ANNUAL REPORT 2019

HEXAGON

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.

“With an extensive portfolio offering of g-mobility and e-mobility solutions, Hexagon is well positioned as a globally leading clean fuel systems provider.

WORKFORCE [1]

1,011

PRODUCTION SITES AND ENGINEERING HUBS

NORWAY

USA

CANADA

GERMANY

OPERATING INCOME

3,416

MNOK

NET PROFIT

108

MNOK

EQUITY RATIO

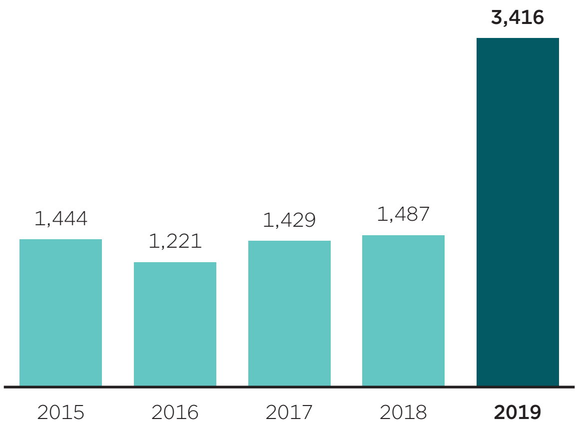
45

%

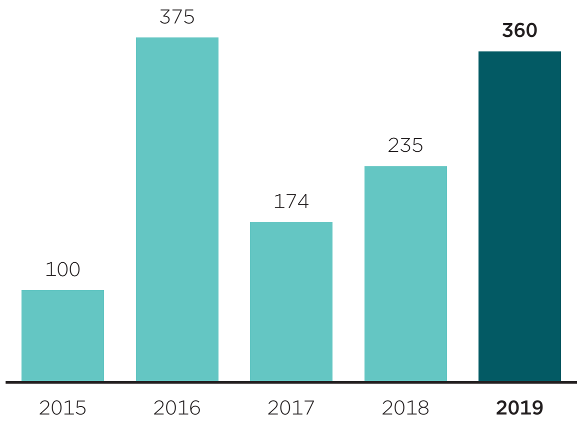
1) FTEs

KEY FIGURES

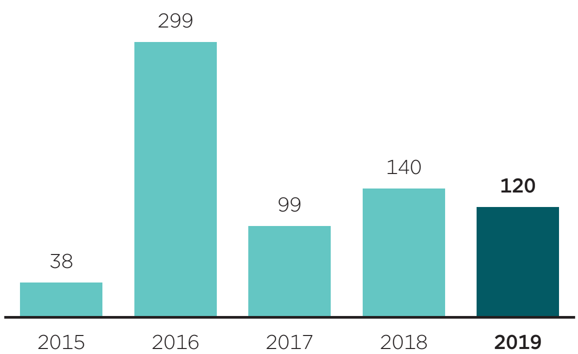
REVENUE MNOK



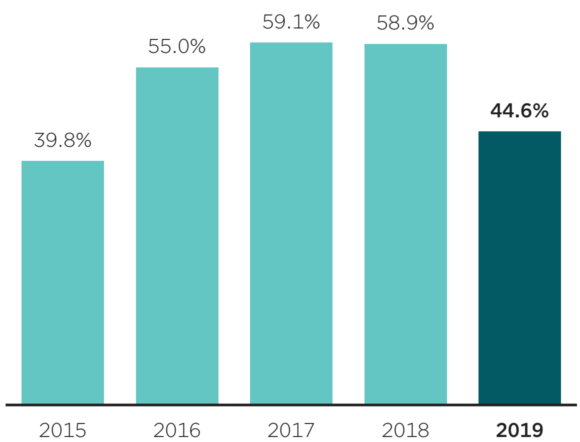
EBITDA MNOK



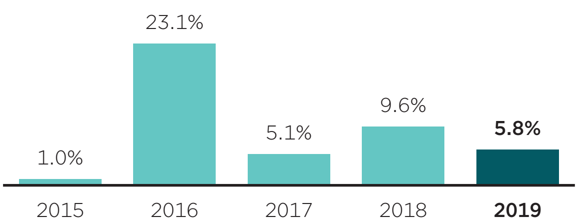
EBIT MNOK



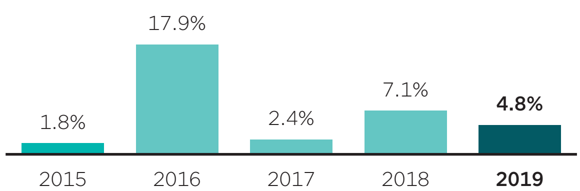
EQUITY RATIO %



RETURN ON EQUITY %



RETURN ON ASSETS %



(NOK 1 000)

REVENUES AND PROFIT	2019	2018	2017	2016	2015
Revenue	3 416 124	1 486 521	1 429 397	1 220 511	1 443 873
Operating profit before depreciation (EBITDA)	359 715	234 520	174 022	374 877	100 119
Operating profit (EBIT)	120 109	140 202	99 291	299 266	37 513
Profit before tax	111 246	168 727	48 227	311 886	291
Profit after tax	107 491	141 462	69 472	208 303	4 563
CAPITAL 31.12					
Total assets	4 827 519	2 616 343	2 391 298	2 424 847	1 180 789
Equity	2 152 993	1 540 063	1 412 441	1 333 170	470 138
Equity ratio [1]	44.6 %	58.9 %	59.1 %	55.0 %	39.8 %
PROFITABILITY AND RATE OF RETURN					
Cash flow from operations	147 929	154 601	90 434	-4 034	41 276
Operating margin [2]	3.5 %	9.4 %	6.9 %	24.5 %	2.6 %
Return on equity [3]	5.8 %	9.6 %	5.1 %	23.1 %	1.0 %
Return on assets [4]	4.8 %	7.1 %	2.4 %	17.9 %	1.8 %
NIBD/EBITDA [5]	3.1	1.6	1.2	0.6	3.0
SHARES					
Share capital	18 329	16 663	16 663	16 663	13 329
Total number of shares per 31.12	183 290 648	166 627 868	166 627 868	166 627 868	133 294 868
Earnings per share [6] (NOK)	0.62	0.86	0.42	1.40	0.03
Cash flow per share [7] (NOK)	0.86	0.92	0.55	-0.03	0.31
Equity per share [8] (NOK)	11.74	9.24	8.48	8.00	3.56

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

DRIVING ENERGY TRANSFORMATION

Dear Hexagon followers,

It is March 20, 2020 as I write this letter. Although an annual report is mainly intended to reflect the previous year's performance, I cannot ignore the current state-of-affairs and the impact COVID-19 is having on our communities.

In Hexagon we have a strong, values-based culture that guides us in our decision-making processes –also under the current circumstances. This has helped us to stay ahead of the developments and secure early execution of necessary measures.

We are closely monitoring the situation and keeping our stakeholders informed. In particular, we keep our employees frequently updated on actions and assess their well-being. We have worked closely with the leaders of our businesses to put in place contingency plans for our locations that aim to secure safety and business continuity.

While the consequences for Hexagon have so far been limited, we must expect that also we will experience adverse effects in the coming months, but it is my conviction that we will come out of this crisis an even stronger and more committed organization.

TRANSFORMING TIMES

Our solutions are designed to positively impact the environment and enhance the quality of life for our global community.

Authorities, industry and the public at large see global warming as a threat to civilization. In 2019 millions of people took to the streets to call for action, highlighting the threat climate change poses to our planet and future generations. Sustainable funds allocated USD20.6 billion in new capital in 2019, almost four times the amount of 2018.

ALTERNATIVE FUELS

The transport sector counts for more than 20% of the climate changing emissions.

Hexagon's strategy is about reducing these emissions and is defined along three axes; gas mobility (g-mobility), electric mobility (e-mobility) and world class manufacturing. Hexagon has a broad spectrum of alternative fuel solutions, including compressed natural gas (CNG), renewable natural gas (RNG), propane, battery and hydrogen fuel cell electric.

GAS MOBILITY (G-MOBILITY)

In the short to medium term, g-mobility (CNG and RNG) is the most effective alternative for carbon emission reduction. Using a CNG truck can reduce carbon dioxide emissions by over 20% compared to a diesel-fueled truck.

The carbon dioxide reduction can be further minimized by blending in RNG.

One of our main customers, UPS, embodies the low carbon emission drive, demonstrated by the recent long-term CNG systems agreement with Hexagon worth USD 65-95 million.

ELECTRIC MOBILITY (E-MOBILITY) ENABLING ZERO-EMISSION SOLUTIONS

In parallel, we see an extraordinary growth potential for zero-emission electric vehicle solutions. We are developing our position in the e-mobility space with our systems for battery electric, hydrogen fuel cell electric and hybrid electric systems. From 2020, we have combined all e-mobility activities within Hexagon Purus.

WORLD CLASS MANUFACTURING AND INNOVATIVE TECHNOLOGIES

To optimize energy and material consumption and improve the quality and efficiency of our processes, we are focusing on automation of our facilities and training of our people.

We are investing in a number of innovation projects, including digital solutions to enhance the customer experience and enable new business models.

SUSTAINABILITY

We have adopted the UN's Sustainability Goals in our corporate strategy, focusing on six of the seventeen goals. To learn more, please read the Sustainability Report on pages 50-69.

2019 was a year of strong growth and major accomplishments. I would like to thank our employees, customers, shareholders and other stakeholders for their continued support, allowing Hexagon to pursue its important mission.

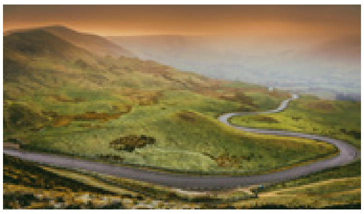
Please take care of each other, your families and friends.

JON ERIK ENGESET
Group President & CEO

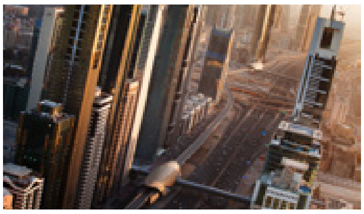
IMPORTANT EVENTS 2019

STRONG PLATFORM TO PURSUE G-MOBILITY AND E-MOBILITY OPPORTUNITIES

With Agility Fuel Solutions and Digital Wave fully integrated, Hexagon delivers solutions across the whole clean fuels spectrum, including compressed natural gas (CNG) renewable natural gas (RNG), hydrogen and battery electric. Our strategic focus centers around strengthening our position within the gas mobility (g-mobility) and electrification mobility (e-mobility) space as well as developing world class manufacturing capabilities to meet the growing demand.



G-MOBILITY – PROVIDING LOW-EMISSION SOLUTIONS
Hexagon continues to deliver low emission solutions through its CNG and RNG fuel systems and high-pressure cylinder to medium and heavy-duty vehicles, light-duty vehicles and Mobile Pipeline modules globally.



E-MOBILITY – ENABLING ZERO-EMISSION SOLUTIONS
Hexagon will continue to have an active role in the e-mobility space, including battery electric and fuel cell electric products and systems. To prepare for the future growth, all e-mobility activities within the Group have since January 2020 migrated to Hexagon Purus – the Group's clean play business.

INVESTING IN WORLD CLASS MANUFACTURING – GEARING UP FOR SCALE
In 2019, Hexagon Purus substantially increased its production capacity of high-pressure fuel tanks for CNG-powered passenger cars to meet the growing demand in Europe.

3,416

MNOK

REVENUE
- Agility 31% y-o-y growth supported by sustainability drivers
- 141% y-o-y growth from CNG LDV
- Strong development from Digital Wave

360

MNOK

EBITDA
- Strong contribution from Agility, particularly from its Transit Bus segment
- Hydrogen ramp-up effect of NOK -108 million
- 14% Group EBITDA margin before Hydrogen investments

FINANCE
- Private placement of NOK 493 million
- Placed new senior unsecured bond of NOK 1.1 billion
- Strong balance sheet with 45% equity ratio

EXECUTIVE MANAGEMENT

SEUNG W. BAIK

President Agility Fuel Solutions

Juris Doctor (Northwestern University School of Law) and Bachelor of Arts with Distinction (Cornell University School of Arts & Sciences). Chief Legal Officer of Agility since 2014 and President since February 2019. Seung Baik has been a key member of Agility's management team and has led the company in all legal and government affairs matters. Prior to Agility, he practiced law with global law firms Goodwin Procter LLP and Latham & Watkins LLP.

Number of shares:	0
Number of options:	0
Number of PSUs[1)]:	74,097

MORTEN HOLUM

President Hexagon Purus

MBA (Kenan Flagler Business School, University of North Carolina). Appointed President of Hexagon Purus from March 2020. Previously the strategic adviser and Executive Vice President and Chief Operating Officer. Morten Holum has a broad industrial experience in different management and executive roles, most recently as CEO of Saferoad.

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

JACK SCHIMENTI

President Hexagon Mobile Pipeline

Bachelor degree in Industrial Engineering. Jack Schimenti has been employed at Hexagon Lincoln since 2005 and as President since 2010. He has extensive experience of production processes for composites pressure vessels.

Number of shares:	98,803
Number of options:	230,000
Number of PSUs[1)]:	34,538

SKJALG SYLTE STAVHEIM

President Hexagon Ragasco

MSc in Economics and Business Administration (BI Norwegian Business School). Skjalg Sylte Stavheim has been employed at Hexagon Ragasco since 1996 and as Managing Director since 2013. He has experience from Delta Consult, Norbok and Raufoss ASA.

Number of shares:	104,155
Number of options:	80,000
Number of PSUs[1)]:	34,538

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

HEIKO CHUDZICK

Executive Vice President Operations

Dipl.-Ing. with a degree in Mechanical Engineering and a major in Automotive Engineering (RWTH Aachen University). Heiko joined Hexagon in 2018. Previously he served as Vice President Bosch Production Systems, Robert Bosch Automotive Steering, Germany. He has held several senior positions in the automotive sector and in ThyssenKrupp internationally.

Number of shares:	0
Number of options:	80,000
Number of PSUs[1)]:	34,538

DAN KRICK

Senior Vice President Organizational Development

Masters in Industrial and Labor Relations with Human Resources emphasis (University of Illinois). Employed at Hexagon since 2015. Dan has held Human Resources leadership roles with both private and public companies including BP and Procter and Gamble.

Number of shares:	24,896
Number of options:	80,000
Number of PSUs[1)]:	34,538

DAVID BANDELE

CFO

Bachelor of Economics (University of Sheffield), qualified Chartered Accountant in London (ACA), CFO since 2014. David Bandele has held several senior positions in the field of finance and controlling, previously as CFO of Aker Floating Production ASA. He has extensive manufacturing and supply chain experience from General Electric Healthcare.

Number of shares:	88,317
Number of options:	80,000
Number of PSUs[1)]:	34,538

JON ERIK ENGESET

Group President & CEO

MSc and MBA (NHH), CEO & President since 2013. Previously, Jon Erik Engeset was the CEO of SafeRoad. He has extensive experience from various senior managerial positions at Rolls Royce and Norsk Hydro.

Number of shares:	263,554
Number of options:	120,000
Number of PSUs[1)]:	50,717

Includes shares owned by related parties

THIS IS HEXAGON

We deliver clean energy solutions

OUR BUSINESS AREAS

Agility Fuel Solutions

Medium and Heavy-Duty Vehicles

Hexagon Purus

Hydrogen applications, CNG Light-Duty Vehicles and battery electric drivetrain

Hexagon Mobile Pipeline

Gas Transportation

Hexagon Ragasco

LPG Cylinders

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

Preparing for a net-zero carbon economy depends on the most effective, innovative and reliable solutions. Hexagon's clean energy offerings have the unique properties of being lightweight, having high capacity, long lifetime and an outstanding safety track record.

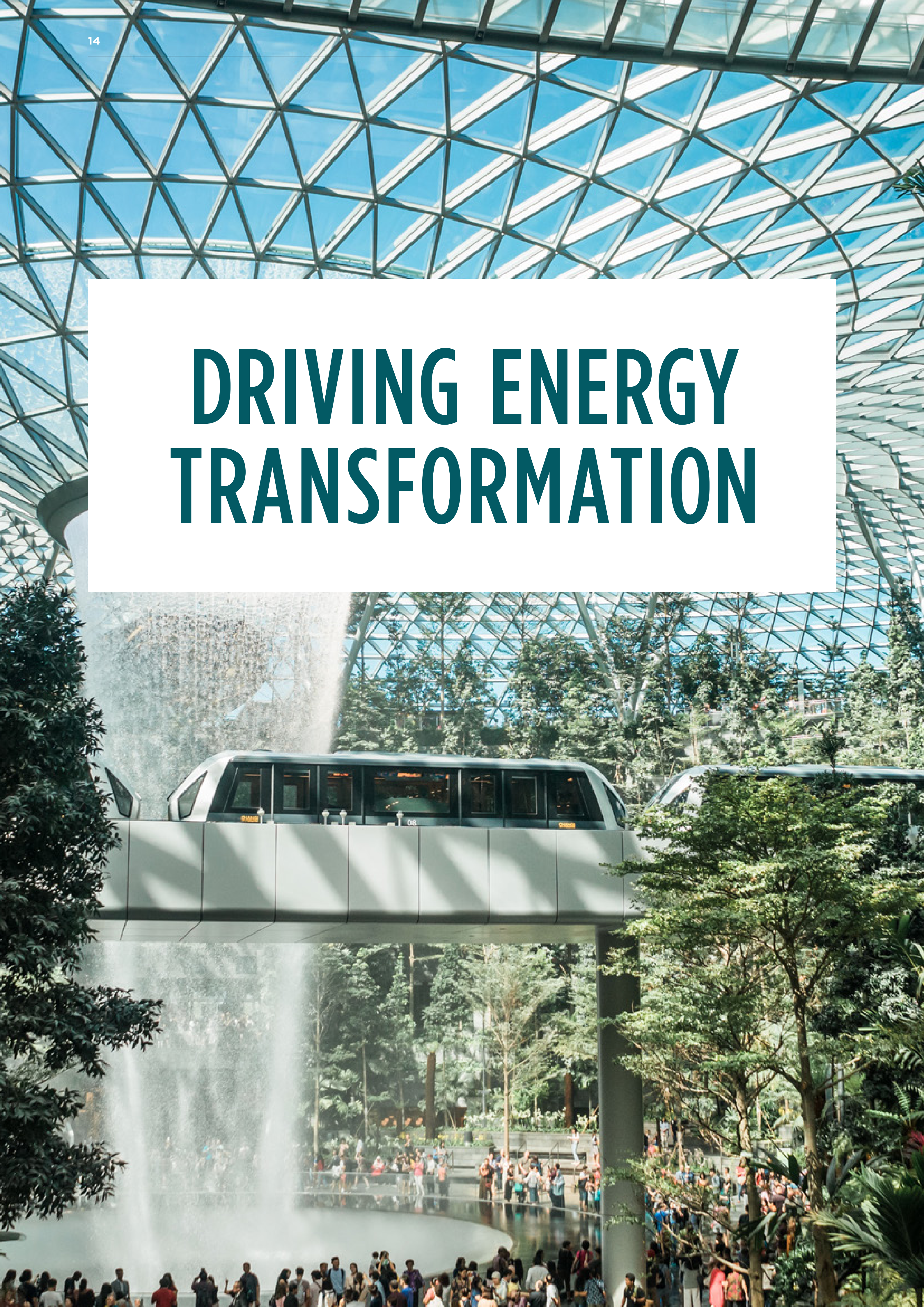
Hexagon collaborates with leading gas distributors, vehicle manufacturers and system and component suppliers in order to be at the forefront of its industry. Our ambition is to create value for customers, shareholders and the community by delivering innovative and cost-effective solutions through sustainable business practices.

The Group is divided into four business areas; Agility Fuel Solutions, Hexagon Purus, Hexagon Mobile Pipeline and Hexagon Ragasco. Production of its composite pressure cylinders and fuel systems are carried out in modern, automated plants in Norway, Germany, Canada and the U.S.

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 the past years, Hexagon's priority in 2020 is to further develop its g-mobility and e-mobility offerings. Hexagon will continue to invest in innovation at all levels of the organization, ensuring that our company 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 through the global energy transition.



DRIVING ENERGY TRANSFORMATION

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

The energy transition towards a low-carbon society provides exciting growth opportunities. We are driving energy transformation as we deliver the power of clean alternatives with natural gas, renewable natural gas, propane, hydrogen and battery electric.

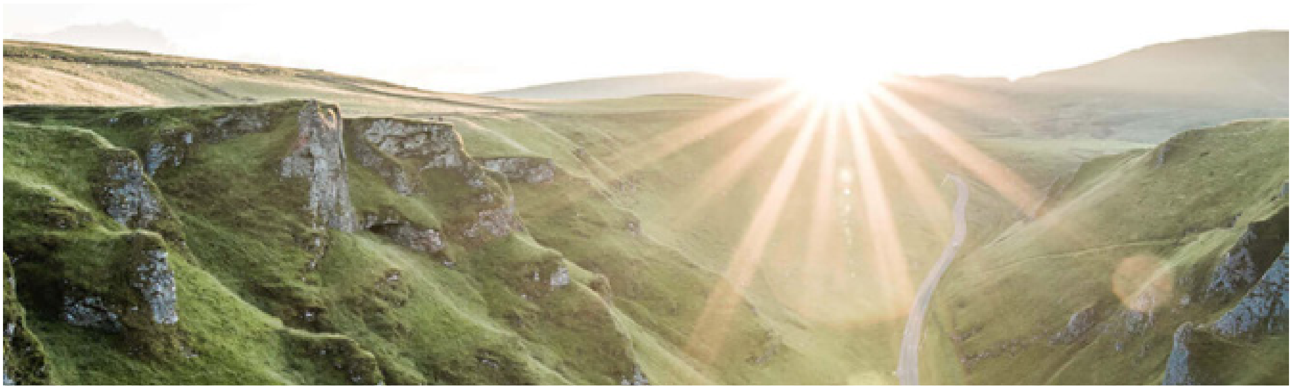
OUR VALUES

We have a strong, values-based culture that drives our business performance and guides us in the decision-making processes. Our core values support our purpose, ethical attitudes and what we believe in. We hold ourselves accountable for our interactions internally, as well as externally with our customers, suppliers, owners and the communities.

VISION	PURPOSE	GUIDED BY OUR VALUES
CLEAN AIR EVERYWHERE	DRIVING ENERGY TRANSFORMATION	INTEGRITY & DRIVE

WE ARE PART OF THE SOLUTION

Clean energy sources continue to increase their share of the global energy mix. The strong momentum towards a low-carbon economy is stimulating demand for Hexagon's solutions.



Affordable and readily available natural gas plays an essential role in providing affordable cleaner energy for vehicle propulsion and industrial use.

As a carbon-negative solution, renewable natural gas (RNG) is the most emission-friendly fuel available today. Furthermore, RNG relies on existing natural gas infrastructure and proven technology.

The rapid increase worldwide in the use of natural gas and RNG has resulted in strong, long-term growth trends in the markets Hexagon operates in. The alignment of economic and environmental benefits is driving market adoption of cleaner alternatives.

Hydrogen and battery electric products are being widely introduced and commercialized into a broad range of applications globally.

SUSTAINABILITY

Hexagon conducts its business in a responsible manner and focuses on reducing its own negative impact on the environment while providing innovative and cost-efficient solutions enabling its customers to do the same. To learn more, see the Sustainability Report on page 50-69.

NATURAL GAS

READILY AVAILIBLE

Zero PM (particulate matter) emissions

Up to 90% NOx (nitrogen oxide) reduction

Up to 21% CO2 (carbon dioxide) reduction

RENEWABLE NATURAL GAS

READILY AVAILABLE

Carbon negative when produced from biomass

ELECTRIFICATION

BATTERY ELECTRIC AND HYDROGEN

EARLY GROWTH PHASE

Zero emissions

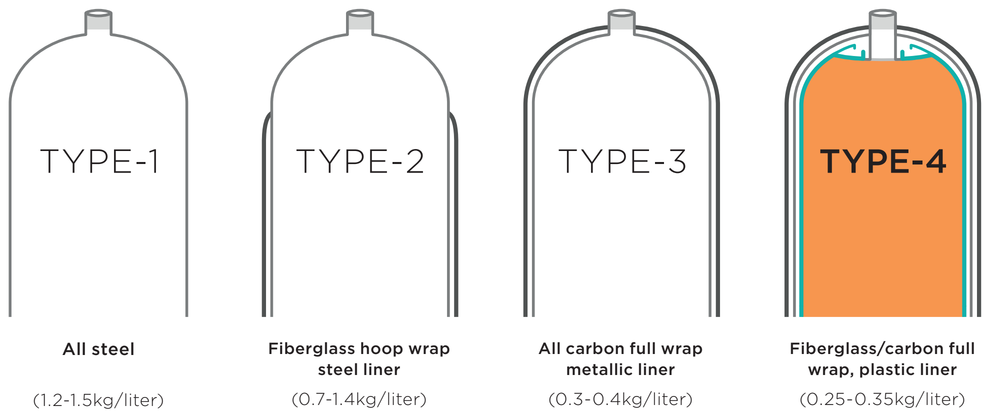
PROVEN TECHNOLOGY AND STRONG TRACK RECORD

The Type 4 all-composite pressure tank proves to be the best combination of weight, safety, efficiency and durability available. Our fuel systems are designed and engineered jointly 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. The Group works closely with 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 regularly monitored and controlled.

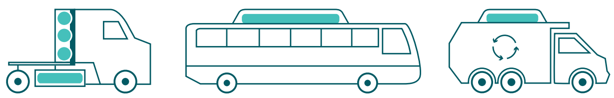
COMPETENCE AND EXPERTISE
Innovation, ambition and expertise are critical success factors. Hexagon encourages diversity in selection practices with the aim of selecting people with different backgrounds and expertise. The Group emphasizes empowerment and a flat organizational structure that recognizes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



Hexagon has delivered over 600,000 high-pressure cylinders, 65,000 fuel systems and more than 17 million LPG cylinders to customers worldwide.

DELIVERING ON STRATEGIC AGENDA

AGILITY FUEL SOLUTIONS

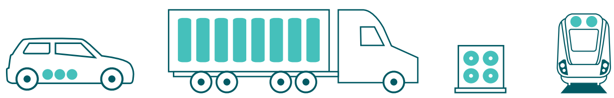


Heavy-Duty Trucks | Transit Buses | Refuse Trucks

Agility has taken a leading position in g-mobility, providing CNG, RNG and propane solutions for global commercial vehicle OEMs and fleets. Agility also provides e-mobility hydrogen and battery electric systems which were migrated to the zero-emission focused Hexagon Purus from 1 January 2020.

Agility aims to drive clean fuel market penetration in its core North American market as well as expanding in the European market; to continue geographical expansion in India, South America and Asia; and to deepen its capabilities and product offering for clean fuel solutions.

HEXAGON PURUS



Automotive | Distribution | Ground storage | Rail Marine

E-mobility – Hydrogen and battery electric mobility
Hexagon is taking a significant role in shaping the zero-emission society by expanding its role as a key solutions provider for e-mobility; hydrogen and battery electric applications. Since 1 January 2020, the business area also includes hydrogen and battery electric system integration for commercial vehicles. This adds to the established portfolio of high capacity hydrogen cylinders and systems for fuel cell electric vehicles (FCEVs), hydrogen distribution and refueling stations. We are strengthening our leading position in zero-emission onboard systems for storage, mobility and distribution applications.

CNG Light-Duty Vehicles
Hexagon continues to reinforce its position as the largest serial production manufacturer of CNG composite tanks for the automotive industry. Major car manufacturers in Europe rely on Hexagon's safe and lightweight technology, as it offers longer range and reduces fuel consumption as well as CO2 emissions considerably. Hexagon aims to expand its market share outside Europe, where CNG will claim a significant share in high-density populated regions due to lower cost and fast environmental gains in reducing emissions.

Hexagon is focusing its strategic efforts along three axes gas mobility (g-mobility and electric mobility (e- mobility) and world class manufacturing. Hexagon will drive energy transformation by delivering products and systems for natural gas, renewable natural gas, propane, hydrogen and battery electric mobility. We will continue to develop world class manufacturing capabilities to meet the demand and increase our competitive edge in these growing markets.

HEXAGON MOBILE PIPELINE

Gas Distribution

Hexagon continues to expand its global leadership in the supply of Mobile Pipeline® solutions for distribution of compressed gases beyond the pipeline. Hexagon aims to grow and diversify its customer footprint in markets outside North America, where it has established a strong position within the compressed natural gas (CNG), renewable natural gas (RNG), utility and industrial gas segments. The business aims to grow the RNG market in Europe and to increase its presence in emerging regions where CNG is more competitive and a cleaner choice of fuel. While CNG offers significant reduction in pollutant emission and greenhouse gases, RNG is emerging as a long-term clean alternative with zero or even negative emissions.

HEXAGON RAGASCO

Leisure, household and industrial applications

Hexagon Ragasco is the undisputed market leader and global supplier of mass-produced, Type 4 all-composite LPG cylinders. The company consistently delivers high capacity utilization, stable production as well as efficient and cost-effective operations. Hexagon will continue to grow its market share by introducing products with enhanced performance and will keep focusing on global opportunities where the product can leverage its superior value.

AGILITY FUEL SOLUTIONS

FUEL SOLUTIONS FOR MEDIUM- AND HEAVY-DUTY VEHICLES

Agility Fuel Solutions is the leading global provider of clean fuel solutions for a variety of medium- and heavy-duty vehicles, including trucks, refuse trucks, transit buses, school buses, delivery vans and other special purpose vehicles. Its products include compressed natural gas (CNG), renewable natural gas (RNG) and propane energy storage and delivery systems, as well as engine fuel system solutions and Type 4 composite cylinders.

PRODUCT AREAS

Heavy-Duty Trucks

Transit Buses

Refuse Trucks

WORKFORCE [1]

490

FACILITIES

USA, CANADA, NORWAY

1) FTEs

Agility's core competency is integrating energy storage and fuel delivery systems into commercial vehicles. Its lightweight solutions are engineered for high performance, durability and uncompromised safety, and are backed by comprehensive services and support, making clean fuels both an attractive option for vehicle fleet operators and a well-supported offering for Agility's commercial vehicle OEM customers. Lower vehicle operating costs provide customers a competitive edge while lower emissions reduce the overall environmental impact of their operations.

Hexagon assumed a 50 percent interest in Agility in 2016 and acquired the business outright in January 2019. The investment helped strengthen Hexagon's position as the globally leader in clean fuel solutions for commercial vehicles.

OPERATING RESULTS

For the full year 2019, Agility reported revenues of NOK 1,844.2 (1,413.1) million, with a reported EBITDA of NOK 202.2 (106.8) million. Sales volumes were primarily driven by high demand from North American refuse truck and European transit bus customers.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2019

- Hexagon closed acquisition of Agility Fuel Solutions on 4 January 2019
- Launched modular high-performance battery packs for electric and hybrid electric commercial vehicles, including for anchor customer Daimler Trucks North America
- Extended exclusive long-term agreement with UPS to supply CNG fuel systems for medium and heavy-duty trucks as well as terminal tractors with a value of USD 65-95 million (approx. NOK 740 million - 1.1 billion)
- Extended exclusive long-term agreement with New Flyer Industries with a total value of USD 75 million (approx. NOK 850 million)
- Awarded fuel systems order for twelve hydrogen buses by Solaris
- Selected by CaetanoBus for delivery of two fuel systems for hydrogen buses
- Delivered hydrogen fuel systems to Toyota Motor North America and Kenworth Truck Company

OBJECTIVES ACHIEVED IN 2019

- Increased its European exposure, particularly within the Transit Bus segment
- Expanded its fuel cell electric customer portfolio
- Explored beneficial growth synergies within the Hexagon Group

OBJECTIVES FOR 2020–2021

- Consolidate leading market position in North America
- Continue to invest in production and capacity to meet market demand
- Exploit significant European growth opportunities in bus and truck segments
- Develop opportunities in India, Asia and South America
- Continue growth and development of clean engine fuel system initiatives for medium-duty vehicles

MARKET

North America is Agility's primary market, with fuel systems and cylinders installed in long-haul trucks, refuse collection trucks, transit buses and other heavy-duty truck platforms. In 2019, heavy-duty commercial vehicle sales improved modestly in North America while market share gains in the refuse and transit bus segments increased by approximately 10% compared with 2018.

The transit bus segment consists of a handful of OEMs competing for municipal tenders which designate fuel choice and system specifications. Refuse and 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, and the government support for the transition to cleaner fuels through funding at local and national level. Large fleet purchases typically vary significantly from year to year distorting underlying trends in some markets.

Agility's other core market is the European transit bus segment which saw sizable growth in 2019 ahead of tougher emissions requirements from the EU.

Note: Exchange rates applied as of 23-Mar-2020, equal to USD/NOK of 11.37 and EUR/NOK of 12.26

Heavy-Duty Trucks

Natural gas truck sales in North America were down slightly in 2019 due to unusually high large fleet purchases in 2018. Encouragingly this trend was mostly offset by an increase in small fleet purchases by either first time clean fuel customers or those returning to the market having purchased earlier generation products before electing not to pursue adoption.

Transit Buses

Agility's primary Transit Bus markets are in North America and Europe. There has been steady growth in North America for several years due to a continued focus on environmentally friendly public transportation. Europe saw robust growth in 2019 after the EU reached a provisional agreement on the Clean Vehicle Directive aiming at a reduction of overall transport emissions. The reform sets out minimum procurement targets for clean light-duty vehicles, trucks and buses for 2025 and 2030.

Refuse Trucks

The refuse truck segment within North America is dependent on the buying patterns of key market participants that have invested long-term into natural gas infrastructure or products. As a result, revenues grew by a strong 20% in 2019, helped in part by their ability to produce and utilize landfill renewable natural gas.

Propane and natural gas powertrain

The business area offers one-stop-shop natural gas and propane integration solutions for medium-duty vehicles, including engine fuel systems, fuel storage, and vehicle integration and installation. Agility has environmental protection agency (EPA) approval for its propane engine systems, including its low NOx fuel system for a medium-duty engine. In 2019, Agility certified and released three medium-duty CNG engine fuel systems that also meet the California Air Resources Board's (CARB) stringent optional low NOx and ultra-low NOx emission standards and are compliant with Greenhouse Gas Emission Standards.

Electric and hybrid commercial vehicles

Agility delivers battery packs and complete electric vehicle drivetrain integration for medium-and heavy-duty trucks. In 2019, Agility's electric and hybrid vehicle system program witnessed great progress with a number of ongoing pilot programs, one of which is with Freightliner's Electric Innovation Fleet. The trucks are running various routes in Southern California including the ports of Long Beach and Los Angeles. The trucks are equipped with 440 kWh batteries which pull 36 tonnes and have a range of approximately 150 miles (250 km). The trucks have exceeded 10,000 miles (16,093 km), the first of their type to reach this milestone in the U.S.

The business area also offers solutions in the growing North American and European markets for hydrogen fuel cell electric vehicles in the truck and transit bus segments. Agility has been the leading provider of hydrogen fuel storage systems integration to the North American commercial vehicle market for over 15 years. In response to increased interest in hydrogen in heavy-duty trucking applications, Agility has introduced large-capacity hydrogen storage systems for trucks. Hexagon and Agility have been collaborating to offer next-generation hydrogen storage systems based on large-diameter high-pressure composite cylinders for medium- and heavy-duty vehicles.

In October 2019 Agility was awarded an order to supply twelve fuel systems for Solaris' new hydrogen bus model, with delivery in the third quarter of 2020.

- Agility's customer Waste Management is the largest refuse collection company in the U.S. and provides an excellent example of a company combining both its corporate sustainability goals with creation of economic competitive advantage.
- Waste Management has 18,000 trucks, of which 60% of them run on natural gas

"We started out making it an environmental decision to convert to natural gas, but it is a good economic decision too (...) By the way, 40% of the fuel that goes into those trucks is considered renewable because we create that fuel from our landfills. We take that landfill gas and turn into renewable natural gas, so, 40% of our fleet is effectively a closed loop."

– Jim Fish, CEO of Waste Management

Agility was also awarded an order to supply two fuel storage systems for a new hydrogen bus model from CaetanoBus, a leading Portuguese bus manufacturer.

All the relevant e-mobility activities including the hydrogen and battery electric vehicles business in Agility were combined with existing businesses of Hexagon Purus from 1 January 2020 to form a new Hexagon Purus business area within Hexagon.

COMPETITION

Agility Fuel Solutions is the global market leader for CNG and RNG fuel systems and Type 4 CNG cylinders in the heavy-duty truck and transit segments. Agility is establishing its position in the North American medium-duty propane and natural gas fuel systems markets as well as the medium- and heavy-duty electric and hybrid vehicle battery pack markets. Agility 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 and electric vehicle systems suppliers. Agility also supplies Type 4 CNG cylinders directly to OEM's which choose to produce fuel systems internally.

OUTLOOK

Agility benefits from increased focus on lower carbon emissions and cost advantages of natural gas and renewable natural gas. The Heavy-Duty Truck segment volumes are expected to increase, driven by the strong focus on reducing emissions and stable and low natural gas prices. The Refuse Truck segment may be impacted by reduced cyclical near-term 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.

HEXAGON PURUS

TARGETING A ZERO-EMISSION SOCIETY

Hexagon Purus is dedicated to Hexagon's zero-emission activities. Its solutions serve a wide range of mobility and storage applications, enabling its customers to reduce their carbon footprint and increase their competitive edge.

PRODUCT AREAS

HYDROGEN APPLICATIONS & CNG LIGHT-DUTY VEHICLES

- CNG Light-Duty Vehicles
- Fuel Cell Electric Vehicles
- Transit Buses
- Heavy-Duty Trucks
- Distribution
- Ground storage
- Marine
- Rail

WORKFORCE [1)]

207

FACILITIES

GERMANY, USA, NORWAY

1) FTEs

The global transition to a zero-emission society is accelerating with strong support from both public institutions and private companies. Hexagon maintains a leading position and substantial organizational investments are being made to further develop our position.

To focus its pursuit of the growing market opportunities for low-carbon solutions, Hexagon has organized its hydrogen, battery electric and CNG Light-Duty Vehicles activities into a dedicated single business segment.

OPERATING RESULTS

Hexagon Purus generated NOK 472.7 (293.4) million in revenue and recorded EBITDA of NOK -35.2 (-48.8) million in 2019. NOK 396.9 (193.3) million of the revenue was generated from the CNG Light-Duty Vehicles business and NOK 75.8 (100.1) million from the Hydrogen business. The CNG LDV business was primarily attributed to deliveries to Volkswagen Group, while Hydrogen revenues were mainly derived from development projects.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2019

- Announced the ambition to combine all electric mobility (e-mobility) activities under Hexagon Purus
- Awarded contract from Audi to supply hydrogen tanks for development and small FCEV serial production
- Nearly tripled the annual production volume of CNG LDV cylinders
- Expanded capacity in Kassel, Germany with a total investment of around EUR 6 million (approx. NOK 74 million). Commissioned in second half of 2019
- Awarded two additional CNG LDV customer models; SEAT Leon and Skoda Octavia

OBJECTIVES ACHIEVED IN 2019

- Expanded its leading position in the European CNG LDV market
- Increased production capacity and operational efficiency in Kassel, Germany
- Invested significantly in expanding hydrogen-related businesses
- Continued progress on existing hydrogen FCEV OEM development projects
- Initiated development of hydrogen distribution solutions
- Sharpened its zero-emission customer offering and strategic position

OBJECTIVES FOR 2020–2021

- Successfully combine e-mobility activities in Hexagon Purus
- Further improve cost efficiency and manufacturing productivity with increased automation and optimized value stream
- Expand CNG light-duty vehicle customer portfolio globally, especially in emerging markets
- Invest significantly in production footprint and products for current contracts and to further expand hydrogen and battery-electric related businesses
- Successfully execute existing hydrogen OEM projects and win additional hydrogen projects
- Successfully execute existing battery-electric pilot programs for truck OEMs in North America
- Launch hydrogen distribution systems technology to offer integrated solutions to customers in Europe and North America.

Note: Exchange rates applied as of 23-Mar-2020, equal to USD/NOK of 11.37 and EUR/NOK of 12.26

HYDROGEN

The strong momentum towards clean energy solutions globally stimulates the demand for Hexagon Purus' mobility and storage offerings. Hexagon is well positioned across the hydrogen value chain with vehicle cylinders for cars, trucks, buses, ground storage, transportation, marine, rail and drones.

Many opportunities are presenting themselves, especially within the commercial vehicle segment, transportation and ground storage applications, which makes these segments significant growth areas in the future. Given the Hexagon's strong presence and experience in the CNG market, the hydrogen fuel cell electric vehicle (FCEV) market is a natural expansion.

Fuel Cell Electric Vehicles (FCEVs)
In February 2019, Hexagon was selected by Audi AG to supply high-pressure tanks for a multi-year hydrogen tank development and small-serial production project. In addition to Audi the company has previously been awarded development and serial production contracts with two other OEMs, one of which, the Mercedes-Benz GLC F-Cell is already in serial production. These awards further confirm Hexagon's leading position as a hydrogen tank developer and cements the value proposition and long-term potential for the hydrogen space.

Buses and Trucks
The hydrogen fuel cell electric truck and transit bus markets are developing at a rapid pace, signaling that hydrogen will play a vital role in the zero-emission mobility future for commercial vehicles. Hexagon sees strong interest in the company's solutions and is involved in a number of ongoing development projects in the sector.

Ground Storage
The growth of FCEVs drives the demand for hydrogen refueling stations (HRS), which will provide promising market opportunities for the company's Type 4 cylinders and systems. Hexagon's cylinders have superior fatigue properties, which is key for future fueling stations that demand high numbers of fillings per day. Hexagon Purus' solutions are more suitable for future needs than the traditional steel alternatives.

Gas Distribution
The demand for hydrogen distribution solutions is expected to grow as a result of increased energy demand. Hexagon has served the industrial hydrogen gas market for several years. The market is steadily converting from heavier Type 1 to lighter Type 4 cylinders. Hexagon sees strong market opportunities in the mobile hydrogen refueling market and deliveries have already been made this year. With already available high-pressure solutions ranging from 250 bar to 500 bar, further growth from 2020 and onwards is expected. The main markets are Europe and North America, however, the company also sees increasing interest from other markets, such as Asia and Australia. In 2019, Hexagon Purus supplied ultra-high-pressure hydrogen 950 bar mini-container in the US, after receiving the special permit from the United States Department of Transportation (U.S. DOT) for ultra-high pressure transport.

Marine and Rail
Hexagon is at the forefront of developing hydrogen solutions for the marine and rail industry. The company is involved in several ongoing rail projects both in Europe and North America. In 2020, the company is expected to deliver high-pressure hydrogen 250 bar tanks for the first zero-emission fast ferry, The Golden Gate Zero Emission project in San Francisco, USA.

Hexagon is through its joint venture partnership, Hyon AS involved in several ongoing projects focusing on opportunities related to the Norwegian maritime segments. In 2019, Hyon was engaged in funded development projects for SeaShuttle, a short sea shipping route between Poland and Norway and ZEFF, a fast-ferry project.

A consortium of leading players in the hydrogen field, including Hexagon, has been awarded NOK 37.6 million under the PILOT-E funding scheme for the development

of a hydrogen production facility that can deliver hydrogen to ferries and cruise ships in the Geirangerfjord. The ambition is to achieve zero-emission operations in the Geirangerfjord, one of two World Heritage Fjords in Norway, by producing green hydrogen locally. The project started its activities in January 2020 and aims to deliver green hydrogen latest by 2023.

COMPETITION

Hexagon's high-pressure Type 4 cylinders are at the forefront of hydrogen storage and fuel cell vehicle technology. Type 4 cylinders are widely accepted as the optimal solution for 700 bar hydrogen storage systems for many vehicle types. Global regulations require that new tank prototypes undergo stringent pressure, temperature and fatigue tests, regardless of size. The superior fatigue properties of the cylinders further enhance safety as they remain corrosion-free over their lifetime.

Among the competitors are the existing Type 3 and Type 4 CNG cylinder manufacturers, as well as a new class of competitors that have emerged, including automotive OEMs and Tier 1 suppliers. The strong market momentum is expected to attract more competitors.

Hexagon's battery pack and electric drivetrain programs for commercial trucks and buses build on many decades of storing large amounts of low and zero emission energy on board vehicles. Hexagon leads the way in durable, lightweight and safe energy storage solutions. Competitors in this space include various Tier 1 suppliers of battery cells and packs, as well as vehicle manufacturers. Hexagon remains unique in their broad offering of zero-emission energy storage options.

OUTLOOK

The business is experiencing high activity, particularly within the commercial vehicle segment. Substantial organizational investments are being made to develop the Hexagon's capabilities and capacities. These investments impact the short and medium-term profitability, however is expected to be accretive to long-term shareholder value. Hexagon started a process to combine all its e-mobility activities under Hexagon Purus to ensure industrial focus and optimize the operations toward customer needs.

From 1 January 2020 Agility's hydrogen and battery electric vehicles business and the Masterworks operations are included in Hexagon Purus.

CNG LIGHT-DUTY VEHICLES – STRONG GAS MOBILITY DRIVE

The strong g-mobility push continues to generate demand for Hexagon's lightweight cylinders for CNG light-duty vehicles. The company almost tripled volumes to its key customer Volkswagen Group in 2019. Hexagon Purus substantially increased its production capacity to meet the growing demand.

The importance of natural gas in addressing the environmental requirements is increasingly being recognized. G-mobility (CNG and RNG), is the fast track solution to reduce greenhouse gas emissions in the transportation sector. This is driven by existing infrastructure and available technology.

MARKET

Hexagon's 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 [1)] available in Europe.

In 2019 leading car manufacturer Volkswagen Group expanded its product portfolio by increasing the number of available CNG models to 19 in total, of which Hexagon supplied CNG tanks to VW Golf, Audi A3, SEAT Leon and Skoda Octavia.

Through the consortium "CNG Mobility", the Volkswagen Group and leading German industrial players are aiming for one million CNG cars in Germany by 2025. In the same time frame, the number of CNG filling stations is projected to expand from the current level of around 860 to 2,000 stations.

In parallel German policy makers have increased their target to 3 million natural gas vehicles by 2030 to meet the desired emissions targets.

By 2021, phased in from 2020, EU legislation will set stricter CO2 emissions targets for new cars. Failing to meet the regulations when they come into effect will force OEMs to swiftly deploy low-carbon emission vehicles. There is also growth potential in countries outside Europe, where CNG will claim significant market share in gas producing countries.

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 in the niche CNG market.

Currently, steel cylinders dominate the European light-duty vehicle market because of price. However, the introduction of Worldwide Harmonized Light Vehicles Test Procedure (WLTP) focusing on reduced vehicle emissions and incentives, as well as vehicle taxes and duties on traditional vehicles, have created an increased demand for lighter light-duty vehicles. Steel cylinders are heavier and vulnerable to corrosion, inducing major car manufacturers to consider non-corrosive composite cylinders. These superior product properties, combined with extensive systems knowledge, offer the company a growth potential in this competitive market.

OUTLOOK

The strong environmental focus continues to drive the demand for low-emission CNG and RNG as transport fuels in Europe.

Hexagon expects a significant but temporary slowdown in the European CNG light-duty market during the first half of the year due to Volkswagen's relocation of its CNG car assembly line from Zwichau to Wolfsburg, Germany.

1) NGVA Europe

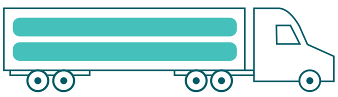
MOBILE PIPELINE

GAS DISTRIBUTION

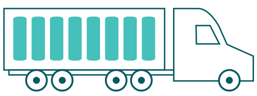
Hexagon pioneered Mobile Pipeline® solutions and continues to be the global market leader in high-pressure composite storage cylinders and transportation modules.

PRODUCT AREAS

GAS DISTRIBUTION



TITAN®



X-STORE®

WORKFORCE 1)

124

FACILITIES

GERMANY
USA

1) FTEs

Mobile Pipeline® enables users to transition to more cost-effective compressed natural gas (CNG) and renewable natural gas (RNG) to decrease emissions while addressing poverty. Mobile Pipeline® deployments enable safe, affordable, and timely distribution of compressed energy gases from stranded sources to stranded users. Growing demand for RNG, CNG, and industrial gases are challenging the existing pipeline infrastructure and driving the need for Mobile Pipeline® solutions.

Hexagon's product portfolio is the broadest in the market, comprised of the TITAN® and X-STORE® brands to meet various regulatory requirements around the world. The products present the benchmark for quality, weight efficiency, safety and payload for composite transport solutions.

OPERATING RESULTS

The Mobile Pipeline business area generated NOK 569.0 (595.6) million in revenues and made an operating profit (EBITDA) of NOK 39.7 (48.7) million in 2019. Sales volumes were primarily driven by demand from North America and Europe. Traditional oil & gas and energy intensive applications were complemented by strong growth in RNG and industrial gases.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2019

- Expanded into the RNG market in the North America
- Awarded an order for TITAN®53 transport modules by an affiliate of a leading gas distribution utility in the U.S. for delivery of RNG with a total value of USD 4.0 million (approx. NOK 45 million)
- Received an order from NG Advantage for purchase and rental of TITAN® gas transport modules with a total value of USD 4.2 million (approx. NOK 48 million)
- Secured an order for TITAN® transport modules from Certarus with value of USD 8.1 million (approx. NOK 92 million)

With 4x more capacity and weighing 70% less than steel tubes, Hexagon's composite cylinders give customers a more economical delivery solution, enabling a faster return on investment.

OBJECTIVES ACHIEVED IN 2019

- Introduced the TITAN®2 to improve cost and weight efficiency in an easily upgradable configuration
- Expanded customer portfolio with new customers within RNG, utility and industrial replace segments
- Hexagon Technical Services increased revenue for requalification and servicing of the growing population of Mobile Pipeline® modules

OBJECTIVES FOR 2020–2021

- Diversify customer base with a focus on Latin America, Asia and new application segments
- Continue to invest in innovation and development of new product and service solutions to meet evolving market demands
- Strengthen after sales support services with new and existing customer base
- Develop incremental Mobile Pipeline® demand through development of financing solutions
- Expand adoption of Modal Acoustic Emission (MAE) for requalification testing of modules

KEY MARKETS

North America

North America continues to be the largest market for Hexagon Mobile Pipeline. Constrained infrastructure combined with growing energy needs and environmental objectives is driving demand for Mobile Pipeline® solutions as a timely alternative. Shortage of natural gas supply during the critical winter season and unpredictable price spikes have historically propelled significant growth in Mobile Pipeline® delivered gas.

Note: Exchange rates applied as of 23-Mar-2020, equal to USD/NOK of 11.37 and EUR/NOK of 12.26

The Renewable Fuel Standard and California's Low-Carbon Fuel Standard supports demand for RNG. RNG derived from agriculture has the lowest carbon intensity score in the industry making it highly desirable, but often requiring a mobile pipeline solution to capture and monetize the molecules.

> Due to favorable policies, RNG production for transportation fuel has increased 10x since 2013 in the U.S.
>
> – Coalition for Renewable Natural Gas

In oil & gas, the pursuit of increased efficiency and reduced site emissions is driving gasification and electrification of operations. Service companies are adopting dual-fuel and electric fracking (E-fracking) powered by natural gas and successfully reducing operating costs and pollutant emissions. While Hexagon has been the leading supplier of Mobile Pipeline® equipment for these applications, current penetration stands at less than 2.5% of the addressable market.

In the industrial gas segment, which has a large installed base of steel cylinder trailers, Mobile Pipeline® is beginning to drive down operating costs and enabling companies to reach new customers.

Europe

Despite a well-developed natural gas infrastructure and a relatively inexpensive supply of imported LNG, Europe continues to show interest in projects that align with sustainability goals. In 2019, Mobile Pipeline® allowed several industrial customers to convert from petroleum fuels to cleaner CNG. In the future, RNG will play an increasing role in Europe's energy portfolio, including high horsepower mobile applications.

Asia Pacific

A large percentage of Asia's industrial sector continues to be powered by petroleum fuels, and natural gas offers a cleaner and cost-effective alternative for reducing emissions. While imports of LNG are currently growing, local gas production is significantly underutilized and offers new potential for Mobile Pipeline®. Local production of RNG also provides a base for renewable hydrogen that is highly desired in the region.

Latin America

Major pipeline projects in Mexico are close to being realized where the government and private participants have come to an agreement on new tariffs and rate structure. The Permian Highway Pipeline is expected to be completed in early 2020 and will deliver 56 million SCM per day from Waha (Texas) to the Gulf Coast and Mexico markets. The new gas capacity is expected to drive down natural gas prices in Mexico, while growing energy needs. The lack of infrastructure provides new market opportunities for Mobile Pipeline®.

Brazil continues to see strong growth as new RNG and gas island projects drive demand for mobile pipeline, however tariffs and tax policy continue to challenge imports of foreign products.

In the rest of Latin America there is a strong interest for power generation by natural gas, in particular in Guatemala, Argentina, Colombia, and Peru.

Middle East and Africa

The Middle East and Africa have some of the world's greatest energy reserves, yet often lack the necessary infrastructure to support their growing energy needs. While LNG continues to be a major energy source, growing demand is driving the development of local resources, in particular the monetization of associated gas, which spurs Mobile Pipeline® solutions.

Competition

Hexagon remains the market leader in large-scale production of composite storage and distribution products for compressed energy gases. This 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. Mobile Pipeline® maintains a favorable market position due to structural integrity and performance, leadership in standards development, and exceptional customer service.

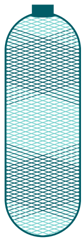
The competition in Latin America and Asia mainly comes from traditional steel cylinder solutions due to lower initial investment costs. There are also competitors delivering Type 4 cylinders and Type 3 cylinders. The improved market outlook for Mobile Pipeline, especially in North America and Europe, has attracted new competition and it is expected to see more competition in the years to come.

OUTLOOK

Mobile Pipeline® is expanding and diversifying the customer base. The demand for products is expanding to new segments and regions. 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 with composite cylinders that are easier and more cost effective to deploy, and some are diversifying their gas distribution to include Mobile Pipeline®. Industrial gas companies are reaching new customers requiring high volume deliveries over longer distances.

In the oil & gas industry, the demand for natural gas-powered operations continue with an intense focus on eliminating fugitive emissions from flaring and monetizing associated natural gas. The continued introduction of E-fracking provides a lower emission option for upstream oil producers and is collecting momentum with service providers.

Specialized composite products



WORKFORCE [1]

20

HEXAGON MASTERWORKS

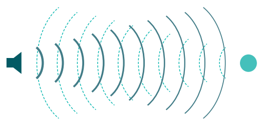
Hexagon MasterWorks specializes in short series production of high-pressure hydrogen cylinders.

Hexagon MasterWorks is focused on prototype development activities within hydrogen as well as expansion opportunities within aerospace and other niche areas. The unit is also a supplier of key manufacturing equipment. It functions as an incubator business unit focused on lower-volume, specialized engineering, manufacturing and design.

Hexagon MasterWorks is a critical supplier of state-of-the-art propellant and pressure tanks to a commercial launch vehicle. The propellant tanks exhibit structural composite attachments that are machined to exacting requirements.

That experience yields a wealth of knowledge in composite processing equipment and know-how. This know-how is leveraged within the greater Hexagon Group via equipment capabilities and production processes.

Hexagon MasterWorks business activities migrated to Hexagon Purus from 1 January 2020. This transfer was done to leverage the capabilities in preparation for the expected future growth within hydrogen.



Testing technology

WORKFORCE [1]

27

HEXAGON DIGITAL WAVE

Hexagon Digital Wave is a leading manufacturer of ultrasonic examination (UE) cylinder testing equipment, modal acoustic emission (MAE) testing equipment and a provider of associated inspection services.

The company is specialized in evaluation of pressurized cylinders for metal and composite cylinders. The container's content is not required to be removed during inspection as it is in traditional hydrostatic testing methods which significantly reduces the out of service time.

Hexagon Digital Wave is an important equipment and technology supplier to the gas distribution industries by reducing their inspection costs while improving cylinder inspection accuracy.

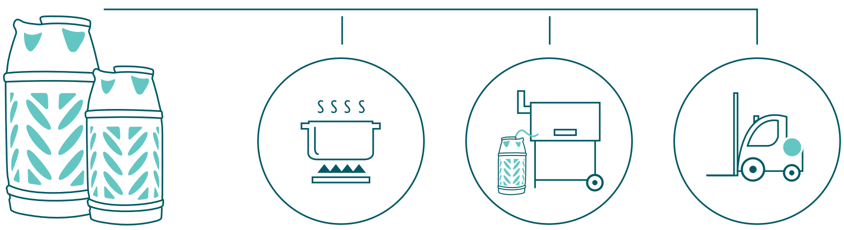
1) FTEs

HEXAGON RAGASCO

ENHANCED MANUFACTURING EFFICIENCY AND PRODUCT DIFFERENTIATION

Hexagon Ragasco is the leading manufacturer of composite liquefied petroleum gas (LPG) cylinders, used mainly for leisure activities, household and industrial applications. An increased focus on ease of use, high change to: corrosion resistance, low maintenance cost, design and safety is strengthening demand. A long-term customer-oriented approach has increased market penetration, improved capacity utilization and enabled expansion into new markets.

PRODUCT AREAS



Leisure activities, household use and industrial applications

WORKFORCE [1]

127

FACILITY

NORWAY

1) FTEs

Hexagon Ragasco is the world's leading manufacturer of composite LPG cylinders. As a pioneer in the industry, it has sold more than 17 million cylinders worldwide the last two decades, including 1.6 million in 2019. Hexagon Ragasco started operations in 2000 and has since developed a customer base composed mainly of LPG distributors in over 80 countries. Production is carried out in modern, highly automated facilities located in Raufoss, Norway.

Hexagon Ragasco continues to build partnerships in new markets to help propane and butane distributors and marketers increase customer loyalty without compromising on safety.

OPERATING RESULTS

Hexagon Ragasco generated revenues of NOK 600.5 (644.7) million and EBITDA was NOK 91.9 (133.3) million in 2019. Revenues and margins where unfavorably impacted by lower demand from Europe as well as market development costs.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2019

- Reached 17 million cylinders sold worldwide
- Continued to increase deliveries to Bangladesh, where it has established a strong position and recurring revenue base
- Achieved satisfactory capacity utilization during the year
- Received ISO 50001 Energy Management certification, which supports the use of energy more efficiently

OBJECTIVES ACHIEVED IN 2019

- Expanded into new markets; Bulgaria, Gambia, Guyana, Jordan and Oman
- Started compiling market studies from ongoing pilot programs in Florida and California, USA
- New investments increased productivity

OBJECTIVES FOR 2020-2021

- Leverage new technologies to increase value-adding product features
- Explore business opportunities in other segments
- Achieve continued recurring sales growth
- Increase sales and capacity utilization for the second half of year
- Improve the recycling properties of LPG composite cylinders

MARKET

Hexagon Ragasco's customers are primarily leading national and international LPG distributors and marketers. 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 Asia Pacific, Latin America and Middle East, generating recurring revenues and balancing the seasonal impacts.

Europe

Deliveries to Europe were softer during 2019 due to delivery postponements and reduced investment appetite among some key customers. The composite cylinder was introduced to Bulgaria in 2019. 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. Increasing market penetration in these regions continues to be a priority going forward.

Asia Pacific

Bangladesh is a growing market in the region for LPG, especially bottled LPG for domestic use. With a premium product offering considerable advantages over steel cylinders, Hexagon Ragasco is confident that the composite LPG cylinders will make domestic use of LPG in Bangladesh more user-friendly and safer. The company has established a strong position in the market and expects to receive solid recurring revenues.

The company received smaller repeat orders from other existing customers in the region during 2019.

Middle East and Africa
The region invests in lightweight composite cylinders, making domestic use of LPG more user-friendly and safer. The composite cylinders were introduced to Gambia, Jordan and Oman in 2019. The company has received several repeat orders from Middle East and Africa during the year.

North America
During 2019, Hexagon Ragasco focused on selected segments of the North American market, specifically businesses specializing in cylinder exchange for propane BBQs. The number of point of sales carrying the company's cylinders in California and Florida continued to increase during the year.

Latin America
The region invests in lightweight composite cylinders, making domestic use of LPG more user-friendly and safer. The company has received both repeat and introductory orders from customers in the region during the year. The composite cylinders were introduced to Guyana in 2019.

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 cylinders 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. Our composite cylinders have a life time expectancy of at least twenty year.

In 2019, 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.

OUTLOOK

The outlook for composite LPG cylinders remains solid. In established markets, Hexagon Ragasco is acquiring market share from steel cylinders. The business expects to see some deviation in investment spend from some of its European customers in the short-term. Meanwhile the company is growing its position in other region, which is expected to generate recurring revenues and help balance the temporary slowdown from Europe.

Hexagon Ragasco has several product innovation initiatives related to digital technologies ongoing, which will further enhance and differentiate the product offering. In addition, the company is perusing opportunities within other types of applications and gases.

MEETING GLOBAL CUSTOMERS' DEMAND

RESEARCH AND DEVELOPMENT

The global emphasis on g-mobility and e-mobility continues to influence the direction of the Research and Development organization. Of utmost importance is the drive to high safety, reliability and product performance. Hexagon sits in a leadership position with many international regulatory, codes and standards committees to ensure that product innovation is considered in a safe manner without affecting overall systems performance impacts.

The Research and Development group activities are distinctly tied to our world class manufacturing initiative. In 2019 the group, represented by 130 individuals (120), including product development engineers and project leaders was active in materials study, materials optimization and manufacturing process innovation. In conjunction with Operations, the Research and Development group is setting the foundation for process efficiency and stability without sacrificing product performance. Positive improvements have been realized in composite design efficiencies, permeation reduction, liquid propane storage, gas storage, hydrogen resistance and damage tolerance.

Hexagon has decided to retain fundamental materials and process research within the Research and Development organization while the specific product design and development will be allocated to the respective business units from 2020 onwards. This change in organizational considerations is to improve development alignment with the business units resulting in improved speed to market and reaction to the "voice of the customer". The Research and Development group will be centralized having resources employed in North America and Europe locations. The Research and Development group will be at the core of the center of excellence in fundamental materials and process research.

WORLD CLASS MANUFACTURING

Hexagon aims to keep its leading position in the g-mobility and e-mobility space. The company continues to develop world class manufacturing capabilities to meet the demand and increase the competitive edge in the markets.

The core of world class manufacturing is manufacturing excellence. Through continuous improvements we eliminate waste and set new competitive standards with smart investments in our value streams. The smart investments are focusing on increased effectiveness and efficiency as Hexagon increases capacity and gets ready for mass production.

Hexagon is cultivating a strong leadership commitment at all levels and involvement by all team members. This journey focuses on training, qualifying our team members and continuous improvements.

To increase our competitive edge, Hexagon is investing in state-of-the-art production technology strongly supported by:

- Hexagon Ragasco which is extending its digital capabilities and integrating smart technology
- Hexagon Digital Wave which continue to develop leading-edge technology for cylinder health monitoring
- Hexagon MasterWorks, now part of Purus, which is investing in state-of-the art technology with focus on supporting hydrogen product development projects

Hexagon Purus

The capacity utilization in Kassel, Germany, increased from 50% in 2018 to 95% in 2019 driven by the increased demand for CNG Light-Duty Vehicles in Europe. In order to meet this trend, Hexagon Purus substantially increased its production capacity of high-pressure fuel tanks for CNG-Light-Duty Vehicles.

Hexagon entered into an agreement with its largest customer, Volkswagen AG, to triple the annual production volume. The total investment was around EUR 6 million (approx. NOK 58 million) to expand and upgrade the production facilities in Kassel, Germany. The new production line was commissioned in second half of 2019.

Hexagon Mobile Pipeline

The TITAN®4 and TITAN®53 gas transport module manufacturing and assembly facility was optimized for production of these unique gas transport solutions. The production facility saw modifications to ensure efficient product movement as well as material and labor saving initiatives.

Hexagon Ragasco

Production stability and volumes were satisfactory during 2019. A stable volume enabled high capacity utilization during the first half of the year. The capacity utilization during the second half of the year mirrored the seasonally low demand from leisure driven applications.

In 2019 the investment activities at the production facility aimed at improving LPG liner technology and improving the permeation of the cylinders were completed on schedule and on budget. The full ramp up run rate was accomplished from the second quarter of 2019.

Hexagon Ragasco continues to invest in processes and technologies that can further enhance manufacturing efficiency and product differentiation.

Agility Fuel Solutions

Agility Fuel Solutions' manufacturing and assembly faced increased customer demand during the year. As a result, significant effort was directed to improve productivity and output to meet the increased demand. Additionally, optimization measures towards more robust processes were implemented showing results via increased first pass yield, lower quality costs and improved product reliability.

Hexagon MasterWorks

Hexagon MasterWorks installed new equipment to support limited production runs of CNG, hydrogen and other gaseous pressure vessels. A 5-axis router was installed and validated during 2019, providing Hexagon MasterWorks with unique capabilities in machining composite structures.

Hexagon Digital Wave

Hexagon Digital Wave technology specifically provided Hexagon with non-destructive pressurized cylinder inspection regardless of technology (Type 1 through Type 4). The ultrasonic emission (UE) inspection has been accepted in many jurisdictions as the preferred re-qualification method for Type 1. Modal acoustic emissions technology has been accepted by U.S. Department of Transport (US DOT) as the preferred method of requalification on Type 4 cylinders such as the Hexagon TITAN®.

Standards

Hexagon contributes its vast high-pressure technology experience in the arena of regulations, codes and standards. Hexagon is positioned as convener, expert and contributor to many of the world-wide standards that preside over CNG, hydrogen, LPG and other industrial gas tanks. This leadership, and engaged position, allows Hexagon to leverage our wealth of knowledge to the safety and reliability of our products.

KEY DEVELOPMENTS IN 2019

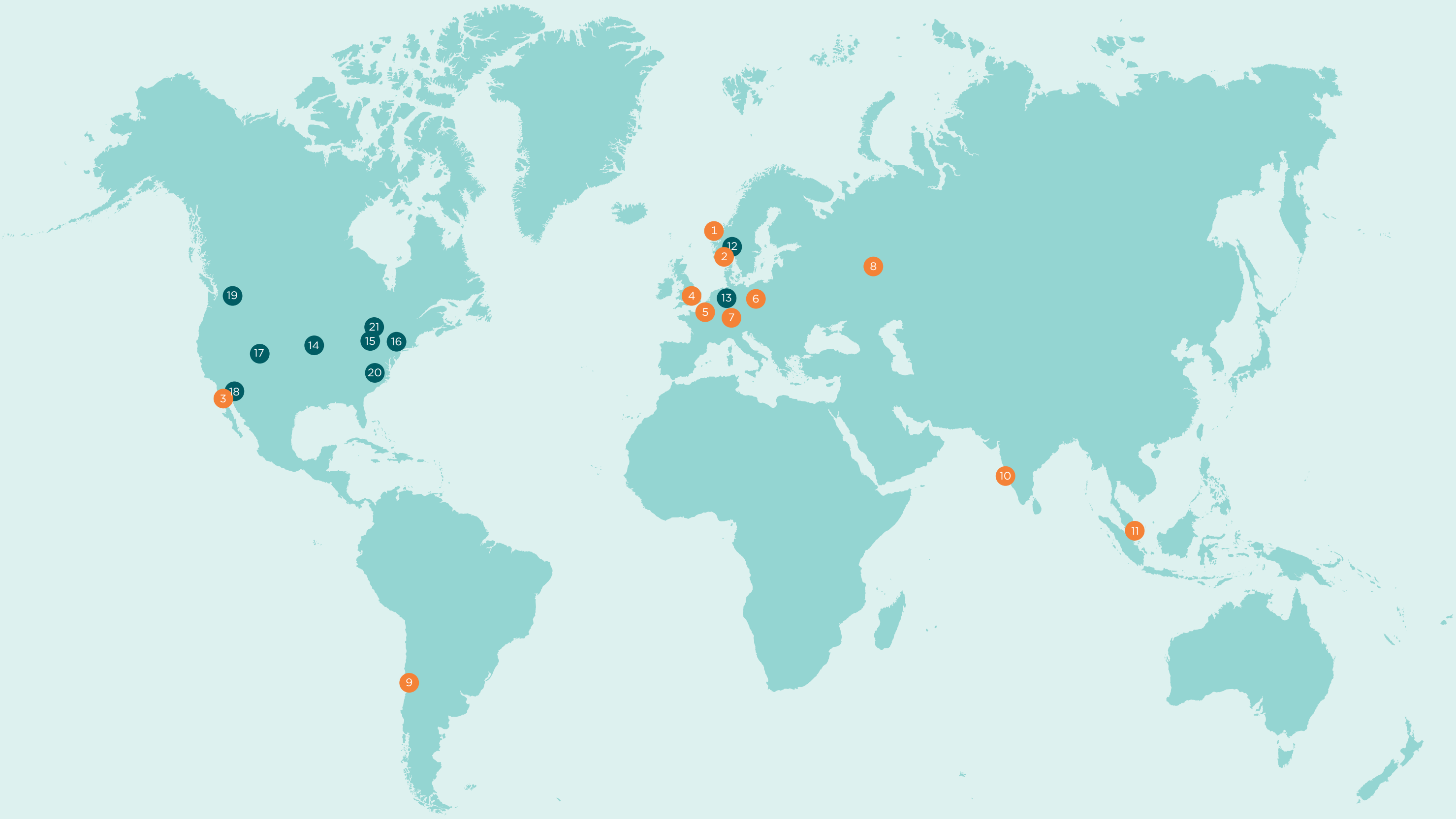
- Capacity expansion in Kassel, Germany
- Enhancement of multilayer process and product technology in Raufoss, Norway
- Certification of several cylinders to hydrogen Global Technical Regulation (GTR13)/ECE R134
- Development of battery pack solutions for Medium-Duty Trucks
- Developed a 950 bar Hydrogen mobile refueling unit

KEY OBJECTIVES FOR 2020-2021

- Gear-up for scale at the production facilities to keep the leading position within g-mobility and e-mobility
- Heavy-Duty Vehicle cylinder expansion in Lincoln, Nebraska to meet increased demand
- Transfer European Heavy-Duty Vehicle cylinder production line to Kassel, Germany

THE HEXAGON COMPOSITES GROUP

31 DECEMBER 2019 **1 011**



HEXAGON ADMINISTRATION, MARKETING/ SALES AND REPRESENTATIVE OFFICE

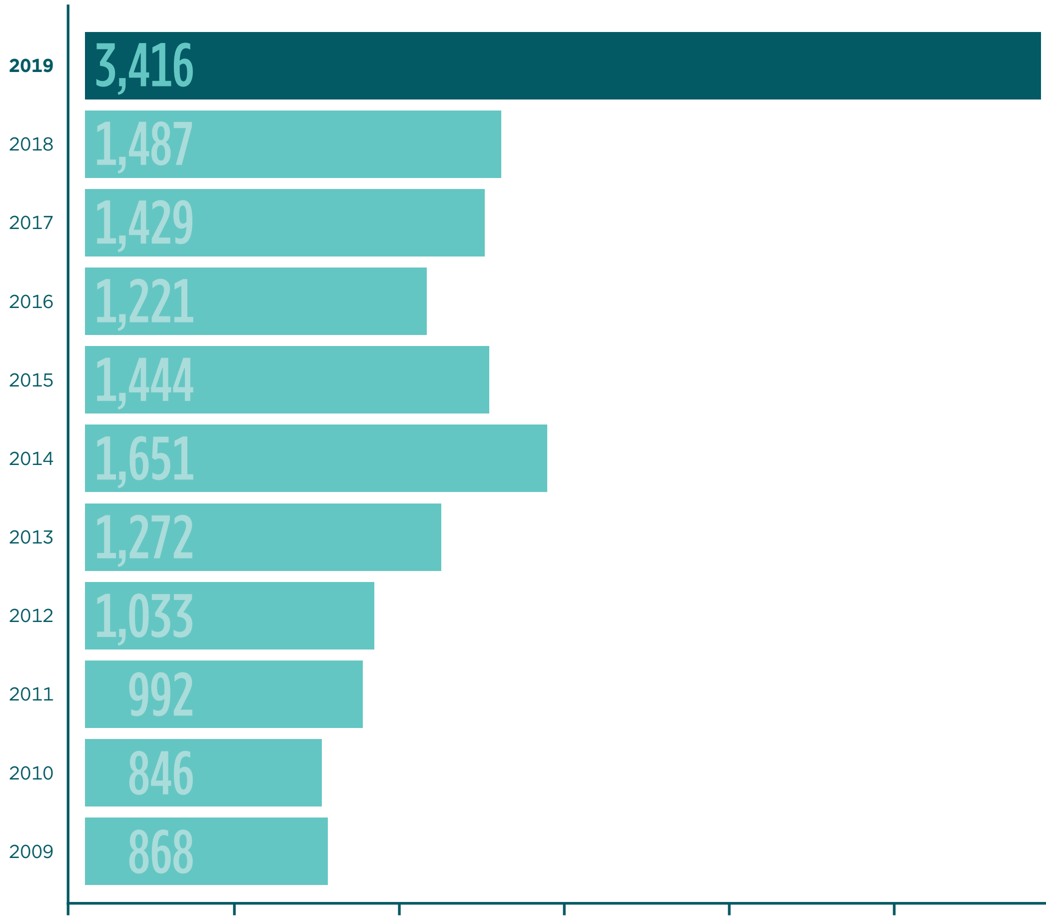
1. **Aalesund, Norway**
   Headquarters
2. **Oslo, Norway**
   Administration
3. **Costa Mesa (CA), U.S.**
   Headquarters and customer service
4. **London, United Kingdom**
   Sales representative
5. **Paris, France**
   Sales representative
6. **Wroclaw, Poland**
   Sales representative
7. **Klagenfurt,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

HEXAGON PRODUCTION SITES AND ENGINEERING HUBS

12. **Raufoss, Norway**
    Engineering hub
    LPG cylinders
    Transit Bus systems
13. **Kassel, Germany**
    Engineering hub
    Hydrogen cylinders
    Light-Duty Vehicle cylinders
    Mobile Pipeline® cylinders
14. **Lincoln (NE), U.S.**
    Engineering hub
    Hydrogen cylinders
    Mobile Pipeline® cylinders
    Heavy-Duty Vehicle cylinders
15. **Heath (OH), U.S.**
    LPG cylinder distribution
16. **Taneytown (MD), U.S.**
    Hydrogen cylinders
17. **Denver (CO), U.S.**
    Requalification and testing capabilities
18. **Fontana (CA), U.S.**
    Systems production and installment
19. **Kelowna (BC), Canada**
    Engineering hub
    Test and validation
20. **Salisbury (NC), U.S.**
    Systems production and installment
21. **Wixon (MI), U.S.**
    Powertrain systems
    Propane dispenser

HISTORY ROOTED IN INNOVATION AND CHANGE

REVENUE
MNOK



acquired

- **2018** Agility and Digital Wave
- **2016** xperion; Agility merger
- **2014** MasterWorks
- **2005** Lincoln Composites
- **2003** Raufoss Fuel Systems
- **2001** Ragasco

established

- **2010** Agility Fuel Systems
- **2003** Raufoss Fuel Systems
- **2001** xperion
- **2000** Hexagon Composites
- **1999** MasterWorks
- **1998** Ragasco
- **1992** Devold AMT
- **1992** Raufoss Fuel Systems
- **1992** Digital Wave
- **1963** Lincoln Composites

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
The Group 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.

MAKING SUSTAINABILITY OUR BUSINESS OPPORTUNITY

During 2019, Hexagon focused on growing its business areas as well as expanding its g-mobility and e-mobility focus. The share price closed the year 48.7% above the closing price for 2018. In the short term, the coronavirus pandemic is expected to impact our markets, businesses and operations negatively. Nevertheless, Hexagon sees growth opportunities materializing from the accelerating transition and focus on cleaner fuels.

Hexagon Composites ASA is listed on the Oslo Stock Exchange (OSE:HEX). The share capital was NOK 18.3 (16.7) million at the end of 2019, divided into 183.3 (166.6) 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 Hexagon's policies and procedures relating to shareholders and shares. In February 2019, Hexagon raised NOK 493 million in proceeds through a private placement of 16,662,780 new shares at a price per share of NOK 29.60.

As of 31 December 2019, the market value of the shares was NOK 6,663 (4,074) million, based on a price per share of NOK 36.35 (25.15). The price per share appreciated by 48.7% during the year. The highest daily closing price during the year was NOK 43.90 and the lowest recorded closing price was NOK 24.95. By comparison, the OBX Total Return Index (OBX) increased by 5.5% and Oslo Stock Exchange Industrial index increased by 19.0%. 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 Match Segment of the Oslo Stock Exchange. All shares are freely transferable. In 2019, 130.2 (27.0) million shares were traded with a turnover rate of 71.2% (16.2%) computed on the average number of shares outstanding.

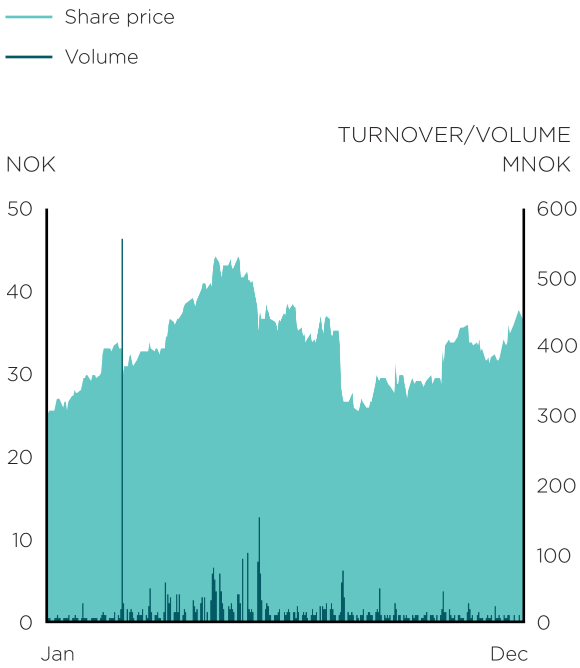
SHARE DISTRIBUTION AND MAJOR SHAREHOLDERS

The number of shareholders increased by 66.0% to 4,207 (2,535) in 2019. The number of foreign shareholders was 268 (189) representing 43.8% (39.4%) ownership in the Group. The majority of the foreign shareholders are from Japan, Sweden and Luxembourg. Hexagon's largest shareholder is Mitsui & Co., Ltd., with an ownership interest of 25.0% (25.0%).

The second largest shareholder is Flakk Rollon AS, which, including related parties, controls 16.0% (18.6%) 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 77.5% (81.6%) of Hexagon's shares. Other shareholders are primarily private individuals, institutions and small- and medium-sized companies. Several employees including key management personnel of Hexagon hold shares and share options in the company.

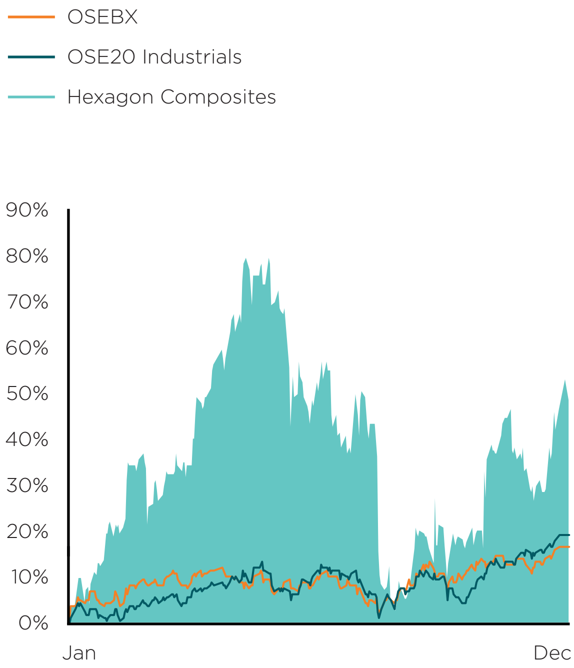
HEXAGON SHARE PRICE AND VOLUME IN 2019



Source: Oslo Stock Exchange

Note: In February 2019, Hexagon raised NOK 493 million in proceeds through a private placement of 16,662,780 new shares.

OSE PRICE TRENDS IN 2019



Source: Oslo Stock Exchange

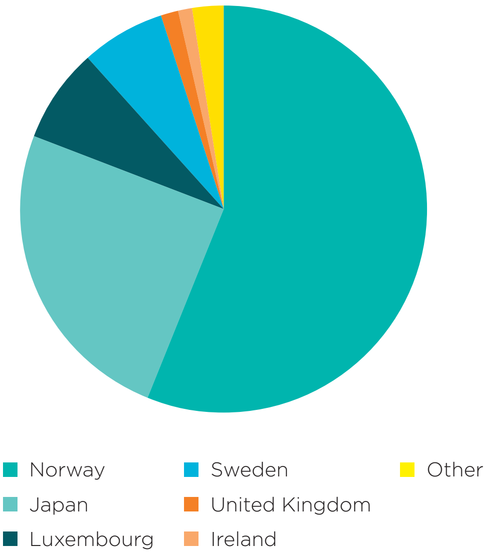
10 LARGEST SHAREHOLDERS AS OF 20 MARCH 2020

SHAREHOLDER	NUMBER OF SHARES	SHARE OF TOTAL	COUNTRY
Mitsui & Co., Ltd.	45 833 321	25.01 %	JPN
Flakk Composites AS	20 000 000	10.91 %	NOR
Clearstream Banking S.A	13 957 899	7.62 %	LUX
MP Pensjon PK	12 704 237	6.93 %	NOR
Brødr. Bøckmann AS	8 702 722	4.75 %	NOR
KTF Finans AS	5 000 000	2.73 %	NOR
Nødingen AS	5 000 000	2.73 %	NOR
Verdipapirfond Odin Norge	4 422 530	2.41 %	NOR
Lannebo Småbolag	4 173 097	2.28 %	SWE
Verdipapirfondet Alfred Berg Gamba	3 669 963	2.00 %	NOW
Total 10 largest shareholders	**123 463 769**	**67.36 %**	
Remaining	59 826 879		
Total number of shares	**183 290 648**		

A detailed overview of the largest shareholders at 31.12.2019 is disclosed in Note 17 in the Financial Statements.

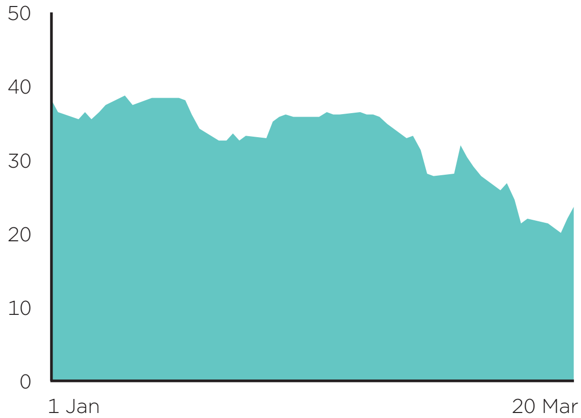
Shareholder Information

OWNERSHIP DISTRIBUTIONS OF SHARES IN 2019



HEX SHARE PRICE 2020 YTD

NOK

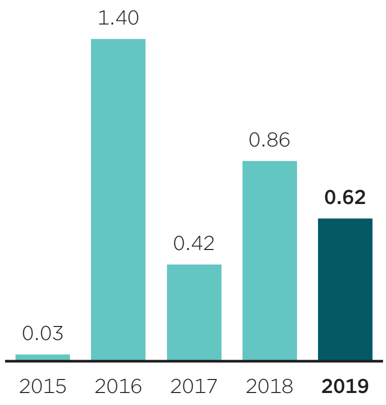


DIVIDEND POLICY

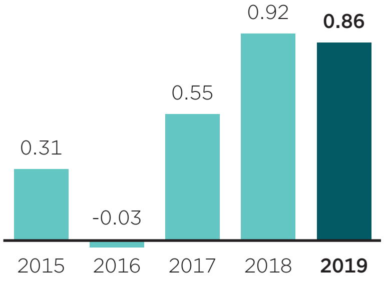
Hexagon is focusing on developing its business in high growth markets and intends to make the investments necessary to realize its growth ambitions. The company's main objective is to provide competitive returns to shareholders primarily through increasing the intrinsic value of its business. Dividend payments are dependent on financial performance and excess cash after key investment requirements. For the year 2018, Hexagon did not pay a dividend. Given Hexagon's numerous growth opportunities, the Board does not propose a dividend for 2019.

The General Meeting on 24 April 2019 granted the authority to the Board to buy back shares in Hexagon 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. These proxies are valid until Hexagon's Annual General Meeting in 2020.

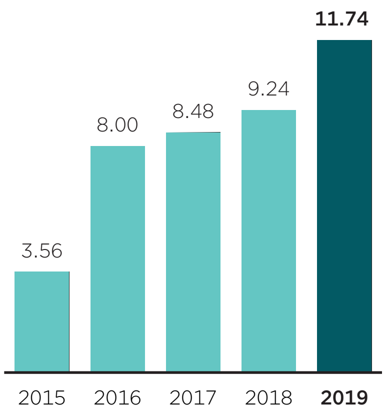
EARNINGS PER SHARE
NOK



CASH FLOW FROM OPERATIONS PER SHARE NOK



EQUITY PER SHARE
NOK



KEY FIGURES SHARES

	2019	2018	2017	2016	2015
Closing Price NOK	36.35	24.45	27.50	26.90	22.90
Tax value per share NOK (Norway)	37.18	24.80	26.95	26.70	22.45
High NOK	43.90	27.85	29.70	31.40	27.00
Low NOK	24.95	19.84	24.30	17.40	12.60
Total return	48.7 %	-9.9 %	2.2 %	17.5 %	3.0 %
Market capitalization (NOK 1 000)	6 662 615	4 074 051	4 582 266	4 482 290	3 052 452
Turnover by value (NOK 1 000)	4 409 370	659 565	425 217	1 221 416	2 015 203
Turnover by no. of shares (1 000)	130 248	26 957	15 852	51 607	98 372
Number of transactions	170 112	45 173	32 368	50 684	89 285
Number of days traded	249	249	251	253	251
Turnover rate	71.2 %	16.2 %	9.5 %	32.8 %	73.8 %
Beta	2.33	0.51	0.49	0.75	1.80
P/E	61.98	28.80	65.96	21.52	668.98
P/B 1)	3.09	2.65	3.24	3.36	6.49
Earnings per share	0.62	0.86	0.42	1.40	0.03
Cash flow from operations per share	0.86	0.94	0.55	-0.03	0.31
Dividend per share 2)	0.00	0.00	0.30	0.00	0.00
Equity per share	11.74	9.24	8.48	8.00	3.56
Share capital (NOK 1 000)	18 329	16 663	16 663	16 663	13 329
Closing number of shares (1 000)	183 291	166 627	166 627	166 627	133 295
Number of shareholders, Norwegian	3 939	2 346	2 101	2 208	2 663
Number of shareholders, foreign	268	189	197	182	186
Ownership share, foreign	43.8 %	39.4 %	40.9 %	39.8 %	16.6 %

1) Exclusive goodwill.
2) The Board proposes to the Annual General Meeting on 24 April 2019 that no dividend will be payed.

SUSTAINABILITY REPORT 2019

HIGHLIGHTS

OUR CONTRIBUTION

Agility's solutions have saved

400,000

tons of CO_2 equivalent emissions [1]
– equal to removing 80,000 passenger cars off the road for one year

>40%

of all delivered LPG cylinders in 2019 were to LDCs [2]

DIRECT EMISSIONS OF

~2,800

tons CO_2 equivalent emissions

R&D EFFORTS

~NOK 140

million

DIVERSITY

22%

women in manager and senior level roles

HEALTH SAFETY

0.49

of injury rate

1) Assuming no RNG source included
2) Least Developed Countries

TIME FOR ACTION

Why are environmental, social and governance factors so important to us? The simple answer is that controlling these factors is prudent risk management. At Hexagon we take ethical, environmental, social, and governance issues into account in every business decision we make. Our vision is enabling Clean Air Everywhere and our purpose is Driving Energy Transformation. In other words our model centers around sustainability, therefore these elements are an integral part of Hexagon's overarching goals.

Climate change, one of the world's greatest sustainability challenges, hits Hexagon right in the heart of its vision and purpose. The transport sector is the fastest growing contributor to climate emissions. The main growth driver of global transport energy demand and related emissions is land transport, mostly through passenger cars and freight transport. According to the Intergovernmental Panel on Climate Change (IPCC) the transport sector produced 8.0 billion tons of CO2 equivalent greenhouse gas emissions in 2018 and was responsible for approximately 24% of total energy-related CO2 emissions.

Meanwhile in developing countries, many people rely on biomass such as firewood, charcoal and waste to meet their energy needs for cooking and heating. The World Health Organization estimates that around 3 billion people still use biomass as fuel to cook. This often results in unsustainable harvesting practices, as well as illness and premature death from indoor pollution.

PART OF THE SOLUTION

Hexagon focuses on reducing its own impact on the environment and providing innovative products and solutions that enable its customers to do the same. Good working conditions for employees and strong relationships with the local communities where Hexagon operates are key objectives. Hexagon prioritizes ethical conduct within its organization and supply chain including anti-corruption, product safety and respect for human rights.

Hexagon adopts The United Nations 2030 Sustainability Development Goals (SDGs) in its corporate strategy. Hexagon has identified six of the seventeen goals as the most relevant to the organization. These have been selected based on where Hexagon believes it has the most positive impact through its products and solutions.

CORPORATE SUSTAINABILITY MANAGEMENT

Hexagon has established several internal guidelines and is in the process of aligning its reporting with the Global Reporting Initiative (GRI).

Hexagon is a member of UN Global Compact and fully supports the universal principles on human rights, labor, the environment and anti-corruption.

Hexagon's executive management team bears overall responsibility for monitoring the company's sustainability goals, measures and results. Daily implementation of our sustainability and quality standards is a line management responsibility throughout Hexagon and its subsidiaries.

MATERIALITY APPROACH

In 2019 Hexagon conducted a materiality analysis to identify and prioritize the most important and relevant sustainability risks and opportunities throughout its value chain. The process represents the foundation for this year's Sustainability Report. The material sustainability topics for Hexagon were identified based on an assessment of key stakeholder expectations, the significance of social, economic and environmental impacts and relevance to our strategy. Stakeholders that were defined are groups that either are impacted by Hexagon, impact Hexagon and/or are invested in Hexagon's future development.

HEXAGON'S STAKEHOLDERS INCLUDE:

- Employees
- Investors and lenders
- Customers
- Local communities
- Suppliers
- Authorities
- Partners
- Media

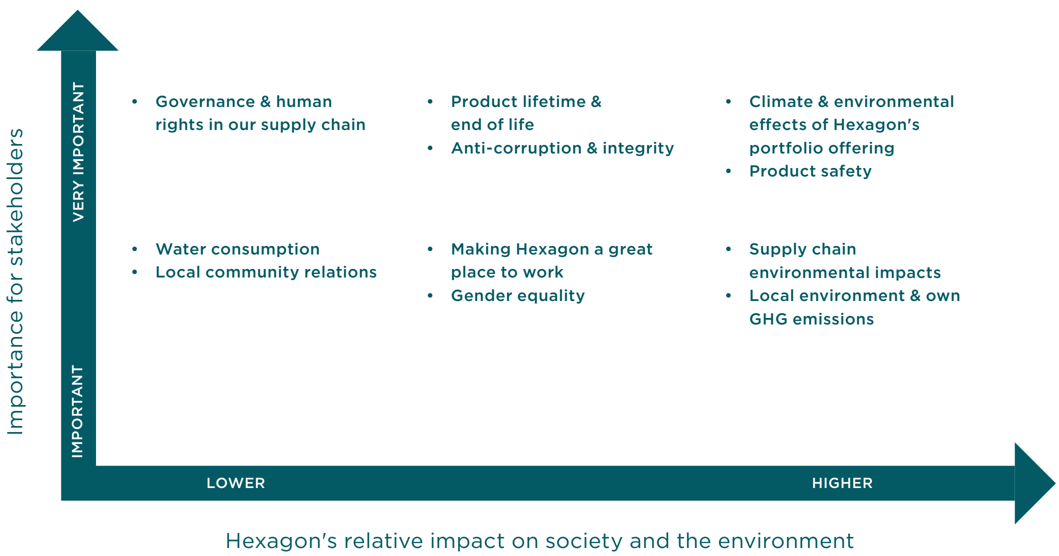
The topics identified, and their relative importance, can be viewed in the materiality matrix below. The most important strategic themes can be found in the top right corner of the matrix, with less material topics towards the bottom left.

ABOUT THE REPORT

During 2019 Hexagon has worked on creating a holistic reporting format for its sustainability disclosures. Therefore, this report addresses Hexagon, including all its business areas unless otherwise specified. Due to recent acquisitions of Agility Fuel Solutions and Digital Wave, there are some limitations to comparability between 2018 and 2019 figures. Going forward Hexagon will report comparable annual figures.

Hexagon's overall target for 2020 is to further improve its reporting and transparency across operations and value streams, by harmonizing its KPI reporting and monitoring.

MATERIALITY MATRIX



CLIMATE AND ENVIRONMENTAL EFFECTS OF HEXAGON'S PORTFOLIO OFFERING

Hexagon provides solutions across the alternative fuel spectrum. This includes high-pressure tanks and fuel systems for compressed natural gas (CNG), renewable natural gas (RNG), propane and hydrogen as well battery electric systems. Hexagon's strategic focus is to further expand its leadership position within gas mobility (g-mobility) and electric mobility (e-mobility) through innovation and world class manufacturing.

"Firms ignoring climate crisis will go bankrupt. There will be industries, sectors and firms that do very well during this process because they will be part of the solution. But there will also be ones that lag behind, and they will be punished."

Mark Carney, Bank of England Governor, 13 October 2019

Did you know: There are around 3.7 million Class 8 trucks in operation in the U.S. today. The great majority are still powered by diesel. By switching these from diesel to readily available natural gas, it is possible to avoid 127 million tons of CO2 emissions per year [2)].

Agility's clean solutions have over the last three years cumulatively contributed over 400,000 tons of CO2 emissions saved, equivalent to taking 80,000 cars off the road for a year [3)].

In 2019, Hexagon's CNG tanks for light-duty vehicles helped save over 12,000 tons of CO2 [4)].

G-MOBILITY SOLUTIONS – THE FASTEST, MOST COST-EFFECTIVE ANSWER TODAY

Natural gas is one of the cleanest burning fuels available today, giving lower greenhouse gas (GHG), nitrogen dioxide (NOx) and particulate matter (PM) emissions versus petroleum fuels.

Hexagon's CNG tanks and systems are used in a wide range of applications. For instance, through its subsidiary Agility Fuel Solutions, it provides CNG fuel systems to medium and heavy-duty OEMs and fleets in North America and Europe. Hexagon Purus provides CNG tanks to light-duty vehicles in Europe and Hexagon Mobile Pipeline® delivers large capacity modules for gas transportation.

A CNG truck running on natural gas emits 13-21% less GHG emissions, 90% less NOx and almost zero PM versus comparable gasoline and diesel vehicles. When fueling with RNG, GHG emissions can be reduced significantly [1)].

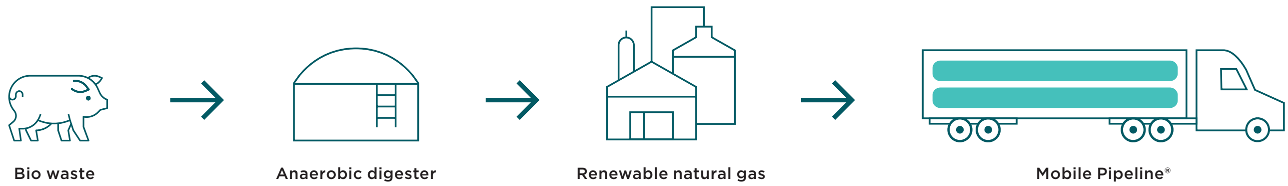
Renewable natural gas (RNG)

RNG is commercially viable, supported by local and regional jurisdictions, fully interchangeable with existing natural gas infrastructure and based on proven technology. As a potentially carbon-negative solution, it contributes to reaching climate targets by reducing both CO2 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 anerobic digestion contains 45-65% methane. Without capture this methane can escape to the atmosphere where it is roughly 30 times more potent as a greenhouse gas than CO2. If this biogas is captured and treated to remove moisture, CO2 and other impurities, it can result in a gas that is up to 95% methane and is fully compatible with existing systems as a drop-in replacement for fossil natural gas.

Hexagon's cylinders and CNG fuel systems can run on 100% RNG whilst Hexagon's Mobile Pipeline® modules are a key enabler for transporting this zero-carbon fuel from rural producers to the gas grid and industrial users.

1) NGV America, Argonne GREET 2019
2) All assumptions regarding fuel usage, distance traveled, and emission factors are from the 2019 GREET model (https://greet.es.anl.gov/). Number of trucks is based on internal sales figures.
3) Assuming no RNG source included
4) Based on number of systems sold in 2019 and the emissions of a CNG VW Golf versus a similar performance diesel Golf using EU emissions test figures and average driving distances



Did you know: Capturing the methane from the waste of 7,900 pigs is comparable to removing CO2 emission from 1,000 passenger cars [1].

E-MOBILITY, ENABLING THE ZERO-EMISSION FUTURE

Hexagon, through its subsidiary Hexagon Purus, is a world leading e-mobility systems provider, developing battery electric and hydrogen fuel cell electric technologies. Diversified hydrogen project pipeline

Hexagon Purus is currently involved in over 50 hydrogen development projects with various customers across a range of mobility and storage applications. This includes light-duty vehicles, heavy-duty vehicles, distribution, refueling stations, marine applications, trains and aviation. To learn more, read page 26-27 in Hexagon's 2019 Annual Report.

Hydrogen costs to fall sharply and sooner than expected

According to a recent study conducted by the Hydrogen Council, which Hexagon is a member of, and McKinsey & Company the cost of hydrogen can fall sharply and sooner than expected. This will be driven by the scale-up of hydrogen production, distribution, as well as equipment and component manufacturing. The cost is projected to decrease by up to 50% by 2030 for a wide range of applications, making hydrogen competitive with other low carbon as well as some conventional alternatives [2].

Expanding battery electric (BEV) solutions

Hexagon Purus is also involved in several ongoing pilot programs for the delivery of battery packs and complete electric vehicle drivetrain integrations for medium-and heavy-duty trucks.

So far, Hexagon Purus has delivered battery packs and electric drivetrain integration to over 30 heavy-duty trucks. These trucks have already logged more than 100,000 miles (approx. 160,000 km) driven in daily operations.

LPG - IMPROVING PEOPLE'S QUALITY OF LIFE

In the least developed countries (LDCs) [3] many people, particularly women, cook using wood, charcoal, animal dung or kerosene. These fuels produce hazardous particulates (soot) and air pollution that cause illnesses that the World Health Organization (WHO) estimates kill 4 million people prematurely each year [4]. The majority of people affected are the poorest members of developing nations.

LPG use on the other hand produces practically no particulates and the CO2 footprint is 20% lower than that of heating oil and 50% lower than coal [5].

Hexagon Ragasco participates in organized clean cooking alliance and cooking for life programs to promote the use of easy to handle composite cylinders across the LDCs. The lightweight and user-friendly attributes of the cylinders enable people, particularly women to spend less time cooking and gathering fuel and therefore more time on education and income generation. Hexagon Ragasco delivered over 40% of all its LPG cylinders to LDCs, up significantly from 2018.

Status and target

Each of Hexagon's business areas have identified and calculated their positive contributions to Hexagon's vision and purpose. Going forward Hexagon intends to set specific impact targets for all business areas.

1) California Air Resource Board and Hexagon own calculation
2) Hydrogen Council, Path to Hydrogen Competitiveness
3) United Nations Committee for Development Policy
4) World Health Organization, Household air pollution and health
5) World LPG Association

CLEAN AIR EVERYWHERE

Hexagon will maintain and strengthen its position as the leading player in the g-mobility and e-mobility space.

HEXAGON

HEXAGON'S PRODUCTS

PRODUCT SAFETY

Hexagon's products are used to transport and store highly flammable, pressurized gases making product safety a fundamental requirement. This is essential for our license to operate and is a key concern for Hexagon's stakeholders.

As a global leader within composite manufacturing, quality and operational excellence have always been at the forefront of how Hexagon works. Hexagon's cylinders offer a better and safer alternative to steel cylinders. Hexagon's LPG cylinders for example are resistant to Boiling Liquid Expanding Vapor Explosion (BLEVE) when engulfed in fire and are also fatigue and corrosion resistant.

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

Hexagon expends significant manpower to ensure that safety standards are at their highest.

Status and targets

- 80% of Hexagon's manufacturing facilities are ISO 9001 certified.
- In 2020, Hexagon targets to have all its manufacturing facilities ISO 9001 certified.
- Hexagon aims to report on relevant product safety statistics going forward.

PRODUCT LIFETIME & END OF LIFE

Hexagon strives for continued improvement of the performance and impact of its cylinders. Hexagon Ragasco conducted a life cycle assessment (LCA) of its LPG lightweight composite cylinders in 2014 together with the Norwegian University of Technology and Science (NTNU) and the Norwegian research institute SINTEF. This study has helped Hexagon better understand how its cylinders impact the environment from raw materials to disposal. In addition, the analysis has provided a comparative understanding of conventional steel cylinders.

The data was generated from Hexagon's fully automated manufacturing facility in Raufoss, Norway, where approximately 2 million cylinders are manufactured per year. The LCA looked at three phases related to the lifetime of the LPG cylinders: production, use and end of life.

Production

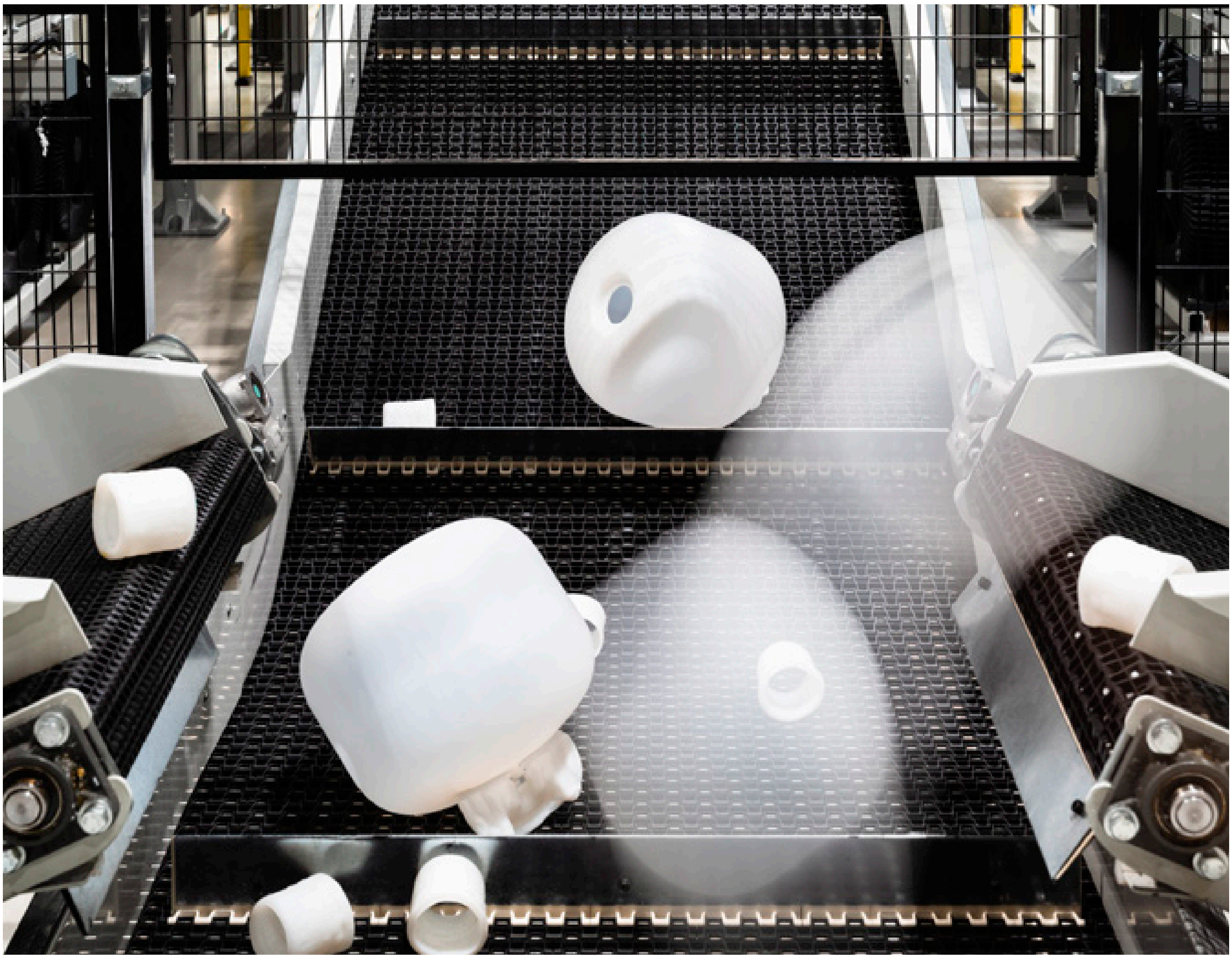
The results from the LCA analysis showed that the production phase has the largest impact on the environment, independent of the cylinder material (composite or steel). This is due to the consumption of raw materials that themselves have impacts. The LCA analysis showed that Hexagon Ragasco's composite cylinders have a 30-50% lower global warming potential (GHG footprint) compared with steel.

Use

In the use phase the LCA also provided advantageous insights. Relative to steel cylinders, the composite cylinders are lighter and less costly to transport. Hexagon's LPG cylinders have an average weight of 50% less than conventional steel LPG cylinders. Hexagon's composite cylinders have, unlike steel cylinders, high corrosion resistance and do not have the same refurbishment needs over their 20-year lifetime.

End of life

The final stage of the LCA concluded that the end of life has a more negative environmental impact than steel. This is due to today's limited recycling options. Based on these findings several ongoing strategic actions and research projects have been put in motion in order to find sustainable technologies for end of life treatment. Please see section below about recycling.



Hexagon Ragasco liner recycling process

RECYCLING

Hexagon prizes the resources it uses and is constantly looking for innovative ways to optimize the material used in its cylinders, whilst maintaining rigorous quality standards.

For example, Hexagon Ragasco's plastic liner waste is recycled and reused in new products. This has been the practice since production started in 2000. Hexagon Ragasco also offers its customers a spare part concept for the outer plastic casing should it get damaged or need rebranding, which prolongs the product lifetime.

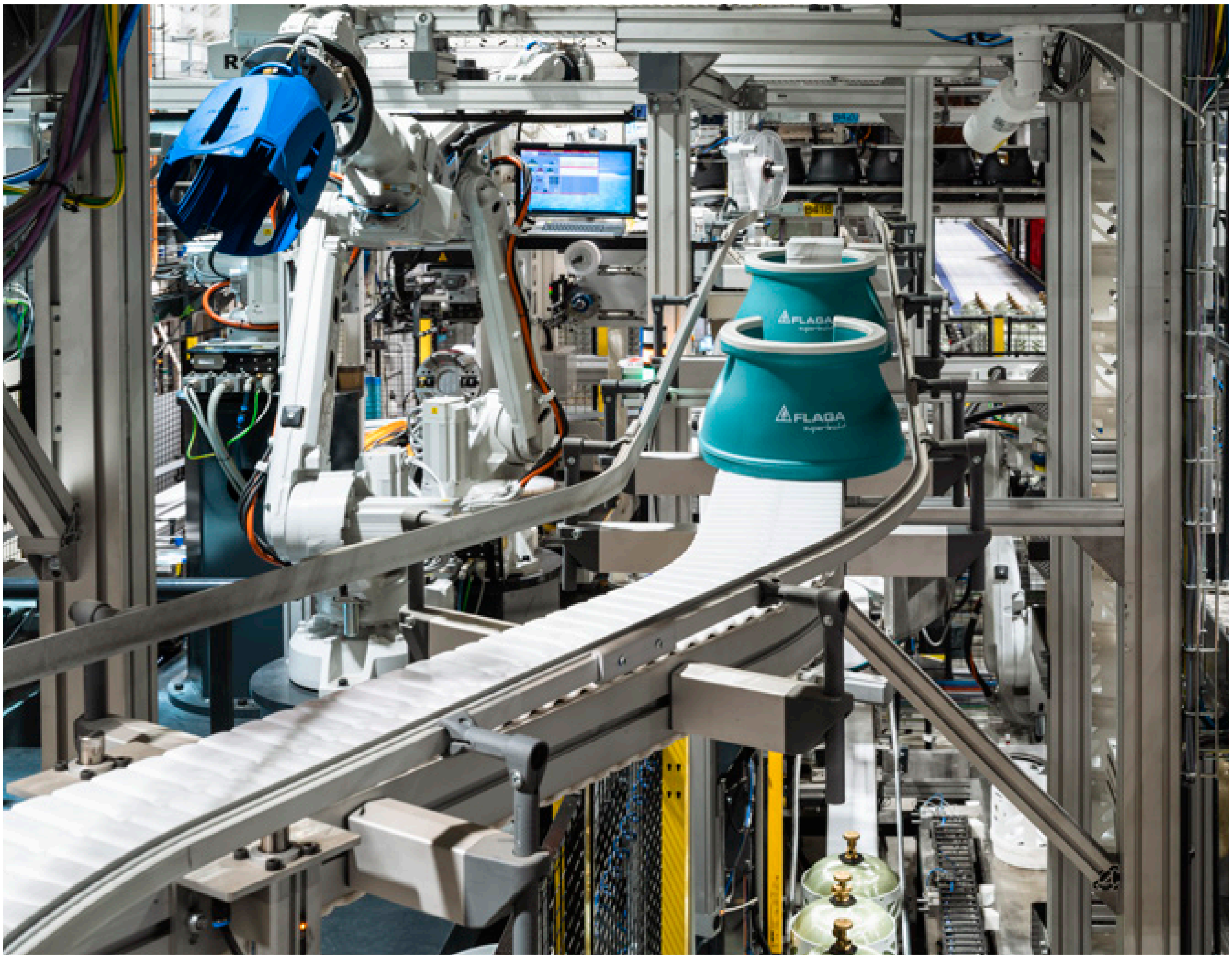
Hexagon Ragasco is also in the process of implementing internal recycling of the outer plastic casing of the LPG cylinders.

Today, the composites go to energy recovery in cement production. In order to climb higher in the waste hierarchy, two different methods of recycling have been identified: mechanical and chemical. Mechanical recycling is the grinding of composite materials to powder that enables reuse of the material in new applications whilst chemical methods separate the composites into chemical fractions which can also be reused in new products.

Raw materials used for packaging have been significantly reduced through recycling of packaging material in cooperation with several customers. As a result of this improvement project, pallets and materials can be re-used several times.

Status and targets

- In 2019 recycling options for composite materials were reviewed. In 2020 the ambition is to establish cooperation with recycling companies for the composite waste.
- Going forward Hexagon aims to set recycling and raw material efficiency targets.
- Hexagon will also carry out test runs with biobased raw materials in 2020.



Fully-automated production line

R&D, INNOVATION AND WORLD CLASS MANUFACTURING

Whilst Hexagon believes its products are of the highest quality, it also acknowledges that R&D and innovation are key for renewing operations and ensuring 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 optimal, cost-effective solutions.

Hexagon continues to develop its team of R&D engineers, including product development engineers and project leaders. In 2019 there were about 40 ongoing projects related to enhancing product quality, increasing output, reducing environmental impact through recycling or reuse of scrap materials.

Combined R&D and innovation effort in 2019 increased 85% compared to 2018. Positive improvements were realized in composite design efficiencies, permeation reduction, liquid propane storage, gas storage, hydrogen resistance and damage tolerance.

Results

INDICATOR	UNIT	2019	2018
R&D engineers	FTEs	130	120
R&D efforts	MNOK	141.1	N/A [1)]
Governmental grants	MNOK	8.4	19.2

Status and targets

- In 2019, Hexagon Ragasco completed the enhancement of the multilayer process, which has reduced permeation and improved the quality and environmental footprint of the LPG cylinders.
- Hexagon Purus expanded its manufacturing capacity in Kassel, Germany for CNG Light-Duty Vehicles.
- Hexagon is prepared to expand its capacity in 2020. This includes increasing capacity at its manufacturing facility in Lincoln, Nebraska, which targets the CNG Heavy-Duty segment.

1) Data not available

LOCAL ENVIRONMENT AND OWN EMISSIONS

As previously mentioned, the majority of Hexagon's environmental impact is through the use phase of its products. However, Hexagon also actively works on measures to reduce its direct climate, environmental and resource use impacts. Hexagon's overall EHS and climate goals will contribute to sustainable solutions, with no harm to people or to the environment. Hexagon's subsidiaries have their own EHS guidelines in place in order to fulfill these goals.

In 2019 Hexagon started to measure its own greenhouse gas emissions (GHG) and volumes of waste for all of its main manufacturing facilities. Hexagon aims to develop a roadmap outlining its plan to cut direct and indirect emissions associated with the production of products and solutions (scope 1 and scope 2). Hexagon has also identified that emissions from activities in its supply chain (scope 3) are larger than its scope 1 and 2 emissions. Therefore, Hexagon has started measuring its scope 3 impact and aims to report on this in the future.

Results

EMISSIONS SCOPE	2019 GREENHOUSE GAS EMISSIONS (TONS OF CO2 EQUIVALENT)
Scope 1 (direct emissions)	2 804
Scope 2 (Indirect emissions form electricity use- location based)	3 656
Scope 2 (market based)	7 692

TYPE OF ENERGY	2019 OWN ENERGY USE (GJ)
Non-renewable fuel consumption	49 401
Renewable fuel consumption	2 236
Electricity consumption	74 082

Waste management and recycling

WASTE TIME	2019 VOLUME (TONS)
Non-hazardous waste	7 460
Hazardous waste	124

Status and target

- In 2019 all the Hexagon's manufacturing facilities started reporting on their own direct and indirect emissions.
- In 2019, Hexagon Ragasco achieved the Energy Management Systems certification, ISO 50001.
- Hexagon Ragasco reduced its residual waste by 20% compared with 2018.
- 30% of Hexagon's manufacturing facilities are ISO 14001 certified and aims to have most of its manufacturing facilities ISO 14001 certified during 2020.
- Hexagon intends to set waste targets for all its manufacturing facilities.
- From 2020 Hexagon also aims to improve data quality and report Scope 3 emission.

SUSTAINABLE PROCUREMENT

Hexagon works with suppliers and business partners around the world. Many 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.

The selection of suppliers and sub-contractors impact Hexagon's social and environmental performance. Hexagon has supplier quality manuals which are used as tools to ensure:

- Choice of suppliers based on relevant criteria including transparency, workplace conditions and environmental, health, and safety laws
- Suppliers commit to Hexagon's supplier code of conduct and monitoring of compliance through audits and self-assessment questionnaire
- Development of mutually beneficial relationships
- Improvement of internal and external business practices
- Formalization of cross-functional decision-making teams
- World-class performance
- High quality through ISO 9001 accreditation
- Avoid procuring products from any supplier who relies on dangerous or harmful substances to the environment

The supplier quality manuals comply with the principals of the UN Global Compact. Hexagon requires all its suppliers to comply with the quality manual or equivalent irrespective of their country of origin. Hexagon respects and supports the protection of internationally recognized human rights and therefore supports the right to collective bargaining and freedom of association and strongly objects to any form of forced labor, child labor and discrimination in the work environment.

Hexagon sources materials during the development and manufacturing phases of our products and solutions. Some of the main procurement items include:

- Carbon fiber, predominantly produced in the U.S., France, Japan, and South Korea
- Resin, predominately produced in the U.S, Italy and Taiwan
- Plastic liner, predominantly produced in Europe and Canada
- Valves and boss parts, predominately produced in the U.S. and Italy

The production of the raw materials Hexagon consumes have significant environmental impacts such as GHG emissions. Therefore in 2019 Hexagon started active dialogs with some of its key suppliers regarding their environmental efforts.

New suppliers

New suppliers are subject to set of criteria and risk assessments, involving answering a questionnaire covering quality assurance, corporate social responsibility and responsible sourcing.

Status and targets

- Hexagon completed three supplier audits with no major findings or required corrective actions in 2019.
- Hexagon aims to formalize its engagement with key suppliers on climate and environment related issues as well as identify potential requirements in 2020.

HOW HEXAGON WORKS

HEALTH AND SAFETY AND ORGANIZATIONAL DEVELOPMENT

HEALTH AND SAFETY

Keeping its employees safe is Hexagon's top priority during operations and therefore Hexagon has a target of zero work-related accidents or injuries that result in employee absence.

Hexagon's manufacturing facilities are comprised of industrial processes that involve complex machinery and processes, rapidly moving parts and equipment, high heat, caustic chemicals and pressurized gas. Hexagon has established secure operating routines to manage these processes in a responsible manner and to ensure a safe and healthy work environment. Hexagon believes that this promotes efficiency and lowers operating costs.

Hexagon has coordinated quarterly global environment, health and safety (EHS) executive management reviews aimed at identifying EHS challenges and establishing initiatives to address these challenges. In addition, a global EHS team meets monthly to systematically identify injury, fire and hazardous substances emission risks. Specific initiatives that will lead to lower injuries and illnesses across the global operations are also discussed.

A shared performance metric that is used as a leading indicator for reducing overall injuries and incidents has been established for the great majority of Hexagon's facilities in 2019. The aim of this coordinated effort is to share information between the manufacturing facilities to identify "best practice". Hexagon implemented several health and wellness initiatives during 2019 with the goal of improving the overall health of its people.

Results

INDICATOR	UNIT	2019	2018
Fatalities	Number	0	0
Work related injuries (WRI)	Rate pr 200 000 hours	1.89	N/A [1]
Work related injuries (WRI)	Number	19	N/A [1]
Lost time incidents (LTI)	Rate pr 200 000 hours	0.49	N/A [1]
Lost time incidents (LTI)	Number	5	N/A [1]
Close calls	Number	340	N/A [1]

Status and targets

- In 2019 Hexagon did not have any fatalities at any of its manufacturing facilities.
- Hexagon recorded 19 work-related injuries, of which five were recorded as LTIs, resulting in absence. In 2019 Hexagon initiated a harmonized reporting system for all its business areas. The aim is to develop a common EHS policy for all manufacturing facilities.
- In 2020 Hexagon will continue to strengthen its zero-incident culture.
- Hexagon will also set employee safety targets and track number of safety inspections across all manufacturing facilities.

MAKING HEXAGON A GREAT PLACE TO WORK

Hexagon is a value-driven organization and its two core values, integrity and drive, lay the foundation for the corporate culture. Hexagon intentionally integrates its purpose and values into daily business and decision making.

Hexagon emphasizes involvement to empower individuals to influence their own work situation and believes a flat organizational structure ensures visibility and enables employees to develop and thrive. Hexagon uses the Great Place to Work survey as a continuous improvement process to both monitor and develop a positive work environment for its employees.

In 2019 the average score of all questions from the Great Place to Work survey was 71%, up 1% from 70% in 2018 [2]. On the question of "Overall, I would say this is a great place to work", the average of all responses was 81%, up 4% from 77% in 2018. 85% of the employees responded that they are proud to tell others they work at Hexagon, compared with 84% in 2018.

The turnover rate in 2019 increased due to a significant one-off site consolidation.

The absence rate in Hexagon [3] was on target in 2019. This was primarily driven by continued focus on wellness and targeted measures such as implementation of physical activities and guidance.

1) Data not available
2) Excluding Agility Fuel Solutions
3) Total hours of sick leave/possible work hours in Hexagon, excluding Agility Fuel Solutions

Results

INDICATOR	UNIT	2019	2018
Employees	FTEs	1,008	918
Female	FTEs	186	166
Female	Percentage	18.4%	18.1%
Employees at manager/ senior level	FTEs	601	N/A[1]
Females at manager/ senior level	FTEs	135	N/A[1]
Female at manager/ senior level	Percentage	22.5%	N/A[1]
Turnover	Percentage	10%	4.8%
Female members of the board of directors	Number	2	3
Female members of the board of directors	Percentage	40%	50%
Absence	Percentage	3.5%	N/A[1]
Recorded incidences of discrimination	Number	0	0

Organizational development
Through the internal learning and development function "Hexagon University", Hexagon offers several different programs to its employees. The aim is to continue to build and implement programs that are valuable for the development of the talent base.

In 2019 "The Hexagon Way" module was developed and introduced. This course is the "flagship" of Hexagon University offerings and is an 8-hour, highly interactive and engaging curriculum that focuses on Hexagon's people understanding their role with its vision, purpose and values. This class is taught by senior leadership and will continue to be rolled out.

Diversity
In an increasingly complex and demanding business environment, having teams with complementary skill sets and backgrounds is vital for success. As a global organization Hexagon currently employs people from more than 30 different nationalities. Research shows that companies with a more diverse workforce perform better financially and Hexagon believes that people with different approaches and experience drive innovation and a dynamic work environment.

Hexagon has continued to act to create an internal talent pool that is diverse across demographics. This is achieved through both our selection process and the work environment that Hexagon promotes and supports. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background is strictly prohibited.

According to the Great Place to Work survey 89% (89%) of the employees answered that they are treated fairly, regardless of gender.

Hexagon has prioritized the recruitment of highly qualified women, notwithstanding the challenges it faces in connection with a traditionally male-dominated, industrial operating environment.

The lowest proportion of women is in production, while the proportion of women in other areas such accounting and finance, human resources and administrative functions are more balanced.

Status and target
- Hexagon is committed to continue improving its gender diversity. Hexagon continues to set targets that encourage progress toward a more diverse group of team members.
- From 2020 Hexagon's executive management team includes one female member.
- Hexagon will continue to roll out the Hexagon Way module in the organization.
- Hexagon aims to improve reporting and set targets for absence rate and turnover rate for all its business areas.
- Hexagon will continue to use the Great Place to Work survey tool to measure organizational development. All business areas will be included in the survey from 2020.
- A common approach for regular performance and career development reviews will also be formalized in 2020.

1) Data not available
2) Excluding Agility Fuel Solutions

ANTI-CORRUPTION AND INTEGRITY

Hexagon fosters an organizational culture based on integrity and high ethical standards in order 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 the business fairly and openly with no tolerance for corruption.

Hexagon works proactively to design, implement and monitor procedures in order to prevent corruption. All Hexagon's employees dealing with governmental authorities, customers, suppliers and partners are expected to have requisite knowledge of policy and guidelines regarding gifts, benefits, and entertainment enabling them to assess situation that are or potentially may be, in violation of our policy and guidelines.

Hexagon has several policies that guide its day to day business dealings including:

- Human rights policy
- Anti-corruption policy
- Code of conduct
- Corporate governance principles

Hexagon's anti-corruption policy and guidelines apply to all business entities controlled and consolidated into Hexagon Composites. Hexagon evaluates various risks related to our supply chain on a regular basis.

Hexagon has assessed the risk of corruption to ensure that relevant anti-corruption measures are in place and are complied with. No high-risk corruption factors were identified, and Hexagon received no fines related to anti-corruption or anti-competitive behavior in 2019. Hexagon provides regular anti-corruption and competition legislation training, as well as practical training within responsible sourcing.

WHISTLEBLOWING

Hexagon strives to maintain a transparent business climate with a focus on business ethics, where difficult or undesirable incidents can be discussed and resolved. However, circumstances can occur which require other channels of communication. Hexagon encourages all its employees to contact respective line managers, local compliance officers and/or HR in these situations. Agility also offers a dedicated hotline via a third-party vendor which is available to employees in multiple countries.

There were two incidents reported in Agility in 2019. HR and legal investigated both cases and no improper behavior was found.

Cyber Security

The increase in cybercrime threats have made it extremely important to manage cyber security as digitalization is an integral part of doing business.

Hexagon's objective is to minimize cyber security risks and to foster a risk prevention culture in the organization. Hexagon uses technical measures such as performing security assessments, patching of known IT security vulnerabilities as well as utilizing anti-virus software, firewalls, private networks and providing secure access to its resources. As an integral part of this risk mitigation, Hexagon also incorporates employee awareness programs on how to use its technology securely, including how to identify cyber-attacks.

Hexagon believes that its security measures, organizational awareness programs, and increased focus on cyber security equips it well to protect both its employees and its intellectual property.

In 2019, even though we experienced external cyber-attacks, Hexagon incurred no significant financial losses related to these events.

LOCAL COMMUNITY

In 2020 Hexagon Ragasco will support Forskerfabrikken Summer Lab, a science focused summer school for kids

Hexagon strives to have good relations with its local communities and to be a positive force where it operates. In addition to providing employment opportunities, Hexagon's sponsorship policy aims to contribute to stimulate better environment, welfare and preventive health measures in the local community. Hexagon's engages in its local communities by supporting non-profit organizations that focus on sports and education opportunities for children, and youth in particular, 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 company preference is to provide funds for one year at a time and that funds are distributed to as many users as possible over time.

APPENDIX

REPORT METHODOLOGIES AND ASSUMPTIONS

Emission reductions from our products and portfolio offerings
Estimating reductions from Hexagon's products offerings is associated with a certain degree of uncertainty due to the need for many assumptions. To minimize this uncertainty, publicly available sources and recognized methodologies have been used where possible. We believe therefore that our reporting approach is comparable, open and conservative.

Emissions savings from heavy-duty 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 trucks. The GREET model is a widely recognized methodology for estimating greenhouse gas emissions (GHG) from transport and is produced by the Argonne National Laboratory. All assumptions are based on figures from AFLEET, including; average miles/year for different vehicles, fuel economy and emission factors. The greenhouse gas emissions factors are estimated on a well to wheel (lifecycle) basis. See https://greet.es.anl.gov/ for more information.

Emissions savings from light-duty vehicles
As mentioned earlier in this report, in 2019 Hexagon's CNG tanks for light-duty vehicles helped save over 12,000 tons of CO2. This reduction in emissions is estimated by comparing emissions from the CNG VW Golf with emissions from a similar performing petrol-/diesel VW Golf. All statistics regarding average driving distance is from publicly available EU statistics. Emissions from different fuel types is from the VW web pages and are on a tank to wheel basis.

Emission 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 broken down as described below:

- Scope 1 emissions: Direct emissions from fossil fuel consumption such as natural gas and propane. Greenhouse gas emissions factors are from DEFRA 2019.
- Scope 2 emissions: Indirect GHG emissions from purchased electricity and heat. We use IEA/ EPA factors for estimating location-based emission factors, and AIB/ Green-e factors for estimating market-based emissions.

Activity data for calculating emissions is based on invoices and meter readings. We believe this reporting to be as accurate as practicable, though there is always uncertainty related to GHG reporting and as this is the first year of reporting. The focus will be on ensuring data quality going forward.

Waste
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 wastes during its daily operations and have a focus on continual improvement regarding both reporting and management of 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 the CEO of the Flakk Group since 1996.

Number of shares: 29,384,969
Includes shares owned by related parties

KRISTINE LANDMARK

Deputy Chair

MSc (NHH, Norwegian School of Economics) and was the 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 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.

ELISABETH HEGGELUND TØRSTAD

Board Member

Cand. scient. in physics (University of Oslo) and Business Administration (Norwegian School of Management). CEO at Asplan Viak since 2019. Tørstad has more than fifteen years of experience from international leadership positions in DNV GL, serving on the Executive Board and Council for more than ten years. She has held the roles as CEO of DNV GL Oil & Gas and CEO of DNV GL Digital Solutions. Independent board member

Number of shares: 0

SVERRE NARVESEN

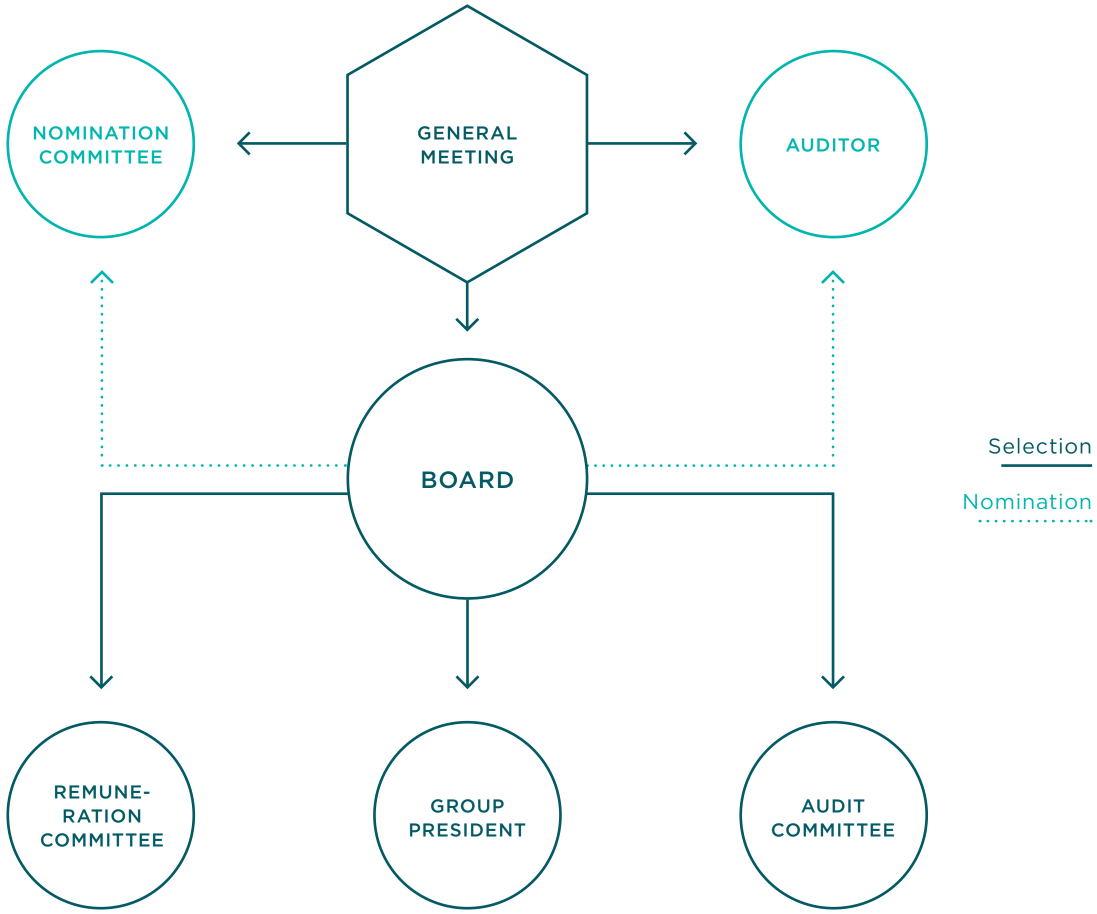
Board Member

Board Member Civil Engineer, was Head of Norwegian Centres of Expertise, Raufoss Industrial Cluster from 2006 to 2018. Narvesen has 15 years' experience from management positions within the fields of Automotive and Defence at Raufoss ASA. He holds board positions in several industrial companies and has experience developing innovation companies. Independent board member.

Number of shares: 0

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 Composites follows the Norwegian Code of Practice for Corporate Governance. We aim to secure a clear division of roles and responsibilities between shareholders, the Board of Directors and executive management to ensure good corporate management. We believe that this contributes to the greatest possible value creation for all interest groups and strengthens the 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 11 February 2020. The principles can be found on the Group's website.

We follow the Code of Practice established by the Norwegian Corporate Governance Committee (NUES). This is available at www.nues.no. We continue to update our 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. We operate within a framework of common values, including formal ethical requirements governing our 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. Our goal is to remain the international leader in selected niches.

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

The company 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.

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. Our main objective is to focus on high-growth areas, and we intend to make the necessary investments to develop our business in these markets. Authorization to the Board for capital transactions are 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.

Our main objective is to provide competitive returns to shareholders primarily through increasing the intrinsic value of our business. Dividend payments are dependent on financial performance and investment requirements. For the year 2018 Hexagon Composites did not propose a dividend. The Board does not propose a dividend for 2019.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Hexagon has one class of shares and our 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

We have well established procedures for publicly announcing and issuing information regarding the general meeting, and our 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 our 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 2019, 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 which 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 2019 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 company's day-to-day management, important business connections and the company'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 the company. 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 company's day-to-day management, important business connections and the major shareholders. Instructions are established for the audit committee which was comprised of Board member, Sverre Narvesen and Deputy Chair, Kristine Landmark in 2019. 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 2019

NAME	POSITION	MEETINGS
Knut Flakk	Chairman	8/9
Kristine Landmark	Deputy Chair	8/9
Sverre Narvesen	Board Member	9/9
Katsunori Mori	Board Member	8/9
Elisabeth Tørstad	Board Member	8/9
Susana Quintana-Plaza	former Board Member	4/4

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 Company and its subsidiaries work continuously with ethics, anti-corruption and corporate responsibility, which are integral parts of the basis for decisions. The status of the work by the business areas involving corporate responsibility is included in the Sustainability report.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. We believe that our overall strategy, management principles and organizational structure provide a good control environment. The Group's ethical guidelines include considerations related to the company'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 our 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 company's activities. On 24 April 2019 the annual general meeting established the Board fees for 2018 in connection with the approval of the annual accounts.

POSITION	FEES
Chairman	NOK 500 000 (500 000)
Deputy Chair	NOK 250 000 (230 000)
Other Board Members	NOK 200 000 (180 000)

Leaders of the Board committees are paid additional fees per positions of NOK 50,000 (40,000). Members of the Board committees are paid additional fees per positions of NOK 35,000 (30,000). Fees are fixed and are not linked to the company'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 company's management remuneration policy. Executive management remuneration is based on company and individual performance, and both the method and the amount are intended to promote long-term value creation for the company. We believe that 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. Our 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. We believe it is important that employees, shareholders and investors have equal opportunities to monitor the company's performance and receive sufficient information to value the company correctly. The Group seeks to communicate information about its products and markets to central target groups, while ensuring that all stakeholders have equal access to information provided by the company.

14. COMPANY ACQUISITION

The Board acknowledges that it should not prevent or obstruct offers for purchase of the company's business operations or shares. Agreements that restrict the possibility of obtaining other offers for the company's shares should only be entered into when clearly justified as being in the joint interests of the company and its shareholders. Agreements between the company 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.

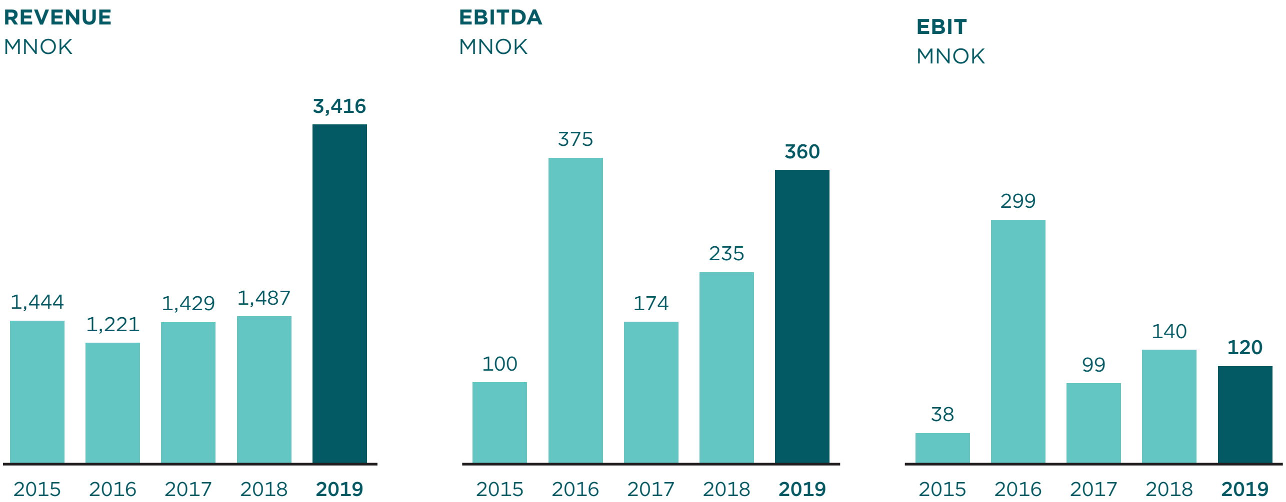
15. AUDITOR

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 company'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 company 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.

PREPARED TO HANDLE VOLATILITY AND CAPTURE FUTURE GROWTH

Reported Hexagon Group revenues for the year 2019 increased by 130% to NOK 3,416.1 million compared with 1,486.5 million in 2018 and reported EBITDA was NOK 359.7 (234.5) million. The underlying organic revenue growth was 19%. This was primarily driven by strong performances in Agility Fuel Solutions, which has been consolidated after the acquisition on 4 January 2019, and Hexagon Purus' CNG Light-Duty Vehicles business. The acquisition of Agility entailed a one-off EBITDA impact for the full year of NOK 44.2 million. This incorporated a net accounting gain of NOK 69.4 million less other transaction related charges of NOK 25.2 million.



KEY FIGURES

(MNOK)	2019	2018
Revenue	3 416.1	1 486.5
Operating profit before depreciation (EBITDA)	359.7	234.5
Operating profit (EBIT)	120.1	140.2
EBITDA %	10.5 %	15.8 %
EBIT %	3.5 %	9.4 %

AGGREGATED RESULTS INCLUDING AGILITY FUEL SOLUTIONS [1)]

(MNOK)	2019	2018
Revenue	3 416.1	2 880.6
Adjusted operating profit before depreciation (EBITDA) [2)]	315.5	287.8
Gain net of all Agility transaction related charges / Legacy unvested stock compensation/ Earnout related to xperion transaction in 2016	44.2	74.9
Operating profit before depreciation (EBITDA)	359.7	362.7

1) Figures in the table represent unaudited aggregated results 2018. Estimated intercompany transactions have been eliminated

2) Adjusted of IFRS adjusted non-cash stock compensation costs 2018

KEY DEVELOPMENTS IN 2019

- Closed the Agility Fuel Solutions transaction on 4 January 2019
- Private placement of NOK 493 million in February 2019
- Placed new senior unsecured bond of NOK 1.1 billion in March 2019
- Awarded contract by Audi AG to supply hydrogen tanks for development and small FCEV serial production
- Hexagon was informed of an indefinite delay of a fuel cell vehicle program for reasons unrelated to Hexagon
- Nearly tripled the annual production volume of CNG LDV cylinders in Kassel, Germany
- Expanded capacity in Kassel with a total investment of around EUR 6 million (approx. NOK 74 million). Commissioned in second half of 2019
- Agility entered into a three-year exclusive agreement with UPS with a total estimated value of USD 65 to 95 million (approx. NOK 740 million to 1.1 billion)
- Extended exclusive long-term agreement with New Flyer Industries with a total value of USD 75 million (approx. NOK 850 million)
- Awarded fuel systems order for twelve hydrogen buses by Solaris
- Selected by CaetanoBus for delivery of two fuel systems for hydrogen buses
- Launched modular high-performance battery packs for electric and hybrid electric commercial vehicles, including for anchor customer Daimler Trucks North America
- Mobile Pipeline® expanded into the renewable natural gas (RNG) market in the U.S
- Hexagon Ragasco reached 17 million LPG cylinders in accumulated sales worldwide

KEY DEVELOPMENTS AFTER BALANCE SHEET DATE

- In January 2020, Hexagon was informed by an automotive OEM that the development project for hydrogen tanks was cancelled due to reasons unrelated to Hexagon
- From January 2020, all e-mobility related businesses in the Group were consolidated in Hexagon Purus
- In March 2020 the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. The outbreak has not had any significant impact on the Hexagon business units so far, but this might change if the pandemic crises escalates

Hexagon acquired 100% of Digital Wave at the end of 2018 and the remaining 50% of Agility Fuel Solutions at the start of 2019. With both companies fully integrated, Hexagon has a suite of solutions across the alternative energy spectrum, including compressed natural gas (CNG), renewable natural gas (RNG), propane, batteries and compressed hydrogen gas (CHG).

Hexagon recorded revenues of NOK 3,416.1 million for the year 2019, compared with pro-forma NOK 2,880.6 million, including 100% of Agility Fuel Solutions in 2018. Normalized EBITDA for 2019 amounted to NOK 315.5 million, excluding a gain of NOK 44.2 million from the Agility transaction net of all transaction charges. Pro-forma EBITDA for 2018 amounted to NOK 287.8 million, excluding the positive impact of a reduction of earn-out obligation related to the xperion acquisition in 2016 and legacy unvested stock compensation charges in Agility.

Note: Exchange rates applied as of 23-Mar-2020, equal to USD/NOK of 11.37 and EUR/NOK of 12.26

SEGMENT RESULTS

AGILITY FUEL SOLUTIONS

FUEL SOLUTIONS FOR MEDIUM- AND HEAVY-DUTY VEHICLES

Figures for 2018 are prepared on a proforma basis

KEY FIGURES

Table represents actual figures on a 100% basis

(MNOK)	2019	2018
Revenue	1 844	1 413
Operating profit before depreciation (EBITDA)	202	107
EBITDA %	11.0%	7.6%

KEY DEVELOPMENTS

- Hexagon fully consolidated figures after the closing of the acquisition of Agility Fuel Solutions on 4 January 2019
- Launched modular high-performance battery packs for electric and hybrid electric commercial vehicles, including for anchor customer Daimler Trucks North America
- Delivered hydrogen fuel systems for heavy-duty trucks to Toyota Motor North America and Kenworth Truck Company
- Extended exclusive long-term agreement with UPS to supply CNG fuel systems with a value of USD 65-95 million (approx. NOK 740 million to 1.1 billion)
- Extended exclusive long-term agreement with New Flyer Industries with a total value of USD 75 million (approx. 850 million)
- Awarded fuel systems order for twelve hydrogen buses by Solaris
- Selected by CaetanoBus for delivery of two fuel systems for hydrogen buses

SALES AND MARKET

The European transit bus market enjoyed strong growth, primarily driven by EU's revised Clean Vehicle Directive aiming at a reduction of overall transport emissions. North American Transit experienced steady growth as a result of the continued focus on environmentally friendly public transportation solutions. Volumes for the Medium-Duty Truck segment increased significantly, supported by the demand from UPS. The Refuse Truck segment within North America had a strong year, primarily in the first half of 2019.

In January, Agility signed an exclusive long-term agreement with New Flyer for the supply of CNG cylinders for transit buses. The agreement represents an estimated overall of USD 75 million (approx. NOK 850 million). New Flyer has over the last 25 years delivered 13,000 CNG equipped buses with Agility's fuel systems, which over their estimated lifetime will reduce CO2 emissions by approximately 4.4 million metric tons compared with diesel.

In October, Agility signed an exclusive three-year agreement with UPS to supply compressed natural gas (CNG) fuel systems for medium and heavy-duty trucks as well as terminal tractors. The agreement represents a total value of USD 65 million to USD 95 million (approx. NOK 740 million to 1.1 billion).

UPS plans to purchase more than 6,000 natural gas-powered trucks beginning in 2020 and running through 2022. This three-year commitment by UPS represents a USD 450 million investment in expanding UPS' alternative fuel and advanced technology vehicle fleet as well as supporting infrastructure. UPS targets 40% of its total ground fleet to run on alternative fuels by 2025. This will help reduce UPS' carbon footprint and is expected to have a positive influence on CNG market growth in North America.

Agility expanded its electrification offering with complete battery-electric vehicle drivetrain integration for medium- and heavy-duty trucks. Among its customers is Daimler Trucks North America through Freightliner's Electric Innovation Fleet.

Furthermore, Agility was awarded an order to supply twelve fuel systems for Solaris' new hydrogen bus model, with delivery in the third quarter of 2020. In addition, Agility was awarded an order to supply two fuel storage systems for a new hydrogen bus model from CaetanoBus, a leading Portuguese bus manufacturer. The systems were delivered in 2019. Hydrogen fuel systems were also delivered to Toyota Motor North America and Kenworth Truck Company.

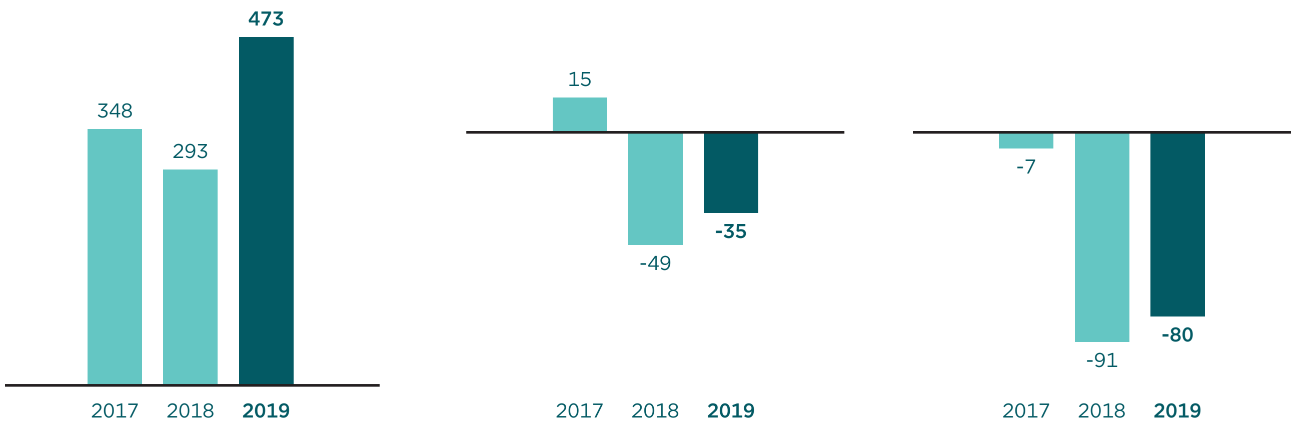
PROFIT/ LOSS

For the full year, Agility increased revenues by 31% to NOK 1,844.2 (1,413.1) million. Reported EBITDA of NOK 202.2 (106.8) million. Normalizing for non-cash stock compensation costs, EBITDA in 2018 was NOK 149.0 million. Operating profit (EBIT) for the segment was NOK 91.3 (29.6) million in 2019.

HEXAGON PURUS

HYDROGEN & CNG LIGHT-DUTY VEHICLES

REVENUE MNOK | **EBITDA** MNOK | **EBIT** MNOK



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

KEY DEVELOPMENTS

- Awarded contract from Audi to supply hydrogen tanks for development and small FCEV serial production
- Nearly tripled the annual production volume of CNG LDV cylinders
- Awarded two additional CNG LDV customer models; SEAT Leon and SKODA Octavia
- Expanded capacity in Kassel, Germany with a total investment of around EUR 6 million (approx. NOK 74 million). Commissioned in second half of 2019
- Announced the ambition to combine all electric mobility (e-mobility) activities under Hexagon Purus

SALES AND MARKET

The continued strong gas mobility (g-mobility) push generated demand for Hexagon's lightweight cylinders for CNG light-duty vehicles. Hexagon Purus substantially increased its production capacity to meet the growing demand. The investment was around EUR 6 million (approx. NOK 58 million) to expand and modernize the production facilities in Kassel, Germany. The new production line was commissioned in the second half of 2019. In May Hexagon Purus entered into an agreement with Volkswagen to almost triple the annual production volume of CNG tanks.

As the automotive industry is investing strongly in electric drive this offers new and exciting opportunities for Hexagon. At the end of the year the company announced its desire to combine all its e-mobility efforts under Hexagon Purus, including battery electric and hydrogen fuel cell electric initiatives.

In February 2019, Hexagon was selected by Audi AG to supply high-pressure tanks for a multi-year hydrogen tank development and small-serial production project. The hydrogen business with Hexagon Purus focused its efforts on a wide range of development projects, counting for over 50 development projects at the end of the year.

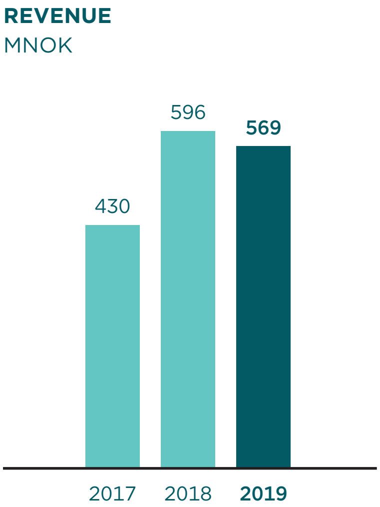
PROFIT/LOSS

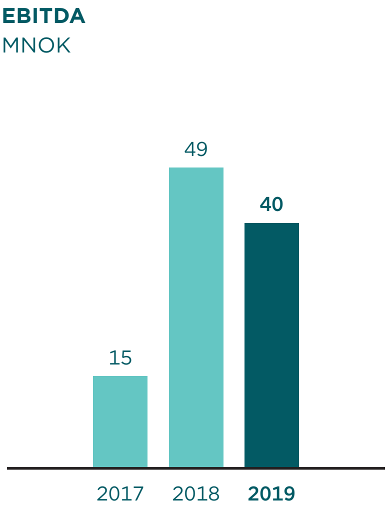
For the full year 2019, revenues for the segment amounted to NOK 472.7 (293.4) million of which NOK 396.9 (193.3) million was generated from the CNG LDV business and NOK 75.8 (100.1) million from the Hydrogen business. Lower Hydrogen Distribution sales impacted revenues in 2019. EBITDA for the full year was NOK -35.2 (-48.8) million of which NOK -107.6 (-55.2) million was related to the Hydrogen business.

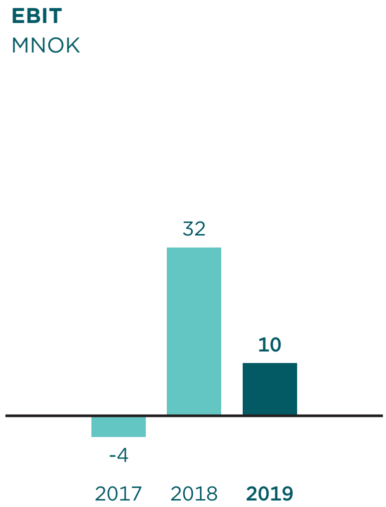
Operating profit (EBIT) for the segment was NOK -80.2 (-90.6) million, which was impacted by continued investments in the Hydrogen business unit. These relate to expanding the organization as well as research and product development towards multiple customer contracts.

MOBILE PIPELINE & OTHER

GAS DISTRIBUTION







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

KEY DEVELOPMENTS

- Expanded into the RNG market in the U.S.
- Awarded an order for TITAN®53 transport modules by an affiliate of a leading gas distribution utility in the U.S. for delivery of RNG with a total value of USD 4.0 million (approx. NOK 45 million)
- Received an order from NG Advantage for purchase and rental of TITAN® gas transport modules with a total value of USD 4.2 million (approx. NOK 48 million)
- Awarded an order for TITAN® transport modules from Certarus with value of USD 8.1 million (approx. NOK 92 million)

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 softening of the US onshore oil & gas activity and weaker demand from energy intensive applications influenced sales volumes. This was partly offset by strong growth in RNG and industrial gases.

North America continued to be the largest market for Hexagon Mobile Pipeline in 2019, dominated by traditional oil & gas customers. The order intake outside North America was low during the year.

Digital Wave was acquired in the fourth quarter of 2018 and was fully integrated as of 2019. With this acquisition, Hexagon secured integrated capabilities for testing and requalification of high-pressure cylinders. Hexagon controls the unique Modal Acoustic Emissions (MAE) testing process, which effectively reduces the operators' down time and cost, while ensuring a safe and highly reliable requalification method. In the first year of ownership the business increased pro-forma revenues by 32% to NOK 56.7 (43.1) million and EBITDA by 557% to NOK 9.2 (1.4) million.

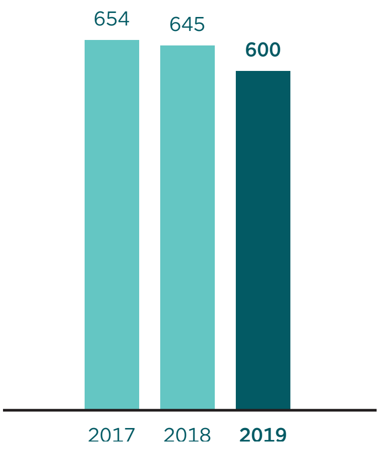
PROFIT/LOSS

In 2019 revenues for the segment were NOK 569.0 (595.6) million and EBITDA was NOK 39.7 (48.7) million. Operating profit (EBIT) amounted to NOK 10.1 (31.9) million.

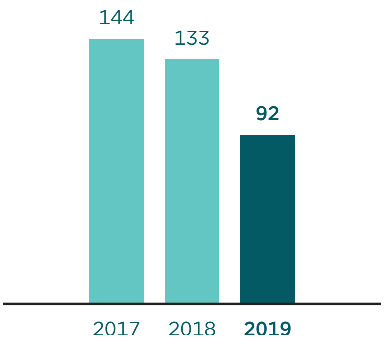
HEXAGON RAGASCO

LPG CYLINDERS

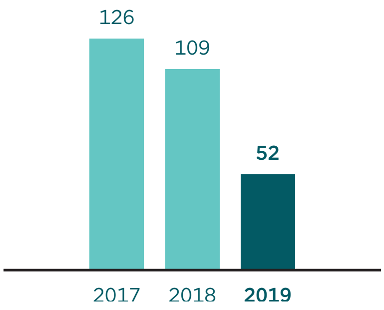
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



KEY DEVELOPMENTS

- Continued to increase deliveries to Bangladesh, where the company has established a strong position and recurring revenue base
- Achieved satisfactory capacity utilization during the year

SALES AND MARKET

Hexagon Ragasco reached 1.6 million cylinders sold in 2019. Sales were primarily to Europe, Asia and the Middle East.

During the year the business entered five new markets: Bulgaria, Gambia, Guyana, Jordan and Oman. Hexagon Ragasco's distributor in Bangladesh, Beximco, continued to generate recurring revenues and balanced the weaker European leisure demand.

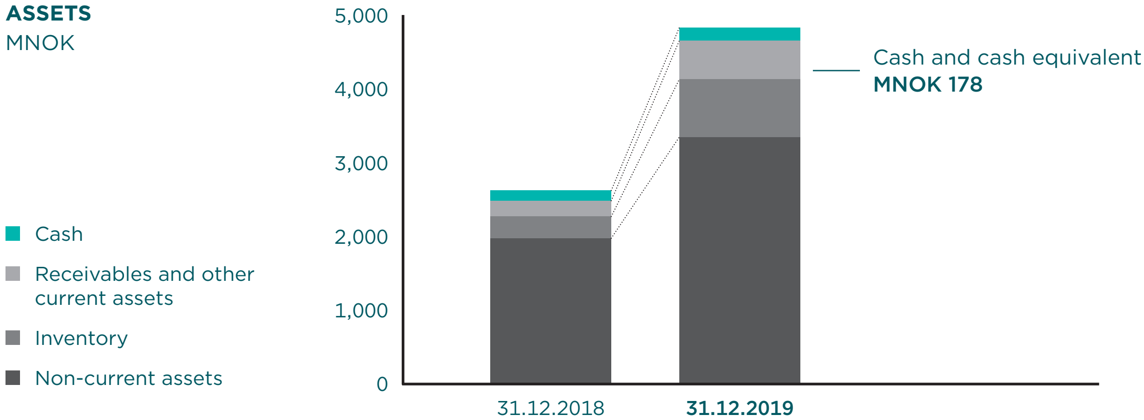
Hexagon Ragasco focuses on developing its product and service offering enabling LPG marketers and distributors to pursue increased market share. It sees major opportunities in converting more markets to Type 4 composite cylinders.

PROFIT/LOSS

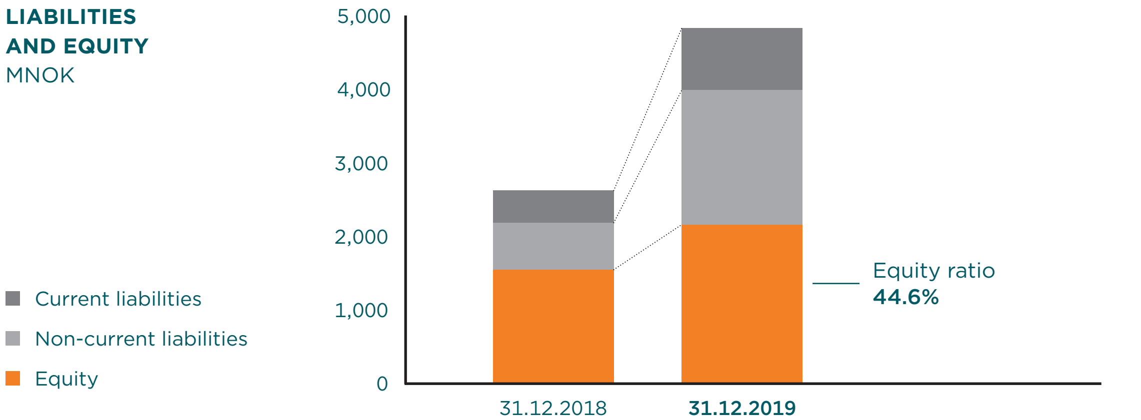
Revenues for the full year amounted to NOK 600.5 (644.7) million and EBITDA was NOK 91.9 (133.3) million. Operating profit (EBIT) amounted to NOK 54.5 (108.6) million. Revenues and margins were unfavorably impacted by lower demand from Europe as well as market development costs.

GROUP

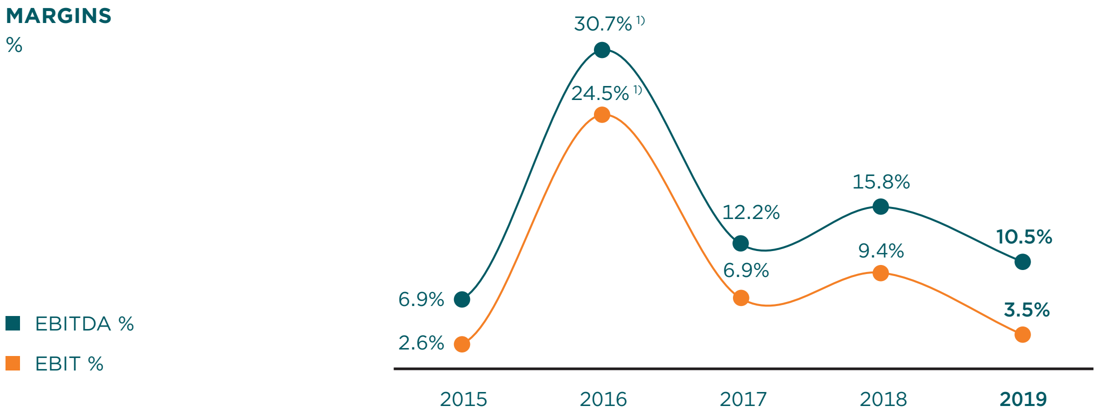
ASSETS
MNOK



LIABILITIES AND EQUITY
MNOK



MARGINS
%



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

Hexagon's headquarters are located in Aalesund, Norway. At the end of 2019, 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 2019 was NOK 107.5 (141.5) million. Net financial items were NOK -8.1 (10.6) million driven by positive foreign exchange fluctuation effects of NOK 83.9 (22.5) million and interest and other charges of NOK -92.0 (-11.9) million for the full year. Profit from joint ventures and associates amounted to NOK -0.7 (18.0) million, as Agility was no longer equity accounted for from January 2019.

FINANCIAL POSITION

At year-end the balance sheet amounted to NOK 4,827.5 (2,616.3) million and the Group's equity ratio was 44.6% (58.9%).

Property, plant and equipment were NOK 804.1 (358.5) million and intangible assets were NOK 2,204.3 (615.5) million. IFRS16 was implemented 1 January 2019, as of year-end the right of use assets was NOK 283.8 (0.0) million. Inventory was NOK 783.7 (295.2) million. Outstanding receivables were NOK 520.4 (201.0) million. Long-term interest-bearing debt increased to NOK 1,298.1 (516.2) million, reflecting the bond loan financing of the acquisition of the remaining 50% stake in Agility Fuel Solutions. On 7 March 2019, the company 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. Equity was strengthened to NOK 2,153.0 (1,540.1) million, mainly through a NOK 477.2 million, netof transaction costs, private placement in February 2019.

CASH FLOW AND LIQUIDITY

Total cash amounted to 177.7 (138.5) million at the end of 2019. Unused credit and overdraft facilities amounted to NOK 784.3 at end of 2019 compared with NOK 1,568.8 million at end of 2018, which included a committed bridge facility utilized for the acquisition of Agility Fuel Solutions in January 2019). The Group expects that cash and available credit facilities will be sufficient to cover planned capital expenditures, operational requirements and financing activities in 2020.

Net cash flow from operating activities was NOK 147.9 (154.6) million. Depreciation, amortization and write-downs totaled NOK 239.6 (94.3) million. The difference between the operating profit and cash flow from operating activities was primarily due to the gain from the Agility transaction and changes in working capital. Net cash flow from investment activities was NOK -1,274.4 (-224.9) million, reflecting the acquisition of the remaining 50% stake in Agility Fuel Solutions. Net cash flow from financing activities was NOK 1,128.9 (32.1) million, which included the repayment of the temporary bridge facility related to the acquisition of Agility Fuel Solution of NOK -1,523.3 (-22.3) million, interest payments of NOK -66.3 (-9.7) million related to the bond financing of Agility Fuel Solutions and NOK 477.2 (-30.7) million related to a capital raise. Net currency differences presented separately totalled NOK 0.5 (4.2) 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 2019 Hexagon's share value was NOK 36.35, 48.7% above the closing price on 31 December 2018. This represented a market value at the end of the year of NOK 6.7 billion. By comparison, the OBX increased by 5.5% and Oslo Stock Exchange Industrial index increased by 19.0%.

In February the company raised NOK 493 million in proceeds through a private placement of 16,662,780 new shares at a price per share of NOK 29.60. At the end of the year the Group held 1,974,882 of its own shares.

For the year 2018, Hexagon did not pay a dividend. Given Hexagon's growth opportunities, the Board does not propose a dividend for 2019.

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 784.3 (1,568.8) 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 2019 were NOK 1.4 (2.6) million. Trade receivables at the end of the year amounted to NOK 438.6 (148.7) 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. 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 72-75).

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 50-69).

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 89.0 (48.2) million in 2019. The Group has received government contributions of NOK 8.4 (19.2) million towards research and development activities for 2019. The total net carrying amount of capitalized technology and development amounted to NOK 148.2 (77.0) million as of 31 December 2019, while amortization of capitalized patents & licenses and technology & development amounted to NOK 15.8 (24.4) million. The Group has 130 (120) 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

In March the World Health Organization (WHO) declared the coronavirus outbreak as a pandemic. At present time we do not have an overview of the consequences for our markets, businesses and operations, but we expect overall negative consequences for Hexagon in the short term but with the potential of favorable development in some segments.

Meanwhile there is no sign that the underlying drivers towards a low-carbon economy and the transition to cleaner energy carriers, such as CNG, RNG, hydrogen fuel cell and battery electric are weakened. With an extensive portfolio of g-mobility and e-mobility solutions, Hexagon is well positioned as a globally leading clean technology provider. 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.

Agility is expected to benefit from increased adoption of cleaner energy alternatives and the cost advantages of natural gas. The long-term agreement with UPS secures growth of Agility's Medium-Duty Vehicle business. The market drivers for the Transit Bus segment remain strong, particularly in Europe, where stringent EU regulations drive demand for low- and zero-emissions solutions.

Hexagon Purus continues to develop its leading position and pursue zero-emission opportunities in the growing e-mobility market, including more than 50 hydrogen development projects. Substantial organizational investments are being made to develop the company's capabilities and capacities. These investments impact the short and medium-term profitability.

Hexagon expects a significant but temporary slowdown in the European CNG light-duty market in the first half of 2020 due to the Covid-19 crisis and Volkswagen's relocation of its CNG car assembly line from Zwichau to Wolfsburg, Germany. In the medium term we expect demand to exceed 2019 levels.

The demand for the company's Mobile Pipeline® products is driven by conversion from petroleum fuels to cleaner CNG and RNG. RNG is recognized as the fastest and most effective solution currently available to reduce greenhouse gas emissions. This is an important diversification should the weakening of the U.S. onshore oil & gas activity continue.

Hexagon Ragasco volumes remain at a high level, however with an unfavorable product mix. The business will continue to grow its positions in Asia and the Middle East, which is expected to balance a continued relatively weak European demand.

The forward-looking statements made above are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that are expected to occur in the future. They are therefore 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 2020 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 -24.7 (-25.4) million in 2019 and a profit of NOK 163.7 (123.2) million.

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

(MNOK)	
Allocated to dividends	0.0
Transferred from/to other equity	163.7
Total allocations	**163.7**

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 2019 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 2020
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

Katsunori Mori
Board Member

Elisabeth Heggelund Tørstad
Board Member

Jon Erik Engeset
Group President & CEO

FINANCIAL STATEMENTS 2019

FINANCIAL STATEMENTS GROUP

FINANCIAL STATEMENTS PARENT COMPANY

AUDITOR'S REPORT

INCOME STATEMENT GROUP
01.01 – 31.12

(NOK 1 000)	NOTE	2019	2018
REVENUE			
Revenue from contracts with customers	4	3 404 209	1 485 417
Rental income	4	11 915	1 103
Total revenue		**3 416 124**	**1 486 521**
OPERATING EXPENSES			
Cost of materials	13	1 673 120	696 970
Payroll & social security expenses	9,18,26,27	853 706	397 030
Depreciation, amortization and impairment	10,11	239 606	94 318
Other operating expenses	5,14,19,23	599 209	266 550
Gain on transaction/fair value adjustment of earn-out	3	-69 625	-108 549
Total operating expenses		**3 296 016**	**1 346 318**
Operating profit	**4**	**120 109**	**140 202**
FINANCE INCOME AND EXPENSES			
Finance income	6,24	122 517	85 748
Finance expense	6,20	130 630	75 188
Net financial items		**-8 114**	**10 560**
Profit/loss from associates and joint ventures	25	-749	17 965
Profit before tax		**111 246**	**168 727**
Tax expense	7	3 755	27 265
Profit/loss for the year		**107 491**	**141 462**
Earnings per share (NOK)			
Ordinary	8	0.62	0.86
Diluted	8	0.71	0.92

STATEMENT OF COMPREHENSIVE INCOME

(NOK 1 000)	NOTE	2019	2018
Profit/loss after tax		107 491	141 462
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Translation differences when translating foreign activities		7 964	38 740
Net total of items that will be reclassified through profit and loss in subsequent periods		**7 964**	**38 740**
ITEMS THAT WILL NOT BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial gains/losses for the period	18	-899	-786
Tax on actuarial gains/losses for pensions for the period	7	198	181
Net total of items that will not be reclassified through profit and loss in subsequent periods		**-701**	**-605**
Other comprehensive income for the period		**7 263**	**38 135**
Total comprehensive income for the period		**114 754**	**179 597**
Attributable to:			
Equity holders of the parent		114 754	179 597
Non-controlling interests		0	0

FINANCIAL POSITION OF THE GROUP

(NOK 1 000)	NOTE	31.12.2019	31.12.2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	10	804 099	358 457
Right-of-use assets	23	283 817	
Intangible assets	11	2 073 294	600 861
Investments in associates and joint ventures	25	651	993 777
Other non-current assets	12	48 992	367
Deferred tax asset	7	130 959	14 683
Total non-current assets		**3 341 811**	**1 968 146**
CURRENT ASSETS			
Inventories	13	783 669	295 207
Trade receivables	14	438 562	148 703
Contracts assets (accrued revenue)	4	3 962	13 486
Other current assets	15	81 864	52 270
Bank deposits, cash and cash equivalents	16	177 651	138 531
Total current assets		**1 485 708**	**648 198**
Total assets		**4 827 519**	**2 616 343**

FINANCIAL POSITION OF THE GROUP

(NOK 1 000)	NOTE	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	18 329	16 663
Share premium	17	1 203 145	727 639
Own shares	17	-197	-237
Other paid-in capital		48 741	29 738
Total paid-in capital		**1 270 018**	**773 803**
Other equity		882 975	766 260
Total other equity		**882 975**	**766 260**
Total equity		**2 152 993**	**1 540 063**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	20,23	1 298 058	516 163
Lease liabilities	23	246 929	
Pension liabilities	18	2 735	1 698
Deferred tax liabilities	7	278 280	119 923
Non-current provisions	3	4 497	0
Total non-current liabilities		**1 830 499**	**637 784**
CURRENT LIABILITIES			
Short-term loans	16,21,23	2 857	5 769
Lease liabilities short term	23	47 703	
Trade payables and other current liabilities	3,22,24,25	572 580	317 138
Contract liabilities (incl. prepayment from customers)	4	94 540	47 185
Income tax payable	7	53 876	34 283
Provisions	19	72 471	34 122
Total current liabilities		**844 027**	**438 496**
Total liabilities		**2 674 526**	**1 076 280**
Total equity and liabilities		**4 827 519**	**2 616 343**

Aalesund, Norway, 24 March 2019
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

Katsunori Mori
Board Member

Elisabeth Heggelund Tørstad
Board Member

Jon Erik Engeset
Group President & CEO

CASH FLOW STATEMENT GROUP

(NOK 1 000)	NOTE	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		111 246	168 727
Tax paid for the period/refunded for the period		-32 822	-28 696
Gains/losses on sale of property, plant & equipment	10	0	43
Depreciation/amortization	10,11	239 606	76 932
Impairment loss	10	0	17 386
Interest income	6	-6 373	-4 662
Interest expenses	6	72 584	9 772
Profit/loss from associates and joint ventures	25	749	-17 965
Gain on transaction/fair value adjustment of earn-out	3	-69 625	-108 549
Changes in inventories, trade receivables and payables		-76 881	32 670
Changes in pension liabilities	18	138	-542
Changes in other accrual accounting entries		-90 693	9 486
Net cash flow from operating activities		**147 929**	**154 601**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds sale of fixed assets	10	1 330	76
Purchase of property, plant & equipment	10	-151 589	-158 154
Purchase of intangible assets	11	-52 311	-18 640
Interest received	6	6 373	4 662
Acquisition net of cash	5	-1 074 467	-63 330
Other investments		-3 766	10 466
Net cash flow from investing activities		**-1 274 430**	**-224 920**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities	20,23	2 242 266	144 470
Repayment of non-current liabilities	20,23	-1 523 330	-22 361
Bank overdraft payments	20,21	-2 911	
Interest payments	6	-66 329	-9 734
Payments of dividends		0	-49 639
Cash effect sale of own shares		2 000	
Increase in share capital		477 172	-30 676
Net cash flow from financing activities		**1 128 868**	**32 060**
Net change in cash & cash equivalents		2 367	-38 259
Net currency exchange differences		478	4 204
Cash & cash equivalents at beginning of period		138 531	171 605
Cash and cash equivalents acquisition		36 275	980
Cash & cash equivalents at end of period	**16**	**177 651**	**138 531**
Undrawn Group overdraft facilities	16,20	784 320	1 568 751
Restricted funds, included in cash & cash equivalents	16	8 310	6 519

STATEMENT OF CHANGES IN EQUITY

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TRANS-LATION DIFFER-ENCES	OTHER EQUITY	NON-CON-TROLLING INTEREST	TOTAL
Balance 01.01.2018	16 663	-117	727 639	16 888	87 847	563 521		1 412 441
Implementation of IFRS 15						2 204		2 204
New balance 01.01.2018	16 663	-117	727 639	16 888	87 847	565 725		1 414 645
Dividends to shareholders						-49 639		-49 639
Movement in own shares		-120				-30 556		-30 676
Share-based payment etc.				12 850		13 285		26 135
Profit/loss for the year						141 462		141 462
OTHER COMPREHENSIVE INCOME								
Translation differences when translating foreign activities					38 740			38 740
Actuarial gains/losses for the period						-605		-605
Actual gains or losses on instruments used for cash flow hedging								0
Total other comprehensive income					**38 740**	**-605**		**38 135**
Balance as of 31.12.2018	**16 663**	**-237**	**727 639**	**29 738**	**126 587**	**639 673**	**0**	**1 540 063**

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TRANS-LATION DIFFER-ENCES	OTHER EQUITY	NON-CON-TROLLING INTEREST	TOTAL
Balance 01.01.2019	16 663	-237	727 639	29 738	126 587	639 673		1 540 063
Dividends to shareholders								0
Movement in own shares		39				1 961		2 000
Increase share capital	1 666		475 505					477 172
Share-based payment etc.				19 005				19 005
Profit/loss for the year						107 491		107 491
OTHER COMPREHENSIVE INCOME								
Translation differences when translating foreign activities					7 964			7 964
Actuarial gains/losses for the period						-701		-701
Actual gains or losses on instruments used for cash flow hedging								
Total other comprehensive income					**7 964**	**-701**		**7 263**
Balance as of 31.12.2019	**18 329**	**-197**	**1 203 145**	**48 742**	**134 551**	**748 423**	**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. The increase in share capital is presented net after transaction costs.

Own shares comprise cost of acquisition for the Company's shares owned by the Group. As of 31.12.2019 the Company had 1 974 882 own shares (2 366 075).

Other equity includes accumulated actuarial gains/losses for pensions after tax of NOK -20 427 thousand (change of NOK -701 thousand from NOK -19 726 thousand as of 31.12.2018).

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 2019.

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) as issued by the International Accounting Standards Board (IASB) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2019, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31.12.2019.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial derivatives at fair value through profit or loss and financial derivatives used as cash flow hedges that are recognized at fair value.

The consolidated financial statements have been prepared using uniform accounting policies for equivalent transactions and events under otherwise identical circumstances.

2.2 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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. Translation differences are recognized in other comprehensive income (“OCI”). 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.

2.3 BASIS OF CONSOLIDATION

The Group’s consolidated financial statements comprise Hexagon Composites ASA and its subsidiaries as of 31 December 2019. 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 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.

Business combinations and goodwill
Business combinations are accounted for by using the acquisition method, see note 5. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and consist of cash and contingent consideration. A contingent consideration is classified as a liability in accordance with IAS 39. Subsequent changes in the fair value are recognized in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. The acquired assets and liabilities are accounted for by using fair value in the opening group balance (unless other measurement principles should be applied in accordance to IFRS 3). The initial accounting for a business combination can be changed if new information about the fair value at the acquisition date is present. The allocation can be amended within 12 months of the acquisition date. The non-controlling interest is set to the non-controlling interest's share of identifiable assets and liabilities. The measurement principle is done for each business combination separately.

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

Acquisition related costs are expensed as incurred and included in other operating expense. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 are presented separately under equity in the Group's balance sheet.

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

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

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

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

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

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

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

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

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

2.7 TRADE RECEIVABLES
Trade receivables are recognized at fair value less impairment losses. Nominal value does not normally differ significantly from amortized cost.

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

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

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

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

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

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

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

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

2.10 LEASES, GROUP AS LESSEE
The Group has applied IFRS 16 using the modified retrospective approach. The impact of changes in accounting policies and impact of the initial application is disclosed in note 2.25 and 23.

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:

The following depreciation periods apply:

- 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
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.11 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.

2.12 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.

The Group classified its financial assets in four categories:
- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- 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.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and the instruments are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other finance income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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 classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

Cash flow hedges
The Group uses only derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The forward premium of currency contracts is excluded from the hedging relationship and is accounted for as cost of hedging.

Financial derivatives that are not recognized as hedging instruments are assessed at their fair value through profit and loss. Changes in the fair value are recognized in the income statement as they arise. The Group uses forward currency contracts to reduce currency exposure, but do not use hedge accounting associated with the currency instruments.

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.

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

Research and development cost

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

a) it is technically feasible to complete the intangible asset so that the asset will be available for use or for future sale;
b) it is the management's intention to complete the asset and use or sell it;
c) it is possible to use or sell the asset;
d) it can be demonstrated how the asset will generate future economic benefits;
e) technological and financial resources are available to complete the asset; and
f) the costs can be reliably measured.

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.

2.14 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 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.

2.15 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 significant, the provision is calculated by discounting estimated future cash flow using a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically associated with the obligation.

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

2.16 EQUITY

Financial instruments are classified as financial assets, liabilities or equity in accordance with the underlying economic realities. Interest, dividend, gains and losses relating to a financial instrument classified as an asset or liability will be presented as an expense or income in the income statement. 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 reported as a reduction in equity. Gains or losses related to own share transactions are recognized directly in equity.

(II) Costs arising from equity transactions

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

(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 the senior executives. 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.

2.17 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 (Hydrogen & CNG LDV)
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
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. The 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 (e.g., warranties, trade discounts or volume rebates). 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 performs 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.

2.18 FOREIGN CURRENCY

Transactions in foreign currency

Foreign currency transactions are translated at the exchange rates existing at the date of the transactions. Monetary items denominated in foreign currencies are translated to functional currency using the exchange rates ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates at the dates of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences are recognized in profit or loss in the period in which they arise.

Foreign operations

Assets and liabilities of foreign operations with a functional currency that differs from the presentation currency are translated to reporting currency using the exchange rate on the balance sheet date. Income and expense from foreign operations is translated to reporting currency using the weighted average exchange rate (if the average does not provide a reasonable estimate of the cumulative effects of using the transaction rate, the transaction rate is used).

Translation differences are recognized in other comprehensive income. Translation differences arising from the translation of net investments in foreign operations, and from related hedged items, are classified as translation differences in other comprehensive income. Translation differences in other comprehensive income are transferred to the income statement on the disposal of a foreign operation.

2.19 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 through 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. The fair value of the issued options 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, performance share units (PSUs) and restricted share units (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 average 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.

2.20 GOVERNMENT GRANTS

Government grants, including the Norwegian Skattefunn tax incentive scheme, are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Grants are recognized as deductions against the cost that they are intended to compensate. Investment grants are capitalized and recognized systematically over the asset's useful life. Investment grants are recognized either as deferred income or as a deduction of the asset's carrying amount. The Group currently has grants with the United States Department of Energy which is recognized as grant income.

2.21 INCOME TAXES

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

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

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

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

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

2.22 SEGMENTS

For management 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.

2.23 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 remote 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.

2.24 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.

2.25 NEW ACCOUNTING STANDARDS

The Group applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Comparative figures are not restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. As part of the initial application of IFRS 16, the Group decided to apply the relief option, which permits to adjust the right-of-use asset by the amount of any provision for onerous leases recognized in the balance sheet immediately before the date of initial application. In addition, The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

For leases that were previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date of initial application of IFRS 16.

THE EFFECT OF ADOPTING IFRS 16 AS AT 1 JANUARY 2019 (INCREASE/DECREASE) IS AS FOLLOWS

(NOK 1 000)

ASSETS	
Right-of-use assets	274 348
Property, plant & equipment	-7 798
Total assets	**266 550**
LIABILITIES	
Lease liabilities IFRS 16	267 266
Other current liabilities	-716
Total equity and liabilities	**266 550**

After some final adjustments, the right-of-use assets of NOK 274 348 thousand were recognized and presented separately in the statement of financial position. This includes the lease assets recognized previously under finance leases of NOK 7 798 thousand that were reclassified from Property, plant and equipment. After some final adjustments, the additional lease liabilities of NOK 267 266 thousand presented as lease liabilities were recognized. Provision for onerous contracts for a specific leasing contract on NOK 716 thousand were derecognized from other current liabilities and correspondingly adjusted towards the right-of-use asset. These opening balances have changed somewhat based on revaluated calculations of the leases.

THE LEASE LIABILITIES AS AT 1 JANUARY 2019 CAN BE RECONCILED TO THE OPERATING LEASE COMMITMENTS AS OF 31 DECEMBER 2018 AS FOLLOWS

(NOK 1 000)	
Operating lease commitments as at 31 December 2018	326 850
- Practical expedient related to short-term leases and low-value assets	-1 000
+ Commitments relating to leases previously classified as finance lease	5 769
- Discounting using the incremental borrowing rate	-64 353
= Lease liability as at 1 January 2019	**267 266**
The weighted average incremental borrowing rate applied	3.0 %

2.26 NEW AND AMENDED IFRS AND IFRICS WITH FUTURE EFFECTIVE DATES

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts replace IFRS 4 Insurance Contracts and specify principles for recognition, measurement, presentation and disclosure of insurance contracts. The purpose of the new standard is to eliminate inconsistent practices in accounting for insurance contracts and the core of the new model are as follows:

- An estimate of the present value of future cash flows for a group of insurance contracts. Future cash flows include future premium payments and payments of insurance settlements, claims and other payments to policyholders. The

estimate shall take an explicit adjustment for risk into account and the estimates shall be based on the balance sheet date.
- A contractual service margin, which is equal to the one-day gain in the estimate of the present value of future cash flows from a group of insurance contracts. This corresponds to the profit element of the insurance contracts that will be recognized over the period of service, ie over the cover period of the insurance.
- Certain changes in the estimate of the present value of future cash flows are adjusted against the contract margin, and thereby recognized in the result over the remaining period covered by the relevant contracts.
- The effect of change in discount rate shall, as a choice of accounting principle, be presented either in in profit or loss or in other comprehensive income. IFRS 17 shall, as a starting point, be used retrospectively, but it has been opened for a modified retrospective application or use based on fair value at the time of transition if retrospective use is impracticable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3 Definition of a Business
The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application 1 January 2020, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 - Definition of Material
The International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 and IAS 8. The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform
The amendments provide companies with temporary reliefs to certain requirements related to hedge accounting in the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). For the hedging relationships where the reliefs are applied, companies are required to disclose additional qualitative and quantitative information. However, the amendments also provide an exemption from the disclosure requirements in IAS 8.28 f related to the adjustment amounts in the current and prior period.

The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. The Group does not intend to early adopt the amendments.

NOTE 3 ESTIMATION UNCERTAINTY

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

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

The 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
- 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. The Group have engaged third-party appraisal firms 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 include 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 0.05 (The impairment in 2018 was MNOK 17.1), 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 2019, the carrying amount of capitalized development costs was NOK 148 180(77 046) thousand. For criteria for recognition, see note 2.13 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26.

Revenue recognition
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 2.25 related the effects of implementing IFRS 16 and note 23 Leases.

NOTE 4 SEGMENT INFORMATION

A revised segment and reporting structure were established from first quarter 2018. As a result of the growing market opportunities for renewable fuels solutions, Hexagon has organized its Hydrogen activities and CNG Light-Duty Vehicle activities into a dedicated single business segment, Hexagon Purus. Agility became a consolidated segment from 2019. Comparable figures for the new segments are restated.

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) Agility - the leading global provider of highly engineered and cost-effective compressed natural gas, liquid natural gas, and propane hydrogen 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 President of Agility, Hexagon Purus, Hexagon Mobile Pipeline & Other and Hexagon Ragasco LPG are the Chief Operating Decision Makers (CODMs) and 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. In 2018 the Hexagon Mobile Pipeline & Other business segment had one customer group with sales that constituted more than 10% of the Group's annual sales. Sales to the customer totaled NOK 316 513 thousand in 2018. No customer or customer group is exceeding 10% of annual sales in the group in 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 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 eqipment (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 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
2) Unallocated is mainly related to investment in Agility Fuel Solutions LLC

CONTRACT BALANCES FOR THE YEAR ENDED 31 DECEMBER 2019

(NOK 1 000)	2019	1 JANUARY 2019
Trade receivable	438 562	148 703
Contracts assets (accrued revenue)	3 962	13 486
Contract liabilities (incl. prepayment from customers)	94 540	47 185

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. The acquisition of a subsidiary resulted in increase in trade receivables of TNOK 350 813 in 2019 (Note 5). In 2019, TNOK 14 574 (2018 TNOK 1 439) 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 2019 is the result of normal fluctuations in this part of the business at the end of the year.

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 increased in 2019 due to increasing activities in services & funded development projects.

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 2018

(NOK 1 000)	HEXAGON PURUS	HEXAGON MOBILE PIPELINE & OTHER	HEXAGON RAGASCO LPG	UNALLOCATED	ELIMINATION	CONSOLIDATED 2018
REVENUE FROM EXTERNAL CUSTOMERS						
Sale of cylinders and eqipment (at a point in time)	229 421	551 655	634 281	0		1 415 357
Sale of services and funded development (transferred over time)	48 153	21 200	2 079	0		71 432
Internal transactions	15 789	22 439	8 348	38 199	-86 146	-1 372
Total revenue from contracts with external customers	**293 363**	**595 294**	**644 708**	**38 199**	**-86 146**	**1 485 418**
Rental income	0	342	0	761		1 103
Total revenue	**293 363**	**595 636**	**644 708**	**38 960**	**-86 146**	**1 486 521**
Operating profit for segment before depreciation/amortization (EBITDA)	**-48 819**	**48 711**	**133 300**	**101 328**		**234 520**
Operating profit for segment (EBIT)	**-90 595**	**31 870**	**108 560**	**90 367**		**140 202**
Profit/loss from associates and joint ventures	-1 305			19 270		17 965
Net financial items						-10 560
Tax expense						27 265
Profit/loss for the year						**141 462**
Segment assets 2)	**782 716**	**370 893**	**403 254**	**1 080 928**	**-21 448**	**2 616 343**
Segment liabilities	**716 795**	**906 308**	**301 184**	**86 453**	**-934 460**	**1 076 280**
Investments in assets for the year	21 737	83 173	53 123	18 759		176 792
Depreciation/amortization/ impairment	41 776	16 841	24 740	10 961		94 318

GEOGRAPHICAL INFORMATION 2018

(NOK 1 000)	EUROPE	NORTH AMERICA	SOUTH-EAST ASIA	MIDDLE EAST	OTHER	NORWAY	CONSOLIDATED 2018
Income divided among customer locations from external customers	663 509	570 503	113 639	57 191	30 240	51 437	1 486 521
Non-current assets 1)	491 503	177 491				290 325	959 318
Investments in assets for the year	21 708	83 173				71 811	176 692

1) Non-current assets for this purpose consists of property, plant & equipment and intangible assets
2) Unallocated is mainly related to investment in Agility Fuel Solutions LLC

NOTE 5 CHANGES IN THE GROUP'S STRUCTURE

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.

ACQUISITION OF DIGITAL WAVE CORPORATION IN 2018

With effect from 30 November 2018 Hexagon Composites acquired Digital Wave Corporation. The company include stesting & requalification of high-pressure cylinders (Mobile Pipelines) and is located in Denver, Colorado in USA. The fair value of the identifiable assets and liabilities of the company as at the date of acquisition were:

DIGITAL WAVE CORPORATION

(NOK 1 000)	FAIR VALUE RECOGNIZED ON ACQUISITION
ASSETS	
Property, plant and equipment	6 599
Intangible assets	18 864
Cash	980
Inventories	8 234
Deferred tax asset	0
Trade accounts receivable	3 543
Total assets	**38 219**
LIABILITIES	
Long term liabilities	0
Short term liabilities	4 521
Deferred tax liabilities	1 049
Total liabilities	**5 570**
Net identifiable assets and liabilities at fair value	**32 649**
Goodwill	31 661
Purchase consideration	**64 310**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	980
Cash paid	-64 310

In 2018 Digital Wave Corporation contributed from the date of acquisition to the Group's revenues and profit before tax by NOK 2.8 million and -1.1 million respectively. If the acquisition had occurred at the beginning of 2018, revenues for 2018 and profit before taxes for 2018 for the Group would have been NOK 1 539 million and NOK 188 million respectively.

In the Group's profit for 2018, Digital Wave Corporation 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 Digital Wave Corporation with the Hexagon Group. The goodwill is not deductible for income tax purposes.

Transaction costs of NOK 0.7 million have been expensed and are included in administrative expenses in the statement of profit and loss and are part of operating cash flows in the statement of cash flows.

NOTE 6 NET FINANCIAL ITEMS

(NOK 1 000)	2019	2018
Interest income	6 373	4 662
Unrealized gains from forward exchange contracts with actual gains or losses through profit and loss	6 988	1 142
Foreign exchange items	107 140	79 944
Other finance income	2 016	
Total finance income	**122 517**	**85 748**
Loss on exchange items	30 196	58 565
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.	69 092	9 772
Other finance expense	22 962	6 851
Total finance expense	**130 630**	**75 188**
Net financial items	**-8 114**	**10 560**

NOTE 7 TAX

TAX EXPENSE

(NOK 1 000)	NOTE	2019	2018
Income tax payable in the income statement		53 642	33 767
Change in deferred tax in income statement		-49 886	-6 503
Tax expense		**3 755**	**27 265**
Income tax payable in the balance sheet		53 875	34 283
Prepaid tax overseas in the balance sheet	15	-1 030	-2 641
Settled tax overseas		797	2 126
Total income tax payable in the income statement		**53 642**	**33 767**
Nominal tax rates in Norway		**22 %**	**23 %**
Profit before tax		111 246	168 727
Tax based on nominal tax rate in Norway		24 474	38 807
Other differences relating to foreign subsidiaries		5 874	13 874
Tax effects from gain on transactions		-15 318	
Share of profit/loss from associates		-165	-4 132
Other non-taxable income and non-deductible expenses		-11 111	-20 535
Effect of changes in tax rate		0	-750
Tax expense		**3 755**	**27 265**

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	BALANCE SHEET		CHANGE IN DEFERRED TAX IN INCOME STATEMENT	
(NOK 1 000)	**2019**	**2018**	**2019**	**2018**
DEFERRED TAX ASSET				
Pension	-487	-115	-372	482
Loss carryforwards	-64 210	-49 744	-14 466	-24 938
Property, plant & equipment	-1 434		-1 434	
Inventories and trade receivables	-12 134	-2 268	-9 866	231
Derivatives	-54	-945	891	306
Provisions for liabilities/other current liabilities	-26 480	-10 838	-15 642	2 009
Other	-40 589	-16 252	-24 337	-2 806
Deferred tax asset– gross	**-145 387**	**-80 161**	**-65 225**	**-24 716**
DEFERRED TAX LIABILITIES				
Property, plant & equipment	48 229	21 805	26 424	14 847
Derivatives	0	0	0	0
Provisions for liabilities/other current liabilities	244 480	163 596	80 884	14 037
Deferred tax liabilities – gross	**292 702**	**185 400**	**107 308**	**28 884**
Net recognized deferred tax liabilities/assets (-)	**147 321**	**105 239**	**42 082**	**4 167**
Change in deferred tax from purchase of companies / OCI			-91 969	-10 670
Net change in deferred tax in income statement			**-49 886**	**-6 503**
CARRYING AMOUNTS				
Deferred tax asset	-130 959	-14 683		
Deferred tax liabilities	278 280	119 923		
Net recognized deferred tax assets/ deferred tax liabilities	**147 321**	**105 239**		

The effect of changes in tax rate for 2019 in Norway resulted in tax income in 2018 on MNOK -0.8 related to Norway.

The Group has a total loss carried forward of MNOK 279,7 (MNOK 241.9) as of 31 December 2019, of which MNOK 279,7 (MNOK 241.9) 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)	**2019**	**2018**
Actuarial gains/losses, pensions	198	181
Derivatives	0	0
Total	**198**	**181**

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 recognized option expenses in the numerator. In the calculations, share options are considered to have been converted at the grant date. Redeemed options are included from the date of issue.

(NOK 1 000)	NOTE	2019	2018
PROFIT/LOSS FOR THE YEAR FLOWING TO HOLDERS OF ORDINARY SHARES			
Profit/loss for the year		**107 491**	**141 462**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		166 627 868	166 627 868
Own shares		-1 974 882	-2 366 075
Issued new shares		16 662 780	0
Outstanding number of shares 31.12		**181 315 766**	**164 261 793**
Weighted average number of shares outstanding 31.12		**172 788 780**	**164 861 793**
Profit/loss per share		**0.63**	**0.86**
DILUTED NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		166 627 868	166 627 868
Own shares		-1 974 882	-2 366 075
Issued new shares		16 662 780	0
Effect of employee options issued		5 090 900	3 675 000
Outstanding shares 31.12 adjusted for dilution effects		**186 406 666**	**167 936 793**
Weighted average number of shares outstanding 31.12 adjusted for dilution effects		**177 171 730**	**168 431 793**
Diluted profit/loss per share		**0.71**	**0.92**

NOTE 9 PAYROLL COSTS AND NUMBER OF EMPLOYEES

(NOK 1 000)	NOTE	2019	2018
Salaries/fees 1)		634 489	307 321
Bonus/share-based payments/profit-sharing		75 023	16 553
Pension expense, defined-benefit plans	18	1 438	1 481
Pension expense, defined-contribution plans	18	35 020	17 186
Other social security costs		107 736	54 488
Payroll costs		**853 706**	**397 030**
Average number of full-time equivalents:		**962**	**427**
GROUP MANAGEMENT & SUPPORT			
Norway		13	12
USA		3	
AGILITY			
Canada		44	
Norway		17	
USA		429	
HEXAGON PURUS			
Norway		7	12
Germany		189	124
USA		11	7
HEXAGON MOBILE PIPELINE AND OTHER			
USA		168	125
Germany		3	2
HEXAGON RAGASCO LPG			
Norway		120	138
USA		3	3
Russia		4	4
Total of		**1 011**	**427**

1) Capitalized payroll costs related to technology development projects amounted to MNOK 3.3 in 2019 and MNOK 2.1 in 2018.

NOTE 10 PROPERTY, PLANT & EQUIPMENT

(NOK 1 000)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES & FITTINGS, VEHICLES	ASSETS UNDER CONSTR-UCTION	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	

(NOK 1 000)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES & FITTINGS, VEHICLES	ASSETS UNDER CONSTR-UCTION	2018 TOTAL
COST OF ACQUISITION					
Cost of acquisition 01.01.2018	57 445	556 245	71 706	31 212	716 608
Additions	6 578	80 403	4 495	66 678	158 154
Transfer from assets under construction	0	1 779	65 330	-67 109	0
Disposals/scrap	59	-4 851	-863	-21	-5 675
Additions from purchase of companies	184	6 305	109	0	6 599
Translation differences	679	7 764	975	38	9 456
Cost of acquisition 31.12.2018	**64 945**	**647 645**	**141 752**	**30 799**	**885 141**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2018	27 164	396 684	32 209	0	456 058
Depreciation for the year	4 754	35 215	12 472	0	52 441
Impairment	3 618	13 256	255	0	17 129
Disposals/scrap	0	-5 398	-158	0	-5 556
Translation differences	420	5 713	479	0	6 612
Accumulated depreciation and impairment 31.12.2018	**35 956**	**445 471**	**45 256**	**0**	**526 684**
Net carrying amount as of 31.12.2018	**28 989**	**202 174**	**96 495**	**30 799**	**358 457**
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

(NOK 1 000)	GOODWILL	PATENTS AND LICENCES	TECHNOLOGY AND DEVELOPMENT[1)]	CUSTOMER RELATION-SHIPS	2019 TOTAL
COST PRICE					
Opening balance 01.01.2019	437 574	20 034	141 808	130 122	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	**1 375 155**	**207 659**	**228 752**	**449 019**	**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	**1 374 881**	**183 558**	**148 180**	**366 674**	**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

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

OK 1 000)	GOODWILL	PATENTS AND LICENCES	TECHNOLOGY AND DEVELOPMENT	CUSTOMER RELATION-SHIPS	2018 TOTAL
COST PRICE					
Opening balance 01.01.2018	401 433	16 364	107 946	128 911	654 653
Additions from purchase of companies	31 661	0	18 864	0	50 526
Additions	0	3 641	14 998	0	18 639
Disposals	0	0	0	0	0
Translation differences	4 479	30	0	1 212	5 721
Cost of acquisition 31.12.2018	**437 574**	**20 034**	**141 808**	**130 122**	**729 539**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2018	0	12 963	55 241	35 111	103 315
Depreciation for the year	0	1 898	9 522	12 977	24 397
Impairment	256	0	0	0	256
Disposals	0	0	0	0	0
Translation differences	18	39	0	654	710
Accumulated depreciation and impairment 31.12.2018	**274**	**14 900**	**64 762**	**48 742**	**128 678**
Net carrying amount 31.12.2018	**437 300**	**5 134**	**77 046**	**81 380**	**600 861**
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 of MNOK 50.5 relates to the acquisition of Digital Wave Corporation (see note 5).

Additions for this year and the previous year primarily relate to technological developments in the Hexagon Mobile Pipeline and Hexagon Purus segments. Additions from purchase of companies in 2019 relate to the acquisition of Agility Fuel Solutions (see note 5). No impairment is made in 2019.

Research & development costs totaling MNOK 89,0 (MNOK 48.2) were expensed in 2019. The Group has received government grants of MNOK 8.4 (MNOK 19.2) in 2019. MNOK 8.4 (MNOK 18.8) has been offset against research and development costs while MNOK 0.0 (MNOK 0.4) is presented as income.

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, two 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.

The most important assumptions relate to estimates for operating income, operating margin and rates of return. A WACC of 8.5% after tax has been used for all companies.

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

(NOK 1 000)	**2019**	**2018**
Hexagon Ragasco LPG	32 350	32 350
Hexagon USA Holdings Inc.	37 569	32 438
Hexagon Purus GmbH	369 348	372 512
Agility Fuel Solutions Holdings Inc.	935 615	
Total goodwill	**1 374 881**	**437 300**

The assumptions that were used as a basis for the calculations made at the end of 2019 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 2019. 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 Hexagon Ragasco, Hexagon Lincoln 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)	**2019**	**2018**
Cross-currency interest swap (see note on non-current interest-bearing debt)	44 859	
Other non-current assets	4 133	367
Total other non-current assets	**48 992**	**367**

NOTE 13 INVENTORIES

(NOK 1 000)	2019	2018
Raw materials and consumables	546 555	146 765
Work in progress	55 688	54 565
Finished goods	181 426	93 877
Total inventories	**783 669**	**295 207**
Recognized cost of obsolete inventory	**23 209**	**7 143**
Provision for obsolete inventory in balance sheet	-28 738	-35 740
Carrying amount of holdings used as pledged assets	**0**	**0**

NOTE 14 TRADE RECEIVABLES

(NOK 1 000)	2019	2018
Trade receivables	453 136	154 227
Provisions for loss	-14 574	-5 524
Trade receivables after provision for losses	**438 562**	**148 703**
Carrying amount of trade receivables used as pledged assets	**0**	**0**

Losses on trade receivables are classified as other operating expenses in the income statement. Provision for losses are made on the basis of the individual assessments of each claim. In the assessment, consideration is made to guaranteed and insured amounts (see note 24 concerning credit risk).

CHANGES IN THE PROVISION FOR LOSSES ARE AS FOLLOWS

(NOK 1 000)	2019	2018
Opening balance 1 January	5 524	6 443
Additions from purchase of companies	8 609	0
Provision for losses for the year	1 885	1 439
Actual losses during the year	-1 357	-2 607
Translation differences	- 87	249
Closing balance 31 December	**14 574**	**5 524**

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

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

	TOTAL	NOT DUE	<30 DAYS	30-60 DAYS	60-90 DAYS	>90DAYS
2019	438 562	282 146	87 316	25 548	16 668	26 883
2018	154 227	84 369	33 809	7 904	5 198	22 949

NOTE 15 OTHER CURRENT ASSETS

(NOK 1 000)	2019	2018
Earned, not invoiced income	0	0
Prepaid expenses	26 229	14 676
VAT due	6 413	11 022
Prepaid tax overseas	1 030	2 641
Other [1)]	48 192	23 931
Total other current assets	**81 864**	**52 270**

1) Other in 2019 includes receivables from the Norwegian Skattefunn tax incentive scheme and other grants of NOK 5 720 thousand (14 536 thousand).

NOTE 16 BANK DEPOSITS, CASH AND CASH EQUIVALENTS

(NOK 1 000)	2019	2018
Cash at bank and in hand	177 651	138 531
Bank deposits, cash and cash equivalents	**177 651**	**138 531**
Bank overdrafts	2 857	0
Cash & cash equivalents in the cash flow analysis	177 651	138 531
Undrawn Group overdraft facility	82 143	85 000
Undrawn loan facilities	784 320	1 483 751
Restricted funds included in cash & cash equivalents [1)]	8 310	6 519

1) Restricted tax withholdings

NOTE 17 SHARE CAPITAL AND SHARE PREMIUM

(NOK 1 000)	2019	2018
Ordinary shares of NOK 0.10 each	183 290 648	166 627 868
Total number of shares	**183 290 648**	**166 627 868**

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)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
ORDINARY SHARES						
Issued and paid 1 January	166 627 868	166 627 868	16 663	16 663	727 639	727 639
Issued new share capital	16 662 780	0	1 666	0	475 505	0
Transaction cost					0	0
Issued and paid 31 December	**183 290 648**	**166 627 868**	**18 329**	**16 663**	**1 203 145**	**727 639**
OWN SHARES						
1 January	2 366 075	1 166 075	237	117		
Change during period	-391 193	1 200 000	-39	120		
31 December	**1 974 882**	**2 366 075**	**198**	**237**		

As of 31.12.2019 the Company had 1 974 882 own shares (2 366 075). The cost of acquisition of NOK 48 359 thousand (NOK 57 939 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.

20 LARGEST SHAREHOLDERS AS OF 31.12.2019

	NUMBER OF SHARES	SHAREHOLDING
Mitsui & Co., Ltd.	45 833 321	25.01 %
Flakk Rollon AS 1)	27 340 504	14.92 %
MP Pensjon PK	12 982 072	7.08 %
Clearstream Banking S.A	11 050 648	6.03 %
Brødr. Bøckmann AS	9 000 000	4.91 %
Nødingen AS	5 000 000	2.73 %
Verdipapirfondet Odin Norge	4 981 421	2.72 %
Lannebo Småbolag	4 126 398	2.25 %
Verdipapirfondet Alfred Berg Gamba	3 669 963	2.00 %
Verdipapirfondet Alfred Berg Norge	2 096 365	1.14 %
Skandinaviska Enskilda Banken AB	2 069 100	1.13 %
Hexagon Composites ASA (own shares)	1 974 882	1.08 %
Storebrand Norge I Verdipapirfond	1 949 008	1.06 %
Swedbank Robur Smabolagsfond	1 940 000	1.06 %
Verdipapirfondet Eika Spar	1 485 171	0.81 %
Verdipapirfondet Nordea Kapital	1 438 265	0.78 %
Verdipapirfond Alfred Berg Aktiv	1 357 612	0.74 %
Flakk Invest AS 1)	1 300 000	0.71 %
Ohman Sweden Micro Cap	1 232 542	0.67 %
Verdipapirfondet Eika Norge	1 159 820	0.63 %
Total 20 largest shareholders	**141 987 092**	**77.47 %**
Remainder	41 303 556	22.53 %
Total	**183 290 648**	**100.00 %**

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

OWNERSHIP STRUCTURE

The total number of shareholders as of 31.12.2019 was 4 207 of whom 268 were foreign shareholders. The number of shares held by foreign shareholders was 80 263 091 or 43.8%.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2019, the same as for 2018.

The Board (unanimous) had a mandate to increase share capital by up to NOK 1 666 278 by issuing up to 16 662 780 shares (par value NOK 0.10). This authorization was valid until the next ordinary general assembly. The Board exercised this mandate on 27 February 2019 and the company issued additional 16 662 780 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)	**2019**	**2018**
Defined contribution pension plan	33 026	15 247
Defined benefit pension plan in Norway	1 438	1 481
Multi-employer pension plan in Norway (new AFP)	1 994	1 939
Total	**36 458**	**18 667**

DEFINED CONTRIBUTION PENSION PLANS IN THE GROUP

The defined contribution pension plans in the Norwegian companies has 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 31.12.2019 the Norwegian defined contribution pension plans had 140 (155) members.

Our subsidiaries in the USA offer defined contribution plans subject to USA statutory requirements. The defined contribution plans cover full-time employees and employer contributions range up to 6% of defined compensation subject to employee contributions. For some of the plans, there can also be an additional payment at the end of the year in accordance with the terms of the defined contribution plan. As of 31.12.2019, 509 (172) members were covered by the plan. The table below provides the expensed contributions in the defined contribution plans:

DEFINED CONTRIBUTION PLANS EXPENSES

(NOK 1 000)	**2019**	**2018**
Defined contribution pension plans - Norway	11 481	9 721
Defined contribution pension plans - USA	21 545	5 526
Total	**33 026**	**15 247**

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 31.12.2019 amounted to NOK -20 428 thousand, compared with NOK -19 726 thousand as of 31.12.2018. As of 31.12.2019 the Groups defined benefit plans had 19 members (17 members in 2018).

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

(NOK 1 000)	2019	2018
Current service cost	1 201	488
Interest cost on benefit obligation	481	407
Expected return on plan assets	-401	-306
Administrative costs	97	176
Employer's contribution	58	77
Recognised effect of change of plan		639
Total pension expenses	**1 438**	**1 481**

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	2019	2018
Present value of funded obligations	22 255	19 258
Fair value of plan assets	-19 602	-17 624
Employer's contributions on net pension liabilities	81	64
Net liability recognized in balance sheet 31 December	**2 735**	**1 698**

(NOK 1 000)	2019	2018
Net liability recognized in balance sheet 1 January	1 698	1 454
Translation differences	107	13
Recognized benefit expense	1 438	1 481
Benefits paid	-1 394	-2 036
Additions from purchase of companies	18	
Actuarial gains and losses arising from changes in financial assumptions	-111	105
Actuarial gains and losses arising from changes in demographic assumptions	1 010	681
Net liability recognized in balance sheet 31 December	**2 735**	**1 698**
Retirement benefit obligation	**2 735**	**1 698**
Plan assets	**0**	**0**

CHANGE IN BENEFIT LIABILITY DURING YEAR

(NOK 1 000)	2019	2018
Benefit obligation 1 January	19 258	19 604
Current service cost	1 201	488
Interest expense	481	407
Actuarial gains/losses (-)	702	605
Pension payments	-325	-290
Translation differences	107	50
Effect change of plans		-1 607
Additions from purchase of companies	829	
Retirement benefit obligation 31 December	**22 255**	**19 258**

Expected premium payment next year is NOK 1 328 thousand.

CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR

(NOK 1 000)	2019	2018
Plan assets 1 January	17 624	18 186
Return on plan assets	401	306
Actuarial gains/losses (-)	-197	-81
Administrative costs	-67	-176
Pension premiums	1 358	1 718
Paid pensions	-335	-186
Translation differences	0	37
Effect change of plans	0	-2 180
Additions from purchase of companies	816	
Plan assets 31 December	**19 602**	**17 624**

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

	2019		2018	
(NOK 1 000)	ALLOCATION	AMOUNT	ALLOCATION	AMOUNT
Shares	13 %	2 533	12 %	2 133
Bonds/certificates	76 %	14 809	78 %	13 765
Property	11%	2 143	9 %	1 604
Other	0 %	0	1 %	123
Total	**100 %**	**19 486**	**100 %**	**17 624**

The actual return on plan assets in 2019 was NOK 225 thousand (225 thousand in 2018), allowing for previous years' actuarial gains/losses.

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

	2019		2018	
(NOK 1 000)	NORWAY	GERMANY	NORWAY	GERMANY
Discount rate	2.31 %	1.46 %	2.60 %	2.19 %
Return on plan assets	2.31 %	1.46 %	2.60 %	2.19 %
Salary increases	2.25 %	2.00 %	2.75 %	1.50 %
Pension increases	0.50 %	1.50 %	0.80 %	0.00 %
Adjustment of national insurance base rate	2.00 %	1.50 %	2.50 %	1.50 %
Mortality table	K2013 BE	RT Heubech 2018G	K2013 BE	RT Heubech 2005G

The Group has used the Norwegian covered bonds (OMF) as basis for the discount rate as of 31 December for both 2019 and 2018 for the Norwegian plans.

MULTI-EMPLOYER PENSION PLAN IN NORWAY

148 (150) 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 2018) 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 1 994 thousand in 2019 and NOK 1 939 thousand in 2018. Expected premium for 2020 is NOK 2 039 thousand.

NOTE 19 PROVISIONS

(NOK 1 000)	2019	2018
Balance 1 January	34 122	37 845
Additions from purchase of companies	19 940	0
Provisions for the year	28 957	18 737
Translation differences	181	606
Provisions used (and reversed) during the year	-10 729	-23 066
Balance 31 December	**72 471**	**34 122**

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.

Legal Processes
Composites Scandinavia AB have appealed a decision from The Swedish Civil Contingencies Agency, MSB, regarding a withdrawal of specific cylinders. The cylinders are no longer in production and have not been sold since 2012. The products have met the relevant requirements when placed on the market and, according to MSB's investigation, still meet those requirements. As the decision is appealed, it has no legal effect as per 24 March 2020.

NOTE 20 NON-CURRENT INTEREST-BEARING LIABILITIES

				CARRYING AMOUNT	
(NOK 1 000)	INTEREST RATE CONDITIONS	CURRENCY	MATURITY	2019	2018
UNSECURED					
Bond loan	Nibor 3 month + 3,75%	NOK	15.03.2023	1 100 000	0
Total unsecured non-current liabilities				**0**	**0**
SECURED					
Bank loan (bullet)	Euribor 3 month + margin	EUR	30.09.2021	138 132	516 163
Bank loan (bullet)	Libor 3 month + margin	USD	30.09.2021	74 690	
Vehicle loan	Fixed interest rate	USD	01.08.2019	0	13
Obligations under finance leases	Libor USD+ margin	USD	01.11.2019	0	3 437
Obligations under finance leases	Euribor + margin	EUR	30.09.2019	0	2 318
OTHER					
Amortized transaction costs loans		NOK		-14 765	
Total secured and other non-current liabilities				**198 057**	**521 932**
Total non-current liabilities				1 298 058	521 932
1st year's instalments, non-current liabilities				0	-5 769
Total non-current liabilities, not including 1st year's instalments				**1 298 058**	**516 163**
Cross-currency swap of bond loan (note 12, 24)	Pay Libor USD 3 month+/Receive Nibor 3m+	USD		-44 859	

ESTIMATED REPAYMENT STRUCTURE FOR NON-CURRENT LIABILITIES (NOK 1 000) AS OF 31.12.2019

2020	2021	2022	2023	2024	THEREAFTER
0	212 072	0	1 085 986	0	0

The current financing facility is a bilateral facility with DNB Bank. The overall size of the facility is NOK 1 billion, comprising a main revolving credit with overdraft facility of NOK 600 million and an optional ancillary facility of NOK 400 million. There are no breaches of the financial covenants under the financing facility agreements.

On 8 November 2018, the Company executed a commitment with DNB bank for a MUSD 125.0 bridge facility for the purposes of financing the acquisition of the remaining interests in Agility Fuel Solutions. This facility was drawn on completion of the acquisition on 4 January 2019. In concurrence with the transaction the revolving credit facility stated above was amended to include the introduction of further share pledges indirectly or directly on the Group's German and US subsidiaries. This is in addition to share pledges registered in 2018 on the Norwegian Group subsidiaries. On 7 March 2019 the Group completed a new senior unsecured bond issue (ticker HEX03) 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. Settlement date for the bond issue was 15 March 2019, and the proceeds were used to take out the Bridge loan facility. The bond is listed at Oslo Stock Exchange under the ticker HEX03.

RECONCILIATION FOR LIABILITIES ARISING FROM FINANCING ACTIVITIES

(NOK 1 000)	NON-CURRENT FINANCIAL LIABILITIES	FINANCIAL LEASING OBLIGATIONS	TOTAL
Liabilities 1 January 2018	**374 871**	**12 025**	**386 897**
Cash flow from financing activities	128 347	-6 238	122 109
Exchange differences	12 537	-18	12 518
Additions financial liabilities	0	0	0
Other transactions without cash settlement	408	0	408
Balance 31 December 2018	**516 163**	**5 769**	**521 932**
Liabilities 1 January 2019	**516 163**		**516 163**
Addition from acquisition of companies	73 254		716 026
Repayment of non-current liabilities	-1 523 330		-380
New non-current liabilities	2 242 266		
Exchange differences	3 322		66 249
Other transactions without cash settlement	-13 617		
Balance 31 December 2019	**1 298 058**		**1 298 058**

Finance lease obligations is replaced by leases under IFRS16 from 2019 (see separate note).

NOTE 21 SHORT-TERM INTEREST-BEARING LOANS

(NOK 1 000)	2019	2018
SECURED		
Current interest-bearing liabilities	2 857	0
1st year's instalments, non-current interest-bearing liabilities	0	5 769
1st year's instalments lease liabilities	47 703	
Total	**50 560**	**5 769**

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 a periodic commission on the facility.

As at 31.12.2019 the Group had drawn NOK 2 857 thousand on these facilities.

NOTE 22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(NOK 1 000)	2019	2018
Trade payables	307 237	202 653
Forward exchange contracts	245	4 294
Public duties payable	23 279	16 710
Accrued expenses and other current liabilities	241 819	91 621
Earn-out obligation	0	1 860
Total	**572 580**	**317 138**

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**

LEASE LIABILITIES

(NOK 1 000)	2019 TOTAL
DISCOUNTED LEASE LIABILITIES AND MATURITY CASH OUTFLOWS	
Less than 1 year	47 703
1-2 years	33 338
2-3 years	28 977
3-4 years	19 419
4-5 years	17 112
More than 5 years	148 048
Total discounted lease liabilities at 31 December	**294 632**

SUMMARY OF THE LEASE LIABILITIES

(NOK 1 000)	2019 TOTAL
At initial application 01.01.	267 266
New lease liabilities recognized in the year	15 133
Additions from purchase of companies	47 921
Transfers and reclassifications	0
Cash payments for the principal portion of the lease liability	-44 960
Cash payments for the interest portion of the lease liability	-4 537
Interest expense on lease liabilities	8 883
Currency exchange differences	4 927
Total lease liabilities at 31 December	**294 632**
Current lease liabilities	47 203
Non-current lease liabilities	246 929
Total cash outflows for leases	**-49 497**

The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose.

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)	2019	2018
Fixtures & fittings	64 169	52 330
Total	**64 169**	**52 330**
Accumulated depreciation	7 491	436
Booked value	**56 678**	**51 894**

All leases are on short-term and the future minimum lease payment related to the fixed assets in 2020 are expected to be MNOK 5.4.

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 31.12.2019

(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 AMORTISED 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
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**	**1 873 495**	**1 873 740**

THE GROUP HAS THE FOLLOWING FINANCIAL ASSETS AND LIABILITIES DIVIDED INTO DIFFERENT CATEGORIES FOR ACCOUNTING TREATMENT AND RECONCILED AGAINST THE BALANCE SHEET ITEMS 31.12.2018

(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 AMORTISED COST	TOTAL
ASSETS					
Other non-current assets				367	367
Trade receivables				148 703	148 703
Bank deposits, cash and cash equivalents				138 531	138 531
Total financial assets	**0**	**0**	**0**	**287 601**	**287 601**
LIABILITIES					
Non-current interest-bearing liabilities				516 163	516 163
Short-term loans				5 769	5 769
Forward exchange contracts	4 294				4 294
Trade payables and other current liabilities				202 653	202 653
Total financial liabilities	**4 294**	**0**	**0**	**724 586**	**728 879**

(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, Hexagon Raufoss AS and Hexagon Purus GmbH applies credit insurance to covers parts of the companies' receivables.

Trade receivables in foreign subsidiaries amounted to NOK 371 029 thousand (89 191 thousand). Except for parts in Hexagon Purus GmbH these do not have credit insurance, however, are partly covered through Letter of Credits and prepayments from customers.

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

The Group has not issued guarantees for third party obligations.

The carrying amount of the financial assets, 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 is remains unhedged at end 2019 as was the case by end 2018.

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)
2019	+50	-5 062	0
	-50	5 062	0
2018	+50	-2 009	0
	-50	2 009	0

Based on the interest-bearing liabilities which existed as of 31 December 2019, an interest rate increase of 1% would reduce profit after tax by NOK 10 125 thousand (4 019 thousand).

THE AVERAGE EFFECTIVE INTEREST RATE ON FINANCIAL LIABILITES WAS AS FOLLOWS

	2019	2018
Bank overdrafts	3.9 %	2.5 %
Bank loan	3.6-3.9 %	2.0 %
Bond loan	5.8 %	
Financial leases		1.25 to 4.88 %

(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):

31.12.2019 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
Leases		11 926	35 777	95 395	151 534	294 632
Interest on leases		2 031	6 092	23 908	9 092	41 123
Trade payables	205 848	101 389				307 237
Total	**205 848**	**133 799**	**100 578**	**1 589 164**	**160 626**	**2 190 015**

31.12.2018 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				517 312		517 312
Interest on loan		1 940	5 820	13 579		21 339
Other short-term liabilities (earn-out and other)			2 378			2 378
Forward exchange contracts		909	1 828	1 556		4 294
Financial Leases		1 442	4 327			5 769
Interest on Financial leases		71	214			285
Trade payables	131 725	70 929				202 653
Total	**131 725**	**75 291**	**14 566**	**532 447**	**0**	**754 029**

See note 20 for information on long-term loans, notes 21 and 22 for short-term liabilities.

(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.

	MOVEMENT OF NOK AGAINST USD	EFFECT ON PROFIT/LOSS AFTER TAX	EFFECT ON OTHER INCOME AND EXPENSES AFTER TAX (NOK 1 000)
2019	+5 %	26 544	1 886
	-5 %	-26 544	-1 886
2018	+5 %	-9 946	-55 653
	-5 %	9 946	55 653

	MOVEMENT OF NOK AGAINST EUR	EFFECT ON PROFIT/LOSS AFTER TAX	EFFECT ON OTHER INCOME AND EXPENSES AFTER TAX (NOK 1 000)
2019	+5 %	16 728	2 936
	-5 %	-16 728	-2 936
2018	+5 %	2 745	1 330
	-5 %	-2 745	-1 330

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 31.12.2019, 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 31.12.2019
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

As of 31.12.2018, 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 31.12.2017
Forward contracts to hedge expected future sales [1]	EUR/NOK	9 240/89 848	2019	9.37 - 10.09	-2 737
Forward contracts to hedge expected future sales [1]	EUR/NOK	5 820/57 773	2020	9.81 - 10.26	-1 556
Total					**-4 294**

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 2019 of USD 55 091 thousand (USD 55 091 thousand at 31 December 2018) 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 2019 there is recognized a hedging gain on NOK 3 945 thousand (hedging gain on NOK 20 510 thousand at 31 December 2018) in OCI related to this loan. Accumulated OCI effect in equity at 31 December 2019 is NOK 17 014 thousand (NOK 13 069 thousand at 31 December 2018). 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

		2019		2018	
(NOK 1 000)	LEVEL	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
FINANCIAL ASSETS					
Other non-current assets		48 992	48 992	367	367
Trade receivables		438 562	438 562	148 703	148 703
Bank deposits, cash and cash equivalents		177 651	177 651	138 531	138 531
FINANCIAL LIABILITIES					
Bank loans	2	212 072	212 823	516 163	517 312
Bond loan (incl amortized costs)	2	1 085 986	1 112 650		
Lease liabilities	2	294 632	294 632		
Other long term liabilities (earn-out and other)				2 378	2 378
Short-term loans	2	2 857	2 857		
Forward exchange contracts	2	245	245	4 294	4 294
Trade payables and other current liabilities		572 580	572 580	202 653	202 653

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 31.12.2019 and 31.12.2018 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 VAUE WITH GAINS AND LOSSES IN THE INCOME STATEMENT

(NOK 1 000)	**2019**	**2018**
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	1 157 264	-4 294
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**1 157 264**	**-4 294**

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

(NOK 1 000)	**2019**	**2018**
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 2018 or 2019.

NOTE 25 INVESTMENTS IN JOINT VENTURES

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

In 2018 Agility Fuel Solutions LLC was accounted for as a joint venture, 100% acquired and consolidated from 4 January 2019.

HEXAGON COMPOSITES ASA HAS THE FOLLOWING INVESTMENTS IN JOINT OPERATIONS

JOINT VENTURE	COUNTRY	BUSINESS SEGMENT	OWNERSHIP SHARE	VOTES
Hyon AS	Norway	Hexagon Purus	33.3 %	33.3 %

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

(NOK 1 000)	2019	2018
Sales revenue		5 288
Other operating income		0
Cost of materials		20 063
Other operating expenses		0

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

(NOK 1 000)	2019	2018
Trade receivables		1 398
Trade payables		10 039

HEXAGON COMPOSITES GROUP'S SHARE OF PROFIT/LOSS IN AGILITY FUEL SOLUTIONS LLC

(NOK 1 000)	2019	2018
BOOK VALUE AS AT 01.01.		**917 604**
Share of profit		31 800
Amortization of excess value		-13 421
Elimination of downstream transaction		890
Reported as profit/loss from joint venture		**19 270**
Share of OCI		55 044
Received dividends		-12 826
Share-based payment		13 285
Book value as at 31.12.		**992 378**

Agility Fuel Solutions LLC does not have an observable market value in form of market price or similar.

THE TABLE BELOW SHOWS THE CONDENSED FINANCIAL INFORMATION OF AGILITY FUEL SOLUTIONS LLC, BASED ON 100% FOR THE PERIOD 2019 AND 2018

INCOME STATEMENT FOR THE PERIOD	2019	2018
Operating income		1 413 073
Operating expenses		1 339 932
Net financial items		-9 540
Profit before and after tax		**63 601**
Other income and expenses		546
Comprehensive income		**64 147**
Group's share of comprehensive income		**32 073**
BALANCE SHEET		**31.12.2018**
ASSETS		
Current assets		713 915
Cash and cash equivalents		34 837
Non-current assets		608 414
LIABILITIES		
Current liabilities		290 052
Current financial liabilities		4 187
Long-term liabilities		0
Long-term financials liabilities		82 029
Equity		**980 899**
Group's share of the equity		**490 449**
Goodwill		269 670
Trade name		6 877
Technology		36 675
Customer relationships		193 859
Translation differences		0
Elimination of downstream transaction		-10 463
Share-based payment		5 311
Group's carrying amount of the investment		**992 378**

Agility Fuel Solutions LLC has the same reporting period as the Parent Company.

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

	2019	2018
Book value as at 01.01.	1 400	1 165
Share capital contribution	0	1 540
Share of profit after tax	-749	-1 305
Book value as at 31.12.	**651**	**1 400**

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

NOTE 26 SHARE-BASED PAYMENT

The Group has an incentive program including options, performance share units (PSUs) and restricted share units (RSUs) covering certain employees in senior and key positions. The incentive programs are in accordance with the Board of Director's compensation policy for the senior executive management and key personnel. This policy is described in "Declaration to the Annual General Meeting of Hexagon Composites ASA concerning determination of Salary and other remuneration to the CEO and other Management".

As at 31.12.2019, 67 employees were included in the programs.

3 March 2015 Hexagon Composites ASA issued 975,000 call options to senior executives and managers in the Group. The share options give rights to buy shares in Hexagon Composites ASA at NOK 25 per share. The options could be exercised in part or in full following the official announcement of the financial results for the second quarter of 2018. The exercise period was extended to 14 December 2018. None of the options was exercised at these dates.

1 April 2016 Hexagon Composites ASA issued 925 000 call options to senior executives and managers in the Group at NOK 20 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 2018, first quarter of 2019 or second quarter of 2019. The company decided to extend the exercise period and all these options are exercised in first quarter 2019. The options are exercised at weighted average share price of NOK 32.22.

5 April 2017 Hexagon Composites ASA issued 1,450,000 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. 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 2019, first quarter of 2020 or second quarter of 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.

The fair value of the options, RSUs and PSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period.

12 April 2019 Hexagon Composites ASA decided to provisionally award up to 2 492 438 Performance Share Units ("PSUs") to executives. Of these, up to 2 422 476 PSUs are actually provisionally awarded. 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.

20 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.

The fair value of the options, RSUs and PSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with the share option, RSUs and PSUs scheme were NOK 19.0 million in 2019 and NOK 12,5 million in 2018. The unamortized fair value of all outstanding share options (2 705 000), RSUs (149 994) and PSUs (maximum 2 235 906) is estimated to NOK 37.9 million per 31 December 2019.

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

OVERVIEW OF NUMBER OF OUTSTANDING INSTRUMENTS

(NOK 1 000)	SHARE OPTIONS 2019	RSUS 2019	PSUS 2019	SHARE OPTIONS 2018	RSUS 2018
Outstanding instruments 1 January	3 675 000	100 000		3 465 000	0
Instruments granted	0	49 994	2 422 476	1 200 000	100 000
Instruments exercised	-875 000	0		0	0
Instruments lapsed	-95 000	0	-186 570	-990 000	0
Share instruments outstanding 31 December	**2 705 000**	**149 994**	**2 235 906**	**3 675 000**	**100 000**
Exercisable at 31 December	0	0	0	0	0

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

(NOK 1 000)	RSUS AWARDED 2019	PSUS AWARDED 2019	SHARE OPTIONS AWARDED 2018	RSUS AWARDED 2018
Weighted average fair values at the measurement date per share (NOK)	27.65	36.50	6.79	23.50
Dividend yield (%)	0 %	0 %	0	0
Expected volatility (%)	0 %	0 %	45,52 %	0 %
Risk-free interest rate (%)	0 %	0 %	1.20 %	0 %
Expected life of share options (years)	4.00	3.83	3.29	3.00
Weighted average share price (NOK)	0	0	20.85	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 are disclosed in note 25.

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)	2019	2018
Sales revenue	18 765	27 556
Cost of materials	0	111
Other operating expenses	2 024	1 778

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

(NOK 1 000)	2019	2018
Trade receivables	399	3 812
Trade payables	0	387

Transactions with related parties reduced since Agility has become a consolidated subsidiary.

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 AWARDED SHARE OPTIONS[3]	TOTAL REMUNERATION 2019	TOTAL REMUNERATION 2018
EXECUTIVE MANAGEMENT							
Jon Erik Engeset, Group President	3 623	960	20	192	2 025	6 820	5 603
David Bandele, CFO	2 158	465	13	187	1 135	3 957	3 142
Morten Holum, COO	750		3	64		817	
Jack Schimenti, EVP	2 904	560	190	145	1 250	5 049	3 747
Heiko Chudzick, EVP Operations	3 771	296	266	0	0	4 333	2 072
Michael Kleschinski, President Hexagon Purus	2 317	433	94	0	0	2 844	3 227
Skjalg Sylte Stavheim, President Hexagon Ragasco LPG	1 964	716	196	116	1 135	4 127	3 688
Seung W. Baik, President Agility Fuel Solutions	3 154	2 737	128	148	0	6 167	
BOARD OF DIRECTORS							
Knut Flakk, Chairman	585					585	570
Kristine Landmark, Deputy Chair	320					320	290
Sverre Narvesen	250					250	220
Elisabeth Heggelund Tørstad	200					200	120
Katsunori Mori [2]	0					0	0
FORMER BOARD MEMBERS							
Suzana Quintana Plaza	200					200	180
Deputy Board member	0					0	25
Total remuneration	**22 196**	**6 167**	**910**	**852**	**5 545**	**35 670**	**22 884**

1) Bonuses paid in the year relate to the year 2018.
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 2016. 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 960 thousand to the Group President and NOK 465 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 31.12.2019 the Group President has 370 thousand (520 thousand) share options and 137 thousand (0) provisional performance share units (PSUs) outstanding. The CFO has 230 thousand (330 thousand) share options and 93 thousand (0) 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

	2019	2018
Knut Flakk, (Chairman) 1)	29 384 969	30 947 132
Kristine Landmark (Deputy chair) 2)	10 000	10 000
Katsunori Mori (Board member) 3)	45 833 321	41 666 321

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 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

	2019	2018
Jon Erik Engeset, Group President 1)	201 315	140 867
David Bandele, Chief Financial Officer	68 949	32 745

1) The shares owned by Jon Erik Engeset, 1 867 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)	2019	2018
Statutory audit and auditing-related services	6 302	2 594
Other attestation services	510	276
Tax advice	4 585	958
Other non-auditing services	178	297
Total	**11 576**	**4 125**

NOTE 28 PURCHASING COMMITMENTS

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM PURCHASING MATERIALS

(NOK 1 000)	**2019**	**2018**
2019		
2020	231 057	
Thereafter		
Total	**231 057**	**0**

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

(NOK 1 000)	**2019**	**2018**
2019		1 328
2020	14 762	
Thereafter		
Total	**14 762**	**1 328**

NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

Hexagon was informed about a FCEV project cancellation by an automotive OEM for reasons unrelated to Hexagon.

A previously unknown coronavirus has spread from China to large parts of the world, including Europe, Norway and USA. The World Health Organization (WHO) has declared the coronavirus outbreak a pandemic. The health authorities are now implementing far-reaching measures to prevent the spread of the disease and reduce the pressure on the health services. The measures already taken and more that will be taken can be expected to heavily influence daily business operations for all actors. At the time of preparation and resolution of annual accounts, we don't have an oversight of the consequences for our markets, businesses and operations.

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

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 %
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 Rus 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 Lincoln LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon MasterWorks Inc.	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Technical Services LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon R&D 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 Inc	USA	Delaware, DE	Agility	100 %	100 %
Agility Fuel Solutions LLC	USA	Dealware, 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	100 %	100 %
Hexagon Technology H2 AS	Norway	Aalesund	Hexagon Purus	100 %	100 %
Hexagon Composites Germany GmbH	Germany	Herford	Hexagon Purus	100 %	100 %
Hexagon Purus GmbH	Germany	Herford	Hexagon Purus	100 %	100 %
xperion E&E Overseas GmbH,	Germany	Herford	Hexagon Purus	100 %	100 %
xperion E&E US Holding Inc.	USA	Heath, OH	Hexagon Purus	100 %	100 %
xperion E&E USA LLC	USA	Heath, OH	Hexagon Purus	100 %	100 %
Hexagon Purus North America Holdings Inc.	USA	Lincoln, NE	Hexagon Purus	100 %	100 %
Hexagon Purus LLC	USA	Lincoln, NE	Hexagon Purus	100 %	100 %
Hexagon Technology AS	Norway	Aalesund	Unallocated	100 %	100 %
JOINT VENTURES / JOINT OPERATIONS					
Hyon AS	Norway	Oslo	Hexagon Purus	33.3 %	33.3 %

Agility Fuel Solutions Holding Inc with subsidiaries is acquired at 4 January 2019.

NOTE 31 EXCHANGE RATES

	EXCHANGE RATE 1.1.2019	AVERAGE EXCHANGE RATE 2019	EXCHANGE RATE 31.12.2019
USD	8.6885	8.8037	8.7803
CAD	6.3751	6.6363	6.7570
EUR	9.9483	9.8527	9.8638
GBP	11.1213	11.2307	11.5936
RUB	12.4800	13.6070	14.1000
CHF	882.8000	886.2100	908.7700
SEK	97.0100	93.0600	94.4200

INCOME STATEMENT – PARENT COMPANY

HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2019	2018
Other revenue	5	72 611	38 199
Total operating income		**72 611**	**38 199**
Payroll & social security expenses	8,10,13	49 321	36 152
Depreciation and impairment	2	273	606
Other operating expenses	10	47 760	26 808
Operating profit		**-24 743**	**-25 366**
Income from investment in subsidiaries	9	94 358	141 555
Finance income	11,12	242 442	73 541
Finance expense	4,11,12	102 284	27 109
Profit on ordinary activities before tax		**209 773**	**162 621**
Tax on profit on ordinary activities	9	46 111	39 436
Profit on ordinary activities		**163 662**	**123 185**
Profit/loss for the year		**163 662**	**123 185**
Allocated to dividends	1	0	0
Transferred equity	1	163 662	123 185
Total transferred		**163 662**	**123 185**

BALANCE SHEET – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	31.12.2019	31.12.2018
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings and other real estate	2	6 000	6 000
Fixtures/fittings, equipment and tools	2	942	946
Total property, plant & equipment		**6 942**	**6 946**
FINANCIAL ASSETS			
Investments in subsidiaries	3	126 622	123 295
Investments in associates and joint ventures	3	0	3 050
Loans to group companies	4,5	2 803 069	1 287 661
Other non-current receivables	4	44 859	0
Investments in shares		367	367
Excess financing of pension liabilities	8	0	0
Total financial assets		**2 974 916**	**1 414 373**
Total non-current assets		**2 981 858**	**1 421 319**
CURRENT ASSETS			
RECEIVABLES			
Other receivables	5	94 557	145 874
Total receivables		**94 557**	**145 874**
Bank deposits, cash and cash equivalents	6	1 345	857
Total current assets		**95 901**	**146 731**
Total assets		**3 077 760**	**1 568 050**

BALANCE SHEET – PARENT COMPANY

HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
EQUITY			
PAID-IN CAPITAL			
Share capital	1,7	18 329	16 663
Own shares	1	-197	-237
Share premium	1	1 203 145	727 639
Other paid-in capital	1	48 742	29 737
Total paid-in capital		**1 270 018**	**773 803**
Other equity	1	374 607	208 984
Total other equity		**374 607**	**208 984**
Total equity		**1 644 625**	**982 787**
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	4	1 298 058	516 163
Deferred tax liabilities	9	33 297	22 213
Total other non-current liabilities		**1 331 355**	**538 376**
CURRENT LIABILITIES			
Liabilities to credit institutions	4,12	43 033	148
Trade payables		1 273	3 753
Income tax payable	9	35 026	33 995
Public duties payable		5 305	1 894
Allocated dividends	1	0	0
Other current liabilities	5	17 143	7 096
Total current liabilities		**101 779**	**46 887**
Total liabilities		**1 433 134**	**585 263**
Total equity and liabilities		**3 077 760**	**1 568 050**

Aalesund, Norway, 24 March 2019
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

Katsunori Mori
Board Member

Elisabeth Heggelund Tørstad
Board Member

Jon Erik Engeset
Group President & CEO

CASH FLOW STATEMENT – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		209 773	162 621
Tax paid for the period		-33 995	-40 515
Depreciation and impairment		273	606
Recognized group contribution and dividend		-94 358	-141 555
Changes in trade payables		-2 481	1 096
Changes in pension provisions		0	552
Changes in other accrual accounting entries		-23 473	17 346
Net cash flow from operating activities		**55 738**	**151**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant & equipment and intangible assets		-269	-221
Purchase of shares		-276	-1 636
Net payments on loans to/from subsidiaries		-1 377 337	-6 084
Net cash flow from investing activities		**-1 377 882**	**-7 941**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities		2 242 266	144 470
Repayment of non-current liabilities		-1 441 692	0
Proceeds from issues of shares		477 172	
Net change in bank overdraft		42 885	-56 296
Dividend payments		0	49 639
Purchase of own shares		2 000	-30 676
Net cash flow from financing activities		**1 322 631**	**7 860**
Net change in cash & cash equivalents		488	69
Cash & cash equivalents at beginning of period		857	788
Cash & cash equivalents at end of period	6	**1 345**	**857**
Undrawn group overdraft facility	6	**82 143**	**85 000**
Undrawn credit facility		**784 320**	**1 483 751**

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

As of 1 January 2018, the company terminated its defined benefit pension plan and the members joined the defined contribution pension plan with effect of the same date. Pension costs and benefit obligation in the defied benefit plan were calculated using the straight-line method, based on the expected final salary. The calculations were based on a number of assumptions, including discount rate, future changes in salary, pensions and national insurance contributions, the expected return on plan assets and actuarial assumptions on mortality and early retirement. Changes in the benefit obligation and plan assets due to the effects of changes and deviations in actuarial assumptions (actuarial gains and losses) were recognized in equity (net after tax).

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 01.01.2019	16 663	-237	727 639	29 737	208 984	982 787
Profit/loss for the year					163 662	163 662
Share-based payment				19 005		19 005
Actuarial gains/losses for the year						
Movement in own shares		39			1 961	2 000
Issued new share capital	1 666		475 505			477 172
Transaction cost						
Transfer/allocation						
Equity at 31.12.2019	**18 329**	**-197**	**1 203 145**	**48 742**	**374 607**	**1 644 625**

NOTE 2 PROPERTY, PLANT & EQUIPMENT

(NOK 1 000)	LAND/ BUILDINGS AND OTHER PROPERTY	FIXTURES/ FITTINGS, EQUIPMENT AND SIMILAR	TOTAL
Cost of acquisition as of 01.01.2019	8 345	3 925	12 271
Property, plant & equipment purchased	0	269	269
Cost of acquisition 31.12.2019	**8 345**	**4 194**	**12 539**
Accumulated depreciation and impairment 31.12.2019	2 345	3 252	5 597
Carrying amount at 31.12.2019	**6 000**	**942**	**6 942**
Depreciation for the year	0	273	273
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 %	21 398
Hexagon Technology AS	Ålesund	100 %	100 %	6 200
Hexagon Purus Holding AS	Ålesund	100 %	100 %	14 822
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
				126 622

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

(NOK 1 000)	HEXAGON RAGASCO AS	HEXAGON COMPOSITES RUSSIA LLC	HEXAGON USA HOLDINGS INC.	HEXAGON PURUS HOLDING AS
Cost of acquisition	64 905	1	19 020	14 822
Equity at 31.12.2019	85 140	5 205	831 124	14 807
Profit 2019	33 611	2 554	14 515	-34

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

NOK 1 000)	HEXAGON RAUFOSS AS	HEXAGON MOBILE PIPELINE GMBH	HEXAGON TECHNOLOGY AS
Cost of acquisition	21 398	276	6 200
Equity at 31.12.2019	17 405	276	54 517
Profit 2019	3 144	0	2 729

NOTE 4 RECEIVABLES AND LIABILITIES

(NOK 1 000)	2019	2018
RECEIVABLES DUE FOR PAYMENT AFTER 1 YEAR		
Other non-current receivables	0	0
Loans to group companies	2 803 069	1 287 661
Total	**2 803 069**	**1 287 661**
SHORT-TERM LIABILITIES		
Liabilities to credit institutions	43 033	148
Total	**43 033**	**148**
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	138 132	Euribor 3 month + margin	5 years	30.09.2021
Bank loan[1)]	USD 8 500	74 690	Libor USD 3 month + margin	5 years	30.09.2021
Amortized costs[2)]		-14 765			
Total non-current interest-bearing liabilities		**1 298 058**			
Cross-currency swap (NOK/USD)[3)]		-44 859	Pay Libor USD 3 m + / Receive Nibor 3 m +	4 years	15.03.2023
Non-current receivables related to interest-bearing liabilities		**-44 859**			
Net non-current interest-bearing liabilities		**1 253 199**			

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 1 billion, comprising a main multi-currency revolving credit and overdraft facility of NOK 600 million and an optional ancillary facility of NOK 400 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 2019 was NOK 44 859 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)	2019	2018
INCOME		
Administrative services to subsidiaries	71 895	37 438
Total	**71 895**	**37 438**
RECEIVABLES		
Loans to group companies	2 803 069	1 287 661
Other current receivables	91 984	141 757
Total	**2 895 053**	**1 429 418**
LIABILITIES		
Liabilities to group companies - long-term	0	0
Liabilities to group companies - current	6	411
Total	**6**	**411**

NOTE 6 BANK DEPOSITS

(NOK 1 000)	2019	2018
Restricted tax withholdings	1 344	857

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 SHARE CAPITAL AND SHAREHOLDER INFORMATION

SHARE CAPITAL CONSISTS OF

(AMOUNTS IN NOK)	NUMBER	NOMINAL	CARRYING AMOUNT
A shares	183 290 648	0.10	18 329 065

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

20 LARGEST SHAREHOLDERS AS OF 31.12.2019

	NUMBER OF SHARES	SHAREHOLDING
Mitsui & Co., Ltd.	45 833 321	25.01 %
Flakk Rollon AS [1)]	27 340 504	14.92 %
MP Pensjon PK	12 982 072	7.08 %
Clearstream Banking S.A	11 050 648	6.03 %
Brødr. Bøckmann AS	9 000 000	4.91 %
Nødingen AS	5 000 000	2.73 %
Verdipapirfondet Odin Norge	4 981 421	2.72 %
Lannebo Småbolag	4 126 398	2.25 %
Verdipapirfondet Alfred Berg Gamba	3 669 963	2.00 %
Verdipapirfondet Alfred Berg Norge	2 096 365	1.14 %
Skandinaviska Enskilda Banken AB	2 069 100	1.13 %
Hexagon Composites ASA (own shares)	1 974 882	1.08 %
Storebrand Norge I Verdipapirfond	1 949 008	1.06 %
Swedbank Robur Smabolagsfond	1 940 000	1.06 %
Verdipapirfondet Eika Spar	1 485 171	0.81 %
Verdipapirfondet Nordea Kapital	1 438 265	0.78 %
Verdipapirfond Alfred Berg Aktiv	1 357 612	0.74 %
Flakk Invest AS [1)]	1 300 000	0.71 %
Ohman Sweden Micro Cap	1 232 542	0.67 %
Verdipapirfondet Eika Norge	1 159 820	0.63 %
Total 20 largest shareholders	**141 987 092**	**77.47 %**
Remainder	41 303 556	22.53 %
Total	**183 290 648**	**100.00 %**

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

As of 31.12.2019 the Company had 1 974 882 own shares (2 366 075). The cost of acquisition of NOK 48 359 thousand (NOK 57 939 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 31.12.2019 was 4 207 of whom 268 were foreign shareholders. The number of shares held by foreign shareholders was 80 263 091 or 43.8%.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2019, the same as for 2018.

The Board (unanimous) had a mandate to increase share capital by up to NOK 1 666 278 by issuing up to 16 662 780 shares (par value NOK 0.10). This authorization was valid until the next ordinary general assembly. The Board exercised this mandate on 27 February 2019 and the company issued additional 16 662 780 new shares in a private placement.

NOTE 8 PENSIONS AND BENEFIT OBLIGATIONS

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

The parent Company's pension arrangements cover 13 people in total - 11 employed and 2 retired. Pension arrangements are dealt with according to the Norwegian Accounting Standard NRS 6A for pension costs.

As of 1 January 2018, the company terminated its defined benefit pension plan. The members joined a defined contribution pension plan with effect of the same date. The defined pension plans gave an entitlement to defined future returns on plan assets. These largely depended on years of service, salary level on retirement and the amount of national insurance contributions. The company's benefit obligation was covered by an insurance plan.

The defined contribution pension plan's contribution rates are 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 1 660 thousand (1 482), excluding employer's contributions.

NET PENSION EXPENSES FOR THE YEAR IN THE DEFINED BENEFIT PENSION PLAN ARE CALCULATED AS FOLLOWS

(NOK 1 000)	**2019**	**2018**
Interest cost on benefit obligation	0	0
Expected return on plan assets	0	0
Administrative costs	0	0
Employer's contribution	0	0
Change of plan	0	639
Total	**0**	**639**

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	**2019**	**2018**
Present value of funded obligations	0	0
Fair value of plan assets	0	0
Employer's contributions on net pension liabilities	0	0
Net pension liabilities/plan assets recognized in balance sheet 31.12	**0**	**0**
Net liability recognized in balance sheet 1 January	0	-383
Recognized benefit expense	0	639
Premium payments/contributions paid	0	-87
Actuarial gains/losses recognized directly in equity	0	-169
Net liability recognized in balance sheet 31.12	**0**	**0**
Retirement benefit obligation	**0**	**0**
Plan assets	**0**	**0**
Accumulated actuarial gains/losses are recognized directly in equity (net after tax)	0	0

FINANCIAL ASSUMPTIONS

(NOK 1 000)	**2019**	**2018**
Discount rate	NA	NA
Expected salary adjustment	NA	NA
Expected pension adjustment	NA	NA
Adjustment of national insurance base rate	NA	NA
Expected return on plan assets	NA	NA
Mortality table	NA	NA

NOTE 9 TAX

TAX EXPENSE FOR THE YEAR CONSISTS OF

(NOK 1 000)	2019	2018
Income tax payable	35 026	33 995
Change in deferred tax	11 084	5 440
Total tax expense	**46 111**	**39 436**

CALCULATION OF TAX BASE FOR THE YEAR

(NOK 1 000)	2019	2018
Profit before tax	209 773	162 621
Permanent differences	-179	13 229
Change in temporary differences	-50 383	-28 044
Use of loss carryforwards	0	0
Tax base for the year	**159 211**	**147 806**

Received group contributions of NOK 83 358 thousand (NOK 141 555 thousand) have been entered as income on investments in subsidiaries and included in the pre-tax profit.

OVERVIEW OF TEMPORARY DIFFERENCES

(NOK 1 000)	2019	2018
Receivables	156 696	103 121
Non-current assets	-593	-881
Provisions	-4 753	-1 273
Pensions	0	0
Loss carryforwards	0	0
Total	**151 350**	**100 967**
DEFERRED TAX 22%	**33 297**	**22 213**

WHY TAX EXPENSE FOR THE YEAR DOES NOT AMOUNT TO 22% OF PROFIT BEFORE TAX

(NOK 1 000)	2019	2018
22% of profit before tax (23% in 2018)	46 150	37 403
Permanent differences 22% (23% in 2018)	-39	3 043
Gains and losses/sale of financial assets 22% (23% in 2018)	0	0
Correction for previous year	0	0
Effect of change in tax rate	0	-1 010
Calculated tax expense	**46 111**	**39 436**
Effective tax rate [1)]	22.0 %	24.3 %

1) Tax expense in relation to profit before tax.

From the 2019 financial year, the tax rate on general income in Norway has been reduced to 22% (23% in 2018). Deferred tax and deferred tax assets as of 31 December 2018 are calculated using a tax rate of 22%. The effect on tax expense for the year was NOK -1 010 thousand.

NOTE 10 PAYROLL, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES ETC.

PAYROLL COSTS

(NOK 1 000)	2019	2018
Wages/salaries and fees	20 859	17 750
Employer's contribution	7 157	2 542
Pension expense	1 660	2 120
Other contributions	19 645	13 740
Total	**49 321**	**36 152**

There were 11 (10 in 2018) employees in the Company during the financial year.

(NOK 1 000)	SALARIES AND FEES	PAID BONUS [1]	NATURAL CONTRI-BUTIONS	PAID PENSION PREMIUM	VALUE OF AWARDED SHARE OPTIONS	TOTAL REMUNE-RATION
EXECUTIVE MANAGEMENT						
Jon Erik Engeset, Group President	3 623	960	20	192	2 025	6 820
Morten Holum, Executive Vice President/Chief Operating Officer[3]	750		3	64		817
David Bandele, Chief Financial Officer	2 158	465	13	187	1 135	3 957
BOARD OF DIRECTORS						
Knut Flakk, Chairman	585					585
Kristine Landmark, Deputy Chair	320					320
Sverre Narvesen	250					250
Katsunori Mori [2]	0					0
Elisabeth Heggelund Tørstad	200					200
FORMER BOARD MEMBERS						
Susana Quintana Plaza	200					200
Total remuneration	**8 085**	**1 425**	**37**	**443**	**3 160**	**13 149**

1) Bonuses paid in the year relate to the year 2018
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 employed from September 2019.

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 1 900 thousand to the Group President and NOK 805 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.

Group management participate in the Company's share-based incentive scheme, which are described in note 13, Share-based Payment. As of 31.12.2019 the Group President has 370 thousand (520 thousand) share options and 137 thousand (0) performance share units (PSUs) outstanding. The CFO has 230 thousand (330 thousand) share options and 93 thousand (0) PSUs outstanding.

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2019	2018
Knut Flakk, (Chairman) [1)]	29 384 969	30 947 132
Kristine Landmark (Deputy chair) [2)]	10 000	10 000
Katsunori Mori (Board member) [3)]	45 833 321	41 666 321

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

	2019	2018
Jon Erik Engeset, Group President [1)]	201 315	140 867
David Bandele, Chief Financial Officer	68 949	32 745

1) Of the shares owned by Jon Erik Engeset, 1 867 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)	2019	2018
Statutory audit and auditing-related services	1 421	804
Other attestation services	0	0
Tax advice	0	216
Other non-auditing services	138	0
Total	**1 559**	**1 020**

NOTE 11 NET FINANCIAL ITEMS

FINANCE INCOME

(NOK 1 000)	2019	2018
Interest income from group companies	138 126	32 730
Other interest income	5 798	2 082
Other finance income (currency gains)	98 518	38 730
Total finance income	**242 442**	**73 541**

FINANCE EXPENSE

(NOK 1 000)	2019	2018
Interest expenses to group companies	0	0
Other interest expenses	67 325	8 844
Arrangement fees and other commissions	14 252	5 481
Currency losses	19 264	12 013
Other finance expense	1 444	771
Total finance expense	**102 284**	**27 109**

NOTE 12 FINANCIAL MARKET RISK

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

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

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

NOTE 13 SHARE-BASED PAYMENT

The Group has an incentive program including options, performance share units (PSUs) and restricted share units (RSUs) covering certain employees in senior and key positions. The incentive programs are in accordance with the Board of Director's compensation policy for the senior executive management and key personnel. This policy is described in "Declaration to the Annual General Meeting of Hexagon Composites ASA concerning determination of Salary and other remuneration to the CEO and other Management".

As at 31.12.2019, 67 employees were included in the programs.

3 March 2015 Hexagon Composites ASA issued 975,000 call options to senior executives and managers in the Group. The share options give rights to buy shares in Hexagon Composites ASA at NOK 25 per share. The options could be exercised in part or in full following the official announcement of the financial results for the second quarter of 2018. The exercise period was extended to 14 December 2018. None of the options was exercised at these dates.

1 April 2016 Hexagon Composites ASA issued 925 000 call options to senior executives and managers in the Group at NOK 20 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 2018, first quarter of 2019 or second quarter of 2019. The company decided to extend the exercise period and all these options are exercised in first quarter 2019. The options are exercised at weighted average share price of NOK 32.22.

5 April 2017 Hexagon Composites ASA issued 1,450,000 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. 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 2019, first quarter of 2020 or second quarter of 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.

The fair value of the options, RSUs and PSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period.

12 April 2019 Hexagon Composites ASA decided to provisionally award up to 2 492 438 Performance Share Units ("PSUs") to executives. Of these, up to 2 422 476 PSUs are actually provisionally awarded. 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.

20 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.

The fair value of the options, RSUs and PSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with the share option, RSUs and PSUs scheme were NOK 19.0 million in 2019 and NOK 12,5 million in 2018. The unamortized fair value of all outstanding share options (2 705 000), RSUs (149 994) and PSUs (maximum 2 235 906) is estimated to NOK 37.9 million per 31 December 2019.

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

OVERVIEW OF NUMBER OF OUTSTANDING INSTRUMENTS

(NOK 1 000)	SHARE OPTIONS 2019	RSUS 2019	PSUS 2019	SHARE OPTIONS 2018	RSUS 2018
Outstanding instruments 1 January	3 675 000	100 000	0	3 465 000	0
Instrumetns granted	0	49 994	2 422 476	1 200 000	100 000
Instrumetns exercised	-875 000	0	0	0	0
Instrumetns lapsed	-95 000	0	-186 570	-990 000	0
Share instruments outstanding 31 December	**2 705 000**	**149 994**	**2 235 906**	**3 675 000**	**100 000**
Exercisable at 31 December	0		0	0	0

THE FOLLOWING TABLE LIST THE INPUT TO THE MODEL USED FOR THE PLAN FOR YEAR ENDED 31 DECEMBER 2019

(NOK 1 000)	RSUS AWARDED 2019	PSUS AWARDED 2019	SHARE OPTIONS AWARDED 2018	RSUS AWARDED 2018
Weighted average fair values at the measurement date per share (NOK)	27.65	36.50	6.79	23.50
Dividend yield (%)	0 %	0 %	0	0
Expected volatility (%)	0 %	0 %	45,52 %	0 %
Risk-free interest rate (%)	0 %	0 %	1.20 %	0 %
Expected life of share options (years)	4.00	3.83	3.29	3.00
Weighted average share price (NOK)	0	0	20.85	0
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

NOTE 14 LEASES

Ordinary lease payments for 2019 were NOK 3 864 thousand (3 515 in 2018).

FUTURE MINIMUM LEASE PAYMENTS RELATING TO FIXED TERM LEASES FALL DUE AS FOLLOWS:

(NOK 1 000)	**2019**
Not later than 1 year	3 860
1 to 5 years	7 026
Later than 5 years	
Total	**10 886**

NOTE 15 EVENTS AFTER THE BALANCE SHEET DATE

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

A previously unknown coronavirus has spread from China to large parts of the world, including Europe, Norway and USA. The World Health Organization (WHO) has declared the coronavirus outbreak a pandemic. The health authorities are now implementing far-reaching measures to prevent the spread of the disease and reduce the pressure on the health services. The measures already taken and more that will be taken are heavily influencing daily business operations for all actors. At the time of preparation and resolution of annual accounts, we don't have an oversight of the consequences for our markets, businesses and operations.

Building a better working world

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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 2019, 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 2019, the income statement, the statements 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 2019, 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 2019 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 2019. 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.

Acquisition Agility Fuel Solutions Group – Purchase price allocation

Hexagon Composites ASA Group acquired the remaining 50 % of the shares and obtained control over Agility Fuel Solutions and its subsidiaries on 4 January 2019. The purchase consideration amounted to NOK 1 074 million. The company, with the assistance of an independent expert, has recognized and measured the identifiable assets acquired and liabilities assumed based on their fair value at the acquisition date. Management allocated in total NOK 500 million of the purchase price to customer relationships, trade name and technology and NOK 922 million in goodwill. Based on the materiality of the acquisition and the significant degree of management judgment that the purchase price allocation requires we have determined this to be a key audit matter.

We considered the application of the accounting principles and discussed the choice of method for determining the value of customer relationships, trade name and technology with the company's management. We reviewed the report from the independent expert and considered management's assumptions related to the valuation of the intangible assets of the acquired group. We assessed the valuation method and underlying assumptions used by management and assessed the accounting treatment and the disclosures made. We involved our internal valuation specialists to assist us with the evaluation of the management's valuation methodologies and assumptions.

We refer to disclosures in note 5 and 11 of the financial statements.

Goodwill – Impairment assessment

As at 31 December 2019, Hexagon Composites ASA Group reported goodwill of NOK 1 375 million. The goodwill originates mainly from the acquisition of xperion in 2016 and the acquisition of Agility Fuel Solutions Group in 2019. 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 2020-2023 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 on the other information obtained prior to the date of the auditor's report, 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.

Aalesund, 24 March 2020
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

GLOSSARY

ASA	Public Limited company in Norway
BAR	Unit of pressure. 1 millibar = 100 N/m^2
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
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 2020

ANNUAL GENERAL MEETING
22 April 2020

1ST QUARTER 2020
20 May 2020

2ND QUARTER AND HALF YEAR REPORT 2020
12 August 2020

3RD QUARTER 2020
6 November 2020

4TH QUARTER 2020
17 February 2021

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ANNUAL REPORT 2019

HEXAGON COMPOSITES ASA
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HEXAGON

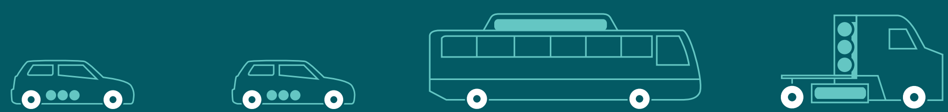
AGILITY FUEL SOLUTIONS

Heavy-Duty Trucks

Transit Buses

Refuse Trucks

HEXAGON PURUS
HYDROGEN APPLICATIONS, CNG LIGHT-DUTY VEHICLES AND BATTERY ELECTRIC DRIVETRAIN

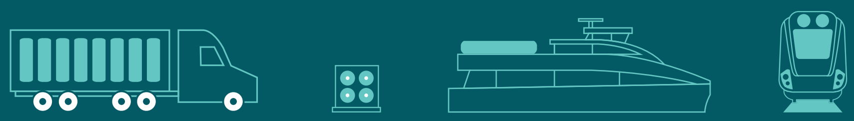


CNG Light-Duty Vehicles

Fuel Cell Electric Vehicles

Transit Buses

Heavy-Duty Trucks



Distribution

Ground storage

Marine & other

Rail

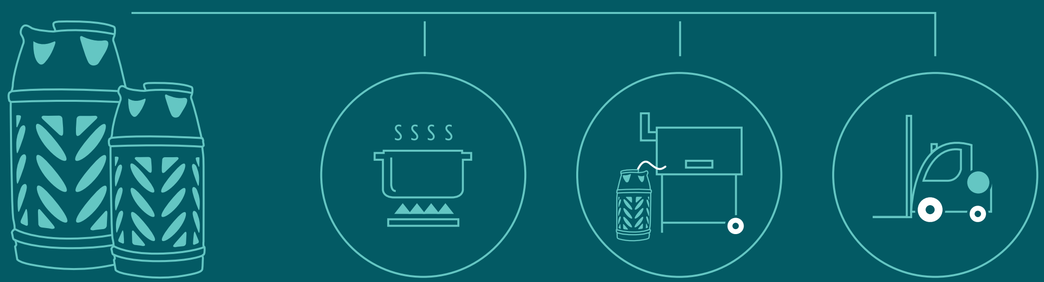
MOBILE PIPELINE & OTHER

Distribution

Hexagon Digital Wave

HEXAGON RAGASCO

Leisure activities, household and industrial applications



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