS	7 900 000	3,92 %
NØDINGEN AS	5 350 000	2,65 %
KTF FINANS AS 1)	5 000 000	2,48 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	4 708 274	2,34 %
FOLKETRYGDFONDET	2 985 951	1,48 %
STATE STREET BANK AND TRUSST COMP	2 849 914	1,41 %
SKANDINAVISKA ENSKILDA BANKEN AB	2 600 000	1,29 %
FLAKK ROLLON AS 1)	2 340 504	1,16 %
SKANDINAVISKA ENSKILDA BANKEN AB	2 145 417	1,06 %
STOREBRAND NORGE I VERDIPAPIRFOND	2 108 990	1,05 %
VERDIPAPIRFONDET ALFRED BERG NORGE	1 909 645	0,95 %
HEXAGON COMPOSITES ASA	1 851 723	0,92 %
VERDIPAPIRFONDET NORDEA KAPITAL	1 431 968	0,71 %
JPMORGAN CHASE BANK, N.A., LONDON	1 418 500	0,70 %
FLAKK INVEST AS 1)	1 300 000	0,64 %
VERDIPAPIRFONDET ALFRED BERG AKTIV	1 289 499	0,64 %
Total 20 largest shareholders	**143 587 289**	**71,22 %**
Remainder	58 032 423	28,78 %
Total	**201 619 712**	**100.00 %**

1) These shareholdings are controlled by the Chairman of the Board, Knut Flakk.

As of 31.12.2020 the Company had 1 851 723 own shares (1 974 882). The cost of acquisition of NOK 45 218 thousand (NOK 48 359 thousand) is entered as a deduction in equity. The shares are held as "own shares", and the Company is entitled to sell them in the future.

Ownership structure

The total number of shareholders as of 31.12.2020 was 5 113 of whom 375 were foreign shareholders. The number of shares held by foreign shareholders was 100 817 479 or 50.0%.

The Board (unanimous) had a mandate to increase share capital by up to NOK 1 832 906 by issuing up to 18 329 064 shares (par value NOK 0.10). This authorization was valid until the next ordinary general assembly. The Board exercised this mandate on 24 August 2020 and the company issued additional 18 329 064 new shares in a private placement.

Note 9 Tax

TAX EXPENSE FOR THE YEAR CONSISTS OF

(NOK 1 000)	2020	2019
Income tax payable	57 706	35 026
Withholding tax	16	
Change in deferred tax	-20 428	11 084
Total tax expense	**37 295**	**46 111**

CALCULATION OF TAX BASE FOR THE YEAR

(NOK 1 000)	2020	2019
Profit before tax	844 381	209 773
Permanent differences[1)]	-674 933	-179
Change in temporary differences	92 853	-50 383
Use of loss carryforwards	0	0
Tax base for the year	**262 301**	**159 211**

Received group contributions of NOK 62 000 thousand (NOK 83 358 thousand) have been entered as income on investments in subsidiaries and included in the pre-tax profit.

OVERVIEW OF TEMPORARY DIFFERENCES

(NOK 1 000)	2020	2019
Receivables	66 436	156 696
Non-current assets	-280	-593
Provisions	-7 659	-4 753
Pensions	0	0
Loss carryforwards	0	0
Total	**58 497**	**151 350**
Deferred tax 22%	**12 869**	**33 297**

WHY TAX EXPENSE FOR THE YEAR DOES NOT AMOUNT TO 22% OF PROFIT BEFORE TAX

(NOK 1 000)	2020	2019
22% of profit before tax	185 764	46 150
Permanent differences 22%	-148 485	-39
Gains and losses/sale of financial assets 22%	16	0
Correction for previous year	0	0
Effect of change in tax rate	0	-1 010
Calculated tax expense	**37 295**	**46 111**
Effective tax rate [1)]	4,4 %	22.0 %

1) Tax expense in relation to profit before tax.

The tax rate on general income in Norway is 22% both in the financial year 2020 and 2019.

Deferred tax assets and liability were calculated using a tax rate of 22%.

Note 10 Payroll, number of employees, remuneration, loans to employees etc.

PAYROLL COSTS

(NOK 1 000)	2020	2019
Wages/salaries and fees	24 332	20 859
Employer's contribution	8 146	7 157
Pension expense	2 012	1 660
Other contributions	22 333	19 645
Total	**56 823**	**49 321**

There were 13 (11) employees in the Company during the financial year

(NOK 1 000)	Salaries and fees	Paid bonus 1)	Natural contributions	Paid pension premium	Value of vested instruments	Total remuneration
EXECUTIVE MANAGEMENT						
Jon Erik Engeset, Group President	3 662	1 902	14	175	2 237	7 990
Morten Holum, Executive Vice President/Chief Operating Officer 3)	1 561	0	8	117	0	1 687
David Bandele, Chief Financial Officer	2 314	755	13	175	1 410	4 667
BOARD OF DIRECTORS						
Knut Flakk, Chairman	700					700
Kristine Landmark, Deputy Chair	430					430
Hans Peter Havdal	0					0
Katsunori Mori 2)	0					0
Liv Astri Hovem	0					0
FORMER BOARD MEMBERS						
Sverre Narvesen	360					360
Elisabeth Heggelund Tørstad	300					300
Total remuneration	**9 327**	**2 657**	**35**	**467**	**3 647**	**16 134**

1) Bonuses paid in the year relate to the year 2019
2) Mr. Katsunori Mori has advised the company that he waives any board remuneration for the period he will serve on the board of directors
3) Morten Holum was emplyed until October 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. At the end of the year, the following bonuses were allocated: NOK 2 106 thousand to the Group President and NOK 871 thousand to the CFO.

Group management participate in the Company's general pension arrangements, which are described in note 8, Pensions.

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

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2020	2019
Knut Flakk, (Chairman) [1)]	29 384 969	29 384 969
Kristine Landmark (Deputy chair) [2)]	10 000	10 000
Hans Petter Havdal (Board member)	3 900	NA
Katsunori Mori (Board member) [3)]	45 833 321	45 833 321

1) Of the shares owned by Knut Flakk, 131 248 are privately owned, 500 000 are owned by his wife and 28 753 721 are owned through related limited companies.
2) The shares are owned by Kristine Landmarks husband.
3) Shares owned by Mitsui & Co., Ltd., represented in the Board by Katsunori Mori.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2020	2019
Jon Erik Engeset, Group President [1)]	263 554	201 315
David Bandele, Chief Financial Officer	88 317	68 949

1) Of the shares owned by Jon Erik Engeset 64 106 are privately owned and 199 448 are owned by related limited liability companies.

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

(NOK 1 000)	2020	2019
Statutory audit and auditing-related services	1 325	1 421
Other attestation services	0	0
Tax advice	0	0
Other non-auditing services	1 020	138
Total	**2 344**	**1 559**

Note 11 Net financial items

FINANCE INCOME

(NOK 1 000)	2020	2019
Interest income from group companies	165 893	138 126
Other interest income	4 077	5 798
Other finance income (currency gains)	123 345	98 518
Profit from dividend distribution	670 322	0
Total finance income	**963 637**	**242 442**

FINANCE EXPENSE

(NOK 1 000)	2020	2019
Other interest expenses	69 193	67 325
Arrangement fees and other commissions	10 514	14 252
Currency losses	64 681	19 264
Impairment of financial assets	19 000	
Other finance expense	1 095	1 444
Total finance expense	**164 482**	**102 284**

Note 12 Financial market risk

The Company's international activities expose it to currency risk and interest risk. Derivative financial instruments are used to minimise 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 uses interest rate swaps to minimise 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 Share-based payments

1 April 2016 Hexagon Composites ASA issued 925,000 call options to senior executives and managers in the Group at NOK 20 per share. These options were fully exercised during the first quarter 2019.

5 April 2017 Hexagon Composites ASA issued 1,450,000 new call options to senior executives and managers in the Group at NOK 27 per share. 7 September 2017 additional 190,000 call options were added to this program. 1 565 000 of these options were exercised during 2020.

22 May 2018 Hexagon Composites ASA issued 1,200,000 call options to senior executives and managers in the Group at NOK 20,85 per share, provided that the share price on the date of exercise is minimum NOK 25.36 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2020, first quarter of 2021 or second quarter of 2021.

20 December 2018 Hexagon Composites ASA issued 100,000 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

12 April 2019 Hexagon Composites ASA provisionally awarded 2,492,438 Performance Share Units (PSUs) to senior executive management in the Group. The PSUs are non-transferable and will vest on 11 February 2022 subject to satisfaction of the applicable vesting conditions. The actual number of PSUs to be allocated will depend on 2019 performance and attain minimum zero and maximum 2,492,438. Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

26 September 2019 Hexagon Composites ASA issued 49,994 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

22 April 2020 Hexagon Composites ASA decided to provisionally award up to 3 711 634 Performance Share Units ("PSUs") to executives. The PSUs are non-transferable and will vest in Q1 2023 subject to satisfaction of the applicable vesting conditions. Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

29 July 2020 Hexagon Composites ASA issued 70,000 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

The fair value of the options, PSUs and RSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with these programs were NOK 22.9 million YTD 31 December. The fair value of all outstanding share options (1,140,000), PSUs (4,582,675) and RSUs (219,994) is estimated to NOK 28.8 million per 31 December 2020.

There are no cash settlement obligations. The Group does not have a past practice of cash settlement for outstanding share options and RSUs.

OVERVIEW OF NUMBER OF OUTSTANDING INSTRUMENTS

(NOK 1 000)	Share options 2020	RSUs 2020	PSUs 2020	Share options 2019	RSUs 2019	PSUs 2019
Outstanding instruments 1 January	2 705 000	149 994	2 235 906	3 675 000	100 000	0
Instrumetns granted	0	70 000	3 711 634	0	49 994	2 422 476
Instrumetns exercised	-1 565 000	0	0	-875 000	0	0
Instrumetns lapsed	0	0	-1 364 902	-95 000	0	-186 570
Share instruments outstanding 31 December	**1 140 000**	**219 994**	**4 582 638**	**2 705 000**	**149 994**	**2 235 906**
Exercisable at 31 December	0	0	0	0	0	0
Weighted average exercised price (NOK)	27.00	NA	NA	20.00	NA	NA

THE FOLLOWING TABLE LIST THE INPUT TO THE MODEL USED FOR THE PLAN FOR YEAR ENDED 31 DECEMBER 2020

(NOK 1 000)	RSUs awarded 2020	PSUs awarded 2020	RSUs awarded 2019	PSUs awarded 2019
Weighted average fair values at the measurement date per share (NOK)	46.76	27.40	27.65	36.50
Dividend yield (%)	0 %	0 %	0 %	0 %
Expected volatility (%)	0 %	0 %	0 %	0 %
Risk-free interest rate (%)	0 %	0 %	0 %	0 %
Expected life of share options (years)	4.00	3.84	4.00	3.83.00
Weighted average share price (NOK)	0	0	0	0
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

Note 14 Leases

Ordinary lease payments for 2020 were NOK 4 260 thousand (3 864).

FUTURE MINIMUM LEASE PAYMENTS RELATING TO FIXED TERM LEASES FALL DUE AS FOLLOWS:

(NOK 1 000)	2020
Not later than 1 year	4 271
1 to 5 years	7 956
Later than 5 years	0
Total	**12 227**

Note 15 COVID-19 considerations

Hexagon Composites ASA has prepared COVID-19 contingency plans based on local requirements. We are closely monitoring the COVID-19 situation, including developments and decisions being made in areas where we do business. The Company is not able to accurately predict the final outcome from COVID-19 related effects, but we remain vigilant and will employ further counter-measures to mitigate such effects if required.

For the Hexagon Group over one hundred confirmed cases of COVID-19 infection to-date have been reported among Hexagon personnel. Tragically, in February 2021 we were informed of our first fatality in the Hexagon family due to the pandemic. The infection was non-work related. Of the other confirmed cases, all have recovered or are recovering. All production facilities have remained open and only marginally affected during the year. Hexagon businesses typically are offered essential worker/ infrastructure services status which allows us to operate even during strict lockdown periods.

The largest financial impacts were observed in Q2 2020, mainly in Hexagon Agility's Transit bus and mobile pipeline businesses. However, market demand has remained strong and recovery was effective within Hexagon Agility in the second half of 2020. This momentum is expected to continue in 2021, though generally it is difficult to assess or predict with precision the future broad effects of COVID-19. The actual ongoing impact will depend on many factors beyond a company's control and knowledge. As of the date of approval of this report the Company has not required any material impairments in the balance sheet related to COVID-19 and remains financially robust with good liquidity.

Note 16 Events after the balance sheet date

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

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hexagon Composites ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hexagon Composites ASA 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 cash flow 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Goodwill – Impairment assessment

As at 31 December 2020, Hexagon Composites ASA Group reported goodwill of NOK 1 370 million. The goodwill originates mainly from the acquisition of Agility Fuel Solutions Group in 2019 and the acquisition of xperion in 2016. Goodwill is subject to annual impairment testing and estimating the recoverable amount of the related cash generating unit requires management judgement of future revenues, gross margins, operating costs, terminal value growth rates, capital expenditures and discount rate. No impairment was recognized. The impairment test involves significant estimation uncertainty and management judgment and is therefore a key audit matter.

We assessed the internal controls related to the impairment assessment. We involved valuation specialists in our team to support testing of the assumptions and methods used by management. We compared future cash flows against board approved plan for the years 2021-2025 and considered underlying assumptions for expected growth rates and the related cash flows. We assessed the historical accuracy of managements estimates and compared the assessment used for the acquisition. Furthermore, we tested the input of the discount rate against comparable market data. We also tested the mathematically accuracy of the impairment model and performed sensitivity analysis of the assumptions used. We also assessed the disclosures in note 11 Intangible assets in the financial statements.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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 and in the statements on corporate governance and corporate social responsibility 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.

Ålesund, 24 March 2021
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

GRI Index

Global Reporting Initiative (GRI) is a independent international standards organisation which has developed the world's most widely used framework for sustainability reporting. The GRI guidelines consist of reporting principles, aspects and indicators that organizations can use to disclose information related to economic, environmental and social performance. This report has been prepared in accordance with the GRI Standards: Core option.

The table below shows Hexagon reporting relative to the GRI Standards guidelines.

GENERAL DISCLOSURES

GRI §	Description	Information
Organisational profile		
102-1	Name of the organization	p.3
102-2	Activities, brands, products, and services	p.15,18-35, p.113
102-3	Location of headquarters	p.99
102-4	Location of operations	p.38
102-5	Ownership and legal form	p.99
102-6	Markets served	p.113
102-7	Scale of the organization	i) p.3, ii) p.38, iii) p.92, iv) p.94-95, v) p.15
102-8	Information on employees and other workers	a) p.64, b) p.122, c) p.64, d) NA, e) NA, f) All figures include number of FTEs
102-9	Supply chain	a) p.58, p.63
102-10	Significant changes to the organization and its supply chain	NA
102-11	Precautionary Principle or approach	p.63
102-12	External initiatives	p.47-70
102-13	Membership of associations	Hydrogen council, NGVA Europe, NGVAmerica, WLPGA, hydrogen.no, Europe Liquid gas Europe
Strategy		
102-14	Statement from senior decision-maker	p.6-7
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	p.9

GRI §	Description	Information
Stakeholder engagement		
102-40	List of stakeholder groups	p.53
102-41	Collective bargaining agreements	Data for group wide collective bargaining agreements is currently not available. Will collect and report this in 2021.
102-42	Identifying and selecting stakeholders	p.53
102-43	Approach to stakeholder engagement	p.53
102-44	Key topics and concerns raised	Greenhouse gas emissions and recycling have been key topics raised by investors during dialogue in 2020.
Reporting practice		
102-45	Entities included in the consolidated financial statements	p.113
102-46	Defining report content and topic Boundaries	p.53
102-47	List of material topics	p.53
102-48	Restatements of information	First GRI report. Figures for waste and greenhouse gas emissions have been restated for 2019 based on improved data quality.
102-49	Changes in reporting	Better data this year vs last year
102-50	Reporting period	01.01-2020-31.12.2020
102-51	Date of most recent report	2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	p.185
102-54	Claims of reporting in accordance with the GRI Standards	GRI Core
102-55	GRI content index	This document

SPECIFIC DISCLOSURES

Description	Disclosure number	Chapter in report	Page in report	Omitted information & reason	Explanation to address omission
Climate and environmental effects of Hexagon's products					
Management approach	103-1	Climate and environmental effects of Hexagon's products	p.50, 54		
Management approach	103-2	Climate and environmental effects of Hexagon's products	p.50, 54, 55		
Management approach	103-3	Climate and environmental effects of Hexagon's products	p.55		
Annually GHG emission saved by using Hex products (transportation)	Hexagon own	Climate and environmental effects of Hexagon's products	p.50		
Annually GHG emission and particle emissions reduced in developing countries using Hex products (Gas fuel for cooking)	Hexagon own	Climate and environmental effects of Hexagon's products	p.55	No reporting on particulate emissions savings	We will try to calculate the particulate emissions saving in 2021
Product safety					
Management approach	103-1	Product safety	p.58		
Management approach	103-2	Product safety	p.58, p.60		
Management approach	103-3	Product safety	p.58, p.60		
Customer health and safety					
Product health and safety	416-1	Product safety	p.58	Describe criteria used for the assessment	We are in the process of reviewing of disclosures around product safety and may update our reporting in 2021
Resource use & waste management					
Management approach	103-1	Resource use & waste management	p.58		
Management approach	103-2	Resource use & waste management	p.58-61		
Management approach	103-3	Resource use & waste management	p.58-61		
Waste Management					
Waste generation and significant waste-related impacts	306-1 (2020)	Resource use & waste management	i, ii) p.58		
Management of significant waste-related impacts	306-2 (2020)	Resource use & waste management	p.58-61		
Waste generated	306-3 (2020)	Resource use & waste management	p.58		
Materials					
Total materials used	301-1	Product lifetime & end of life	p.63	Packaging material volumes are not currently measured	We will seek to measure these in order to report on these in 2021
Recycled materials	301-2	Product lifetime & end of life	Omitted	Disclosures not currently reported due to unavailable data	We will seek to measure these in order to report on these in 2021
Total fulltime R&D related employees	Hexagon own	Product lifetime & end of life	p.61		

Description	Disclosure number	Chapter in report	Page in report	Omitted information & reason	Explanation to address omission
Local environment and own GHG emissions					
Management approach	103-1	Local environment and own GHG emissions	p.50, p.62		
Management approach	103-2	Local environment and own GHG emissions	p.62		
Management approach	103-3	Local environment and own GHG emissions	p.62		
Energy					
Energy consumption within the organization	302-1	Local environment and own GHG emissions	a) p.62, b) p.62, c) i.p.62, ii. 62, e) p.62, f) p.70, g) p.70	c) iii, iv: not currently reported due to lack of available information d) not applicable	We are working on improving our energy and climate reporting and hope to report these omissions in 2021
Emissions					
Direct (Scope 1) GHG emissions	305-1	Local environment and own GHG emissions	a) p.62, b) p.70, c) 8 tCO_2e, d-g) p.70		
Energy indirect (Scope 2) GHG emissions	305-2	Local environment and own GHG emissions	a) p.62, b) p.62, c) p.70, d) p.70, e)p.70, f) Operational control, g) p.70		
Other indirect (Scope 3) GHG emissions	305-3	Local environment and own GHG emissions	a) p.62, b) p.62, c) NA d) Reported on the most material Scope 3 category - Category 1 - Purchased goods and services e) First time reporting on Scope 3 emisisons in 2020 f) p.70, g) p.70	c) Biogenic emissions Data not available	Currently unknown if biogenic emissions occur in our supply chain. We will be carrying out a review of our indirect environmental impacts in 2021 to ascertain if this is relevant.
How Hexagon works - health & safety					
Management approach	103-1	How Hexagon works - Health and safety	p.64		
Management approach	103-2	How Hexagon works - Health and safety	p.64		
Management approach	103-3	How Hexagon works - Health and safety	p.64		
Occupational health & safety					
Occupational health and safety management system	403-1	How Hexagon works - Health and safety	p.64-65		
Hazard identification, risk assessment, and incident investigation	403-2	How Hexagon works - Health and safety	p.64-65		

Description	Disclosure number	Chapter in report	Page in report	Omitted information & reason	Explanation to address omission
Occupational health services	403-3	How Hexagon works - Health and safety	p.64-65		
Worker participation, consultation, and communication on occupational health and safety	403-4	How Hexagon works - Health and safety	p.64-65		
Worker training on occupational health and safety	403-5	How Hexagon works - Health and safety	p.64-65		
Promotion of worker health	403-6	How Hexagon works - Health and safety	p.64-65		
Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	403-7	How Hexagon works - Health and safety	p.64-65		
Work related injuries	403-9	How Hexagon works - Health and safety	p.64	b) i-v), c) i-iii), d), f) Data not available	We seek to establish a reporting system in order to report in 2021
How Hexagon works- making Hexagon a great place to work					
Management approach	103-1	How Hexagon works - Making Hexagon a great place to work	p.66		
Management approach	103-2	How Hexagon works - Organizational development	p.66		
Management approach	103-3	How Hexagon works - Organizational development	p.66		
Employee satisfaction, training and engagement					
Programs for upgrading employee skills and transition assistance programs	404-2	How Hexagon works- Organizational development	p.66	b) Data not available	We will seek to establish a reporting system in order to report in 2021
Employee satisfaction, training and engagement					
Percentage of employees receiving regular performance and career development reviews	404-3	How we work- Making hexagon a great place to work/ organizational development	Omitted	Disclosures not currently reported due to unavailable data	We seek to establish a reporting system in order to report in 2021
Diversity					
Diversity of governance bodies and employees	405-1	How hexagon works- Making hexagon a great place to work/ organizational development	p.66	a.ii-age information unavailabe b. do not have this currently due to lack of a harmonized groupwide system	We seek to establish a reporting system in order to report in 2021
Number of "Great Place to Work" Certified locations (countries)	Hexagon own	How we work - Making Hexagon a great place to work	p.64-66		
Results from Great place to work survey	Hexagon own	How we work - Making Hexagon a great place to work	p.64-66		
% of employees who have attended "The Hexagon Way" training	Hexagon own	How we work - Making Hexagon a great place to work	p.64-66		

Description	Disclosure number	Chapter in report	Page in report	Omitted information & reason	Explanation to address omission
Employee total turnover (voluntary and involuntary)	Hexagon own	How we work - Making Hexagon a great place to work	p.64-66		
Percentage female employees	Hexagon own	How we work - Making Hexagon a great place to work- by level & site	p.65		
Overall Score on Great Places survey for survey question: "People here are treated fairly regardless of their gender"	Hexagon own	How we work on making Hexagon a Great Place to Work	p.66		
Overall Score on Great Places survey for survey question: "I'm proud to tell others I work here"	Hexagon own	How we work on making Hexagon a Great Place to Work	p.65		
Sustainable procurement					
Management approach	103-1	Procurement	p.63		
Management approach	103-2	Procurement	p.63		
Management approach	103-3	Procurement	p.63		
Supplier social assessments					
New suppliers that were screened using social criteria	414-1	Procurement	p.63	a) Data not available	We will update our supplier management system in order to report in 2021
Negative soical impacts in the supply chain and actions taken	414-2	Procurement	p.63	a), b), c), d), e) Data not available	We will update our supplier management system in order to report in 2021
Supplier environmental assessments					
New suppliers that were screened using environmental criteria	308-1	Procurement	p.63	a) Data not available	We will update our supplier management system in order to report in 2021
Negative environmental impacts in the supply chain and actions taken	308-2	Procurement	p.63	a), b), c), d), e) Data not available	We will update our supplier management system in order to report in 2021
Anti-corruption and governance					
Management approach	103-1	Anti-corruption and integrity	p.67		
Management approach	103-2	Anti-corruption and integrity	p.67		
Management approach	103-3	Anti-corruption and integrity	p.67		
Anti-corruption					
Confirmed incidents of corruption	205-3	Anti-corruption and integrity	p.67		

Glossary

ASA	Public Limited company in Norway
BAR	Unit of pressure. 1 millibar = 100 N/m^2
BIOGAS	Produced from raw materials such as agricultural waste, manure, municipal waste, plant material, sewage, green waste or food waste.
BEV	Battery Electric Vehicle
CHG	Compressed Hydrogen Gas
CNG	Compressed Natural Gas
CO_2	Carbon Dioxide
EBIT	Earnings before interests and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EV	Electric Vehicle
FCEV	Fuel Cell Electric Vehicle
GHG	Greenhouse Gas
GVW	Gross Vehicle Weight
HDV	Heavy-Duty Vehicle
HEX	Hexagon Composites ticker on Oslo Børs
HSE	Health, Safety & Environment. Collective term for activities relating to health protection, environmental protection, working environment and employee safety.
HYDROGEN	Light, colourless gas (Symbol H), produced on an industrial scale
IA	Inclusive Workplace
ISO	International Organization for Standardization – publishes standards in a large number of areas
JOINT VENTURE	Legally signed contractual agreement whereby two or more parties undertake an economic activity
COMPOSITE	Combination of glass/carbon fibre and thermosetting plastic, exploiting the malleability of the plastic and the stiffness and strength of the glass/carbon fibre
LBS	Pounds. 1 LB = 0.453 kg
LDV	Light-Duty Vehicle
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas (propane gas)
MATCH	Equity segment on Oslo Børs
MOBILE PIPELINE®	Gas distribution products
NGV	Natural Gas Vehicle
OEM	Original Equipment Manufacturer
OSE	Oslo Stock Exchange (Oslo Børs)
X-STORE®	High-pressure composite cylinder for bulk transportation and storage of CNG
RESIN	Chemical adhesives for strengthening glass and/or carbon fiber
RNG	Renewable Natural Gas Pipeline compatible gaseous fuel derived from biogenic or other renewable sources that has lower lifecycle carbon dioxide equivalent (CO_2-eq) emissions than geological natural gas
SCM3	Standard cubic meters. Unit for volumetric measurement of oil, natural gas and natural gas condensate at standard conditions defined in the ISO standard ISO 13443
STYREN	Organic hydrocarbon used in the production of rubber and plastic components
TITAN®	High-pressure composite cylinder for bulk transportation and storage of CNG
TUFFSHELL®	High-pressure CNG cylinder for heavy duty vehicles
TYPE 1	Steel cylinder
TYPE 2	Steel cylinder, composite-reinforced
TYPE 3	Composite cylinder with metal liner
TYPE 4	Composite cylinder with polymer liner
U.S. DOT	U.S. Department of Transportation
WLTP	Worldwide Harmonized Light Vehicles Test Procedure

Financial calendar 2021

ANNUAL GENERAL MEETING
28 April 2021

1ST QUARTER 2021
12 May 2021

2ND QUARTER AND HALF YEAR REPORT 2021
12 August 2021

3RD QUARTER 2021
4 November 2021

4TH QUARTER 2021
17 February 2022

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