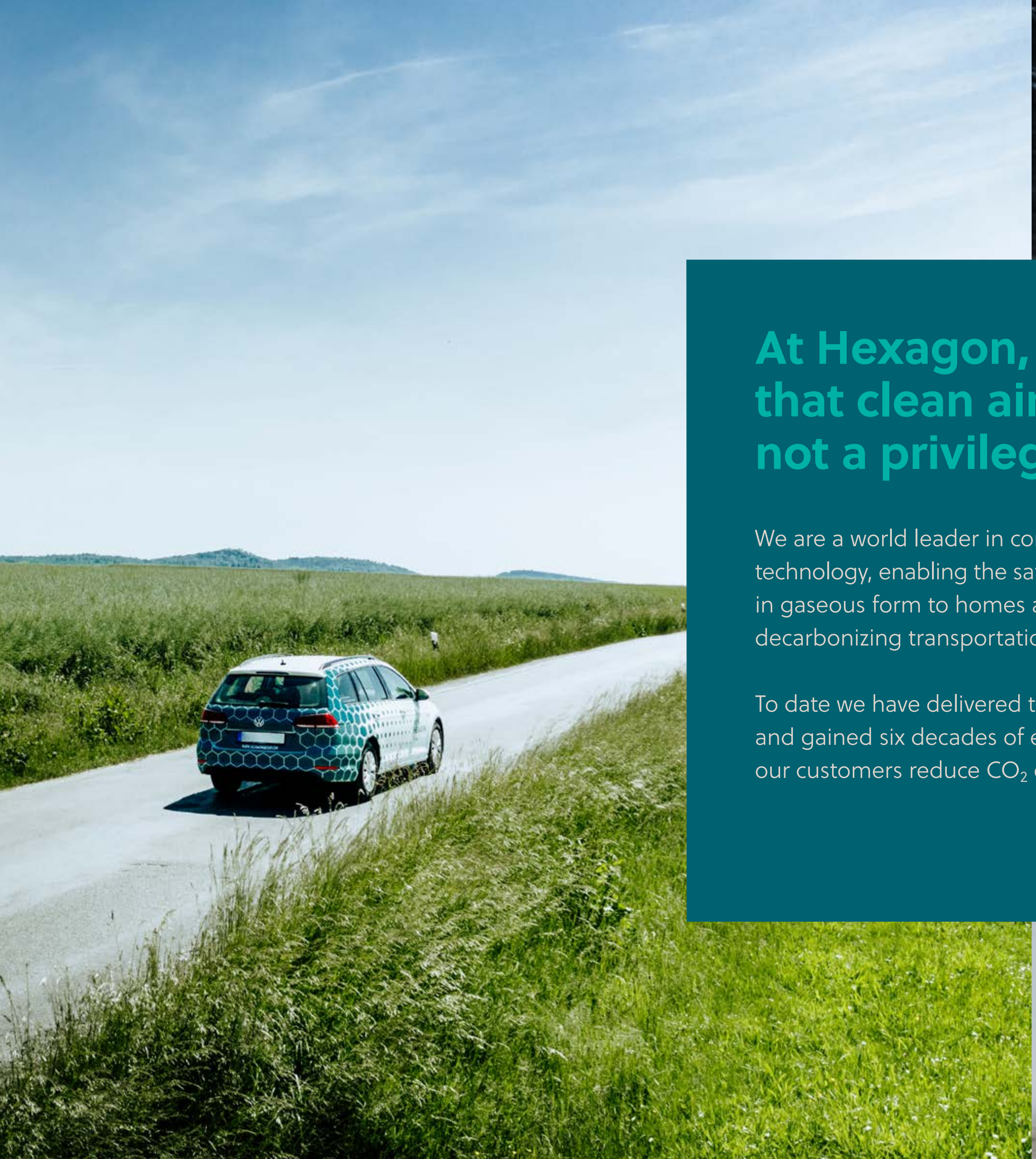
Annual report 2021

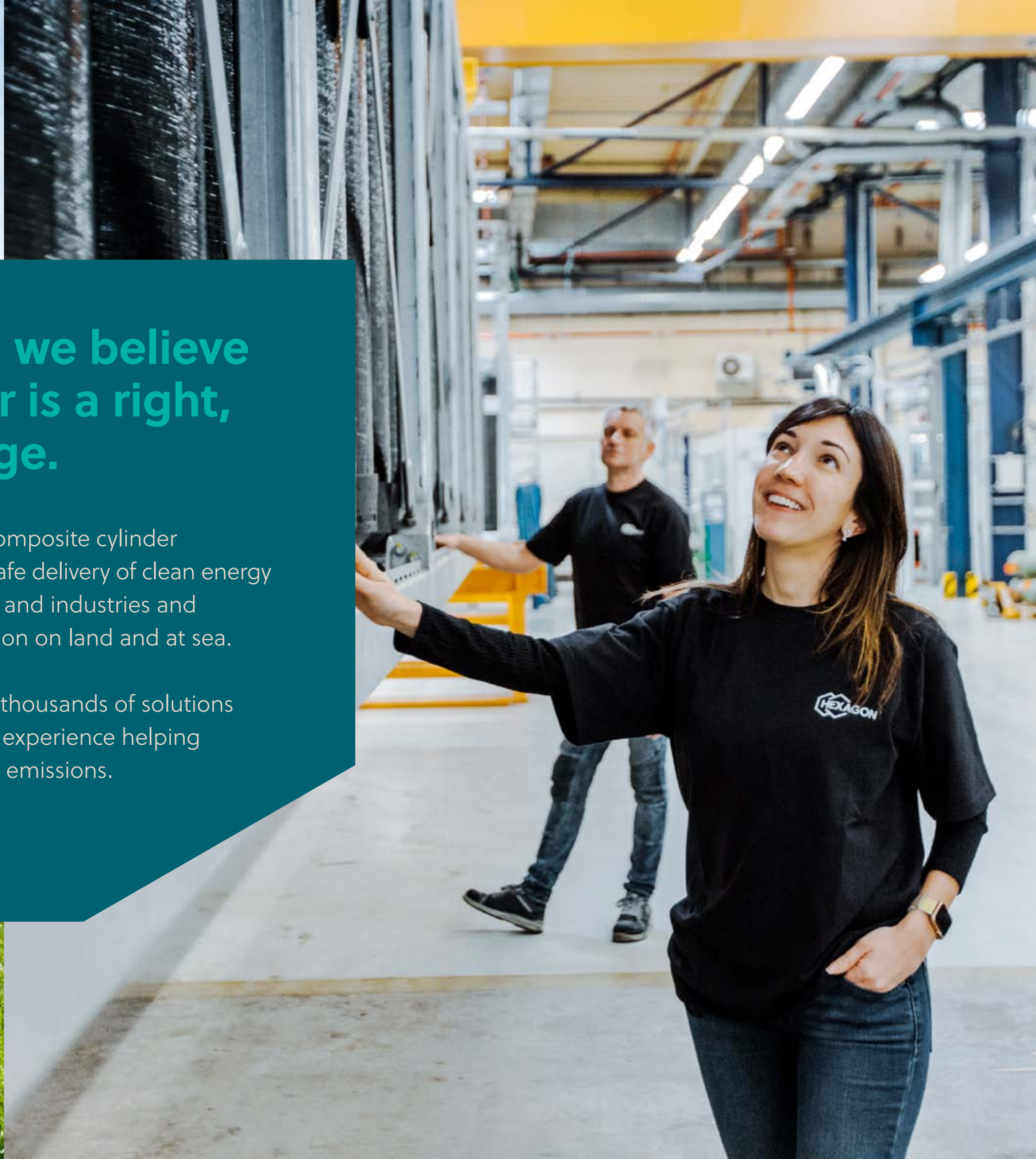
HEXAGON



At Hexagon, we believe that clean air is a right, not a privilege.

We are a world leader in composite cylinder technology, enabling the safe delivery of clean energy in gaseous form to homes and industries and decarbonizing transportation on land and at sea.

To date we have delivered thousands of solutions and gained six decades of experience helping our customers reduce CO_2 emissions.



Contents

Driving energy transformation

OUR BELIEFS

We have a strong, values-based culture that drives our business performance. Our core values, integrity and drive, support our behavior and our beliefs.

Driven by a strong common vision of Clean Air Everywhere, we believe that clean air is a right not a privilege; that technology is no longer the barrier in enabling clean energy for all; and that change is urgent.

We hold ourselves accountable for all our interactions, with our customers, suppliers and owners, our people and the communities in which we operate.

GO BACK

Hexagon at a glance

OUR RESULTS

Revenue

3 543 MNOK

EBITDA

109 MNOK

Equity ratio

54%

OUR PEOPLE

Workforce[1]

1 505

Diversity

Workforce made up of more than

35

nationalities

OUR CONTRIBUTION

Hexagon Group's solutions have avoided

1 156 000

metric tons of CO_2 equivalent emissions[2]

Innovation efforts

13%

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

[1] FTEs

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

Our markets

COMMERCIAL VEHICLES

Hexagon is a leading global provider of clean fuel solutions for commercial vehicles.

Integrating energy storage and fuel delivery systems into commercial vehicles is one of our key competences. Our systems and cylinders are installed on long-haul trucks, refuse collection trucks, buses, delivery trucks and vans.

Gases CNG, RNG, Hydrogen, Battery electric vehicles

PASSENGER VEHICLES

Our lightweight composite cylinders are ideal as alternative fuel tanks for passenger vehicles. By reducing vehicle mass, they enhance handling and the drivability of passenger vehicles. Our composite cylinders are designed for use across a range of clean fuels, from hydrogen to compressed natural gas, and renewable natural gas.

GAS DISTRIBUTION

Our gas distribution solutions have the largest transport capacity worldwide and enable the safe transport of CNG, RNG, hydrogen or other industrial gases by truck, marine vessel, or rail - allowing users lacking pipeline infrastructure to reduce energy costs and greenhouse gas emissions quickly and efficiently.

Gases Hydrogen, CNG/RNG and other industrial gases

HOME, LEISURE AND SMALL INDUSTRIAL APPLICATIONS

Our composite cylinders for home, leisure and small industrial applications are lightweight, safe and durable, and have been a game changer in the LPG industry. They can be used for a wide range of applications from cooking, heating to lawn mowing. Our cylinders are approved and certified in nearly 100 countries.

Gases LPG

TESTING TECHNOLOGY

High-pressure cylinders must be recertified every five years. Our solutions offer innovative cylinder testing and monitoring technology that reduce down-time and inspection costs while improving cylinder inspection accuracy.

MARITIME

We combine maritime experience with extensive hydrogen storage expertise to provide a holistic approach to zero emission maritime solutions. With our systems solutions for distribution and onboard hydrogen fuel systems, we can together with partners cover major parts of the maritime hydrogen value chain.

Gases Hydrogen

Our presence

- Hexagon administration, marketing/sales and representative office
- Hexagon production sites and engineering hubs

We are headquartered in Norway with 23 international locations, including the world's most important clean energy markets in Europe, Asia and North America.

History rooted in innovation and change

In 2000, Norwegian Applied Technology ASA merged with Devold AMT AS and formed Hexagon Composites ASA. The aim was to create a group that had the strength to invest in composite expertise in a global market.

For the past two decades, Hexagon has acquired pioneers in composite technology across the world. Filament winding with advanced composite material has been the foundation of the group. The group has driven the industry forward and moved from being a product supplier to global leader in clean fuel solutions.

— **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.

Acquired

2001
Ragasco

2003
Raufoss Fuel Systems

2005
Lincoln Composites

2014
MasterWorks

2016
xperion

2018
Agility and Digital Wave

2021
Wystrach

GO BACK

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

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

— 2006
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.

— 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.

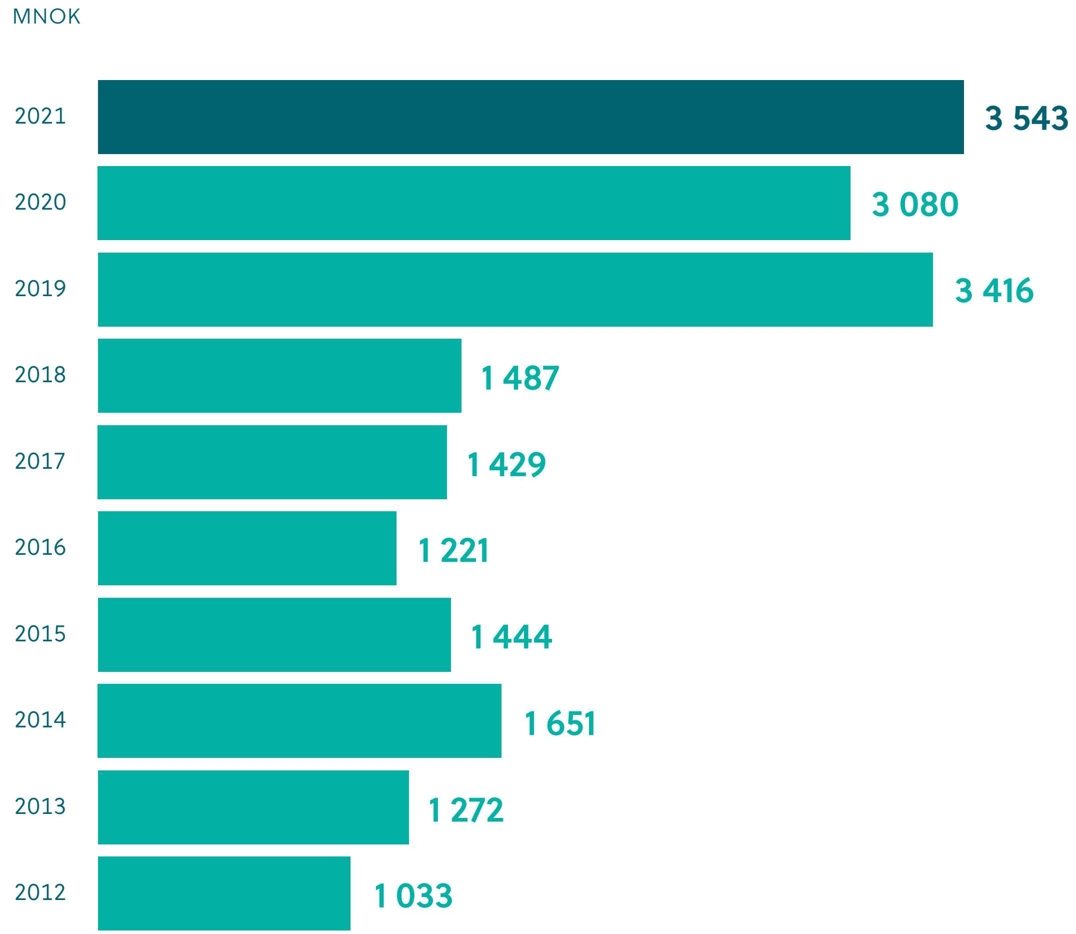
— 2014
Hexagon Devold was sold to Saertex GmbH & Co. KG so the Group could focus on further development of the pressure cylinder business. A capacity expansion program in Nebraska was initiated. The company acquired MasterWorks in Maryland, USA, securing key technology and enhanced engineering capacity.

— 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 per cent 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 per cent 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.

REVENUE 2012 – 2021



— **2018**
Signed agreement to acquire the remaining 50 per cent 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 per cent acquisition of Agility Fuel Solutions in January 2019. Sharpened the strategic focus on g-mobility and e-mobility solutions and introduced the ambition to combine all the e-mobility activities in Hexagon Purus.

— **2020**
Hexagon Purus (HPUR.OL) was listed on the Euronext Growth exchange in Oslo, Norway, with Hexagon retaining a 75 per cent ownership stake. Announced the signing of a term sheet for a strategic cooperation and joint venture agreements with CIMC ENRIC, a leading Chinese manufacturer of energy equipment.

Defined the new structure of Hexagon Agility, integrating Agility Fuel Solutions and Hexagon Mobile Pipeline®.

— **2021**
Hexagon Purus signs Joint Venture agreements with CIMC Enric in 2021, for China and Southeast Asia, entering the world's largest zero emission hydrogen vehicle and distribution market

Hexagon Purus acquired Wystrach, adding industry leading hydrogen systems capacity to its platform, to accelerate the hydrogen transition.

Key figures

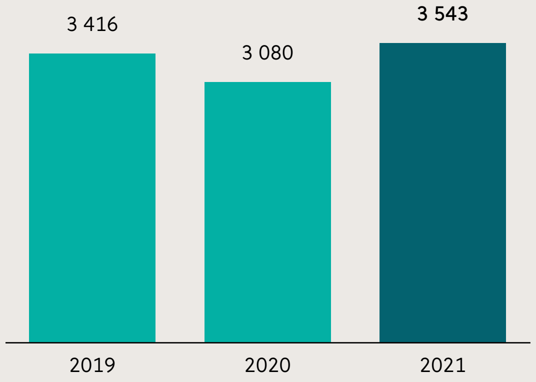
(NOK 1 000)

Revenues and profit	2021	2020	2019	2018	2017
Revenue	**3 542 890**	3 080 375	3 416 124	1 486 521	1 429 397
Operating profit before depreciation (EBITDA)	**108 584**	189 940	359 715	234 520	174 022
Operating profit (EBIT)	**(154 096)**	(59 272)	120 109	140 202	99 291
Profit before tax	**(301 744)**	(56 138)	111 246	168 727	48 227
Profit after tax	**(327 577)**	(147 781)	107 491	141 462	69 472
Capital 31.12					
Total assets	**6 515 246**	6 164 937	4 827 519	2 616 343	2 391 298
Equity	**3 484 301**	3 595 838	2 152 993	1 540 063	1 412 441
Equity ratio [1]	**53.48%**	58.3%	44.6%	58.9%	59.1%
Profitability and rate of return					
Cash flow from operations	**(344 696)**	229 198	192 889	154 601	90 434
Operating margin [2]	**(4.35%)**	(1.9%)	3.5%	9.4%	6.9%
Return on equity [3]	**(9.30%)**	(5.1%)	5.8%	9.6%	5.1%
Return on assets [4]	**(4.00%)**	0.5%	4.8%	7.1%	2.4%
NIBD/EBITDA [5]	**5.3**	(2.5)	3.1	1.6	1.2

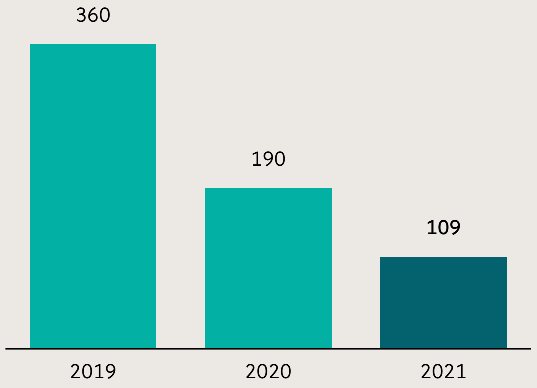
Definition of key figures

[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

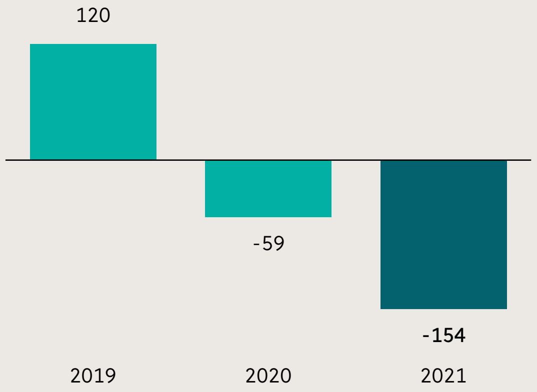
REVENUE MNOK



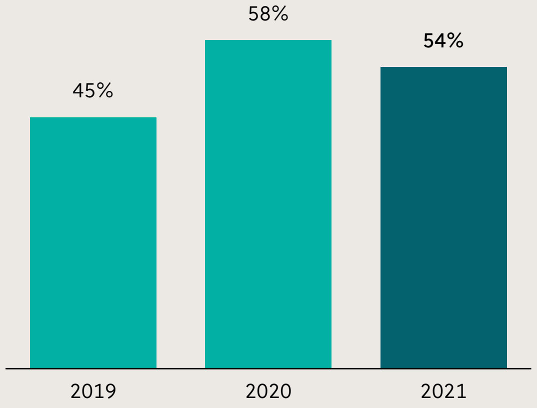
EBITDA MNOK



EBIT MNOK



EQUITY RATIO %



A WORD FROM THE CEO

A year of growth and significant steps

Dear Shareholders, Clients, Partners and Colleagues,

Hexagon is a world leader in clean energy solutions. They range from LPG cylinders for domestic cooking and heating, through mobility solutions comprised of compressed (renewable) natural gas (CNG/RNG) cylinders and systems, to hydrogen and battery-electric solutions.

In 2021, amidst the global pandemic, we had an extraordinary year. Our talented team of more than 1 500 dedicated and hardworking people delivered both record results and unprecedented value for our clients, shareholders, partners, and each other.

Our results

The Hexagon Group consists of two publicly listed companies, Hexagon Composites ASA ("Hexagon Composites") and Hexagon Purus ASA ("Hexagon Purus"). Hexagon Purus addresses the fuel-cell electric and battery-electric vehicle market, a largely new market space with significant growth potential. To capture this growth, it is making considerable investments in CAPEX, R&D and organizational build-out. Hexagon Purus is a "Tesla-like" company that will need to go through a phase of financial losses while scaling up to break even in a few years. Hexagon Agility and Hexagon Ragasco, on the other hand, have reached scale and profitability.

Hexagon Composites, excluding Hexagon Purus, delivered revenues of NOK 3.3 billion and an EBITDA of NOK 381 million in 2021. Hexagon Purus booked revenues of NOK 508 million and an EBITDA of NOK -265 million. Consolidated

Our talented team of more than 1 500 dedicated and hardworking people delivered both record results and unprecedented value.

Strong demand for sustainable solutions is driving the acceleration of our business.

revenues amounted to NOK 3 542 million compared with NOK 3 080 million in 2020 and the consolidated EBITDA was NOK 115 million, compared with NOK 190 million the year before. As global supply chains are still trying to recover from the effects of the pandemic, these results are not just a testament to the demand for our technology, but also the foresight, skill and discipline of our team in navigating those supply constraints.

During the year, we secured contracts with world-leading OEMs, global fleet operators and industrial gas companies. We entered new markets for LPG cylinders and the Group expanded its footprint into China and South America.

In addition to record revenues and significant customer contracts, Hexagon technologies enabled the avoidance of an estimated 1.1 million metric tons of greenhouse gas (GHG) emissions, up from 730 000 tons in 2020 and equivalent to removing 240 000 passenger vehicles from the world's roads. We added more than 434 people to our global workforce.

Delivering on our purpose

We measure our success on how well we deliver on our purpose: Driving energy transformation. We believe this commitment, along with our innovative mindset, is directly linked to the trust our customers and partners place in us.

Strong demand for sustainable solutions is driving the acceleration of our business. Our solutions are here today, on cars and trucks, on ferries, trains and buses, in homes and even in spacecraft.

For the logistics industry, RNG is the fuel of choice for CO_2 emission reduction. As a transportation fuel, RNG is an essential component in making an immediate impact towards achieving global climate goals.

More and more infrastructure, including mobile refueling stations, is being developed to support the adoption of RNG and CNG, resulting in a strong rebound of our mobile pipeline business in North America.

In its first full year as a separately-listed company, Hexagon Purus has secured multiple transformative agreements and nearly doubled its year-over-year organic revenue in the hydrogen system and battery electric space. This growth nearly doubled again as a result of the acquisition of Wystrach Gmbh in Germany - putting Hexagon Purus ahead of its business plan.

Hexagon invested further in Hexagon Purus through a capital raise early in 2022, as the business gears up for further growth. We see significant advantages in maintaining our major shareholder position in Hexagon Purus during this strong period of development. We are committed to securing its progress in an addressable market that is expected to exceed NOK 200 billion in 2030.

Digitalization in industry

Industry 4.0 technologies that increase efficiency and safety in composite cylinder development and manufacturing are being implemented step-by-step, with Hexagon leading the way.

Hexagon Ragasco is piloting a next generation LPG smart cylinder for domestic cooking and heating that communicates with both users and their LPG distributors. The new smart cylinder will give the LPG distributor improved insight into consumer usage patterns, enabling optimized logistics and improved cylinder fleet management.

Hexagon Digital Wave has raised the industry bar on innovative cylinder testing and monitoring technology. Miniaturizing sensors and embedding them in the cylinders enables the creation of a "digital twin" for each one, allowing it to communicate with host vehicles or infrastructure systems for real-time or near real-time monitoring. Currently in beta testing, this technology will create a benchmark in digital safety, offer extended cylinder lifetimes, and ultimately enabling their second life through reuse or repurposing.

Global crisis

We are in a time of profound concern about the Russian government's invasion of the Ukraine and the humanitarian tragedy it is causing. Hexagon has no operations or employees in the Ukraine; however, we do have a sales and distribution entity in Russia, staffed by six dedicated employees. We are keeping in close touch with them, monitoring the situation and ensuring we follow all applicable international sanctions as they develop.

Our thoughts are with all those in harm's way.

Progress can't wait

Hexagon is driven by a clear conviction: clean air is a right, not a privilege.

We begin fiscal year 2022 with a strong foundation and continuing momentum across all our businesses. Together with our clients and partners, we are finding new ways to make low carbon and zero emission energy solutions available and affordable. To meet growing demand and further enhance our leading global position, we continue the expansion program we unveiled in 2021, building more capacity at our key production facilities in the US and Europe, as well as expanding our footprint into China.

We focus on doing our part to keep global warming below 1.5° Celsius. We have expanded our reporting based on the Global Reporting Initiative and Carbon Disclosure Project and we have pledged our commitment to the Science Based Targets Initiative. You can read more about the sustainability activities in our integrated Sustainability report.

I want to thank our first-class employees around the world for their hard work and commitment to living our purpose in a culture of shared success. I also want to thank our clients, partners and the communities we are part of for their continued commitment and support. And, last but certainly not least, I want to thank our shareholders for their trust in our team and our mission.

We remain committed to creating measurable value in the year ahead, for all our stakeholders.

Sincerely,

Jon Erik Engeset
Group President & CEO

Building a strong platform for continued, profitable, green growth

In Hexagon our purpose, "driving the energy transition", is more than words on a page.

It is the reason we come to work every day.

Our business is focused on delivering near-zero and zero-emission energy solutions, world-class manufacturing and digitalization, all with the aim of enabling an ever-expanding number of companies and other institutions to reach their net-zero ambitions. In 2022, the future of the Group is more promising than ever. We have never been better-positioned than now to deliver on our purpose.

- Hexagon Agility is putting the transition of medium- and heavy-duty diesel vehicles to clean natural gas on the fast track, while its Mobile Pipeline® products facilitate the use of clean and renewable natural gas in the industrial and distribution sectors.
- Hexagon Ragasco is accelerating the transition to low-emission gases for domestic cooking and heating energy, through smart digital solutions and data sharing throughout the gas value chain.
- Hexagon Purus is delivering on a very ambitious business plan. In its first full year as a listed company, it nearly doubled its year-over-year (organic) revenue growth in both the fuel-cell electric and battery-electric spaces.
- Hexagon Digital Wave's ambition to digitalize our industry by delivering accurate and reliable Industry 4.0 solutions to ensure safer utilization and prevent the preventable, is soon to become a reality

Strategic priorities for 2022 and beyond

Hexagon's strategic priorities further strengthen its position in alternative energy solutions and lead us to explore growth opportunities within the current megatrends.

Innovation

Hexagon is a global leader in the industry. As the demand for alternative energy solutions grows, we are committed to continually renewing ourselves. We will redouble our efforts to embed our culture of innovation in all aspects of our operations. This includes how we interact with our customers, stakeholders, and business partners – and not least our own people, ensuring that they have the right training and tools to excel. We will focus on reaching world class in internal processes, increasing effectiveness, saving costs, and delivering high-value products and services. Through the enhancement of our commercial footprint and manufacturing capability, we will expand our offering.

Digitalization

Building on our digital competence, we will identify and exploit new business opportunities and enhance the value proposition we offer to our customers. We will further entrench digitalization as a core element in our business strategies, enabling opportunities for new revenue streams and enhanced business models. This includes all areas of our business planning, product design, supply chain management, logistics operations, and supporting our world-class production facilities.

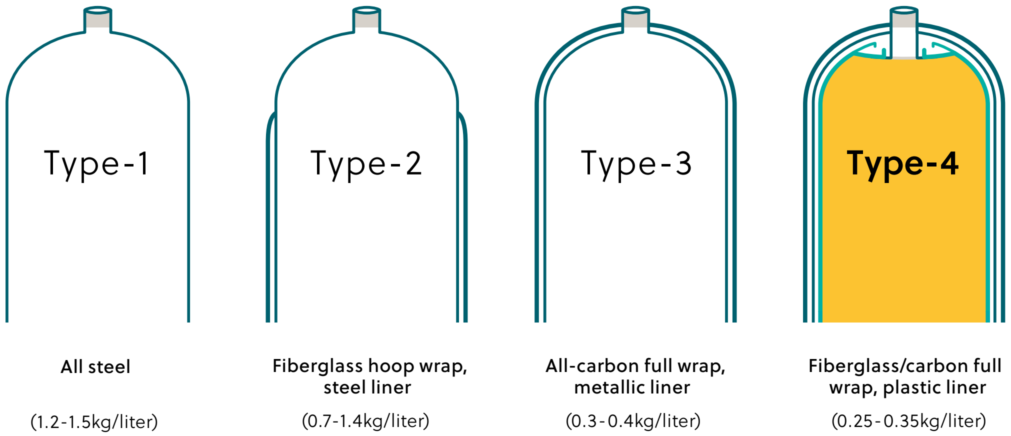
Strategic procurement

Strong demand driven by global recovery and fiscal stimuli positively impacted Hexagon in 2021. However, the year was also affected by uncertainty from the ongoing pandemic, high energy prices, supply chain constraints, and higher raw material prices. We will focus on enhancing our procurement strategies to ensure our purchasing activities remain competitive, to reduce costs and leverage our purchasing power. This will include the frequent review and evaluation of opportunities at the operational level, supported by close collaboration across business units.

Environmental, Social and Governance (ESG)

As a green-technology company we endeavor to integrate all aspects of ESG into our strategies, business and operating models, and decision-making processes. This includes developing our understanding of materiality and our framework for measuring and reporting our impact in this area. To learn more about our ESG actions and ambitions, please see the Sustainability report section of this report.

Core competitive strengths



DID YOU KNOW

Hexagon has delivered over 600 000 high-pressure cylinders, 70 000 fuel systems and more than 20 million LPG cylinders to customers world-wide.

Innovative and cost-effective production

Product and process innovation starts 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 position. Differentiation through innovation is essential to growing market share and contribution margins. Hexagon works closely with its customers and suppliers to excel in these areas.

Product safety

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

Competence and expertise

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

Product portfolio, business partners, ambitions

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

Our business areas

We believe that technology is no longer the barrier to enabling clean energy for all. Our world-leading composite cylinder technology enables the safe delivery of clean energy in gaseous form to homes and industries and decarbonizes transportation on land and at sea.

Hexagon is organized into four business areas, which are all global leaders in their segments. They drive the energy transition with a range of clean energy solutions.

HEXAGON

73%

HEXAGON AGILITY

High-pressure natural gas cylinders and fuel systems for medium- and heavy-duty vehicles + mobile pipeline solutions for industry

HEXAGON DIGITAL WAVE

Innovative, software-based non-destructive testing of high-pressure vessels

HEXAGON RAGASCO

Low-pressure LPG cylinders for domestic, leisure and industrial applications

HEXAGON PURUS

High-pressure cylinders, vehicle systems and battery packs for fuel cell and battery electric vehicles

Hexagon Agility

ENABLING A CARBON-NEGATIVE FUTURE

Hexagon Agility is a global provider of clean fuel solutions for commercial vehicles and gas transportation solutions.

The company offers a wide range of clean fuel solutions for commercial vehicles, passenger vehicles and gaseous energy transportation. The use of Type 4 composite cylinders enables the lightest and longest-range alternative in the industry for natural gas storage.

Market

A key competence of Hexagon Agility is integrating energy storage and fuel delivery systems into commercial and passenger vehicles. Its lightweight solutions are engineered for high performance, durability, and uncompromised safety. All solutions are available for immediate deployment

Commercial vehicles

Hexagon Agility is a global market leader in clean fuel systems. North America is a primary market, with an 80 per cent market share in the natural gas heavy-duty commercial vehicles sector. The company also has a strong transit bus market share in Europe, exceeding 50 per cent.

Hexagon Agility experiences strong, sustainability-driven demand. The business benefits from the increased focus on lower carbon emissions and the cost advantages of natural gas and renewable natural gas. Governmental mandates favor natural gas and renewable natural gas vehicles, and fleet owners and users increasingly

GO BACK

WORKFORCE

706

PRESENCE

North America, Norway, Germany, Latin America and India

commit to becoming more sustainable, looking to existing CNG and RNG technologies to achieve their targets.

Gas transportation

Hexagon Agility's mobile pipeline business enables the safe transport of CNG, RNG or other industrial gases by truck, marine vessel, or rail. Hexagon Mobile Pipeline® is a clean energy solution that allows users who lack pipeline infra-structure to reduce their energy costs and GHG emissions, quickly and efficiently. The mobile pipeline business holds a favorable market posi-tion in North America, whilst competition in Latin America and Asia is from traditional steel cylinder solutions.

The lack of infrastructure, combined with growing energy demands and environmental objectives, is driving demand for Hexagon Agility's Mobile Pipeline® solutions, proven by a strong rebound in 2021.

Light-Duty Vehicles

Hexagon Agility is the largest serial production supplier of CNG composite cylinders for the automotive industry and has developed a strong and competitive position with Europe's largest vehicle manufacturer , supplying gas tanks for the VW Golf, Audi A3, SEAT Leon and Skoda Octavia. Our customer, Volkswagen Group, has been negatively impacted by the semi-conductor shortage caused by the pandemic, but demand is expected to recover in the second half of 2022.

RNG - enabling a carbon-negative future

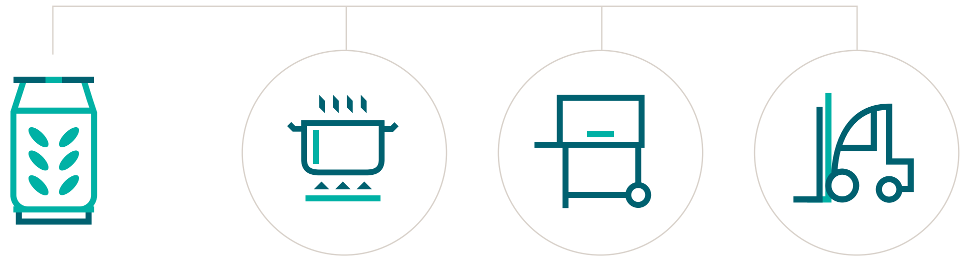
RNG, derived from organic waste, has a car-bon-negative footprint. The use of RNG helps prevent climate change by capturing methane, reducing CO_2 emissions, neutralizing waste, and delivering net-zero. RNG represents the fuel alternative with the highest CO_2 mitigating poten-tial in the transportation sector in this decade. All of Hexagon Agility's systems and storage solutions are compatible with 100 per cent RNG. To learn more, please see the Sustainability report section of this report.

GO BACK

Hexagon Ragasco

CLEANER AIR AND SAFER LPG FOR EVERYONE, EVERYWHERE

Hexagon Ragasco is the world's leading manufacturer of composite liquefied petroleum gas (LPG) cylinders for leisure, household and industrial applications.



As a pioneer in the industry, Hexagon Ragasco has sold more than 20 million cylinders worldwide in the past 20 years. The company has 138 employees, and a high volume, highly automated production facility in Norway – the most advanced of its kind.

Market

Across the world, millions of people do not have access to a natural gas grid. Bottled LPG is one of the few cost-effective solutions immediately available to decarbonize and lower pollutant levels from off-grid heating in homes, from cooking and from barbeques.

Bottled LPG is distributed by LPG distributors and marketers. The market is dominated by Type 1 steel cylinders, mainly due to price. Hexagon Ragasco's composite LPG cylinder has a unique value proposition that competes with steel on weight, safety, and lifetime. This enables Hexagon Ragasco customers to increase their market share and improve their competitive position.

Hexagon Ragasco's cylinders are sold in nearly 100 countries around the world. 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. The company is growing its position in the Asia

GO BACK

WORKFORCE

138

PRESENCE

Norway, France, Poland, Chile, Singapore, USA, Russia

Pacific region, Latin America and the Middle East, generating recurring revenues and balancing seasonal impacts. The company has developed a groundbreaking, smart composite LPG cylinder that is expected to transform the value chain and increase Hexagon Ragasco's competitive edge. The company will continue testing and piloting the smart cylinder in 2022.

In 2021, Hexagon Ragasco solidified its position as the leading global supplier of composite LPG cylinders and strengthened its position relative to both steel and other composite cylinder alternatives.

Cleaner air, safer LPG

The use of liquid petroleum gas (LPG) for cooking and heating produces practically no particulates. Its CO_2 footprint is 20 per cent lower than that of heating oil and 50 per cent lower than coal. LPG plays a significant role as a transitional energy source with the potential to improve air quality and health for billions of people who rely on highly pollutant and toxic fuels as primary energy. Hexagon Ragasco participates in organized clean cooking alliances and "cooking for life" programs to promote the use of their easy-to-handle composite cylinders across the least developed countries. To learn more, please see the Sustainability report section of this report.

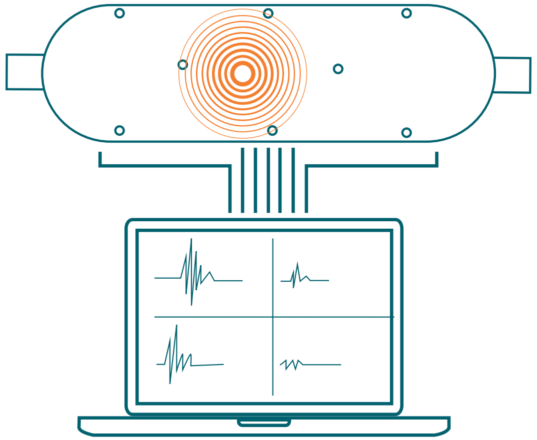
GO BACK

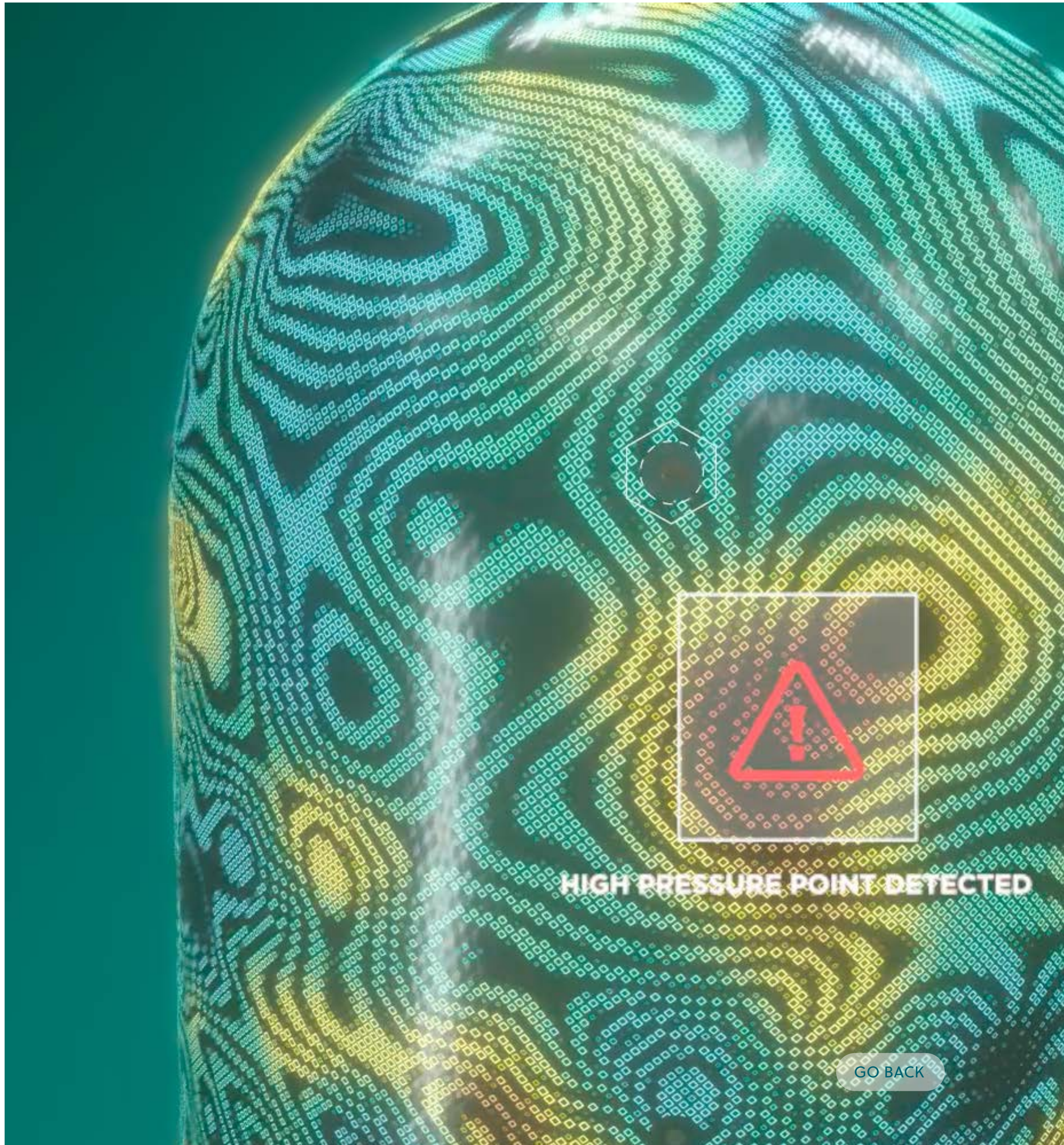
Hexagon Digital Wave

DIGITALIZING CYLINDER SYSTEMS

Hexagon Digital Wave is the global leader in innovative cylinder testing and monitoring technologies, offering solutions that reduce down-time and inspection costs while improving inspection accuracy.

With applications worldwide, Hexagon Digital Wave serves government entities, academic institutions and private clients in the compressed gas and pressure vessel industries.





WORKFORCE

40

PRESENCE

USA

Market

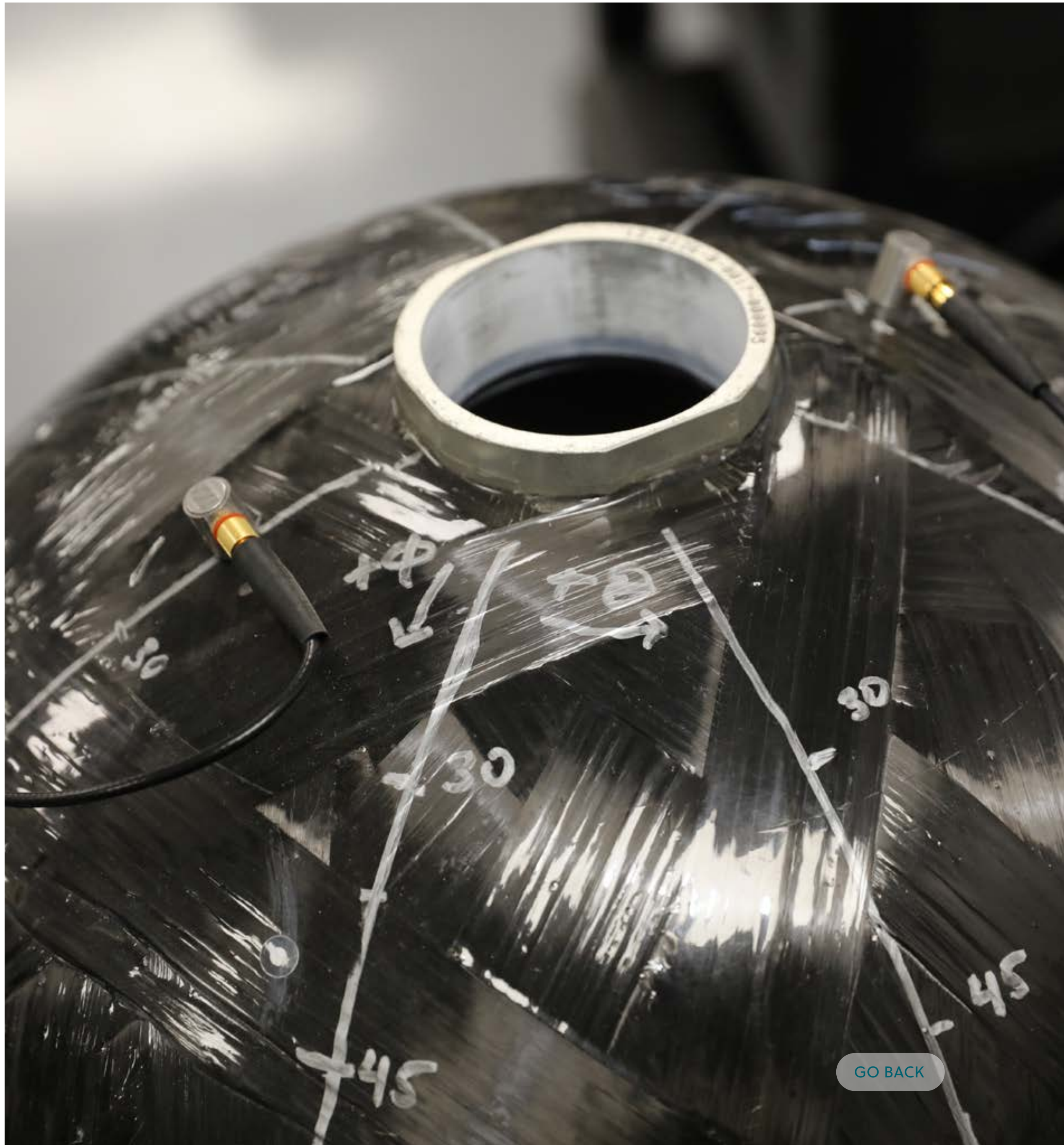
Modal Acoustic Emission (MAE) technology is proprietary to Hexagon Digital Wave and is used to analyze the structural integrity of composite cylinders through guided ultrasonic waves. High-pressure composite cylinders must be recertified via testing every five years. MAE is the most advanced testing platform for Type 4 composite cylinders worldwide and enables the requalification of Type 4 cylinders without removing them from their modules, resulting in reduced downtime and a lower operator overhead.

Hexagon Digital Wave is also a manufacturer of ultrasonic examination solutions for Type 1 (steel) cylinders. Our ultrasonic examination machines use sound waves to identify flaws in metallic cylinders and have been installed at more than 120 sites worldwide.

Hexagon Digital Wave has reached the early stages of an expected significant growth phase as Hexagon takes the lead in digitalizing its industry. This involves applying MAE for effective real-time health monitoring of cylinder systems and connected services. Pilot programs are targeted for launch in the second half of 2022.

Digitalizing cylinder systems

Hexagon Digital Wave's technology is being developed to create a digital transformation in the clean mobility and industrial gas markets. Miniaturizing and commercializing sensors enables the creation of a digital twin of each cylinder, enabling communication with vehicles or infrastructure systems. This in turn enables increased safety and extended cylinder lifetimes, and ultimately enables second life through the reuse or repurposing of viable assets – contributing to a circular economy. To learn more, please see the Sustainability report section of this report.



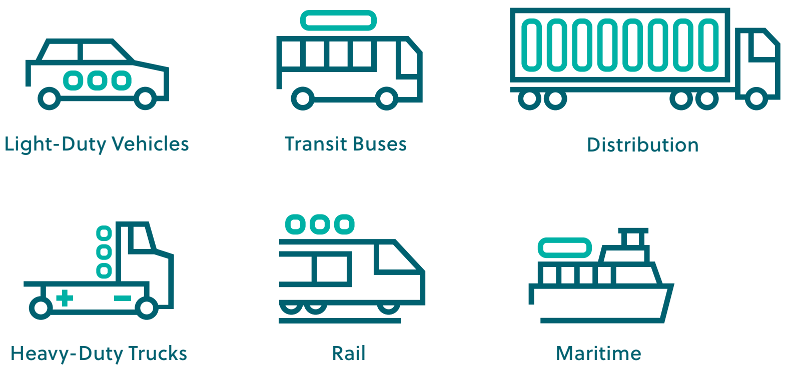
GO BACK

Hexagon Purus

DRIVING THE TRANSITION TO ZERO EMISSION MOBILITY

Hexagon Purus is a global leader in key technologies needed for zero emission mobility. The company's solutions enable the safe and effective use of hydrogen and electricity as transportation fuel in a variety of applications including light, medium and heavy-duty vehicles, buses, distribution, refueling, rail, maritime, aerospace and ground storage.

Hexagon Purus is separately listed subsidiary (HPUR.OL). With Hexagon holding a 73.3 per cent ownership, the organizational and industrial links to Hexagon Group remain strong.



GO BACK

WORKFORCE

415

PRESENCE

Norway, Germany, North America, China

Market

The global push to decarbonize various sectors of the economy is spurring industry momentum and creating exciting growth opportunities for Hexagon Purus.

Commercial vehicles

The demand for zero emission medium and heavy-duty trucks is developing at a rapid pace. Hexagon Purus sees growing interest in the company's hydrogen fuel storage system, battery system and electric drivetrain solutions, and is involved in several ongoing development projects in this application area.

Hydrogen Distribution

Hexagon Purus' transport modules with Type 4 composite lightweight design cylinders are one of the most efficient gas transport and storage systems available worldwide. The push for hydrogen distribution solutions is growing because of increased energy demand.

Acquisition of Wystrach

Through the acquisition of Wystrach, Hexagon Purus has expanded its product portfolio and further increased its exposure to the growing hydrogen infrastructure buildout through distribution modules, mobile refueling and stationary storage solutions. The acquisition adds best-in-class hydrogen systems design and assembly capacity, further vertically integrating Hexagon Purus in the hydrogen systems supply chain and leapfrogging its plans to organically grow its systems capabilities.

Bus

As countries and cities around the world announce strategic policies to decarbonize mobility, there is a strong push to first target public transportation Hexagon Purus has a strong track-record in developing hydrogen solutions for buses and has together with leading partners broken new ground in zero emission solutions for transit buses.

In 2021, Hexagon Purus signed an exclusive long-term supply agreement with a leading European bus OEM under which the company will supply hydrogen storage systems for the OEM's next generation fuel cell bus offering. Deliveries will take place between 2021 and 2024.

Rail

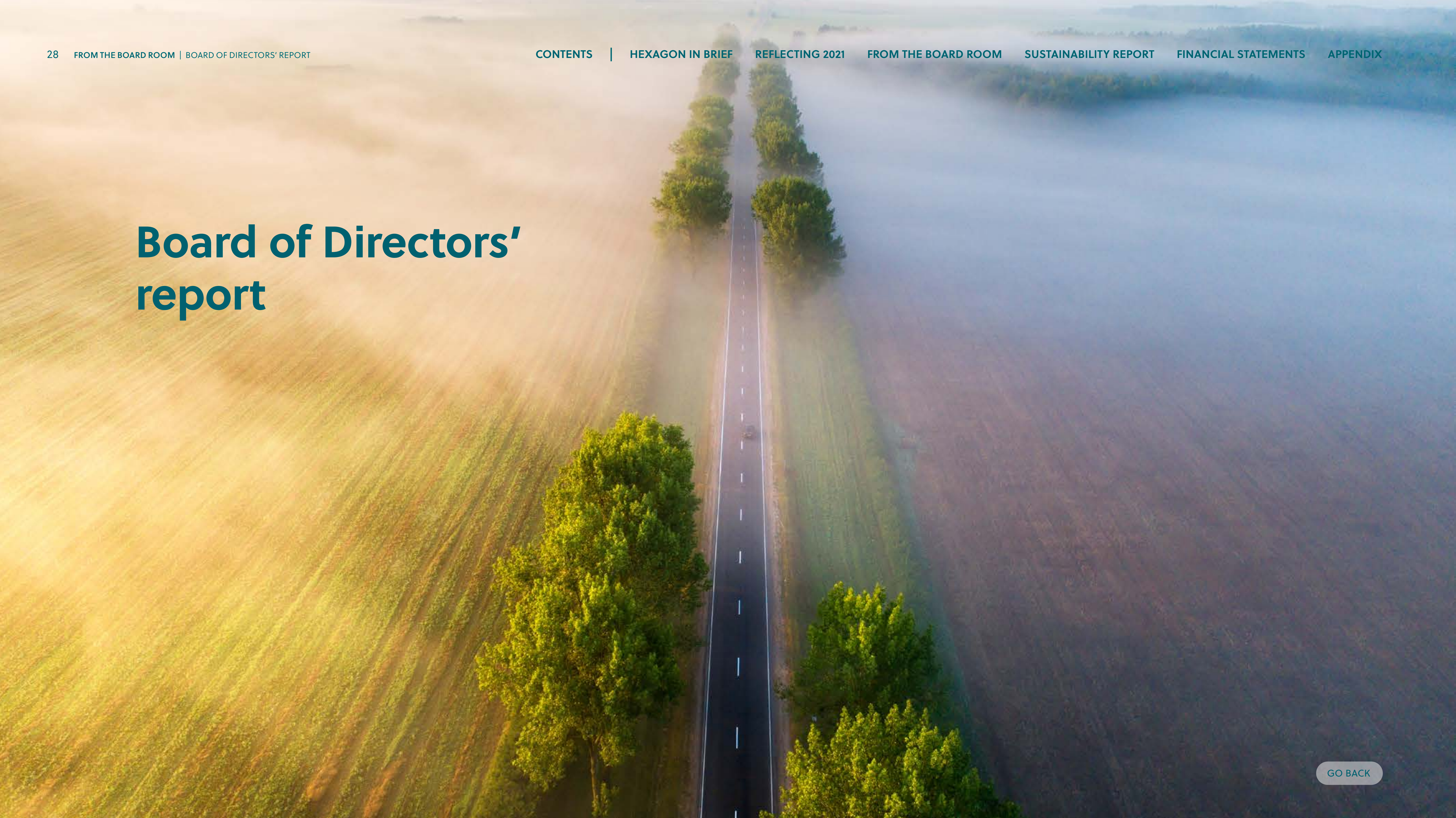
Hexagon Purus is at the forefront of developing hydrogen solutions for the rail industry. Through Wystrach, the company is already supplying hydrogen storage systems to Alstom for the Coradia iLint hydrogen powered passenger train under a long-term LOI.

Maritime

Hexagon Purus is at the forefront of developing innovative hydrogen storage solutions with lightweight composite tanks that are ideal for maritime applications. In 2021, Hexagon Purus accelerated its commercial efforts to bring zero emission technology to the maritime industry and established a new business area, Hexagon Purus Maritime.

Driving the transition to zero emission mobility

Hexagon Purus' technology is proven across a wide range of mobility applications. The company is passionate about unlocking the potential of zero emission solutions. To learn more, please see the Sustainability report section of this report.



Board of Directors' report

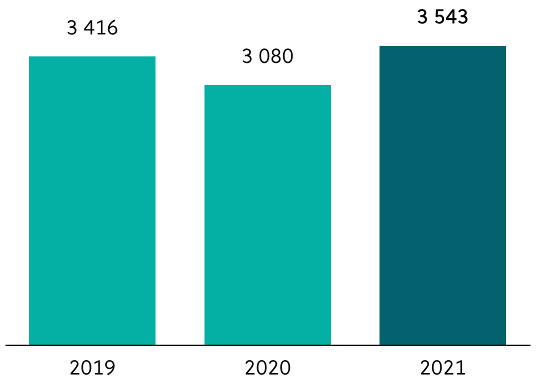
GO BACK

BOARD OF DIRECTORS' REPORT

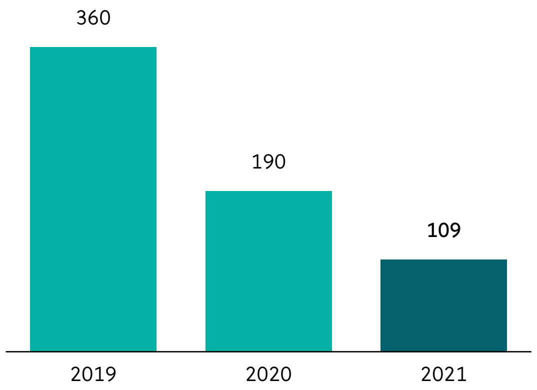
A solid 2021 despite challenging conditions

Hexagon Group reported revenues of NOK 3 543 million for the year 2021 compared with 3 080 million in 2020 and EBITDA of NOK 109 (190) million. Despite another year with COVID-19 impacts and increasing global supply chain challenges, the Group delivered growth and progress across all segments. Hexagon (excl. Purus) increased revenues from NOK 3 055 million to NOK 3 278 mainly driven by a solid underlying growth in Hexagon Agility and Hexagon Ragasco, resulting in EBITDA of NOK 381 million. Hexagon Purus continued its growth path and almost tripled year-over-year revenues to NOK 508 million, driven by strong organic growth and the acquisition of Wystrach GmbH in November. Overall demand remains high with significant order backlog going into 2022.

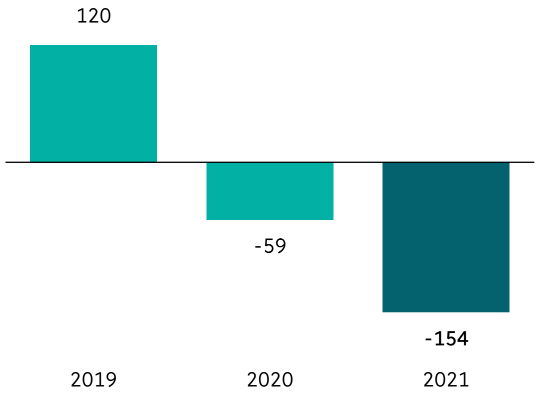
REVENUE MNOK



EBITDA MNOK



EBIT MNOK



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

FULL YEAR 2021 FOR HEXAGON EXCL. PURUS

NOK million	Hexagon (excl. Purus)	Hexagon Purus	Hexagon Group[1]
Revenue	**3 278**	508	3 543
Operating profit before interest, tax, depreciation, and amortization (EBITDA)	**381**	(272)	109

[1] Post eliminations

The Board is pleased with the performance in 2021, especially considering the significant on-going global supply chain challenges. The main impacts were delays in revenues due to chassis delays within Hexagon Agility, shortage of battery cells, higher prices on inbound raw materials, energy and transportation costs across the board, and low sales into the CNG LDV segment due to ongoing shortages of semiconductors at a major OEM customer.

Effective start of 2021, the CNG Light-Duty business (previously reported as a part of Hexagon Purus), was transferred and combined with Hexagon Agility. Hexagon Purus remains fully consolidated in the Hexagon Group accounts after its spin-off in December 2020, with Hexagon currently retaining a 73.3 per cent ownership.

Key developments in 2021

- Strong demand for RNG fuel systems in North America. Hexagon Agility received orders for NOK 1.2 billion from one customer alone.
- Sustainability driven demand resulted in strong rebound of Hexagon Agility's mobile pipeline business, resulting in 40 per cent year-over-year growth and strong backlog for 2022.
- Hexagon Purus acquired Wystrach GmbH, a leading European systems and solutions provider for storage and transport of compressed gases. The combination brings unprecedented expertise and capacity together to create the vertically integrated industry leader in hydrogen storage solutions.
- Expanded footprint to China and Southeast Asia markets- Hexagon Purus signed joint ventures agreements with CIMC Enric to encompass cylinder and systems production for Fuel Cell Electric Vehicles (FCEVs) and hydrogen distribution.
- Hexagon Agility and Hexagon Purus signed multi-year agreement with Certarus Ltd., the North American market leader of clean energy mobility solutions. The agreement represents a total value of approx. NOK 718 million and demonstrates the value of Hexagon Group's broad portfolio offering.

Key developments after balance sheet date

The situation in Ukraine and Russia

Hexagon is closely following the tragic events unfolding in Ukraine and the resulting humanitarian crisis. The Company does not have operations or employees in Ukraine but has a sales/distribution entity for its LPG products in Russia staffed by six employees and sales which represent around 0.5 per cent of Group revenues in 2021. The Company is closely monitoring the situation and is continuously assessing potential impacts to ensure compliance with international sanctions. In the meantime, Hexagon has stopped all product shipments to Russia.

Hexagon Purus nominated for major contract

Hexagon Purus was nominated by a leading and long-standing commercial truck OEM, to provide battery packs for serial production of class 8 battery electric heavy-duty vehicles. The total sales value for the initial period from 2024-2027 is estimated at approximately USD 800 million (approx. NOK 7 billion), increasing to approximately USD 1.2 billion (approx. NOK 10 billion) if the extension option is exercised.

Hexagon Purus letter of intent with Hino Motors Manufacturing U.S. Inc.

Hexagon Purus signed a long-term binding letter of intent with Hino Motors Manufacturing U.S. Inc. to provide battery packs for multiple Hino truck platforms with serial production planned from 2024. The total sales value over the life of the agreement is estimated at USD 1 billion (approx. NOK 9 billion). Hino is a fully owned subsidiary of Toyota Trucks.

Private placement in Hexagon Purus ASA

On 15 February 2022, Hexagon Purus ASA completed a private placement raising a total of NOK 600 million in gross proceeds. Hexagon Composites ASA subscribed for, and was allocated, their pro-rata 73.3 per cent share of the offer shares in the private placement. The participation for Hexagon Composites ASA amounted to NOK 440 million.

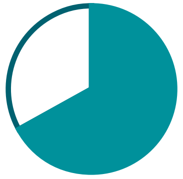
Segment results

Hexagon is organized into four business areas: Hexagon Agility, Hexagon Ragasco, Hexagon Digital Wave and Hexagon Purus. All are global leaders within their segments, driving the energy transition with a range of clean energy solutions.

Segment results for

Hexagon Agility & CNG LDV

Hexagon Agility is a global provider of clean fuel solutions for commercial vehicles and gas transportation solutions.



SHARE OF GROUP REVENUE

67%

Key developments in 2021

- Received several sets of orders from a major global logistics customer representing an estimated value of USD 131.6 million (approx. NOK 1.2 billion). Total orders placed to date by this customer with delivery targeted in 2022 represent an estimated value of USD 43.6 million (approx. NOK 396 million).
- Hexagon Agility and Hexagon Purus signed long-term agreement with Certarus for CNG, RNG, and hydrogen solutions for a total estimated value of USD 85 million (approx. NOK 757 million).
- Awarded an order for SMARTSTORE™ Mobile Pipeline® units from a major heavy-duty fleet in North America for an estimated total value of USD 7.2 million (approx. NOK 64 million). The SMARTSTORE™ units will be used to refuel the growing fleet of clean and renewable natural gas (CNG/RNG) vehicles. Hexagon Agility has also received orders for RNG/CNG fuel systems from the same heavy-duty fleet customer for delivery in 2022. Total orders received from this customer for delivery in 2022 represent an estimated value of USD 32.1 million (approx. NOK 285 million).

Sales and market

Strong sales growth in US CNG/RNG driven by sustainability driven demand for CNG/RNG trucks in North America, despite chassis delays which impacted installing and shipping product. Overall Transit bus volumes remained solid while Refuse and Medium-Duty sales continued to trail behind the prior year volumes due to customer purchasing cycle. Backlog at the end of the year supports continued strong momentum overall in the Automotive CNG/RNG sector including a bounce back in Medium-Duty and Refuse volumes.

Increasing compressed natural gas (CNG) and renewable natural gas (RNG) adoption in Europe is driven by tough EU clean air directives requiring compliance within 2025 & 2030. The 2021 inclusion of RNG as a mitigating technology in the EU taxonomy regulation is expected to fuel significant growth in demand in the EU.. In the US, adoption of RNG fuel is on the rise and data for 2020 showed that RNG fuel accounted for as much as 53 per cent of all on-road fuel used in CNG vehicles in the US. In California the RNG adoption rate was above 90 per cent. Year-over-year growth in Hexagon Agility's Mobile Pipeline business was a strong 40 per cent, ensuring solid full year profitability at EBITDA level. The recovery in volumes from the pandemic-impacted 2020 has been significant. Backlog as of the end of the quarter supports a healthy 2022.

CNG Light-duty automotive revenues, principally from Volkswagen, remain at low levels due to the impact of the global semi-conductor shortage on car production. This light-duty business typically accounts ~ 7 per cent of Hexagon (excl. Purus) annual revenues. In the meantime, available production capacity in Germany has been utilized primarily for manufacturing of hydrogen cylinders for Hexagon Purus.

Profit/ loss

For the full year, Hexagon Agility & CNG LDV increased revenues by 8 per cent to NOK 2 618 (2 420) million. Reported EBITDA increased by 27 per cent to NOK 293 (230) million. Operating profit (EBIT) for the segment was NOK 139 (65) million.

KEY FIGURES

NOK million	2021	2020	2019[1]
Revenue	2 618	2 420	2 792
EBITDA	293	230	331
EBIT	139	65	169

[1] Figures calculated on simplified and unaudited pro-forma basis for 2019 due to segment restructuring

Segment results for

Hexagon Ragasco

Hexagon Ragasco is the world's leading manufacturer of composite liquefied petroleum gas (LPG) cylinders for leisure, household and industrial applications.

SHARE OF GROUP REVENUE

15%

Key developments in 2021

- Unveiled next generation smart LPG cylinder concept with battery-less technology and IoT connected solutions,
  that communicate with both users and LPG distributors.
- Hexagon Ragasco received its first order for 2021 from a key customer in South-Asia, with a value of NOK 32 million.
- Hexagon Ragasco was awarded an Environmental Product Declaration (EPD) from EPD Norway for the production stage of its cylinders.
- Many new markets and customers penetrated especially in Asia, Europe & the Caribbean and positive developments within fork-lift truck and US indoor heating applications.

Sales and market

Hexagon Ragasco has achieved an impressive and increasingly geographically diverse customer spread in 2021, with further gains to new customers in the Philippines, Eastern Europe and the Balkans as well as many markets in the Caribbean. In 2020 the COVID-19 pandemic had a significant impact on ability to trade with a large Bangladesh customer while increasing European leisure related volumes. In 2021 we see continuing stable and increasing recurring sales to Europe and some volumes to Bangladesh.

Hexagon Ragasco focuses on developing its product and service offering enabling LPG marketers and distributors to pursue increased market share. It sees major growth opportunity and ability to enter new markets with its new SMART cylinder concept. Progress is being made on finalizing the technology and initiating pilot programs for the new SMART cylinder concept with major customers in Europe.

Smarter and more digitally interactive products will generate new business models and revenue streams with enhanced value to distributors and end customers alike. With this initiative, among others, Hexagon Ragasco is aiming at increasing the adoption rate of composite cylinders to achieve doubling of turnover by 2025.

Profit/loss

Revenues for the full year amounted to NOK 578 (550) million and EBITDA was NOK 95 (100) million. Operating profit (EBIT) amounted to NOK 60 (63) million. Raw material supplies have been impacted by recent global supply-chain challenges and their knock-on-effects, which led to increases in raw material and transportation costs. The raw material prices have somewhat stabilized, though at higher levels than the corresponding period last year. Sales price mitigation efforts will only begin to realize in 2022.

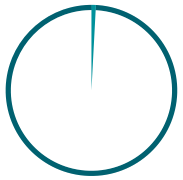
KEY FIGURES

NOK million	2021	2020	2019
Revenue	578	550	600
EBITDA	95	100	92
EBIT	60	63	55

Segment results for

Hexagon Digital Wave

Hexagon Digital Wave is the global leader in innovative cylinder testing and monitoring technology, offering solutions that reduce down-time and inspection costs while improving inspection accuracy.



SHARE OF GROUP REVENUE

1%

Key developments in 2021

- Selected by the Antarctic Fire Department for continued service life testing of self-contained breathing apparatus cylinders (SCBA).
- Signed contract with a US-based Type 3. composite cylinder manufacturer to supply Ultrasonic Examination (UE) equipment for cylinders intended for the aerospace industry.
- Long-term partnership agreement signed with Linde, a leading industrial gas and engineering company, for supply and service of Ultrasonic Examination testing equipment.
- Awarded commercial service agreement to requalify Type-4 cylinders used for transportation of RNG/CNG.

Sales and market

Hexagon Digital Wave experienced strong sales in Ultrasonic Examinations and Modal Acoustic Emission (MAE) technologies. The business has reached the early stage of an expected significant growth phase as Hexagon takes lead in digitalizing its industry. This involves effective real-time health monitoring of cylinder systems and connected services. Investments in organization, processes and product development will be continued and further intensified. Progress continues on the technology development for the new SMART cylinder concept for mobility platforms, where a pilot program launch is targeted for second half 2022.

Profit/loss

Revenues for the full year amounted to NOK 57 (50) million and EBITDA and EBIT was NOK -11 (2) million and NOK -15 (2) million respectively. The losses are a result of ramping up the organisation for future growth and ensuring accelerated development of key technologies.

KEY FIGURES

NOK million	2021	2020	2019
Revenue	57	50	57
EBITDA	(11)	2	7
EBIT	(15)	2	3

Segment results for

Hexagon Purus

Hexagon Purus is a global leader in key technologies needed for zero emission mobility. The company is listed on Euronext Growth (HPUR.OL), with Hexagon retaining a 73.3 per cent ownership.

SHARE OF GROUP REVENUE[1]

17%

[1] Based on estimated FY 2021 pro-forma revenues assuming full-year Wystrach revenues net of cylinder sales from Hexagon Purus to Wystrach

Key developments in 2021

- Selected by Nikola Corporation to supply hydrogen cylinders for serial production with an estimated sales value in excess of EUR 200 million (approx. NOK 2.1 billion).
- Signed an exclusive long-term supply agreement with a leading European bus OEM for hydrogen storage systems with an estimated sales value of EUR 30 million for deliveries between 2021 and 2024.
- Acquired Wystrach GmbH, adding industry leading hydrogen systems capacity to its platform, to accelerate the hydrogen transition.
- Announced new manufacturing facility in Canada for production of battery packs and hydrogen fuel systems for medium- and heavy-duty battery and fuel cell electric commercial vehicles.
- Signed Joint Venture agreements with CIMC Enric to encompass cylinder and systems production for Fuel Cell Electric Vehicles (FCEVs) and hydrogen distribution in China and Southeast Asia.
- Global supply agreement signed with Air Liquide for supply of Type 4 hydrogen cylinders used for transport of hydrogen for industry and mobility.

Sales and market

Hexagon Purus addressable market is expected to grow by more than 10 times to NOK ~ 210 billion in 2030 and NOK 420 billion in 2035. Accelerated momentum in FCEV (fuel cell electric vehicles) adoption, driven by stricter emission targets and faster advances in fuel cell vehicle technology, as well as FCEV offerings being even more targeted towards heavier duty vehicles are the main additional growth drivers. Hexagon Purus' acquisition of Wystrach also opens market for mobile and stationary hydrogen refuelling infrastructure.

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

Since January 2020, Hexagon 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. As of 1 October 2021, the CNG LDV business was legally transferred out of the Hexagon Purus Group, however the CNG LDV business has been reported as a part of Hexagon Agility & CNG LDV effective from 1 January 2021.

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

Profit/ loss

Hexagon Purus' revenue for the year 2021 increased by 182 per cent to NOK 508 million compared with NOK 180 million in 2020 and reported EBITDA was NOK -272 (-141) million. The growth in revenue was driven primarily by continued strength in hydrogen distribution and transit bus applications as well as the acquisition of Wystrach GmbH which contributed NOK 140 million in revenue and NOK 18 million in EBITDA. Continued investments in personnel and infrastructure to support and accelerate Hexagon Purus' development as well as the incremental costs of being an independent and publicly traded company drove negative profitability.

KEY FIGURES

NOK million	2021	2020	2019[1]
Revenue	508	180	211
EBITDA	(272)	(141)	(143)
EBIT	(325)	(168)	(169)

Financial statements Group

Profit/loss

Net profit after tax for the full year 2021 was NOK -328 (-148) million. Net financial items were NOK -145 (5) million driven by positive foreign exchange fluctuation effects of NOK 26 (53) million, unrealised gain/loss on FX derivatives of NOK -52 (34), and interest and other charges of NOK -119 (-82) million for the full year. Profit from joint ventures and associates amounted to NOK -3 (-2) million. Reference is made to the segment results above for comments to operating profits.

Financial position

At year-end the balance sheet amounted to NOK 6 515 (6 165) million and the Group's equity ratio was 53 per cent (58 per cent). The year over year decrease in equity ratio was primarily driven by the negative profit after tax and partly offset by a capital raise in Hexagon Purus of NOK 144 million related to issuance of consideration shares concerning the acquisition of Wystrach. Property, plant, and equipment were NOK 1 011 (747) million and intangible assets were NOK 2 385 (2 034) million. As of year-end, right of use assets were NOK 282 (267) million. Inventory was NOK 1 147 (740) million.

Outstanding receivables were NOK 880 (450) million. Long-term interest-bearing debt was NOK 1 166 (1 206) million. Equity was NOK 3 484 (3 596) million, including non-controlling interests of NOK 378 (412) million.

Cash flow and liquidity

Total cash was reduced by NOK 1 050 and amounted to NOK 600 (1 650) million at the end of 2021. Net cash flow from operating activities was NOK -345 (229) million and was highly influenced by Hexagon Purus' start-up phase activities in ramping up the organisation ahead of sales and expansion in working capital in line with the exponential growth achieved, offsetting positive developments from Hexagon's cash generating businesses. Net cash flow from investment activities was NOK -475 (-120) and was to a large extent driven by investments in fixed assets and cash consideration related to the acquisition of Wystrach. Net cash flow from financing activities was NOK -238 (1 363) million, of which NOK -127 (-79) represents net repayments of financing liabilities, NOK 71 (74) in payment of lease liabilities and interest payments of NOK 50 (74) million, where 2021 included the NOK 23 million bond repurchase premium. In 2021, there were no capital increases with cash settlement, whereas last year included a total of NOK 1 598 million.

Long term borrowing

During the year, the Company repurchased its NOK 1 100 million bond loan and simultaneously entered into a new and more favourable bank loan facility for a combined NOK 1 700 million. Unused credit and overdraft facilities amounted to NOK 583 million at the end of 2021 compared with NOK 453 million at end of 2020. The Group expects that cash and available credit facilities will be sufficient to cover planned capital expenditures, operational requirements, and financing activities in 2022. The company remains in compliance with its financial covenants by comfortable margins.

The Parent Company

Hexagon's headquarters are in Aalesund, Norway. At the end of 2021, Hexagon Composites ASA's corporate administration consisted of 13 employees, responsible for general administration, finance, strategy, business development, IT, operations, investor relations and communications.

In 2021, the Parent Company Hexagon Composites ASA incurred an operating profit of NOK -9 (-17) million and a profit of NOK 14 (807) million. Last year's profit was largely related to profit on sale of shares in Hexagon Purus ASA.

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

MNOK	
Allocated to dividends	-
Transferred to other equity	14
Total allocations	**14**

Share capital and dividends

Hexagon Composites ASA is listed on the Oslo Stock Exchange under the ticker "HEX". At the end of 2021 Hexagon's share capital was NOK 20 161 971.20 divided on 201 619 712 shares, each with a nominal value of NOK 0.10. At 31 December 2021 the Group held 847 292 (1 851 723) of its own shares. The Company's market value at year-end was NOK 6.6 (11) billion. For further investor information, refer to the Investor section on the website.

For the year 2020, Hexagon did not pay a dividend. Given Hexagon's growth opportunities and in consideration of the net group loss generated for the year, the Board does not propose a dividend for 2021.

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 25 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 totalling NOK 583 (453) million. See also note 16 and 20 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 2021 were NOK 4 (1) million. Trade receivables at the end of the year amounted to NOK 880 (450) 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 US Dollar and Euro. According to the Group's finance policy certain forward exchange contracts have been entered into to reduce this risk. Certain of the Group's interest-bearing liabilities have variable interest rates, which expose the Group to volatility in future interest payment amounts. The aim of the Group's interest rate management is to reduce interest expense while keeping this volatility within acceptable limits. See discussion under Long-term borrowing for information relating to interest rate hedging agreements maintained by the Group.

Operational risk

Business risk relates to the risk of loss and reduced profitability due to changes in the Group's competitive position. Factors which can impact the competitive position include new players in the industry, pressure on market prices and future demand and supply factors, including the price of natural gas and the relative price of gas compared with diesel. Shortages in key raw materials can impact the whole industry that the Company operates in especially in relation to high-grade carbon fiber and automotive batteries and electronic components. Adverse developments in the regulatory environment of alternative fuels and general geopolitical developments are also risks. 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 its 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.

Market risk

The pandemic has caused increased market risk, increased uncertainty to future energy prices and supply chain disruptions impacting manufacturing. Hexagon's management are closely monitoring the development of the pandemic and are continuously evaluating the consequences for the Group. The effect for Hexagon has so far been limited, however indirect consequences such as supply chain disruptions and longer lead times for materials and components have had some impact on the Group's operations. The Group is currently not expecting that the pandemic will have significant impacts in the long term, this could however change in the future. For further details refer to Note 15.

Corporate governance

The Group's principles for corporate governance were last revised by the Board 16 February 2022 and follow the Norwegian Code of Practice for Corporate Governance, last updated 14 October 2021 by the Norwegian Corporate Governance Board (NUES). The Board of directors have appointed two sub-committees: The audit committee, governed by the Norwegian Public Limited Liability Companies Act and separate instruction adopted by the Board of Directors, and the remuneration committee governed by a separate instruction adopted by the Board. The Board's corporate governance report is available on page 42 of this annual report and on the website under the Investor section.

The Board of directors and management personnel of Hexagon Composites ASA is covered by the Company's Directors & Officers liability insurance. The insurance covers personal legal liabilities including defence and legal costs of the directors and officers of the parent company and all controlled subsidiaries globally. In addition, cover is also extended to personnel that serve at the request or direction of the Company who may be sitting on the boards of jointly or non-controlled entities.

Sustainability

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 and the Global Reporting Initiative (GRI) Standards framework, Core Option. Hexagon has also received limited assurance from EY Norway on the Sustainability Report for 2021.

The Sustainability Report describes the Group's principles, practices and performance in areas defined as material to the Company, based on updated materiality assessments and regular stakeholder dialogue. For 2021, Hexagon's material topics include: Our contribution through our solutions, Minimizing our operational environmental footprint, Product Safety and Compliance and Responsible employer. The Sustainability Report 2021 is included on page 51 in this annual report.

Reporting of EU Taxonomy related information

The EU Taxonomy was approved by the Norwegian Government in December 2021, but it has yet to be incorporated into the EEA agreements (Expected in June 2022). As the regulation has not entered into force in Norway, Norwegian companies are not under the same obligation to report as companies registered in the EU. However, for 2021 Hexagon has made a focused effort to interpret the EU Taxonomy criteria and apply it to its operations - identifying and assessing the eligibility of each of its activities. In 2022, Hexagon will continue working to understand and use the EU taxonomy and will report on the company's alignment in accordance with the regulations. Further details can be found in the Sustainability report on page 62.

Organisation and equal opportunities

Hexagon is committed to workplace diversity, ensuring equal opportunities for all and fostering a culture of inclusion. The core values – integrity and drive – support this mission and ensure accountability. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background are strictly prohibited at Hexagon.

The Company is proud of the uniqueness of its workforce, employing individuals of more than 35 different nationalities. The continued success of Hexagon depends on the ability to attract, recruit, retain and develop a diverse and highly skilled group of employees. At the end of 2021, Hexagon had 1 505 full-time employees in its workforce, whereof the share of women was 18 per cent.

In an increasingly global economy, a diverse talent base is important to remaining competitive and in 2021, strategic work to improve the gender balance was initiated. The Company's longer-term targets are to ensure women make up 25 per cent of the workforce in 2025 and 30 per cent by 2030. To further promote a culture of inclusion, Hexagon developed and rolled out its Diversity and Inclusion policy in 2021. Further details about organization, diversity and inclusion can be found in the Sustainability Report.

Health & Safety

Hexagon continuously works towards an overall goal of zero injuries and zero impact on people and the environment. To achieve this, the Company maintains ambitious health and safety standards to prevent hazards and incidents for all employees and for other parties working on behalf of the Group and has established training and operational requirements that ensure a safe and healthy work environment. Also in 2021, COVID-19 has impacted the way of working, but the business and operations have been largely unaffected. The health, safety and wellness of employees has been the number one priority in Hexagon's COVID-19 response.

Overall responsibility for health and safety resides with the senior management and Boards of their respective business segments in Hexagon. The Company is committed to maintaining a comprehensive, effective, and consistent Environment, Health and Safety management system across all business and production areas.

Sickness absence levels in Norway[1] and Germany[2] were 5.6 per cent and 6.2 per cent in 2021. No occupational disease cases were recorded in the Group. In North America, sickness absence was not recorded as employees are allocated generic paid time off (PTO) of 15 days – which includes but is not limited to sickness absence. In 2021, work-related injuries (WRI) increased to 40 (17). The company is not satisfied with the results and has launched various mitigating measures and initiatives to further strengthen the health and safety culture. Read more in the Sustainability report on page 75.

Environment

Climate change is among the most important megatrends affecting business across all sectors today. The urgent need for a transition to a resource-efficient, low-carbon economy increases demand for Hexagon, as a solutions provider in this space.

The most critical factors in Hexagon's own greenhouse gas emissions are the production processes which, throughout the value chain, can be reduced to further strengthen Hexagon's business model. In 2021, the Company became a signatory to the Science-Based Target initiative and committed to reach net-zero as soon as possible before 2050. The Company has started the process to develop shorter-term, science-based GHG emissions targets, including both direct and indirect emissions.

Climate change also represents some level of physical risk to Hexagon in terms of severe climate events that could damage business facilities or disrupt supply chains. The general level of risk and potential impact from physical climate change for Hexagon is, however, considered relatively low – the Group does not have facilities on low-lying shorelines or floodplains or has a history of forest fires around its facilities.

More information on climate and environmental risks and how these are managed can be found in the Sustainability Report on page 65.

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 105 (137) million in 2021 and capitalized technology development of NOK 43 (17) million in 2021. The Group has received government contributions of NOK 12 (14) million towards research and development activities for 2021. The Group has 133 (133) fulltime equivalents for engineering and R&D activities who are mostly directly expensed.

Subsequent events

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

Outlook

Hexagon's businesses are on track to deliver on their short- and long-term growth ambitions and plans. In 2021, Hexagon's mobility solutions enabled a wide range of transportation, industrial and consumer applications to convert to cleaner energy – collectively avoiding the release of 1 100 000 metric tons of CO_2 equivalents. To put it in perspective, this amount of CO_2 avoidance equates to removing 240 000 petroleum cars from the road for a year. In addition, Hexagon Ragasco continued to provide substantial volumes of LPG cylinders to lesser developed countries, bringing cleaner and safer fuel sources to meet vital domestic energy needs in those markets.

The EU Taxonomy and its relevant delegated acts, as well as the renewed US commitment to the

[1] Hexagon Ragasco AS
[2] Hexagon Purus GmbH

Paris Agreement have given additional momentum to the energy transformation. However, despite a growing renewable share, the energy transition is nowhere near fast enough to deliver on The Paris Agreement goals. To escalate the pace of the energy transition, a lot more renewable power, decarbonization actions, energy-efficiency improvements, and carbon capture are needed.

Hexagon's extensive portfolio of (renewable) natural gas (RNG/CNG), LPG/bio-LPG, hydrogen and digital solutions, position the company as a global leading clean technology provider.

Hexagon Agility

Hexagon Agility is experiencing strong demand in all segments. Early in 2022, the medium & heavy-duty truck business in North America continues to experience a strong orderbook supported by orders from leading global logistics customers and truck OEMs. The Transit bus segment in North America is expected to remain stable whilst the European bus business is expected to deliver growth. A bounce back is anticipated for the Refuse truck business from first part of 2022.

Hexagon Agility's Mobile Pipeline business is experiencing a strong rebound that can be attributed to its diversified customer mix, which includes RNG, industrial gases and mobile refuelling units in North America as well as new orders from Latin America and the Middle East.

The Company expects production by its key customer Volkswagen to continue to be impacted and consequently, revenues and profitability in Hexagon's CNG LDV business are expected to be negatively affected in the short term. Recovery is expected in the second half of 2022. Meanwhile, existing capacity is being shifted to meet increased intercompany contract manufacturing demand for cylinder production from Mobile Pipeline, RNG/CNG and hydrogen bus customers.

Hexagon Ragasco

Hexagon Ragasco expects recurring volumes and a strong sales mix in the first half of 2022.

The development of the smart cylinder concept continues in 2022 with an expected launch in the first half of 2023. Hexagon Ragasco also has increased focus on its sustainability efforts to drive their competitive edge in the composite LPG cylinder market.

Hexagon Digital Wave

Significant increase in customer demand for compressed gas transport is driving module owners to seek safe and time efficient methods for cylinder requalification. Hexagon Digital Wave sees an increased demand for the cylinder testing and monitor technology, which is expected to have a positive impact on revenues longer term. At the same time, the company is in a growth and investment phase, as Hexagon takes lead in digitalizing its industry with real life health monitoring of cylinders.

Hexagon Purus

Hexagon Purus continues to gain momentum as the global market leader in cylinders and systems for storage and transportation of hydrogen.

Through its recent acquisition of Wystrach, Hexagon Purus expanded its product portfolio with hydrogen refuelling capabilities – both stationary and mobile. The acquisition adds best-in-class hydrogen systems design and assembly capacity further vertically integrating Hexagon Purus into the hydrogen systems supply chain and expediting its plans to grow its systems capabilities. Hexagon Purus' revenue growth in the near-term continues to be driven by hydrogen distribution and transit bus applications as evidenced in the revenue trends of 2021 and recent contract awards.

At the same time, Hexagon Purus has taken a substantial position within battery electric solutions, providing battery packs and systems for serial production of medium and heavy-duty vehicles. It is expected that revenue contribution from this application will grow in the coming years as battery and fuel cell electric vehicle platforms transition to commercial start of production. Hexagon Purus has recently entered a binding letter of intent with Hino Motors and been nominated for its first battery system serial production contract by an established and long-standing OEM for deliveries starting in 2024. The total sales value of these contracts is estimated between USD 1.8 and 2.2 billion.

Hexagon Group

Hexagon is focused on delivering near-zero- and zero-emission energy solutions, world-class manufacturing, and digitalization, all with the aim of enabling an ever-expanding number of companies and other institutions to reach their net-zero ambitions. The strong demand for all Hexagon's products, combined with the tightening market, supports our foresight. Together with the capacity expansion projects started last year, the Company is well positioned to reap the benefits of the market momentum and deliver on its purpose of *driving energy transition*.

Covid-19 impacts

The demand-reducing effects of the COVID-19 pandemic are behind us. However, supply chain shortages for key components and materials continue to be a short-term concern and will entail margin compression in parts of the business in the first half of 2022. Hexagon remains vigilant with regards to mitigating the effects of the COVID-19 pandemic. In this unprecedented climate, sales price adjustments have been made in addition to inventory optimization, and improved collaboration with suppliers.

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 preparedbased on the going concern assumption. This assumption is based on profit forecasts for 2022 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.

Aalesund, 24 March 2022
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chair

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Hans Peter Havdal
Board Member

Liv Astri Hovem
Board Member

Jon Erik Engeset
Group President & CEO

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 2021 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, 24 March 2022
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chair

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Hans Peter Havdal
Board Member

Liv Astri Hovem
Board Member

Jon Erik Engeset
Group President & CEO

Creating value for our stakeholders

Hexagon Composites ASA ("Hexagon" or the "Company") 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.

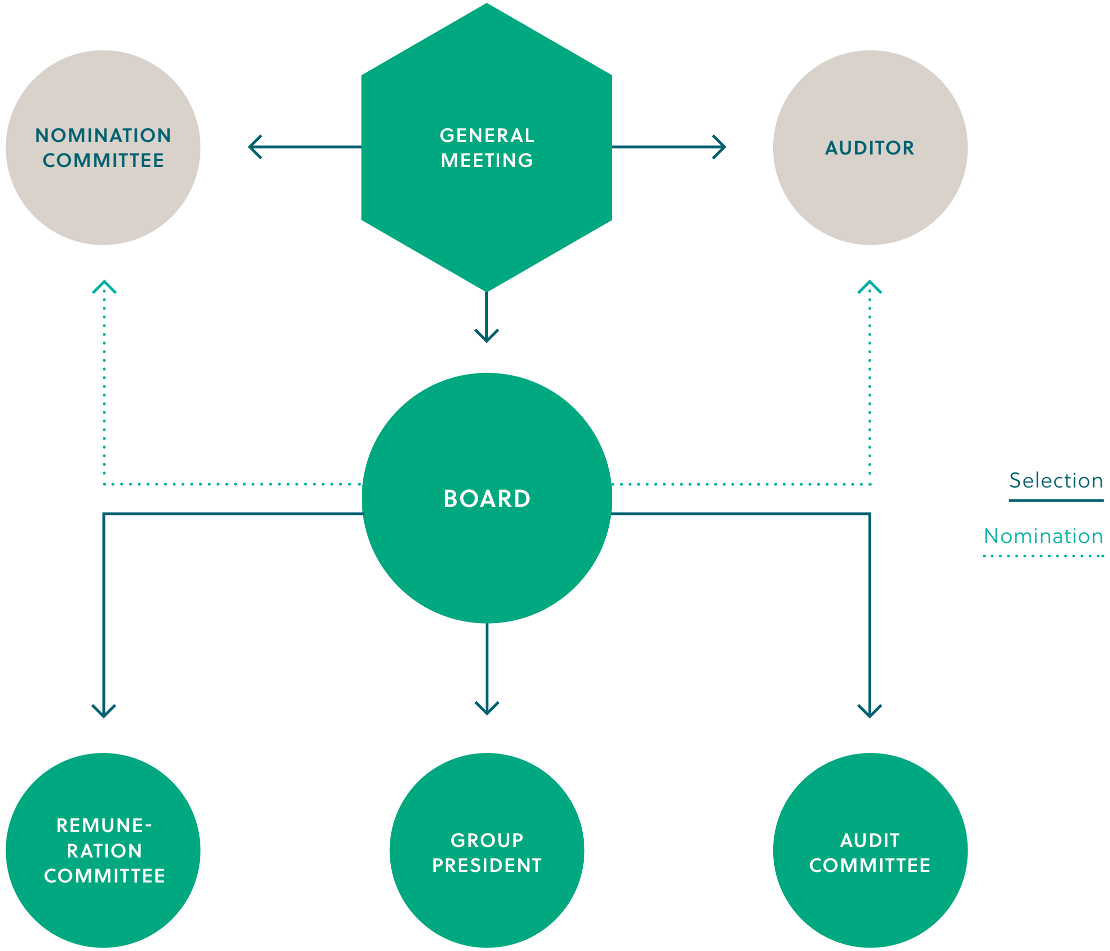
1. Implementation and reporting of Corporate Governance

Hexagon Composites ASA's principles for corporate governance were last revised at the Board meeting of 16 February 2022.

The Company shall comply with the Code of Practice established by the Norwegian Corporate Governance Board (NUES). The latest version of the Code of Practice is available at www.nues.no. We continue to update our principles for corporate governance in accordance with the Code of Practice of 14 October 2021. 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

CORPORATE GOVERNANCE



characterized by strong ethical standards and a high level of integrity.

2. 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 §3: "The objectives of the company are in the development, production, marketing and sale of goods and services related to composites or other areas, and activities that are related thereto, and participation in companies within similar business areas. " A more comprehensive discussion and analysis of our business activity and operating results are included in the annual report.

The Board has defined clear objectives, strategies and risk profiles for the Company's business activities such that the company creates value for shareholders in a sustainable manner. When carrying out this work, the board of directors takes into account financial, social and environmental considerations. These objectives, strategies and risk profiles will be subject to annual review by the Board.

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

3. Equity 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. At 31 December 2021, the company's equity was NOK 3 484 million, equivalent to 53 per cent of total assets.

Authorization to the Board for capital transactions is normally restricted to defined objectives and time limitations that do not exceed the next ordinary general meeting. This applies to the issuance of new shares as well as the purchase of own shares. The Board is currently and until the General Meeting of 2022, but no later than 30 June 2022, authorized to approve the purchase of own shares in one or more tranches up to or 10 per cent of current issued share capital.

Authorizations for increases in share capital relating to multiple purposes are considered separately. The Board is currently and until the General Meeting of 2022, but no later than 30 June 2022, authorized to increase the share capital by up to NOK 2 016 195 in one or more issuances. The authorization may be used for one or more of the following purposes:

1. Incentive arrangements for the Company's employees, and/or
2. For general corporate purposes, including investments, merger and acquisitions.

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 2020 Hexagon Composites did not propose a further dividend after the dividend in kind proposed and executed as a part of the spin-off of Hexagon Purus AS in December 2020. The Board does not propose a further dividend for 2021.

4. Equal treatment of shareholders

Hexagon has one class of shares with equal rights, 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

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

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 will be included in the stock exchange announcement made in connection with the transaction.

The Company normally conducts transactions in its own shares through the stock exchange or at equivalent market rates. If there is limited liquidity in the Company's shares, the Company may consider other ways to ensure equal treatment of all shareholders. Any transactions in own shares will be carried out in compliance with applicable law, including rules governing disclosure, insider trading, market manipulation and requirements for equal treatment of shareholders.

5. Shares and negotiability

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. General meetings

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.

The Board will ensure that the company's shareholders can participate in the general meeting, that the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting, and that any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible. Normally, shareholders will be able to vote on each individual matter, including on individual candidates nominated for election. Shareholders who cannot attend the meeting in person will be given the opportunity to vote. The company will design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

Deviations from the Norwegian Code of Practice for Corporate Governance:

In connection with the ordinary general meeting for 2021, only Knut Flakk was in attendance from the Board and nomination committee. The general meeting was chaired by Knut Flakk. The company's practice reflects its fundamental view that the general meeting should be chaired by a person with deep knowledge of the matters presented for consideration at the meeting.

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 independent of the Board and other executive management. Members are elected at the annual general meeting. In 2021 the nomination committee was comprised of Walter Hafslo Qvam (Chair), 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 Chair of the Board is represented on the nomination committee and has also been a member of the nomination committee since it was established. The company finds it purposeful to have representation from one of the substantial shareholders on the nomination committee, and such a person does also have representation on the board.

8. Board of Directors: composition and independence

The Board is composed of individuals with sufficient competence and expertise, capacity and diversity to enable independent evaluations of the Group's operations in the common interests of all shareholders and to ensure its effectiveness as a governing body. The composition of the Board ensures that it can operate independently of any special interests. The majority of the shareholder elected Board members are independent of the company's executive personnel material business contacts and the company's major shareholders. Three of the shareholder-elected Board members are independent of the company's major shareholders. The Board does not include members of the Company's executive management. The general meeting elects the chair of the Board. The term of office for members of the Board is no longer than two years at a time.

The annual report provides information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings, as well as identify which members are considered to be independent.

Members of the Board are encouraged to own shares in the company.

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. These instructions state how agreements with related parties are handled, including whether an independent valuation must be obtained. The board of directors will present any such agreements in their annual directors' report. The Board ensures that members of the Board and executive management make the company aware of any material interests that they may have in items to be considered by the Board. In the event that the Board Chair has been actively engaged in such interests, the Chair will recuse himself and the Deputy Chair will assume responsibility for the matter in question.

The Company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and separate instruction adopted by the Board of Directors. The Board's audit committee comprised of members that are independent of the Company's executive personnel material business contacts and the major shareholders. The audit committee comprised of Board member, Kristine Landmark and Deputy Chair, Liv Astri Hovem in 2021.

The remuneration committee is governed by a separate instruction adopted by the Board of directors. The committee is independent of the Company's executive management and comprised of Kristine Landmark, Katsunori Mori and Hans Peter Havdal, Chair.

10. Risk management and internal controls

Hexagon works systematically to identify and manage the specific risks facing its business. Risk management is executed by Group management and management in subsidiary companies. The corporate finance department is responsible for ensuring that the Group has an adequate system of internal controls, including controls over financial reporting. The department reports to the CEO and has overall responsibility for ensuring compliance with the Group's accounting principles and financial controls. 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 shall be decided by the Company's general meeting and should reflect the Board's responsibility, expertise, time commitment and the complexity of the company's activities. The nomination committee has proposed that the fees for the Board of Directors and Board committees are increased by 3.5 per cent for the financial year 2021.

Position	Fees 2021 (NOK)	Fees 2020 (NOK)
Chair	621 000	600 000
Deputy Chair	362 250	350 000
Other Board Members	310 500	300 000

Leaders of the Board committees are paid additional fees per positions of NOK 62 100

(60 000). Members of the Board committees are paid additional fees per positions of NOK 41 400 (40 000). Fees are fixed and are not linked to the company's performance. Board members are not eligible for share option programs.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board of Directors.

Business transactions between companies owned by the two primary shareholders, Knut Flakk and Mitsui & Co., and Hexagon are described in note 28 to the consolidated financial statements – transactions with related parties.

12. Salary and other remuneration for executive personnel

The Board has established clear and transparent guidelines on salary and other remuneration of the executive management. Hexagon's arrangements in respect of salary and other remuneration are considered to ensure that the executive management and shareholders have convergent interests. Executive management remuneration is based on company and individual performance, and both the method and the amount are intended to promote commercial strategy, long-term interests and financial viability 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. Both the Executive management's collective short-term and long-term incentive plans are subject to proportionate salary or absolute value "on award" limits respectively. All long-term incentive plans contain variable performance parameters which influence the ultimate value of the award at vesting/completion. The Company shall ensure that both the remuneration policy and the remuneration report, are approved and made available on the Company's website in accordance with statutory legislation. For further details on remuneration of the executive management, refer to the Remuneration report for 2021.

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.

All stock exchange releases, financial reports and presentations, other public presentations and press releases are made available on the company's website www.hexagongroup.com together with other relevant information. All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to shareholders. Hexagon holds open presentations in connection with its financial reporting, and these presentations are broadcasted live via webcast

14. Take-overs

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, and the Board, through the Audit Committee, has established guidelines in respect of the use of the auditor for services other than the audit.

See note 28 to the consolidated financial statements for information about remuneration to the auditor, including statutory audit and other services.

Executive management




	JON ERIK ENGESET	DAVID BANDELE	SEUNG W. BAIK	SKJALG SYLTE STAVHEIM
Position	Group President & CEO	CFO	President Hexagon Agility	President Hexagon Ragasco
Experience	Jon Erik Engeset has served as President & CEO since 2013. He has extensive experience from various senior managerial positions at Rolls Royce, Norsk Hydro and as CEO of Saferoad Group.	David Bandele has served as CFO since 2014. Prior to joining Hexagon, he held several senior positions in the field of finance and controlling within the Aker Group of companies, GE Healthcare and Amersham Plc.	Seung Baik joined Agility as Chief Legal Officer in 2014 and was appointed President in February 2019. Prior to joining Agility, he practiced law with global law firms Goodwin Procter LLP and Latham & Watkins LLP.	Skjalg Sylte Satvheim joined Hexagon Ragasco in 1996 where he has held key management positions. He has broad experience from business development and manufacturing processes and has served as President since 2013.
Education	Jon Erik holds an MSc and MBA from Norwegian School of Economics.	David holds a Bachelor of Economics from the University of Sheffield and is an ICAEW Chartered Accountant (ACA).	Seung holds a Juris Doctor from Northwestern University School of Law and a Bachelor of Arts with Distinction, Cornell University School of Arts & Sciences.	Skjalg holds a MSc in Economics and Business Administration from BI Norwegian Business School.
Number of shares	378 216[2]	152 654	79 862	173 631
Number of PSUs[1]	315 770	210 512	315 770	210 512

[1] Number of potential performance share units
[2] Includes shares owned by related parties

Executive management cont.

	GEORGE SIEDLECKI	MORTEN HOLUM	KAREN ROMER
Position	President Hexagon Digital Wave	CEO Hexagon Purus	Senior Vice President Communications
Experience	George Siedlecki joined Hexagon in 2014 as Chief Financial Officer Hexagon USA, and has served as interim President for Hexagon Digital Wave since 1 January 2022. He has extensive management and finance leadership experience.	Morten Holum was appointed CEO of Hexagon Purus in March 2020. He joined Hexagon in 2019 as Executive Vice President and Chief Operating Officer. Morten has broad industrial experience in different management roles, most recently as CEO of Saferoad.	Karen Romer joined Hexagon in April 2020. She has previously held roles at Hill + Knowlton Strategies, Aker Solutions, Statoil Fuel & Retail/Couche-Tard and Lindorff, overseeing global corporate communications, public relations, marketing and CSR.
Education	George holds an MBA from the University of Notre Dame.	Morten holds an MBA from Kenan Flagler Business School, University of North Carolina.	Karen holds a Bachelor of Arts degree in English Literature from Fordham University.
Number of shares	91 735	8 000	1 800
Number of PSUs[1]	210 512	361 392	157 882

[1] Number of potential performance share units

Board of Directors

			
	KNUT FLAKK	**KRISTINE LANDMARK**	**KATSUNORI MORI**
Board position	Chair	Deputy Chair	Board Member
Experience	Flakk owns the Flakk Gruppen and has extensive experience from establishing, developing and operating industrial companies both in Norway and internationally. He has been CEO of the Flakk Group since 1996.	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.	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.
Education	MSc (BI Norwegian Business School) and MBA (London Business School).	MSc (NHH, Norwegian School of Economics).	Bachelor's degree in Aeronautical Engineering (Kyoto University).
Number of shares	27 834 969[1]	10 000[1]	45 833 321[2]
Attendance Board at meetings in 2021	6 of 6	6 of 6	6 of 6

[1] Includes shares owned by related parties
[2] Shares owned by Mitsui & Co., represented in the board by Katsunori Mori

Board of Directors cont.

HANS PETER HAVDAL

Board position	Board Member
Experience	Division manager at Semcon International, managing an international consulting operation in Norway, UK, India and Brazil. Hans Peter was previously the CEO of Kongsberg Automotive and has held several other international management positions within the automotive industry. Independent board member.
Education	MSc in Mechanical Engineering, Norwegian University of Technology & Science.
Number of shares	3 900
Attendance Board at meetings in 2021	6 of 6

LIV ASTRI HOVEM

Board position	Board Member
Experience	CEO of DNV GL's Oil& Gas area. Liv Astri has more than 25 years of experience within management of technical advisory and assurance services in a global setting, primarily within the maritime and oil and gas industries. Independent board member.
Education	MSc in Naval Architecture and Offshore Engineering, MSc in Civil Engineering.
Number of shares	0
Attendance Board at meetings in 2021	6 of 6

Sustainability report

GO BACK

About this report

Hexagon Composites ASA ("Hexagon" or "the Group") is a world-leading composite cylinder technology developer and manufacturer. We enable the safe delivery of clean energy in gaseous form to homes and industries, and we decarbonize transportation on land and at sea. We believe that clean air is a right, not a privilege. We are passionate about making clean energy solutions available for all.

WE SUPPORT

To date we have delivered over 600 000 high pressure composite cylinders, 70 000 fuel systems and more than 20 million LPG cylinders, building up more than six decades' experience helping our customers reduce their CO_2 emissions. We are headquartered in Norway, with 23 international locations, including in the world's most important clean energy markets in Europe, Asia and North America.

Our people constantly strive to make the most responsible and sustainable solutions for our customers and our planet. We have a strong, values-based culture that is committed to transparency, accountability and purposeful impact, which drives our business performance and our decision-making processes. Our core values are integrity and drive, and they guide our behavior and our beliefs.

This Environmental, Social and Governance (ESG) report provides a performance update on our 2021 development, targets and measures. Together, they form an aggregated view of our long-term goals and public commitments. We continue reporting annual progress toward our ESG targets as well as our priority material issues, a practice started in Hexagon in 2019.

In this report, we also set out our updated long-term targets and share the insights that set the foundation for the next stage of our journey. Notably, we have received limited assurance from (EY Norway) on the quality of the content of this year's ESG report. For more information, see the Accountant's assurance report.

This report has been prepared in accordance with the GRI Standards: Core option (see www.hexagongroup.com). In it, we explain how we work to embed the 10 principles of the United Nations Global Compact into our operations, and how we align our strategy with selected Sustainable Development Goals (SDGs) to enhance our contribution to sustainable development. This report is also our annual Communication on Progress to the UN Global Compact.

When we reference Hexagon in this report, unless otherwise stated, we are referencing our portfolio of businesses, including Hexagon Agility[1] , Hexagon Ragasco, Hexagon Digital Wave and Hexagon Purus. For news, updates, and more details about Hexagon, visit www.hexagongroup.com

[1] Hexagon Agility includes Agility Fuel Solutions, Hexagon Mobile Pipeline® and Hexagon CNG LDV

A LETTER FROM OUR PRESIDENT AND CEO

Transformation inspired by challenge, driven by purpose

The energy industry is being reimagined. In response to government ambitions around the world, clean energy is growing in the global energy mix. The transformation is gaining momentum and the backdrop for our business could not be better.

Hexagon's purpose is to drive energy transformation. Our customers in every sector have sustainability and clean energy at the top of their strategic agendas. Meanwhile, few companies can offer proven solutions for multiple forms of clean energy technologies. Hexagon is a global leader - we develop, manufacture, and integrate technology that enables a spectrum of clean energy solutions. This includes storage and delivery systems for renewable and compressed natural gas (RNG and CNG), hydrogen, battery electric and LPG, as well as digital solutions.

Diversity matters

At Hexagon, we pride ourselves on our people. Globally, they are among the world's leading experts in clean energy technologies. In these challenging times, we work hard to limit the impact of the COVID-19 pandemic on them, and on our operations. Performing through volatility and ensuring our ability to deliver clean energy solutions to our customers worldwide continues to be our strength.

GO BACK

We recognize that in an increasingly global economy, a diverse talent base is important to remaining competitive. To this end, in 2021 we decided to work strategically to improve our gender balance. We have set ambitious but realistic goals – to ensure women make up 25 per cent of our workforce in 2025 and 30 per cent by 2030.

ESG capability and finance: a stronger connection

We have established a robust internal ESG body, tasked with safeguarding Hexagon's long-term sustainability objectives. It will ensure that our sustainability performance grows with us and consistently reflects the landscape in which we operate. This work is essential, not least because we recognize that we have some way to go. Improving our own performance is a positive first step to a truly sustainable future.

The demand for ESG alignment has increased dramatically over the years, bringing companies like Hexagon a competitive edge as it makes them more attractive to customers, investors, employees and new recruits. A key milestone on this journey was the launch of the EU Taxonomy for Sustainable Activities, which leaves no doubt: strong ESG performance and transparent reporting will be essential to enable access to green sources of funding. Hexagon's ESG capability puts us in a strong position to take advantage of this.

We are committed to transparency as we work to achieve net-zero

We focus on the total operational footprint of our company's activities. In 2021, we joined the Science-Based Targets initiative and committed Hexagon to reach net-zero as soon as possible before 2050. Already, in 2021, we have expanded our transparent reporting on scope 3 emissions. In 2022, we will establish our short-term reduction targets for scope 1, 2 and 3 emissions and take significant steps towards achieving them.

To read more about our emissions, see Minimizing our operational environmental footprint

Hexagon is part of the solution

We are living through a defining moment for society – and a defining moment for Hexagon. Our purpose, Driving Energy Transformation drives us, and our strong values guide us. Together, we are creating positive change and forging new opportunity. We harness what we learn, nurture resilience, and pave the way.

As the world accelerates its journey to a sustainable energy future, we will continue to be agile and responsive. We will move early and quickly to address new opportunities and deliver products and solutions enabling the transformation that industries and communities will demand.

Jon Erik Engeset
Group President & CEO

In 2021, we committed to the Science-Based Targets initiative for our own GHG emissions. Delivering a credible, achievable roadmap to this goal will be one of our key focus areas for 2022.

ESG governance

PURPOSE DRIVES US

Hexagon's purpose is to drive energy transformation.

ESG is integral to our organization, embedded in all our business areas and functions including strategy and business development, operations and reporting. Created in 2021, Hexagon's ESG team is a multidisciplinary group with members drawn from each of our business areas.

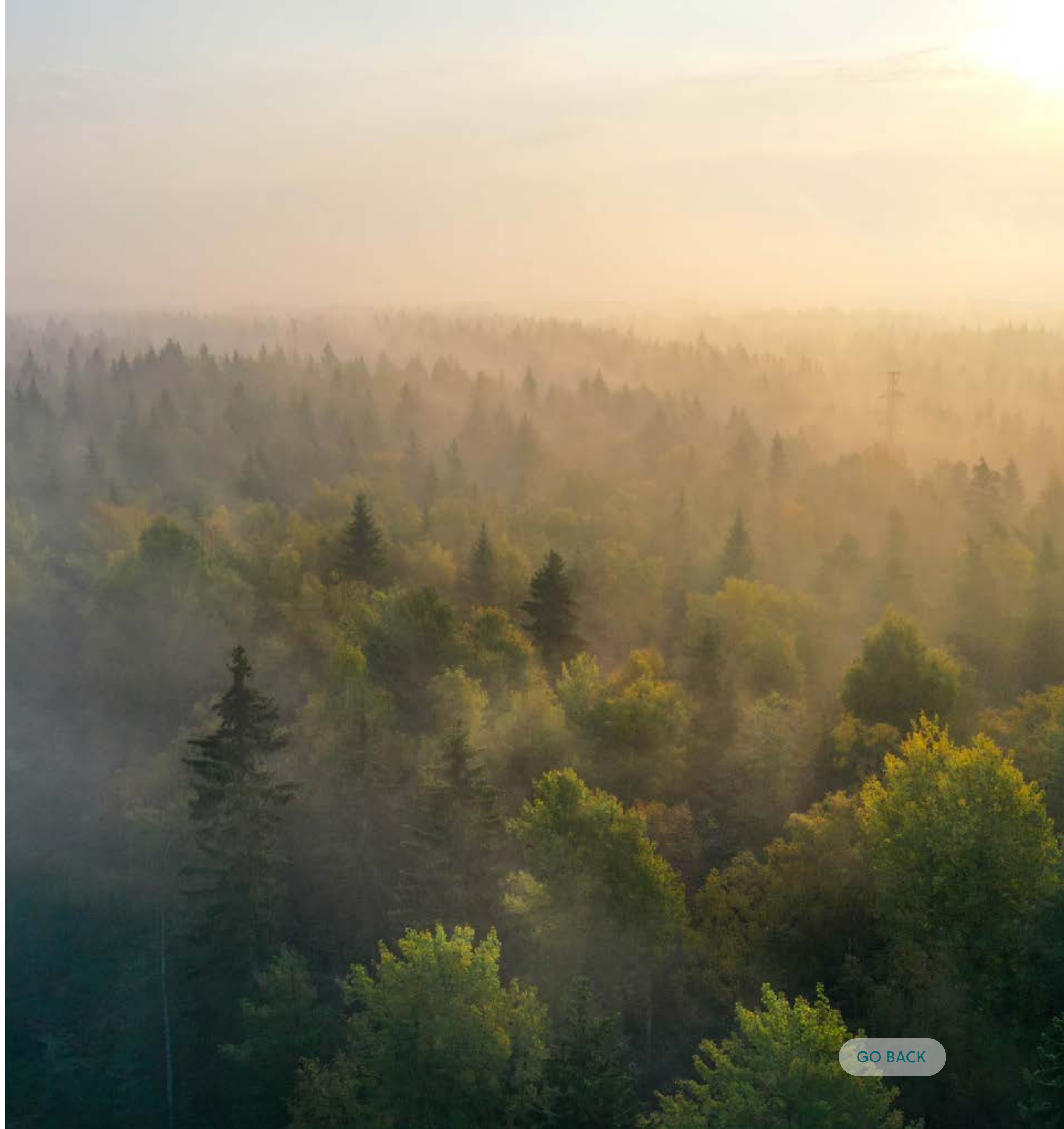
The ESG team reports to the ESG steering committee, which is part of the Executive Council that reports directly to the CEO who, in turn, reports to the Board of Directors.

Progress can't wait

Our ESG steering committee provides direction and oversight for the integration of Hexagon's practices in work-related environment and climate, health and safety, learning and development, diversity, equality and inclusion, governance and compliance. The committee challenges our business to better understand our sustainability impacts, to set ambitious targets for improvement, and to overcome obstacles and drive progress.

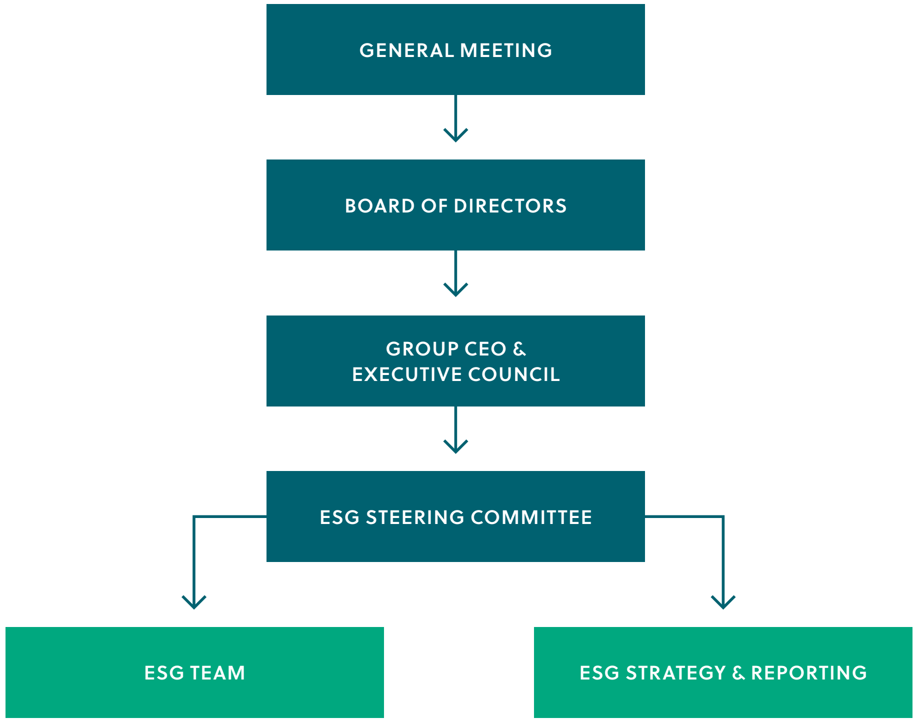
The key responsibilities of this committee are to:

- Evaluate and advise on Hexagon's ESG strategy, policy and performance
- Evaluate and monitor annual ESG targets and results
- Discuss and evaluate key ESG strategic decisions and directions
- Discuss and evaluate current and future ESG trends relevant to the Group
- Evaluate the Group's evolving approach to ESG risk assessment and transparency



GO BACK

OVERVIEW OF HEXAGON'S ESG GOVERNANCE STRUCTURE



Hexagon's ESG steering committee includes:

- Group President and CEO, Jon Erik Engeset
- Group CFO and Group Compliance Officer, David Bandele
- Chair of the committee and Executive Vice President Operations Hexagon Purus, Heiko Chudzick
- Group SVP Communications, Karen Romer
- Group SVP Strategy and M&A, George Siedlecki
- President Hexagon Agility, Seung Baik
- President Hexagon Ragasco, Skjalg Sylte Stavheim
- President Hexagon Purus, Morten Holum
- President Hexagon Digital Wave, George Siedlecki (interim)

Governance at Hexagon

Role descriptions

ESG steering committee: executive leadership and corporate accountability

ESG (focus) team: our ESG focus teams, divided inro "E", "S" and "G" teams respectively, include members (for environment, social and governance aspects) from each of our operative business areas, who collaborate closely to address a broad range of ESG matters. The "E", "S" and "G" team members have been selected for their roles by their business area presidents. They are held accountable for the business area's contribution toward the development of their focus area, and the accuracy of reporting information provided for their business area. The ESG team meets on a monthly basis. An important part of the work of these expert teams is to develop environmental, social and governance key performance indicators (KPIs). The business' performance against these KPIs is reviewed annually by the ESG steering committee and the Board of Directors. Specific sustainability topics including health and safety, corruption, environmental and social impacts are monitored by the management of each of the business areas on a more frequent basis (every two to four weeks).

ESG strategy and reporting team: together with our ESG focus teams, the Vice President of IR & ESG is responsible for the strategic direction and for transparent and accurate reporting to Hexagon's key stakeholders.

Hexagon's approach

For more than sixty years, Hexagon has been striving to create a better future for people and the planet by enabling the transition to clean energy technologies. Sustainability, for Hexagon, means generating positive social and environmental impact and business value through our products and solutions, while at the same time ensuring that sustainability considerations are embedded throughout our operations and ways of working.

Stakeholder engagement and material topics
We continuously learn, grow, and refresh our perspective by considering the global points of view of our internal and external stakeholders in our analyses of material sustainability issues. In 2021, we surveyed those stakeholders to re-establish what we would consider the most material topics, anchoring the results at the corporate management level. That process and findings are the foundation for this Sustainability Report.

Hexagon's key stakeholder groups include our employees, customers, investors, suppliers, corporate peers, governments, national and international regulators.

Our material topics were identified based on stakeholder expectations, significant impacts, and internal strategic priorities throughout our value chain. Our materiality assessment also reflects the alignment of our activities to the United Nations' Sustainable Development Goals (UN SDGs). To read more about the selected SDGs, which are closely linked to our core operations and with which our Group business strategy is closely aligned, see Appendix 3: Reporting on the UN SDGs

Stakeholder expectations are determined through formal interviews and through dialogs as part of our daily business. We also receive stakeholder feedback at the corporate level through dialogs with investors, financiers and regulators. We assess identified topics for the significance of their environmental, social and economic impacts.

FULL YEAR 2021 MATERIAL TOPICS

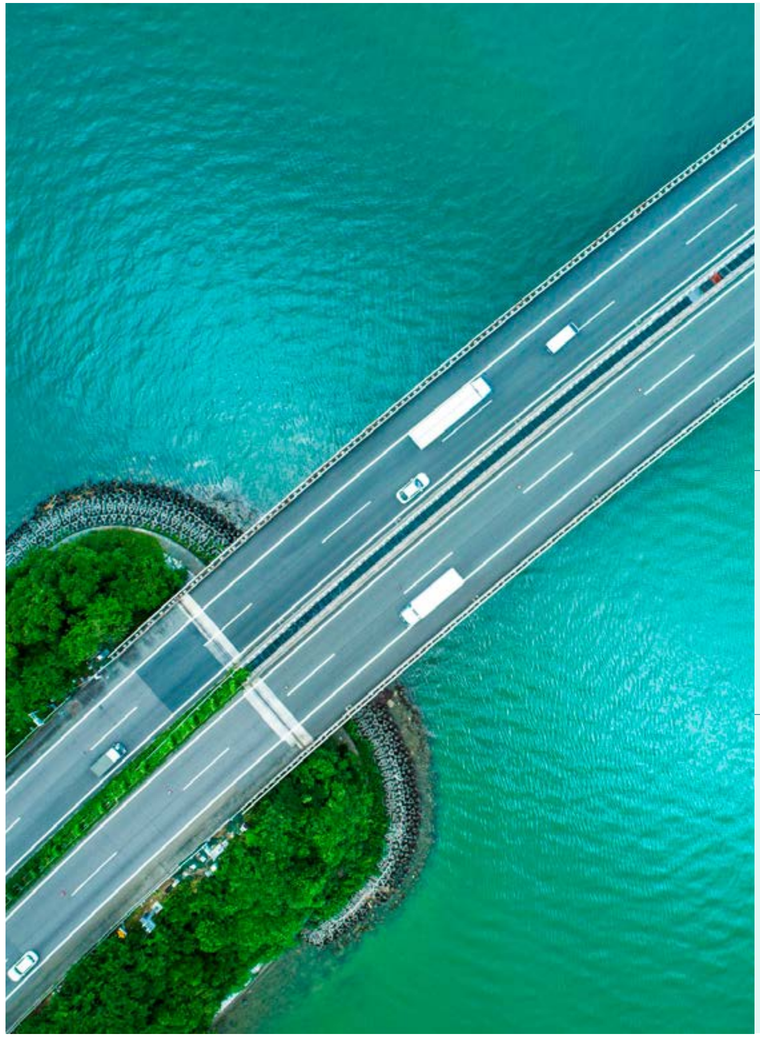
Material topic	Topics
Our contribution through our solutions	• Low-carbon technology solutions to our customers • EU taxonomy
Minimizing our operational environmental footprint	• Greenhouse gas (GHG) emissions • Energy • Material waste and circularity • Responsible procurement
Product Safety and Compliance	• Product safety
Responsible employer	• Diversity and Inclusion • Occupational health and safety • Workforce development
Governance	• Business ethics and anti-corruption

For material topic definitions, see Appendix 1: Material topic definitions

Reconfirmed our material topics

While there was great alignment between this year's issues prioritization survey and our previous survey results, "Diversity and Inclusion" and "Minimizing operational environmental footprint" were identified as key issues with a strong increase in relevance for both internal and external stakeholders. At Hexagon, we know that our culture is at its best when all our people feel included, respected, and heard. The increased relevance of "Diversity and Inclusion" is consistent with our continued and enhanced internal focus on building an inclusive and accountable culture across our company. Hexagon's climate opportunities lie in our products. Therefore, our most important contribution will be the further development of those products to meet the growing demand for advanced, safe, long-lasting, climate-friendly and recyclable solutions that help to ensure clean air everywhere.

SUMMARY OF PROGRESS ON OUR KEY 2021 OBJECTIVES



ENVIRONMENT

- Became a signatory to the Science-Based Target initiative and committed to net-zero by 2050, and have started the process to develop shorter-term, science-based GHG emissions targets, including both direct and indirect emissions
- Our solutions avoided over 1.15 million metric tons equivalent of CO_2[1] emissions , where our mobility solutions contributed to 1.1 million metric tons, and our LPG cylinders contributed to the avoidance of 51 680 metric tons.
- Progressed composite waste solutions:
  - Recycled over 46 metric tons at the Lincoln, Nebraska cylinder manufacturing site
  - Tested mechanical grinding and thermal recycling
- Hexagon Ragasco published Environmental Product Declaration (EPD) for the product stage
- Developed life cycle assessment (LCA) calculator for Hexagon Ragasco
- Roadmap for 100 per cent internal re-use and/or external recycling of plastic casing of LPG cylinders is in progress
- Achieved ISO 9001 and 14001 certifications at all applicable manufacturing sites[2]

SOCIAL

- Harmonized Global Environment, Health and Safety (EHS) policy and guidelines
- Established Hexagon University – the learning and development platform
- Formalized gender diversity targets: 25 per cent by 2025 and 30 per cent by 2030
- Unsatisfactory Lost Time Incident Frequency (LTIF) of 1.04 per 200 000 hours worked
- Unsatisfactory Total Recordable Incident Frequency (TRIF) of 3.21 per 200 000 hours worked

GOVERNANCE

Developed and published group-wide policies for:

- Supplier and Business Partner Code of Conduct
- Diversity and Inclusion
- Anti-Corruption
- Whistleblowing and third-party whistleblowing channel
- Human Rights
- Product Safety

[1] Based on 2021 production figures from Hexagon Agility, incl. Mobile Pipeline, CNG LDV and Hexagon Ragasco
[2] Hexagon Digital Wave to achieve ISO 9001 certification in 1H 2022. To see ISO certifications see https://hexagongroup.com/sustainability/esg-resources

Hexagon's contribution through its solutions

According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), issued at the end of 2021, global warming causes ever-increasing and, in some cases, irreversible changes in rainfall, ocean and wind patterns in all parts of the world.

The report explicitly underlines the close relationship between CO_2 emissions originating in human activity, because of burning fossil fuels and deforestation, and the planetary warming that is driving climate change. Such a relationship implies that a carbon budget can be used to quantify the mitigation required to restrict warming to specific limits. Most significantly, it may be deduced that, to stabilize human-induced global temperature increases, net anthropogenic CO_2 emissions must be brought to zero. Reducing methane emissions, too, is a critical factor in limiting the global temperature increase.

Our approach

Climate change is among the most important megatrends affecting business across all sectors today. The urgent need for a transition to a resource-efficient, low-carbon economy increases demand for Hexagon as a solutions provider in this space.

As a provider of clean energy solutions to people and industries around the world, Hexagon plays a key role in the transition towards a more sustainable, decarbonized global society, by enabling our customers to reach their ambitious sustainability goals. We strive to maximize the positive climate impact of our technologies by enabling the avoidance of GHG emissions from both material production and waste management in the application of those technologies.

The most critical factors in Hexagon's own greenhouse gas emissions are its production processes. These emissions, throughout the value chain, must be reduced to further strengthen our business model. We are continuing to engage

We are proud that our clean energy solutions made possible the avoidance of approximately 1.15 million metric tons of GHG emissions in 2021.

GO BACK

with key suppliers to understand and develop their climate ambitions and reporting, and to work with them to enhance our production. This strategic approach is further embedded within our Supplier Code of Conduct.

Results and achievements

We enable low and zero emissions mobility solutions

Our business is essential to tackling climate change, today and in the future. One hard-to-abate sector is transport, a significant greenhouse gas emitter that represents approximately 24 per cent of total energy-related CO_2 emissions[1]. In 2021, our clean energy mobility solutions helped avoid approximately 1.1 million metric tons of GHG emissions[2].

Hexagon provides solutions across the clean energy spectrum, including for transportation. Among them are high-pressure composite tanks and fuel systems for renewable and compressed natural gas (RNG and CNG), (bio)LPG and hydrogen, battery electric and digital solutions. We are experiencing growing demand in our key and emerging markets, where clean energy sources and technologies are desperately needed.

(Renewable) natural gas

For instance, through Hexagon Agility, we provide compressed natural gas (CNG) fuel storage systems to meet demand from medium- and heavy-duty original equipment manufacturers (OEMs) and vehicle fleets. A CNG truck running on natural gas emits 13-21 per cent less CO_2, 90 per cent less NOx and almost zero particulate matter (PM) versus comparable gasoline and diesel vehicles.

These same storage systems also operate with 100 per cent renewable natural gas (RNG). As a potentially carbon-negative solution, RNG contributes to reaching climate targets by reducing both CO_2 tailpipe emissions and methane emissions from waste.

RNG can be generated from a variety of organic waste substances including municipal solid waste, sewage sludge, yard and crop wastes, food wastes and animal manure. RNG produced from organic sources through anaerobic digestion contains 45-65 per cent methane. Without capture, this methane escapes into the atmosphere, where it is roughly 28 times more potent as a greenhouse gas than CO_2. In contrast, if it is captured and treated to remove moisture, CO_2 and other impurities, it can be fully compatible with the existing natural gas infrastructure. In addition to medium- and heavy-duty truck applications, Hexagon's Mobile Pipeline® modules (using Hexagon storage cylinders) are a key enabler for transporting this potentially carbon-negative fuel from rural producers to the gas grid and industrial users.

Hydrogen & battery-electric solutions

Our listed subsidiary, Hexagon Purus, provides hydrogen Type 4 high-pressure cylinders, battery packs and vehicle systems integration for fuel cell electric (FCEVs) and battery electric vehicles (BEVs). These solutions enable the safe and effective use of hydrogen and electricity as transportation fuel in a variety of applications including light, medium and heavy-duty vehicles, buses, distribution, refueling, rail, maritime, aerospace and ground storage.

In the race for decarbonization, hydrogen has gained considerable momentum as a key energy carrier in the world´s future energy mix. This is not just due to its potential to decarbonize the mobility sector but also because of its universal potential to work across the entire energy ecosystem. A significant number of countries, representing more than 70 per cent of global GDP, have announced hydrogen strategies and roadmaps.

Hydrogen and battery-electric technologies are complementary

If you need a vehicle for relatively short ranges of up to 300 miles to carry light loads, and you have a usage pattern that means that your truck can charge overnight, then battery-electric cars and trucks make sense. But if you need to carry heavy payloads over longer distances, then you need the extra range and fast refueling that is offered by hydrogen fuel cell electric vehicles.

> **DID YOU KNOW**
>
> Unlike other biofuels, when produced from landfills, wastewater and agricultural waste, RNG does not require large amounts of land to be deforested and does not displace food production. RNG from agricultural waste can provide reductions in carbon emissions of more than 200 per cent compared to baseline diesel and gasoline emissions - or, effectively, negative emissions.

Driving the transition to clean cooking and heating

In the least-developed countries many people, particularly women, cook and heat their homes using wood, charcoal, animal dung or kerosene. These fuels produce hazardous particulates (soot) and air pollution that cause illnesses the WHO estimates prematurely kill four million people each year.

DID YOU KNOW

Digital Wave has, through its modular acoustic examination (MAE) technology, inspected and tested more than 7 800 cylinders to date. By extending the life of these cylinders, we successfully avoided more than 235 metric tons of landfill waste.

The use of liquid petroleum gas (LPG) for cooking and heating produces practically no particulates. Its CO_2 footprint is 20 per cent lower than that of heating oil and 50 per cent lower than coal . Hexagon Ragasco participates in organized clean cooking alliances and "cooking for life" programs to promote the use of their easy-to-handle composite cylinders across the least developed countries. The lightweight, user-friendly cylinders enable people, particularly women, to spend less time cooking and gathering fuel, enabling them to spend more time on education and income generation.

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

Bio-LPG

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

Digitalizing cylinder systems

Hexagon Digital Wave's technology enables digital transformation in the clean mobility and industrial gas markets. Miniaturizing sensors and embedding them in the cylinders enables the creation of a "digital twin" for each cylinder, and allows it to communicate with host vehicles or infrastructure systems. The real-time or near real-time monitoring afforded by this connectivity enables increased safety, extended cylinder lifetimes, and ultimately a second life for the cylinders through the reuse or repurposing of viable assets – contributing to a circular economy. See Minimizing our operational environmental footprint to read more about the environmental effects of the use of our products.

Preparing for the EU taxonomy

Sustainable finance is critical for the transition into a low carbon economy and a more just society. The EU taxonomy established a classification system with criteria for which economic activities can be considered sustainable. It is considered an important tool to channel capital into sustainable economic activities.

We have assessed our eligible activities

The EU Taxonomy was approved by the Norwegian Government in December 2021, but it has yet to be incorporated into the EEA agreements (Expected in June 2022). As the regulation has not entered into force in Norway, Norwegian companies are not under the same obligation to report as companies registered in the EU.

However, for FY 2021 Hexagon has made a focused effort to interpret the EU Taxonomy criteria and apply it to its operations - identifying and assessing the eligibility of each of its activities. In this process, we found that Hexagon contributes to the first environmental objective "Climate Change Mitigation".

As the taxonomy framework is relatively new and not fully completed, it leaves room for interpretation. As a result, our assessments could change as the Taxonomy framework develops and is supplemented with regulatory guidance and recommendations, amendments to the taxonomy framework or court decisions going forward.

Our eligible activities

As a world-leading composite cylinder technology developer and manufacturer, we enable the safe delivery of clean energy in gaseous form to homes and industries, and we decarbonize transportation. The majority of Hexagon's activities are related to the production of composite cylinders. To date we have delivered over 600 000 high pressure composite cylinders, 70 000 fuel systems and more than 20 million LPG cylinders.

All our composite cylinders are deemed eligible as part of (3.6) Manufacture of other low carbon technologies. In addition, our cylinders manufactured specifically for the production and use of hydrogen (3.2) are deemed eligible, as well as our hydrogen fuel storage systems (6.15), Infrastructure enabling lowcarbon road transport and public transport.

In addition, our complete fuel systems for vehicles, and our battery packs and battery pack systems for fuel-cell electric and battery electric vehicles are classified under (3.3) Manufacture of low carbon technologies for transport and (3.4) Manufacture of batteries, respectively.

As we continue to develop our products and service, the majority of our ongoing investments in Research and development (R&D) can be classified under (9.1) Close to market research, development and innovation.

Aligned activities will be reported in Hexagon's 2022 Annual Report

In 2022, Hexagon will continue working to understand and use the EU Taxonomy and will report on the company's alignment in accordance with the regulations.

Our analysis and interpretations

As a manufacturer of key components to several industries, Hexagon Group has found in its assessment of eligible activities that it sometimes falls in between category descriptions in the Delegated Act as it stands today. To interpret the EU Taxonomy criteria, available guidance from the European Commission and the NACE alternate classification mapping has been applied.

We believe the following key assumptions are currently most correct to apply for our business, but we are aware that these assumptions may need to be adjusted in 2022 if they differ from new official guidance expected from the European Commission or from industry standard practices.

Manufacture and assembly

Hexagon's current understanding is that only vehicle manufacture should be part of the economic activity (3.2) Manufacture of low carbon technologies for transport. For Hexagon this means that only system assembly related to vehicle manufacturing is considered eligible under this activity. Manufacture of single components to the vehicle industry is considered eligible under 3.6 Manufacture of other low carbon technologies when aimed at substantial GHG emission reductions.

The lock-in effect

A fundamental concept in the EU taxonomy is to prevent lock-in of carbon intensive assets to ensure that investments are not harming the climate mitigation objective by financing long-lived assets that might contribute to reducing emissions in the short-term but are not compatible with a climate neutral economy by 2050. A range of Hexagon's cylinder products are used for compressed natural gas or liquified gas. However, as the cylinders can be and are used for both renewable natural gas and biogas (also recognized in the EU Renewable Energy Directive III), we take the view that Hexagon's cylinders will not lead to a lock-in of stranded assets.

Mobile pipeline

Hexagon Agility's mobile pipeline systems distribute renewable and compressed natural gas to locations that are not connected to a gas pipeline. We classify the mobile pipelines under 3.6 Manufacture of low carbon technologies. If the mobile pipelines are only manufactured to store fossil fuels, it could be argued that these should be excluded (and reported non-eligible) due to potential lock-in effects.

Cylinder testing and monitoring technology

Hexagon Digital Wave's cylinder testing and monitoring technology enables the life-extension of both metal and composite cylinders and allows for high pressure cylinders to be repurposed to be used safely for lower pressure purposes over time. It is assumed that this activity will become eligible under the circular economy objective, which is yet to be finalized and published. For the reporting of 2021, this is treated as a non-eligible activity.

EU taxonomy, the work ahead

Hexagon supports the EU's work on sustainable finance and other sustainability initiatives. Having a common and consistent standard of climate-related disclosure provides a common language for measuring sustainability performance and focuses corporates on investing and delivering returns from these activities. We view EU taxonomy as providing valuable information for our internal risk management, financial planning and strategy processes.

Moving ahead we will continue the assessment of alignment, including evaluation of the Substantial Contribution criteria, the *Do No Significant Harm* criteria and the *Minimum Social Safeguards criteria*. The company will calculate the proportion of aligned activities, by total turnover, capital expenditure and operating expenditure, and report in line with the EU taxonomy requirements for the 2022 calendar year. In addition, the company is closely following the development of the EU taxonomy.

KEY CHALLENGES

- Regulators continue to use CO_2 emission measurement from the vehicle tail-pipe, as opposed to a "well-to-wheel" approach; this de-incentivizes a number of viable options available today to reduce GHG emissions in the harder-to-abate segments, such as medium- and heavy-duty vehicle transportation
- Inconsistency in how the different alternative fuels are categorized within the EU regulatory framework can bar the further development and adoption of specific low-carbon fuel technologies

KEY OPPORTUNITIES

- The increasing penetration of renewable energy into the energy supply mix, the onset of electrification and improvements in energy storage are all key drivers of the energy transition.
- Regulation and commitment to decarbonization continues to increase in importance as investors prioritize environmental, social and governance(ESG) factors.EU taxonomy helps companies, investors and policymakers define economic activities that can be considered environmentally sustainable. In this way, it financially empowers more companies to make the transition to sustainable business. This is creating increased demand from companies of all sizes (small, medium and large) for sustainable and resilient clean energy solutions such as Hexagon's.

OBJECTIVES AND FOCUS AREAS

- Actively support the education of the relevant regulatory bodies, as well as existing and potential customers on the alternative fuel technologies available today, their impact on GHG emissions reduction and the necessary role they play in reaching net-zero.
- Applying digitalization to the cylinder industry to extend the lifecycle and enhance the safety and circular economy of our cylinders
- Report on our EU Taxonomy-aligned activities effectively – while supporting the further development of EU Taxonomy regulation.

1 Source: IAE, Global Energy Review: CO_2 Emissions in 2020
2 NGV America, Argonne GREET® 2019
3 Source: An Overview of Renewable Natural Gas from Biogas, United States Environmental Protection Agency
4 Source: The Environmental Protection Agency, An overview of renewable natural gas from biogas
5 Source: United Nations Committee for Development Policy
6 Source: World Health Organization, Household air pollution and health
7 Source: World LPG Association
8 Source: United Nations Committee for Development Policy
9 Source: Liquid Gas Europe, What is LPG?

Minimizing our operational environmental footprint

Environment and climate change are material to Hexagon and our stakeholders. We deliver products and services that enable the transition towards clean energy, but to do so responsibly means also mitigating the embodied climate impact of our products. Currently, our main negative environmental impact is emissions from material purchased. Improving environmental benefits and reducing climate risks from our products are therefore at the core of our business model and ESG strategy.

Our approach

Hexagon prizes the resources it consumes. We prioritize innovation that can improve our processes, optimizing the material used in our cylinders, reducing emissions and waste and improving energy efficiency, all whilst maintaining rigorous quality standards. These processes are supported by certified environmental management systems. The relevant manufacturing sites are certified to ISO 14001 Environmental Management (see Hexagon's ISO certifications at www.hexagongroup.com). Emissions from the various manufacturing units are regulated by national and/or local authorities.

We report carbon footprint data for all our business areas. We believe that it is our duty and critical to our long-term success to provide transparent, traceable emissions information. Since 2019 we have reported on our direct emissions, and most importantly the indirect carbon emissions generated from the purchase of energy and raw materials – corresponding with the full range of scope 1, scope 2 and scope 3 emissions as recognized by The Greenhouse Gas Protocol. We utilize financial spend data to account for, and calculate, the climate impact of all economic activities throughout the group caused by purchased goods and services.

GO BACK

For many businesses, Hexagon included, a large portion of carbon emissions are generated in scope 3 activities. It is therefore of high strategic importance to reduce our indirect carbon usage and include it in our long-term commitment: to reach net-zero as soon as possible before 2050. We are currently working on setting shorter-term reduction goals for 2030 in line with the 1.5°C Paris Agreement target, and having them validated by the Science-Based Targets Initiative.

96.2 per cent of our emissions are generated within our value chain, more specifically through key raw materials and other purchased goods and services.

Waste and Circularity

We strive to achieve a zero-waste culture through a process of continuous improvement, creating a lean, flexible, and highly scalable business, focused on value-added activities. Most waste related to Hexagon's business activities is generated at product end-of-life and is related to the disposal of the cylinders. The impact of the waste relates to the method of disposal, e.g. energy recovery, recycling, landfill etc.

Other waste related to Hexagon's operations includes scrap during production and testing, such as cardboard, paper, plastic, wood, e-waste and metals, as well as regular household types such as packaging and food waste.

Some of the waste associated with our operations is hazardous. Hexagon employs specialized contractors who safely dispose of this waste. Waste data is provided by third-party haulers, confirmed through local environmental health and safety team members, and validated. Environmental compliance requirements are based on local environmental laws and regulations. No violations or non-compliances were identified in 2021.

Non-renewable materials used to create Hexagon's products include carbon fiber, glass fiber and binding materials. Hexagon does not have reportable data for the total amount of packaging used in distributing its products.

Hexagon is in the process of assessing ways to mitigate and reduce the negative impact generated in its value chain – one of its initiatives is to source materials closer to its manufacturing sites. See Responsible procurement to learn more.

Results and achievements

Our total carbon footprint

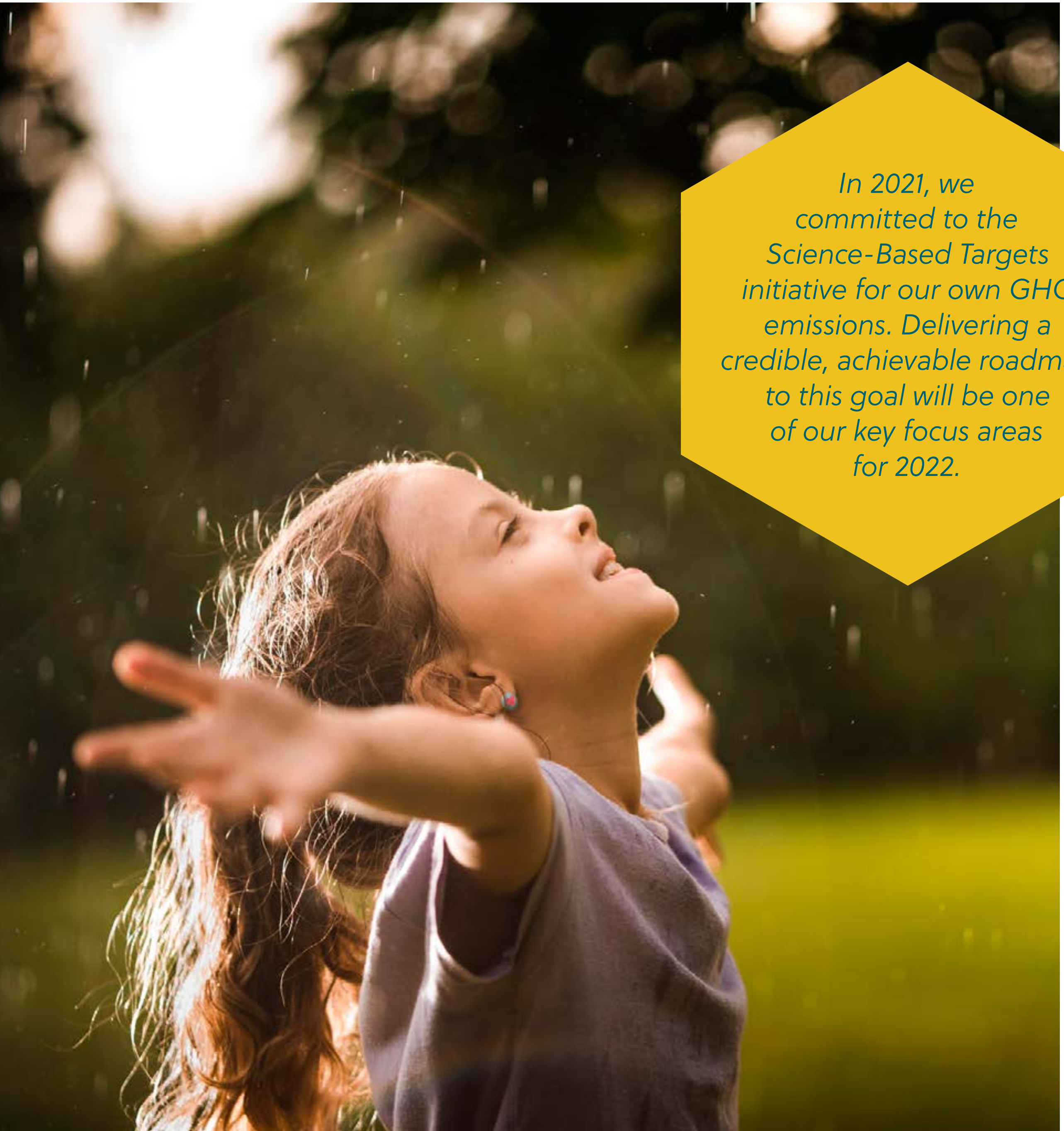
In 2021, we substantially expanded our scope 3 emissions reporting to ensure we capture the most significant indirect sources of GHG emissions in our value chain. We also updated our calculation methodology and recalculated our 2020 numbers. This has resulted in a more accurate overview of our GHG emissions.The total GHG emissions from our activities in 2021 amounted to 303 138 metric tons, up from 261 375[1] metric tons in 2020.This includes scope 1 emissions and location based scope 2 emissions,and scope 3 emissions.

Our scope 3, indirect emissions, accounted for 291 642 metric tons,including of whichother purchased goods and services amounted to 167 485 metric tons, including paint&powder, operating supplies and helium gas for pressure testing of products.

Emissions scope[1]	2021 greenhouse gas emissions (tons of CO_2 equivalent)	2020 greenhouse gas emissions (tons of CO_2 equivalent)
Scope 1 (direct emissions)	3 527	3 227
Scope 2 (indirect emissions from electricity use-location based)	7 969	7 507
Scope 2 (market -based)	12 431	11 832
Scope 3	291 642	250 641

Energy consumption	Unit	2021	2020	2019
Non-renewable fuel consumption	GJ	61 855	56 846	49 584
Renewable fuel consumption	GJ	Not reported	Not reported	2 236
Electricity consumption	GJ	95 282	90 879	97 059
Heating consumption	GJ	1 470[2]	954[2]	Not reported
Total energy consumption	**GJ**	**158 607**	**148 679**	**148 879**

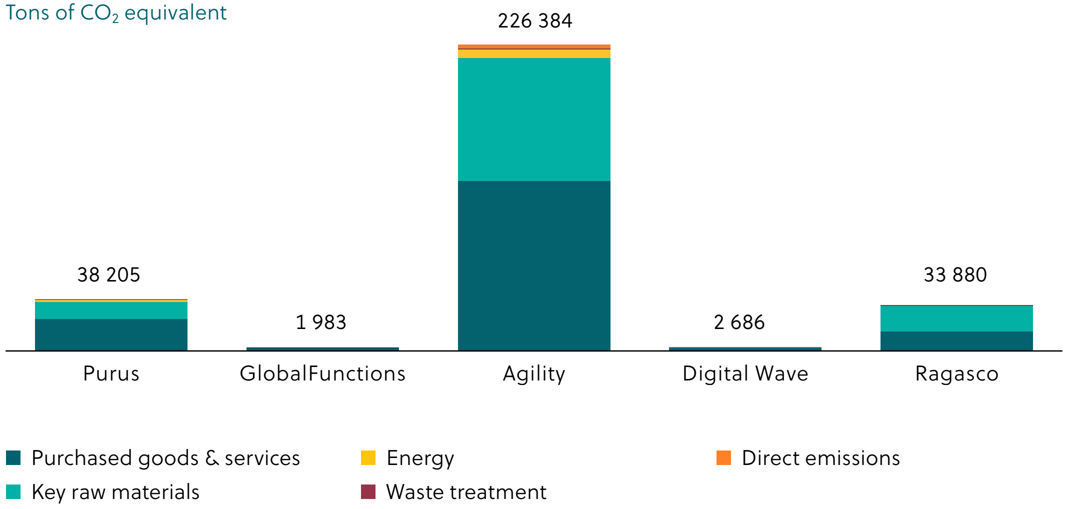
[1] Restatement of numbers. New numbers due to new calculation method
[2] Inconsistent reporting



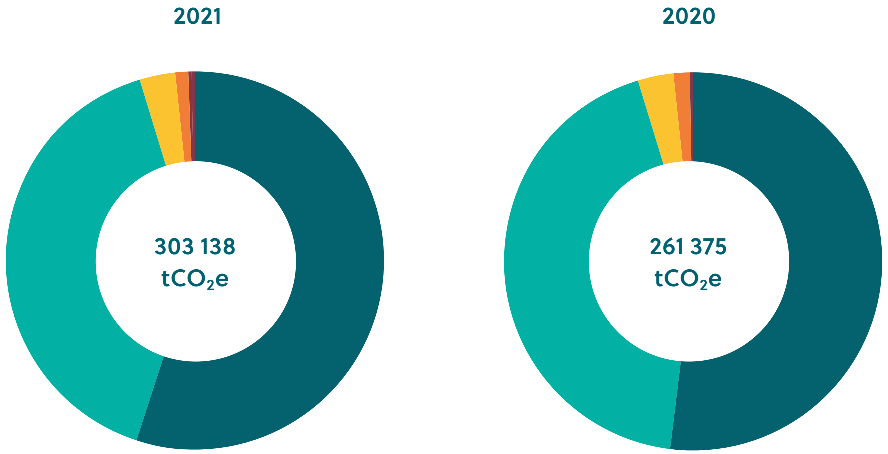
In 2021, we committed to the Science-Based Targets initiative for our own GHG emissions. Delivering a credible, achievable roadmap to this goal will be one of our key focus areas for 2022.

EMISSIONS BY BUSINESS AREA 2021

Tons of CO_2 equivalent



OUR TOTAL CARBON FOOTPRINT



GO BACK

Scope 3 emissions

Description	Calculation Methodology	Estimated GHG Emissions
Key raw materials Our most used raw materials hold a significant share of our reported GHG emissions, providing ample opportunities to improve in line with our ambitions/goals/targets.	Our sourcing specialists analyzed all raw material transactions across our operational business areas, where the top four raw material categories were found to contribute more than all other raw materials entering our group combined.	Sum of key raw materials 122 065
Carbon Fiber Carbon Fiber emission factors from EuCIA[1]	Emissions from key raw materials are estimated by multiplying transaction data (mass) from our ERP system with industry average life-cycle emission factors per unit mass of each key raw material. This corresponds with the average-data method provided in the GHG Protocol.	84 739
Glass fiber Glass fiber emission factor taken from our Environmental Product Declaration composite LPG cylinders.[2]		7 378
Extrusions Extrusions consists mainly of high-density polyethylene (HDPE). A global, industry average life-cycle inventory for HDPE was used to calculate the emission factor for this category.[3]		7 723
Ingredients & accelerators Consists mainly of resin. A global, industry average life-cycle inventory for epoxy resin was used to calculate the emission factor for this category.[3]		16 443
Aluminum		5 782
Other purchased goods and services This category includes all of our other purchases of goods and services. This includes, but is not limited to, capital goods and investments, upstream emissions from the production of fuels, transportation, operational waste and business travel.	Embodied carbon from other purchased goods and services is estimated by multi-plying our spend data with emission factors per monetary unit spent. This enables us to report estimated emissions from all group-wide economic activities.	167 485
Transport costs (internal and outbound)	Emission factors are calculated from multiregional environmentally-extended input output tables, which estimates GHG emissions from different sectors and products. This approach aligns with the spend-based method outlined by the GHG Protocol.	7 157

[1] https://ecocalculator.eucia.eu
[2] https://hexagonragasco.com/about-us/sustainability/epd
[3] https://ecoinvent.org

Life cycle assessment: improving end-of life

Hexagon Ragasco conducted a Life Cycle Assessment (LCA) in 2020. Based on this LCA, Hexagon Ragasco obtained the Group's first Environmental Product Declaration (EPD) in 2021, issued by the Norwegian certifying body EPD-Norge. This EPD covers the production stage of Hexagon Ragasco's composite LPG cylinders (including the production of raw materials, transportation of raw materials to our manufacturing plant in Norway, production of the cylinders and transportation of the finished products to the port of Oslo). An extended LCA analysis is now being finalized including the use and end-of-life stages of our products' lifecycles, focusing on their typical use in the Nordic countries. Based on this extended LCA, a new EPD based on the whole product life cycle will be published in first half of 2022.

Based on the current LCA of the production stage, we have developed an LCA calculator tool which we have started to use for strategic calculations of improvements that will contribute to a lower carbon footprint for our products. The calculator tool will be expanded to encompass the use and end-of-life stages immediately the extended LCA is finished.

The current EPD shows that raw materials contribute 88 per cent of the total carbon footprint of the product stage. At the same time, the results show the emissions from our own manufacturing are very low, mainly because the production plant in Norway is highly efficient and powered by hydroelectric energy.

The results show the importance of working strategically with the entire value chain and help to secure the commitment of our raw material suppliers to reducing emissions from their production. Hexagon Ragasco has included sustainability as a topic of discussion in our supplier meetings to request information about their strategic work and target setting. We also request specific carbon emission factors for our materials so that we can use more exact data in our LCA calculator. In 2021, Hexagon Ragasco implemented sustainability as a factor in our purchasing criteria. In 2022 we will purchase more raw materials from suppliers closer to our production site where this offers a reduced carbon footprint.

Recycling and zero waste

In 2021, Hexagon Ragasco targeted the implementation of re-use of in-house HDPE waste from casing parts, enabled by investments in infrastructure made in 2020. However, when running trials, it became clear that further investment would be required to ensure the efficient handling of the many differently-colored casing materials in a way that could be integrated with the rest of the fully-automated manufacturing plant. Further investments were carried out in 2021, with an additional grinder and a de-duster (to improve the quality of the reground material) installed in our plant. Trials were the carried out to identify the optimum material mixes for re-use, ensuring the quality of our products.

Hexagon Ragasco was also awarded external funding to investigate the use of recycled, post-consumer HDPE into our casing parts. This project will be carried out in 2022. Hexagon Ragasco sees a continuous increase in demand from customers for spare parts for the cylinders casing. The availability of such spare parts can significantly prolong the lifetime of our pressure vessels.

In 2021, Hexagon Ragasco was awarded external funding to invest in infrastructure for the mechanical recycling of our composite pressure vessels. This investment will increase the accessibility of composite waste to be used in a range of applications as fillers and/or reinforcement materials, as well as in higher value products. This project is one of several important initiatives targeting innovative recycling solutions on the path towards a circular economy, both for Hexagon Ragasco and other regional and national partners. Hexagon is running several R&D projects aimed at finding ways to recycle composite materials into other commercial products. We are also testing alternative resin materials in our ongoing efforts to further improve our carbon footprint.

As part of our recycling and zero waste initiative, and in response to our desire to reduce the amount of residual material ending up in landfills, Hexagon's manufacturing facility in Lincoln, Nebraska recycled 46 metric tons of carbon fiber.

WASTE KPIs

Waste	Unit	2021	2020[1]	2019[1]
Total amount of waste generated	Metric tons	3 787	2 636	2 176
Non-hazardous waste generated	Metric tons	3 729	2 580[2]	2 102
Hazardous waste generated	Metric tons	58	56	74

[1] 2019 and 2020 numbers on non-hazardous and hazardous waste were swapped in 2020 reporting. Numbers for are correctly presented in the table above

[2] Due to incorrect reporting, non-hazardous waste 2020 have been recalculated from 1 872 metric tons to 2 580 metric tons

At our facility in Fontana, California we recovered all of the 24 metric tons of waste that did not get recycled, converting it to energy. No waste went to landfill. We also replaced disposable packaging with reusable packaging for the fuel systems to increase shipping density and reduce waste. This diverts over 363 metric tons of packaging waste from landfill.

Increase in production and activity level has resulted in an increase in non-hazardous waste.

KEY CHALLENGES

- The urgent need for a transition to a resource-efficient, low-carbon economy
- Maximizing the positive climate impact of Hexagon technologies by enabling the avoidance of GHG emissions in the production of those technologies and optimization of waste management
- Effectively and efficiently mitigating the negative impact of indirect carbon emissions generated from the purchase of raw materials for production – such as glass fiber and carbon fiber – while ensuring enough supply and remaining competitive
- Pandemic-driven supply constraints limiting negotiation ability with suppliers

KEY OPPORTUNITIES

- Climate change and the low carbon transition increases demand for Hexagon, as a solutions provider in this space
- Improving end-of-life strategies to reduce waste and further enhance the circularity of our value chain
- Regulatory support and customer demand for greener solutions throughout the supply chain

OBJECTIVES AND FOCUS AREAS

- Develop a climate roadmap to reach our targets for 2030 and 2050
- Continue to explore waste reduction initiatives and establish waste targets
- Establish targets for energy consumption
- ISO 50001 certification (energy management system), for Hexagon Agility's manufacturing sites at: Lincoln, Nebraska; Fontana, California; Salisbury, North Carolina; and Raufoss, Norway
- Further increase engagement with key suppliers to understand and develop their climate ambitions and reporting, and to work with them to enhance our production
- Further the work on lifetime assessment analysis throughout our businesses

Product safety and compliance

Hexagon's cylinders are used to transport and store highly pressurized gases. The safety of our cylinders is essential to our license to operate, and 100 per cent of our cylinders are tested before being shipped to the customer.

As a pioneer in composite technology and a global leader within composite manufacturing, quality and operational excellence have always been at the forefront of Hexagon's work. Our high-pressure composite cylinders weigh up to 50 per cent less[1] than steel cylinders, are corrosion-resistant and not susceptible to material fatigue - something of crucial importance to the cylinders' life cycle and safety. The lower weight of composite cylinders means they can also be more economically efficient, with fewer maintenance requirements and lower transportation fuel consumption.

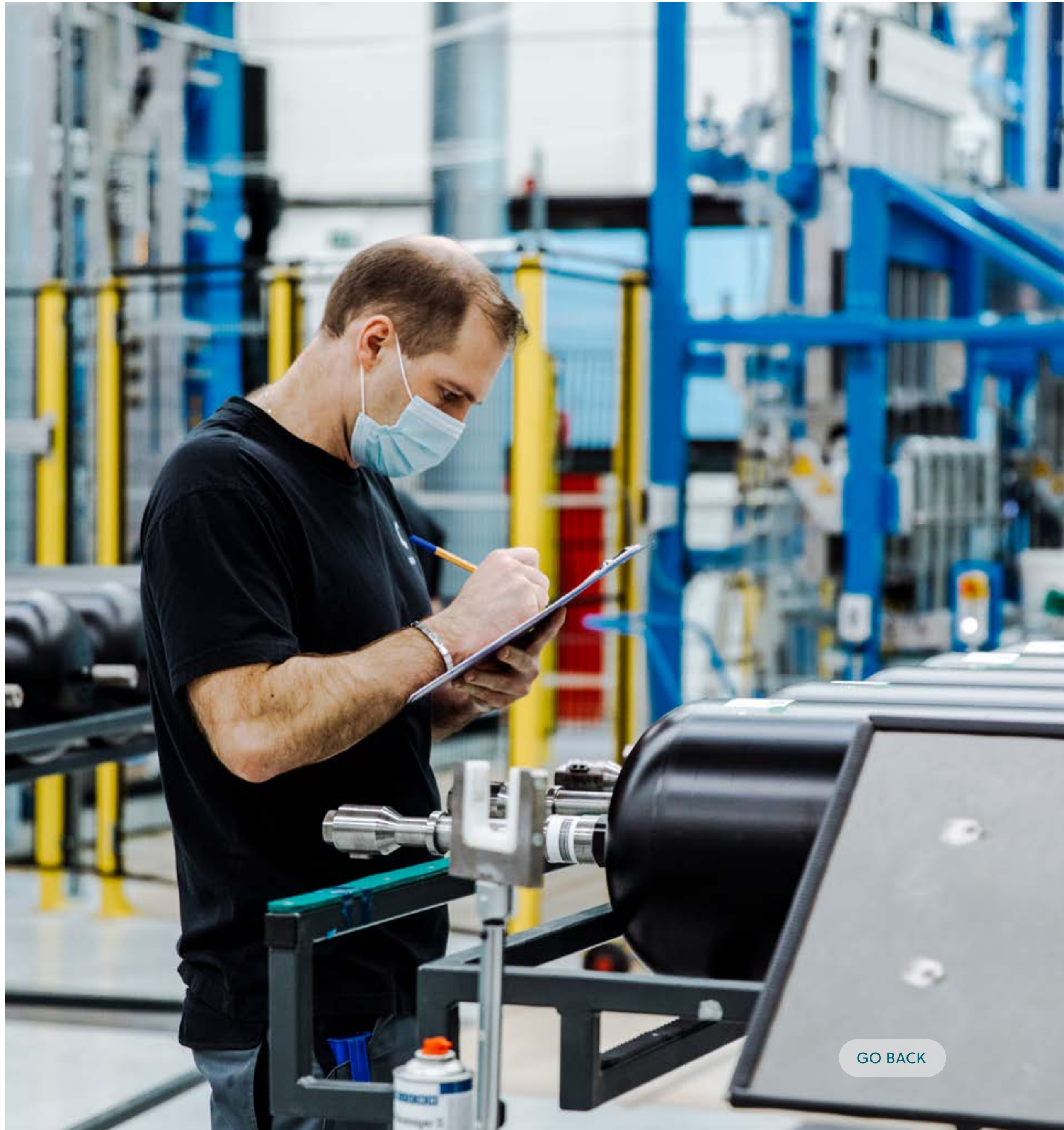
Our approach

Building on a safety-first culture

With over six decades of experience in the field of composites, Hexagon has leveraged its expertise to improve the safety of all its cylinders and cylinder systems. A fully integrated business model allows us to utilize knowledge from one market to improve performance and safety in other markets. Our depth of experience with composite pressure cylinders has enabled us to develop best-in-class fuel systems and gas transportation modules. Our unbeatable track record of comprehensive risk assessments means we know what works - and we use that knowledge to improve safety worldwide.

Training and continuous improvement

We instill our people with a sense of pride in the safety of our products. Employees are trained to identify potential design, engineering, manufacturing and quality risks, and to immediately report such risks to supervisors. We promote transparency along with safety, to ensure diligence in assessing risk. Every Hexagon employee is responsible for doing their part to ensure product safety and quality. Each individual has the authority and responsibility to stop any process (in either production or office environments) to correct quality problems, reestablish process control, or contain defects and errors.



Compliance with standards and regulations

We assure the safety of our products throughout every stage of production in our design review process, every design or design enhancement is subjected to rigorous peer review, allowing for multiple iterations and multi-disciplinary input. We conduct regular product segment reviews and roundtable safety sessions to evaluate potential field issues and consider customer feedback. Forensic evaluations are conducted on select populations of products that have completed their useful life, to understand in-field aging effects and residual performance capabilities. We use this information in continuously improving our products' safety.

Hexagon is integrally involved in the development of safety codes and standards within the industry. Hexagon personnel hold positions on the standards committees and actively participate in standards evaluations and reviews. As new products are developed, we critically assess how safety codes and standards should be modified or revised to address new risks. Rather than standards driving how our products are designed, we design products that drive more rigorous and stringent standards, thereby promoting safety advancements across the whole industry.

KEY CHALLENGES

- Maintain leading market position as increased demand for zero and low carbon solutions brings with it additional competition
- One incident in the industry, is one too many – product safety flaws by our competitors can have as strong an effect on our business (and the entire industry) as our own.
- Supply chain challenges including access to enough high-quality green(er) raw materials
- Pacing production capacity to meet demand

KEY OPPORTUNITIES

- Grow our leading position as a high quality, environmentally-friendly solutions provider in a market that continues to expand
- Integral involvement in the development of safety codes and standards, promoting safety advancements across the industry
- Increased demand calls for production at scale, which reduces cost per unit

OBJECTIVES AND FOCUS AREAS

- Go beyond compliance, push for improvements to international standards and relentlessly strive to improve product safety
- Bring leading-edge technology for the real-time monitoring of cylinders and life extension to the market from Hexagon Digital Wave
- Further product innovation through digitization

It is not enough that our products obtain the required certifications. We consistently exceed the minimum standards, validating through modeling, analysis and testing to ensure our products are best-in-class. Our cylinder design and development processes include verification of customer and industry requirements, followed by rigorous testing sequences that subject the product to extreme performance thresholds. When validation testing is complete, the product is certified for operation. Every cylinder is tested at a pressure higher than it will ever experience in the field; this enables Hexagon and its customers to stand behind the safety and reliability of our products.

Hexagon's business areas are certified to ISO 9001, 50001 and 14001. For a full overview please visit www.hexagongroup.com

[1] Source: AGA

Responsible procurement

Hexagon works with suppliers and business partners around the world. We purchase goods and services from a wide variety of suppliers, from large international organizations to specialist local vendors. We primarily source services and components during the development and production phases of our projects. Many of our relationships are well-established and long-term, built on integrity and mutual respect.

Our approach

The sourcing of our goods and services and other supplier interactions must be conducted in a proper manner. Social, environmental, and economic factors are increasingly integrated into our assessment of suppliers and our sourcing decisions, and are therefore embedded in our Supplier Code of Conduct.

When engaging with suppliers, we set out our expectations and requirements regarding sustainability through our contract and bidding documents, including Hexagon's terms and conditions, Supplier Code of Conduct, supplier quality manual, supplier scorecards and supplier audits.

Hexagon communicates its sustainability requirements and objectives across its supply chain to ensure suppliers:

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

Supplier audits may take several forms, from initial self-assessments to comprehensive on-site reviews. The selection of suppliers and sub-contractors has a significant impact on Hexagon's social and environmental performance. All suppliers are expected to adopt and implement Hexagon's requirements as a condition of doing business with the Group. Our supply chain management work is guided by international standards including the OECD Due Diligence Guidance for Responsible Business Conduct, and the UN Guiding Principles on Human Rights.

Our objective is to actively manage and encourage suppliers to meet governance standards including decent employment conditions for their employees and responsible stewardship for the environment.

Failure to comply with the Hexagon Supplier Code of Conduct could result in the termination of a supplier's relationship with the Group. We have not yet had reason to terminate a supplier relationship due to sustainability-related misconduct.

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

- Innovation
- On-time delivery
- Quality performance
- Responsiveness and communication
- Cost
- Quality support
- ESG programs

Results and achievements

In 2021, the Group developed and rolled out its Supplier Code of Conduct to ensure suppliers and business partners are aware of and comply with all of Hexagon's expectations and requirements.

We sourced 12 291 metric tons of key raw materials to manufacture our primary products, of which 6.9 per cent is renewable materials. Non-renewable materials includes carbon fiber, glass fiber and binding materials. Some of those materials with environmental considerations are:

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

Hexagon Agility – the Group's largest business area - conducted supplier audits which included ESG questionnaires for 80 per cent of its spend in 2021. The business used the output from the ESG questionnaire to a limited degree in its decision-making process. This will be a focus area going forward.

The Group focus in this area is to find short- and long-term solutions to mitigate emissions by, for example, using locally-produced raw materials. As an example, Hexagon Ragasco has found that by increasing one of our raw materials to 35 per cent local production in 2022, the company will improve its greenhouse gas footprint by 4.2 per cent in the production stage, per cylinder produced.

KEY CHALLENGES

- Driven by new regulatory requirements, further understanding the total emissions picture from our suppliers' and sub-suppliers' operations is of the utmost importance. Our expectation going forward is to capture the emissions in our value chain and enable targeted initiatives with our supplier base to reduce emissions across all scopes.

KEY OPPORTUNITIES

- Hexagon's climate opportunities lay to a large extent in the development of our products. A substantial portion of our carbon emissions are generated from the raw materials our production consumes. It is therefore of high strategic importance to reduce our indirect carbon usage through a closer collaboration with our partners and suppliers who meet or exceed our expectations.

OBJECTIVES AND FOCUS AREAS

- Reviewing its results from 2019 to 2021, Hexagon will increase its focus on its supply chain to meet our short- and long-term reduction targets, and to work with our suppliers to assure alignment with, and delivery of, our sustainability goals
- Mapping key ESG risks in our supply chain
- Directly engaging with high-impact suppliers to better understand their ESG risks and mitigating activities
- Continuing to map our suppliers' climate reporting and ambitions
- Expanding our understanding of, and reporting on, the primary indirect sources of GHG emissions in our supply chain
- Develop specific sustainability initiatives and relevant metrics
- Stepping up sustainability risk management to improve supply chain performance and integrate SDG ambitions for climate and labor conditions

Responsible employer

Keeping our employees safe during our operations is vital. Hexagon's manufacturing involves complex machinery and industrial processes, rapidly moving equipment, heat, caustic chemicals and pressurized gas. Hexagon has established training and operational requirements that ensure a safe and healthy work environment.

We believe this promotes efficiency and lowers operating costs, and that a safe, healthy and engaging work environment for all employees is a necessity for a sustainable and profitable business. It is why we conduct our business with respect for human rights and labor standards, including conventions and guidelines related to the prevention of child or forced labor, minimum wage and salary, working conditions and freedom of association.

Our approach

We set out to minimize harm to people and the environment and to secure our employees' active contribution to a positive health and safety culture. We communicate our standards to our employees through local environment, health and safety (EHS) standards.

Hexagon continuously works towards an overall goal of zero injuries and zero impact on people and the environment. To achieve this, we maintain ambitious health and safety standards to prevent hazards and incidents for all our employees and for other parties working on behalf of the Group. We take responsibility, set requirements and monitor performance in both the development and production phases of our products.

All employees in Hexagon are responsible for reporting incidents, near incidents, safety breaches and hazards. Our people are encouraged to report, without fear of retribution, in a no-blame culture. They also have free access to our global, third-party whistleblowing channel, which complies with national and international standards.

DID YOU KNOW

100 per cent of employees are covered by our occupational health and safety management systems.

100 per cent of employees are covered by our occupational health and safety management system. The occupational health and safety management system is intended to enable our organization to provide a safe and healthy workplace, prevent work-related injury and ill health, and continually improve our performance.

We are committed to maintaining a comprehensive, effective and consistent EHS management system across all our business and production areas. Overall responsibility for health and safety resides with the senior management and Boards of their respective business segments in Hexagon. Relevant departments, including EHS, HR and our operational teams, manage and monitor day-to-day implementation.

Our performance and objectives are monitored internally on a quarterly basis. We have adopted tools and routines to systematically assess hazard recognition and implementation of preventive measures, which are conducted at each site by local EHS responsibles. The global EHS team meets every two weeks to evaluate and analyze incidents/hazards. Important lessons learned are communicated amongst the functions and relevant business units through safety reports and meetings.

Results and achievements

Hexagon delivered close to 2.5 million working hours with no fatalities in 2021. Our work-related injuries (WRI) increased to 40 (17) in 2021. The typical injuries involved employees being struck-by-objects and strains. We are not satisfied with this result and aim to reduce our WRI in 2022.

We have assessed the cause of the increase in incidents and confirmed that it is, to a large degree, attributable to "the great resignation"; the unusually higher-than-normal quit rate of American workers in the spring of 2021, which continued until vaccinations eased the severity of the COVID-19 pandemic in the fall. With a high turnover, it is evident that our onboarding processes, training programs and awareness activities were not robust enough to address the influx of new people and the exit of experienced personnel.

As a mitigating measure we recalibrated our EHS initiatives launched in 2020 and 2021. To date, new improved onboarding programs, more extensive training programs and awareness activities are ongoing. As a result, the rate of injury in the second half of the year and into 2022 has already shown a significant improvement.

To further strengthen the health and safety culture we will introduce new activities in 2022, including reinforcing management commitment, employee participation, and hazard recognition assessment and control. In addition, we will have specific initiatives focusing on hand injury prevention, tool handling and dermatitis prevention.

KEY PERFORMANCE INDICATORS

Indicator	Unit	Target 2021	Actual 2021	Actual 2020	Actual 2019
Fatalities	Number	0	0	0	0
Work-Related Injuries (WRI)[1]	Number	0	40	17	19
TRIF (Total recordable incident frequency)[2]	Rate per 200 000 hours	2.0	3.21	1.99	1.83
LTIF (Lost time incident frequency)	Rate per 200 000 hours	1.0	1.04	0.69	0.49
Lost Time Incidents (LTI)[3]	Number	1.0	13	7	5
Close calls[4]	Number	N/A	462	438	340
Working hours incl. full time, part time and agency people[2]	Number	N/A	2 491 537	1 710 224	2 072 089

All figures include hours from subcontractors. Rates are calculated per 200 000 hours worked

1 Work-Related Injuries: A work related incident is recorded as an WRI if it results in one of the following; death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, loss of consciousness, significant injury or illness diagnosed by a physician or other licensed health care professional
2 Total recordable incident frequency: is defined as the rate of work-related injuries per number of hours worked
3 Lost Time Incident Frequency : Is defined as the number of lost time injuries occurring per 200 000 hours worked
4 Close calls: an incident where no injury or ill health occurs, but has the potential to do so

Sick leave

Sickness absence levels in Norway and Germany were 5.6 per cent and 6.2 per cent. No occupational disease cases were recorded in the Group. In North America, sickness absence was not recorded as employees are allocated generic paid time off (PTO) of 15 days – which includes but is not limited to sickness absence.

EHS audits

Hexagon's EHS audit plan for 2021 covered all our manufacturing sites. An ISO audit of Hexagon was successfully completed by DNV ("the independent expert in assurance and risk management") in 2021, resulting in the retention of existing certifications for ISO 9001 (quality management systems), ISO 14001 (environmental management systems) and ISO 50001 (energy management system)

Response to COVID-19

COVID-19 has had an impact on how we work, but our business and operations have been largely unaffected. The health, safety and wellness of our employees has been the number one priority in our COVID-19 response. Throughout 2021, we have responded both globally and locally to the situation, with communications, site risk assessments, business continuity planning and situation reporting in place for our business areas and local emergency response teams.

In 2022, we will continue to apply appropriate COVID-19 response measures and wellness activities for our employees.

Response to Ukraine Invasion

Hexagon is closely following the tragic events unfolding in Ukraine and the resulting humanitarian crisis.

While we don't have operations or employees in the Ukraine, we have a sales/distribution entity in Russia staffed by 6 of our dedicated employees. The Company is closely monitoring the situation and is continuously assessing potential impacts to ensure compliance with international sanctions. In the meantime, Hexagon has stopped all product shipments to Russia. Our offices remain open, and we continue to follow up our Russian colleagues.

Continuous improvement of our zero injury, zero impact culture

The data collected in 2021 demonstrates a need to ensure additional key performance indicators (KPIs) are in place and the desired outcomes are closely monitored. To achieve our target of zero WRI, we will introduce KPIs covering high-potential incidents, observations, incidents with injury, and close call reporting. Reporting, analyzing underlying causes, implementing measures in connection with near accidents and hazardous situations, as well as frequent inspections at our facilities, will continue in 2022.

KEY CHALLENGES

- Keeping workforce safe in dynamic and challenging manufacturing environments
- Continuing to mitigate impact of global pandemic
- Minimizing environmental footprint of our value chain and operations

KEY OPPORTUNITIES

- Improvement of performance indicators
- EHS audit plan to identify areas for greater focus
- Raise profile of organizational commitment and leaders-as-role-models for EHS

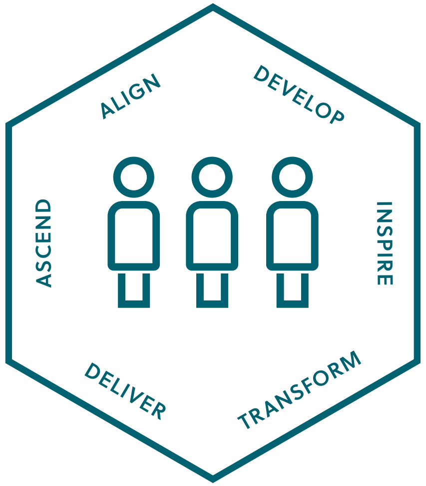
OBJECTIVES AND FOCUS AREAS

- Provide greater opportunity for personal development and training
- Continuous improvement of health and safety results and promotion of zero injury culture
- Increase employee competence in health and safety behavior through safety engagement activities
- Reinforce management commitment, employee participation, hazard recognition assessment and control, and our education and training programs

Workforce development and Hexagon university

We strive to create a culture where our employees feel engaged and motivated. Our ability to drive personal development is critical to delivering on our strategy. We recognize that people are our most important asset, and we strive to create an environment that cultivates excellence, promotes our values and encourages diversity.

Through our internal learning and development function "Hexagon University", we build and implement a range of programs for our employees. The aim is, over time, to bring added value to the professional and personal development of Hexagon's talented people. Our vision is for Hexagon University to be the parent organization where training and development programs - including topics such as strategy, corporate governance, our Code of Conduct, culture and values - are all integrated into a common learning management system.



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Our approach

Developing leadership as a competence and a fundamental aspect of our company culture is critical to delivering on our business strategy and reaching our goals. A key leadership development initiative begun in 2021 is our development program, "Drive". Drive is Hexagon's leadership accelerator, intended for all our leaders across the Group. It is a comprehensive, two-day workshop that engages our leaders in activities, discussions, and hands-on practice in a variety of leadership competencies, such as feedback, coaching, change leadership, and team development. The vision for Drive, together with Hexagon University, is to unleash the full potential of every member of the Hexagon team.

We believe our leaders play a vital role in driving employee engagement – which is why we start by training their trainers.

Results and achievements

In 2021, we launched the Hexagon University Workplace group, with monthly sponsored events on topics such as "Building Resilience" and roundtables with Hexagon leaders discussing their philosophies and their leadership journeys. We also developed Drive, the first program sponsored by Hexagon University. Furthermore, we created the Hexagon Leadership Path, a roadmap of programming that takes employees from exploring management on to leadership roles.

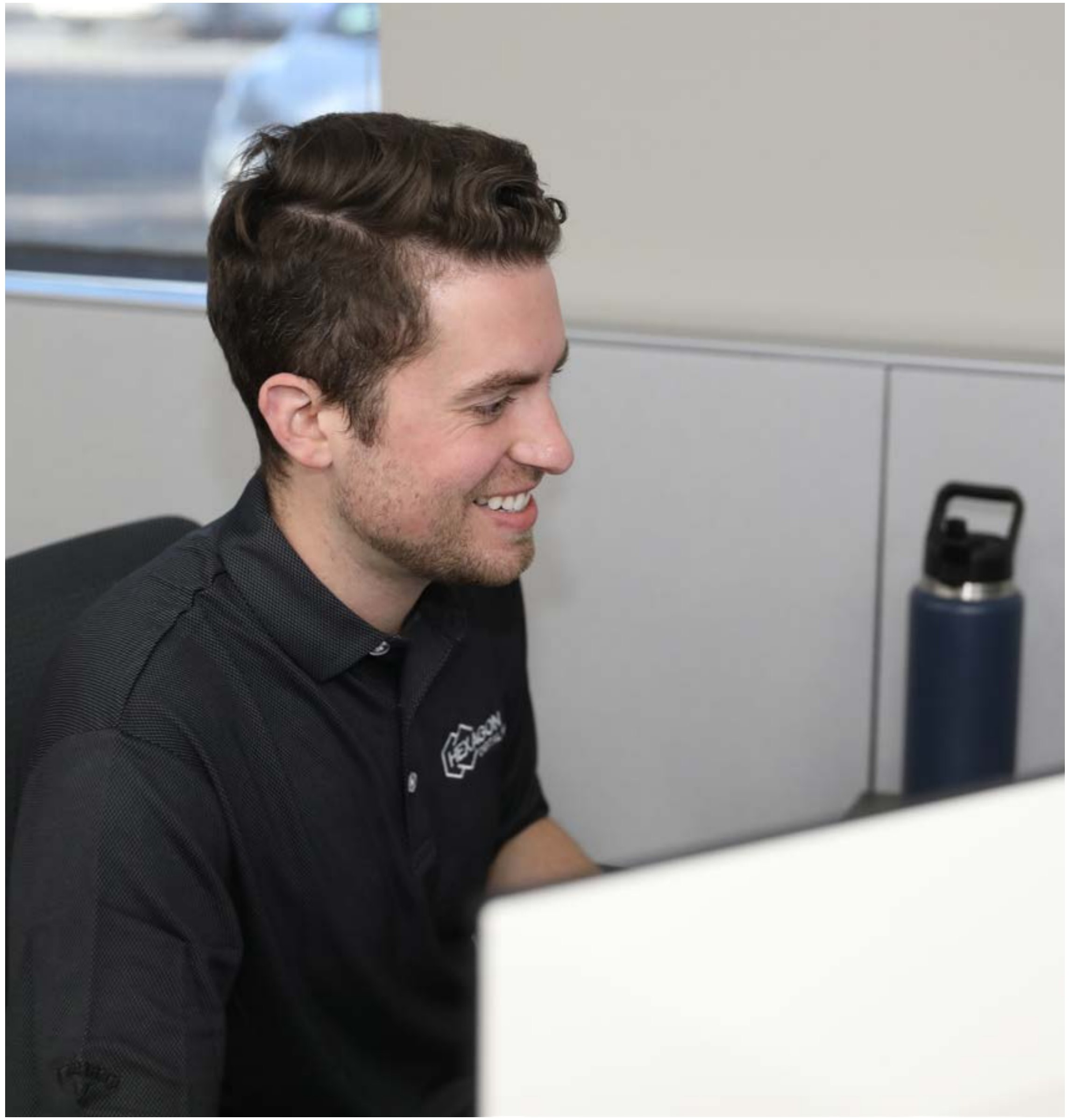
Great Places to Work

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

The Group is transparent in sharing the results of the process, both in positive areas and those in need of attention. In 2020, Hexagon onboarded the remainder of its US operations, expanding the survey to the entirety of the Hexagon Group. The results of that survey were reported in our 2020 Sustainability Report.

In 2021, the Group was reorganized and rebranded. During this process, it was agreed to adjust the Great Places to Work survey cycle to occur annually, starting in March 2022.

The 2020 Great Places to Work survey kicked off a process in which we engaged with our people in continuous improvement teams to address the weaknesses the survey results identified. Some of the highlights of those results were:



- 81 per cent of employees were proud to tell others they work at Hexagon
- 88 per cent reported they were treated fairly, regardless of their sexuality
- 86 per cent said they were treated fairly, regardless of their race
- 85 per cent of employees responded that they were treated fairly, regardless of their gender
- 82 per cent said they were treated fairly, regardless of their age

Employee engagement an important element of bonus programs for managers

Every year, two Individual Personal Objectives Review sessions are conducted, in which the senior management is evaluated in terms of how well they succeed with their defined objectives for the year. These sessions cover management, employee engagement, competence building, diversity (including gender equality and equal pay) and strategic staff planning. Financial targets and sustainability goals are followed up in the Business Review, which is also conducted by the CEO twice a year. The achievement of financial and sustainability targets constitutes the basis for the determination of bonuses for the CEO and senior Group management.

KEY CHALLENGES

- The decentralized nature of our business presents challenges for the consistent implementation of a talent development strategy; performance management processes vary across the business and require ongoing partnership with local HR and business leaders
- Employee training and development is owned across many functions and disciplines, so co-ordination of an employee's full curriculum (job skills, compliance and personal development) is challenging and is currently out of scope for Hexagon University, though it does remain a long-term goal
- Accessibility by way of translation and cultural adjustment of Hexagon University content is a challenge, but one that can be met by engaging local teams

KEY OPPORTUNITIES

- The organization is highly engaged with the idea of personal and professional development; our senior leaders have all given their full endorsement and support to Hexagon University
- Hexagon University is well positioned to be an arm of both our social strategy (ESG) and our global brand strategy
- Expanding Hexagon University's dedicated resources to assist in our efforts to create a better global learning and development presence
- Through virtual channels like Teams and Workplace, we can better engage our full workforce in Hexagon University offerings

OBJECTIVES AND FOCUS AREAS

- Focus on leadership development across all business areas in 2022, with an emphasis on our leadership accelerator program, Drive
- Continue to explore technology that better tracks, assigns, and delivers training to our growing, global workforce
- Build out the full leadership development curriculum to give the business access to content that is relevant and targeted at key talent gaps within our leadership pipeline
- Maintain a strong connection to HR and business leaders to ensure Hexagon University content is global, accessible, relevant, and engaging
- Create an index for the impact that employee development has on our success and growth
- Establish a learning management system for the organization, incorporating our full employee curriculum

Diversity and inclusion

Diversity is a competitive advantage and a business imperative for Hexagon. With more than 35+ nationalities in our team and operations around the world, we consider ourselves a truly global company. Our people are central to our quest to become a global leader in clean technology solutions.

Our approach

We embrace diversity and inclusion in our practices, policies and procedures, including but not limited to our hiring process, performance and rewards management, learning and development programs and initiatives. Hexagon continues to build a diverse talent pool, both through our selection processes and the work environment we promote and support. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background are strictly prohibited at Hexagon.

Results and achievements

Hexagon developed and rolled out its Diversity and inclusion policy in 2021 to further promote a culture of inclusion. We had one reported allegation of discrimination in 2021, which was later resolved with the matter being closed. This related to a former employee's termination and, after a thorough examination, the City of Lincoln, Nebraska, Commission on Human Rights concluded there was no reasonable cause to believe any discrimination had occurred. No issues were identified, and no remedial actions were taken.

KEY PERFORMANCE INDICATORS

Governance body	Gender (% female)		Age group (%) 2021		
	2020	2021	<30	30-50	>50
Executive Management	-	14%	-	-	100%
Board of Directors	40%	40%	-	-	100%
Headquarters (Norway)	46%	46%	8%	38%	54%
Managers[1]	18%	16%	2%	62%	36%
The Group	18%	19%	21%	55%	24%

[1] Defined as M3 and above plus people with direct reports

At the end of 2021, Hexagon had 1 300 full-time and 28 part-time employees in its workforce[1], of whom 47.9 per cent were categorized as production employees[2]. The remaining 52.1 per cent were employed in administrative roles such as sales, marketing, R&D, procurement, HR and finance. We recruited 434 highly skilled new employees during the year and engaged 80 agency contractors[3].

We successfully achieved our 2021 target of increasing the number of women in our workforce. 19 per cent of our workforce in 2021 was female, compared with 18 per cent in 2020.

We launched a number of initiatives in 2021, working across our business areas to focus on recruiting female candidates and promoting women in our leadership programs. While these initiatives have been important, there is still room more improvement. Increasing the share of female employees will therefore remain a priority for 2022. To remain focused, we have set longer-term targets of 25 per cent women by 2025 and 30 per cent women by 2030.

KEY CHALLENGES

- Pandemic driven lockdowns around the world and the impacts on employees' work pattern and engagement
- Talent recruitment and retention in a manufacturing market that is growing more and more competitive
- Improve gender diversity in a male dominated industry
- Secure employee work-life balance in a company that is in a strong growth phase

KEY OPPORTUNITIES

- Strengthen employer branding as part of new brand roll out
- Strengthen our approach to diversity and inclusion
- Explore new ways of working to facilitate global utilization of talent to our competitive advantage
- Leverage Hexagon University for leadership and skills development
- Reinforce training and awareness through the introduction of new training tool that measures comprehension
- Establish a system to enable deeper analysis of people data as a basis for business decisions and predictions.

OBJECTIVES AND FOCUS AREAS

- Provide greater opportunity for personal development and training for women
- Continue to promote gender diversity and its benefits among leadership
- Create an index for the impact that diversity has on our success and growth
- Further develop detailed roadmap for reaching 2025 and 2030 diversity goals

The previous table provides an overview of gender diversity and age for Hexagon's Board of Directors and executive management, our managers, headquarters staff and the Group overall.

See www.hexagongroup.com for further detailed data on employees.

1 When we reference workforce or employees in this report, unless otherwise stated, we are referencing headcount for our Group, including our operating businesses and headquarters as well as other staff functions 2021 numbers exclude Wystrach GmbH
2 Includes operators and maintenance
3 Includes agency contractors, temporary workers not on a Hexagon payroll

Business ethics and anti-corruption

Hexagon's corporate culture and sustainability values include standards and objectives for sound business ethics. We have a set of guideline documents for corporate responsibility and a Supplier Code of Conduct, as well as manuals and more specific guidelines for different areas such as anti-corruption, diversity and inclusion, responsible sourcing, environment, health and safety, and human rights (see www.hexagongroup.com for more information). Our ethical guidelines were revised in 2021 in a process that involved many parts of the organization, including the unions. The guidelines were communicated in a mandatory e-learning package that includes an overview of Hexagon's ethical expectations and requirements.

Our ethical guidelines were revised in 2021 in a process that involved many parts of the organization, including the unions. The guidelines were communicated in a mandatory e-learning package that includes practical ethical dilemmas.

Our approach

We continuously work to improve our processes in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs), including updating our policies and strengthening our strategic and operational approach to human rights due diligence.

Anti-Corruption

Hexagon fosters an organizational culture based on integrity and the highest ethical standards, which is essential to maintaining its high product quality and reputation as a trusted business partner. The Board of Directors and management of Hexagon are committed to carrying out business fairly and openly, with no tolerance for corruption. Hexagon works proactively to design, implement, and monitor procedures to prevent corruption. All Hexagon employees dealing with governments, customers, suppliers and partners are expected to be familiar with the Group's

GO BACK

policy and guidelines regarding gifts, benefits and entertainment, enabling them to assess situations that are or may potentially be in violation thereof.

Human Rights

Hexagon respects all internationally recognized human rights and our human rights policy is aligned with the UNGPs, the International Covenant on Economics, Social and Cultural Rights, the International Covenant on Civil and Political Rights and the International Labor Organization's core conventions to prevent, address, and remedy human rights abuses committed in business operations. Our policy confirms Hexagon's commitment to respecting human rights across all our business enterprises wherever we operate.

KEY CHALLENGES

- Systematically addressing due diligence and auditing measures to cover our suppliers' sub-contractors to comply with The Norwegian Transparency Act Responsibly engaging with new, higher-risk countries in order to secure supply of raw materials

KEY OPPORTUNITIES

- Ongoing review of relevant best practice, guidance, regulation and legislation to improve understanding and processes
- Developing and rolling out additional educational content with Hexagon University
- Further reaffirm our long-standing commitment to ethical business and human rights, demonstrated through "tone at the top"

OBJECTIVES AND FOCUS AREAS

- Deepening our understanding of human-rights in the supply chain
- Working to improve our processes in compliance with new legal requirements (e.g. the Transparency Act in Norway, coming into force in 2022, which will make human rights due diligence mandatory)
- Adopt an explicit statement on commitment to human rights
- All employees to complete anti-corruption training
- All employees to complete corporate human rights training

Results and achievements

Hexagon regularly evaluates various risks related to its supply chain. It has assessed the risk of corruption to ensure that relevant anti-corruption measures are in place and complied with. No high-risk corruption factors were identified, and Hexagon received no fines related to corrupt or anti-competitive behaviors in 2021. Hexagon continues to promote zero tolerance for corruption and anti-competitive behavior. By the end of 2021, 70 per cent of employees had completed the relevant e-learning course.

While we had no specific concerns related to human rights in 2021, we continue to focus on improving our processes and procedures. Various measures and training programs are being considered to even more deeply embed Hexagon's commitment to human rights throughout the organization.

Whistleblowing

Hexagon strives to maintain a transparent business climate with a focus on business ethics, fostering the open discussion and resolution of difficult or undesirable incidents. Employees are encouraged to contact their line managers, local compliance officers and/or human resources teams with any issue or concern, without fear of any retaliatory behavior In the fall of 2021, Hexagon also engaged a dedicated, independent third-party whistleblowing service which is available to all its employees and external parties to report issues or concerns anonymously. No incidents were reported in 2021, either through that service or through Hexagon's own compliance officers.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

DaaeGården, NO-6010 Ålesund
Langelandsvegen 1, NO-6010 Ålesund

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax:
www.ey.no
Medlemmer av Den norske revisorforening

To the Board of Directors of Hexagon Composites ASA

Independent accountant's assurance report

Scope

We have been engaged by Hexagon Composites ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Hexagon Composites ASA's sustainability reporting as the Hexagon Composites ASA have defined and referred to in the Hexagon Composites ASA's GRI Index (the "Subject Matter") as of 31 December 2021 for the period from 01 January 2021 to 31 December 2021.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the sustainability reporting, and accordingly, we do not express a conclusion on this information.

Criteria applied by Hexagon Composites ASA

In preparing the Subject Matter, Hexagon Composites ASA applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option (the "Criteria"). The Criteria can be accessed at globalreporting.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the sustainability reporting.

Hexagon Composites ASA's responsibilities

The Board of Directors and Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

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EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance *Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000').* This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

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Our procedures included:

- Review of Hexagon Composites ASA's process for preparation and presentation of the sustainability report to develop an understanding of how the reporting is conducted within the business
- Interviewed those in charge of sustainability reporting to develop an understanding of the process for the preparation of the sustainability reporting
- Verified on a sample basis the information in the sustainability reporting against source data and other information prepared those in charge
- Assessed the overall presentation of sustainability reporting against the criteria in the GRI Standards including a review of the consistency of information against the GRI index.

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

Aalesund, 24. March 2022
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant

Financial statements

Financial statements Group

Financial statements Parent Company

Income statement Group

1 JANUARY – 31 DECEMBER

(NOK 1 000)	Note	2021	2020
Revenue			
Revenue from contracts with customers	4	3 539 537	3 070 865
Rental income	4	3 354	9 511
Total revenue		3 542 890	3 080 375
Operating expenses			
Cost of materials	13	1 695 497	1 502 305
Payroll & social security expenses	9, 18, 27, 28	1 101 298	940 096
Depreciation, amortization and impairment	10, 11, 24	262 680	249 212
Other operating expenses	5, 14, 19, 24	637 512	448 034
Total operating expenses		3 696 987	3 139 647
Operating profit	4	(154 096)	(59 272)

(NOK 1 000)	Note	2021	2020
Finance income and expenses			
Finance income	6, 25	125 592	319 622
Finance expense	6, 20, 21, 25	270 283	314 604
Net financial items		(144 691)	5 018
Profit/loss from associates and joint ventures	26	(2 957)	(1 885)
Profit before tax		(301 744)	(56 138)
Tax expense	7	25 833	91 643
Profit/loss for the year		(327 577)	(147 781)
Attributable to:			
Equity holders of the parent		(237 325)	(140 776)
Non-controlling interest		(90 252)	(7 005)
Profit/loss for the year		(327 577)	(147 781)
Earnings per share (NOK)			
Basic	8	(1.64)	(0.78)
Diluted	8	(1.64)	(0.78)

Statement of comprehensive income

(NOK 1 000)	Note	2021	2020
Profit/loss after tax		(327 577)	(147 781)
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified through profit or loss in subsequent periods			
Translation differences when translating foreign activities		26 410	(68 972)
Net total of items that will be reclassified through profit and loss in subsequent periods		26 410	(68 972)
Items that will not be reclassified through profit or loss in subsequent periods			
Actuarial gains/losses for the period	18	(368)	(636)
Tax on actuarial gains/losses for pensions for the period	7	81	140
Net total of items that will not be reclassified through profit and loss in subsequent periods		(287)	(496)
Other comprehensive income for the period		26 123	(69 468)
Total comprehensive income for the period		(301 454)	(217 249)
Attributable to:			
Equity holders of the parent		(208 121)	(210 918)
Non-controlling interests		(93 334)	(6 331)

Financial position of the Group

CONSOLIDATED FIGURES

(NOK 1 000)	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant & equipment	10	1 010 625	747 266
Right of use assets	24	282 309	266 552
Intangible assets	11	2 384 524	2 034 355
Investments in associates and joint ventures	26	7 024	2 066
Other non-current financial assets	12	2 869	79 924
Deferred tax asset	7	13 678	1 775
Total non-current assets		**3 701 029**	**3 131 938**
Current assets			
Inventories	13	1 147 004	739 998
Trade receivables	14	880 396	450 456
Contract assets (accrued revenue)	4	4 165	814
Other current assets	15	182 443	191 849
Bank deposits, cash and cash equivalents	16	600 209	1 649 882
Total current assets		**2 814 217**	**3 033 000**
Total assets		**6 515 246**	**6 164 937**

(NOK 1 000)	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	17	20 162	20 162
Share premium	17	2 075 999	2 075 999
Own shares	17	(85)	(185)
Other paid-in capital		98 226	69 615
Total paid-in capital		**2 194 303**	**2 165 590**
Other equity		911 989	1 018 349
Equity attributable to equity holders of the parent		**3 106 291**	**3 183 939**
Non-controlling interests		378 010	411 899
Total Equity		**3 484 301**	**3 595 838**

(NOK 1 000)	Note	2021	2020
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	20	1 166 057	1 206 127
Lease liabilities	24	230 276	230 559
Other non-current financial liabilities	21	190 529	-
Pension liabilities	18	4 645	3 904
Deferred tax liabilities	7	247 160	187 359
Non-current provisions	21	11 686	2 157
Total non-current liabilities		1 850 353	1 630 106
CURRENT LIABILITIES			
Current interest-bearing liabilities	16,22	13 635	-
Lease liabilities short term	22,24	62 455	45 146
Trade payables and other current liabilities	23,25	712 897	634 484
Contract liabilities (incl. prepayment from customers)	4	277 658	51 665
Income tax payable	7	47 201	118 397
Provisions	19	66 747	89 301
Total current liabilities		1 180 592	938 993
Total liabilities		3 030 945	2 569 099
Total equity and liabilities		6 515 246	6 164 937

Aalesund, 24 March 2022
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chair

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Hans Peter Havdal
Board Member

Liv Astri Hovem
Board Member

Jon Erik Engeset
Group President & CEO

Cash flow statement Group

(NOK 1 000)	Note	2021	2020
Cash flow from operating activities			
Profit before tax		(301 744)	(56 138)
Tax paid/refunded for the period	7	(66 303)	(51 979)
Depreciation, amortization and impairment	10, 11, 24	262 680	249 212
Interest income	6	(4 394)	(5 968)
Interest expenses	6	56 560	84 387
Profit/loss from associates and joint ventures	26	2 957	1 885
Share based payment expenses	27	36 302	21 245
Changes in inventories, trade receivables and payables	13, 14, 23	(619 861)	14 911
Changes in pension liabilities	18	741	1 169
Changes in other accrual accounting entries		288 364	(29 525)
Net cash flow from operating activities		**(344 696)**	**229 198**
Cash flow from investment activities			
Proceeds sale of fixed assets	10	37 392	60 338
Purchase of property, plant & equipment	10	(301 238)	(146 578)
Purchase of intangible assets	11	(59 755)	(30 502)
Interest received	6	4 394	5 968
Acquisition of subsidiaries, net of cash	5	(146 189)	(9 249)
Other investments		(9 689)	(262)
Net cash flow from investing activities		**(475 085)**	**(120 284)**

(NOK 1 000)	Note	2021	2020
Cash flow from financing activities			
New non-current liabilities	20	1 134 459	-
Repayment non-current liabilities	20	(1 265 825)	(77 085)
New current liabilities	20, 22	4 595	-
Repayment of current liabilities	20, 22	-	(2 857)
Repayment of principal portion of lease liabilities	20, 24	(62 736)	(62 647)
Interest payments on lease liabilities	6, 24	(7 980)	(11 123)
Interest payments on interest-bearing liabilities	6	(49 901)	(74 019)
Payments of dividends		-	-
Payments of own shares		-	(7 169)
Proceeds from sale of own shares		9 543	-
Increase in share capital (parent company)		-	874 687
Increase in share capital (subsidiary)		-	723 418
Net cash flow from financing activities		**(237 846)**	**1 363 205**
Net change in cash & cash equivalents		(1 057 627)	1 472 119
Net currency exchange differences		7 954	112
Cash & cash equivalents at beginning of period		1 649 882	177 651
Cash & cash equivalents at end of period	16	**600 209**	**1 649 882**
Undrawn loan facilities	16, 20	582 605	453 416
Restricted funds, included in cash & cash equivalents	16	8 944	8 766

Statement of changes in equity

(NOK 1 000)	Share capital	Own shares	Share premium	Other paid-in equity	Translation differences	Other equity	Total	Non-controlling interest	Total equity
Balance 1 January 2020	18 329	(197)	1 203 145	48 742	134 551	748 423	2 152 993	-	2 152 993
Dividends to shareholders	-	-	-	-	-	-	-	-	-
Movement in own shares etc.	-	12	-	-	-	(7 181)	(7 169)	-	(7 169)
Share-based payment etc.	-	-	-	20 873	-	278	21 151	94	21 245
Profit/loss for the year	-	-	-	-	-	(140 776)	(140 776)	(7 005)	(147 781)
Capital increase parent company	1 833	-	905 456	-	-	-	907 289	-	907 289
Transaction cost	-	-	(32 601)	-	-	-	(32 601)	-	(32 601)
Capital increase subsidiary	-	-	-	-	-	540 501	540 501	182 917	723 418
Distributed dividend Hexagon Purus AS	-	-	-	-	-	(187 306)	(187 306)	235 219	47 913
Other comprehensive income									
Translation differences when translating foreign activities	-	-	-	-	(69 646)	-	(69 646)	673	(68 972)
Actuarial gains/losses for the period	-	-	-	-	-	(496)	(496)	-	(496)
Total other comprehensive income	-	-	-	-	(69 646)	(496)	(70 142)	673	(69 468)
Balance as of 31 December 2020	20 162	(185)	2 075 999	69 615	64 906	953 443	3 183 939	411 899	3 595 838

On 7 December 2020 the subsidiary Hexagon Purus Group issued 27 472 527 new shares in a private placement at the price of NOK 27.30 per share. The increase in capital was NOK 750 000 thousand. The increase is presented net after transaction costs of NOK 26 582 thousand.

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

(NOK 1 000)	Share capital	Own shares	Share premium	Other paid-in equity	Translation differences	Other equity	Total	Non-controlling interest	Total equity
Balance 1 January 2021	20 162	(185)	2 075 999	69 615	64 906	953 443	3 183 939	411 899	3 595 838
Dividends to shareholders	-	-	-	-	-	-	-	-	-
Movement in own shares etc.	-	100	-	-	-	9 442	9 543	-	9 543
Share-based payment etc.	-	-	-	28 612	-	5 716	34 328	1 974	36 302
Profit/loss for the year	-	-	-	-	-	(237 325)	(237 325)	(90 252)	(327 577)
Consideration shares issued in subsidiary in business combination	-	-	-	-	-	86 602	86 602	57 470	144 072
Other comprehensive income									
Translation differences when translating foreign activities	-	-	-	-	29 492	-	29 492	(3 081)	26 410
Actuarial gains/losses for the period	-	-	-	-	-	(287)	(287)	-	(287)
Total other comprehensive income	-	-	-	-	29 492	(287)	29 204	(3 081)	26 123
Balance as of 31 December 2021	20 162	(85)	2 075 999	98 226	94 398	817 591	3 106 291	378 010	3 484 301

On 23 November 2021 Hexagon Purus issued 4 444 430 consideration shares related to the acquisition of Wystrach. The share capital increase in Hexagon Purus ASA amounted to NOK 144 072 thousand in which controlling and non-controlling interests' relative share amounted to NOK 86 602 thousand and NOK 57 470 thousand respectively.

Own shares comprise cost of acquisition for the Company's shares owned by the Group. As of 31 December 2021, the Group owned 847 292 (1 851 723) own shares.

Other equity includes accumulated actuarial gains/losses for pensions after tax of NOK -21 211 thousand (change of NOK -287 thousand from NOK -20 924 thousand as of 31 December 2020).

Notes

Note 1 General

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

The Board of directors authorized the annual report for publication on 24 March 2022.

The Group's operations are described in note 4.

Note 2 Accounting policies

2.1 Basis of preparation of annual financial statements

The consolidated annual financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2021, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31 December 2021.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments at fair value through profit or loss and fair value through OCI.

2.2 Functional currency and presentation currency

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

The Group's presentation currency is NOK. This is also the Parent Company's functional currency. All figures are rounded to the nearest thousand unless otherwise specified. 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").

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

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

2.3 Basis of consolidation

The Group's consolidated financial statements comprise Hexagon Composites ASA and its subsidiaries as of 31 December 2021. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 26 which lists investments in associates and joint ventures.

The assessments are done for each individual investment. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests is presented separately under equity in the Group's balance sheet.

Business combinations and goodwill

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

The consideration paid in a business combination is measured at fair value at the acquisition date and consists normally of cash, consideration shares, and contingent consideration. A contingent consideration is classified as a liability in accordance with IFRS 9. Subsequent changes in the fair value of such contingencies are recognized in profit or loss.

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

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

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

Change in ownership without loss of control

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

Loss of control

In cases where changes in the ownership interest of a subsidiary results in 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 ceases.

The fair value of the consideration received, and any investment retained, is recognized at fair value. Gain or loss is recognized in profit and loss at the date when the control ceases.

2.4 Investment in associates and joint ventures
The Group has investments in associates and joint ventures. Associates are entities over which the Group has significant influence, but not control or joint control, over financial and operating management (normally a holding of between 20 per cent and 50 per cent).

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 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 attributable to the interest in the associate or joint venture.

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

If the Group's share of the loss equals or exceeds the carrying amount of the associate or joint venture, the carrying amount is set to zero and further loss is not recognized unless the Group has an obligation to make up for the loss.

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

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

The Group classifies an asset as current when it:
- Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- Holds the asset primarily for the purpose of trading
- Expects to realize the asset within twelve months after the reporting period

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

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

The Group classifies a liability as current when it:
- Expects to settle the liability in its normal operating cycle
- Holds the liability primarily for the purpose of trading
- Is due to be settled within twelve months after the reporting period

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

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

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

2.7 Inventories
Inventories are recognized at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution cost. The cost is arrived at using the average cost price, and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location. Goods produced by the Group itself include variable and fixed costs that can be allocated based on normal capacity utilization.

2.8 Property, plant & equipment
Property, plant and equipment are valued at their cost, less accumulated depreciation and impairment losses. When assets are sold or disposed, the carrying amount is derecognized and any gain or loss

is recognized in the statement of comprehensive income.

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

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

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

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

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

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

2.9 Leases

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

The group as a lessee

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

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

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

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

Lease liabilities

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

The lease payments included in the measurement comprise of:

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

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

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

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

Right-of-use assets

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

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

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

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

The Group as a lessor

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

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

2.10 Borrowing cost

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

2.11 Financial instruments

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

Financial asset

The Group's financial assets are derivatives, non-listed equity instruments, trade receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group classified its financial assets in following categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets at fair value through profit and loss

Financial assets at amortized cost

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

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

- The financial asset is held where the business model objective of both holding to collect contractual cash flows and selling, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Financial assets at fair value through profit and loss

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

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

Derecognition of financial assets

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

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

either

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

Financial liabilities

Financial liabilities are subsequently recognized at amortized cost, as loans and borrowings and payables. Contingent consideration in business combinations is recognized and measured at fair value and changes in fair value are recognized in the income statement. Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives assets.

Loans, borrowings and payables

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

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

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

Derecognition of financial liabilities

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

Hedges of a net investment in a foreign operation

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

Fair value hedges are not applicable to the group.

Impairment of financial assets

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

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.12 Intangible assets

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

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

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

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

Patents and licenses

Amounts paid for patents and licenses are recognized in the balance sheet and are amortized on a straight-line basis over their expected useful life. The expected useful life of patents and licenses varies between 5 and 20 years.

Research and development cost

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

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

Customer relationships

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

2.13 Impairment of non-financial assets

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

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

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

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

2.14 Provisions

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

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

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

2.15 Equity

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

(I) Own shares

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

(II) Costs arising from equity transactions

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

(III) Other equity

(a) Translation differences

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

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

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

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

(c) Dividends

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

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

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

(V) Hedging reserve

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

2.16 Revenue from contracts with customers

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

1. Hexagon Agility & CNGLDV
2. Hexagon Ragasco
3. Hexagon Digital Wave
4. Hexagon Purus

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

Sale of goods (cylinders, products, systems etc.)

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. There are several credit terms, including upfront payment and secured payment, but normal credit term is 30 to 45 days upon delivery.

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

(i) Variable consideration

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

(ii) Significant financing component

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

(iii) Warranty provision

The Group typically provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. Such warranties are evaluated as assurance-type warranties which are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See note 19 for an overview of the warranty provision.

Services

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

Funded development contracts

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

Contract balances

(i) Contract assets

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

(ii) Trade receivable

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

(iii) Contract liability

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

Cost to obtain a contract

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

2.17 Employee benefits

Defined benefit pension plans

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

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

Multi-employer plans

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

Defined contribution pension plans

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

Share-based payment

The Group has a share-based program for the senior and key executives. The share-based program for the senior and key executives is settled in stocks, and consist of share options, performance share units (PSUs) and restricted share units (RSUs). In addition, certain key executives have share based programs settled in cash. The fair value of the share-based programs is expensed over the vesting period which is over the agreed-upon future service period and, where applicable, the performance conditions are fulfilled. The fair value of the share options, PSUs and RSUs is measured at grant date and calculated using the Black & Scholes model.

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

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

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

2.18 Government grants

Government grants, including the Norwegian Skattefunn incentive scheme, are recognized when there is reasonable assurance that the Group will comply with the conditions stipulated for the grants, and that the grants will be received. Operating grants are recognized systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Investment grants are capitalized and recognized systematically over the asset's useful life. Investment grants are recognized as deferred income. The Group currently has grants with the United States Department of Energy which is recognized as grant income.

2.19 Income taxes

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

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

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

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen. Deferred tax assets and liabilities are recognized at their nominal value and classified as non-current assets and non-current liabilities in the balance sheet.

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

2.20 Segments

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

2.21 Contingent liabilities and contingent assets

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

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

2.22 Events after the balance sheet date

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

2.23 New accounting standards, interpretations and amendments adopted by the group

The Group has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective. Standards, interpretations and amendments that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are considered not relevant and not to have an impact on the consolidated financial statements of the Group.

Note 3 Estimation uncertainty and significant judgments

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

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

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

- Fair value of assets and liabilities at the time of acquisition
- Depreciation and impairment of property, plant & equipment and intangible assets
- Capitalized development cost
- Impairment of goodwill
- Product warranty provisions
- Contingent considerations
- Share-based payments
- Provision for obsolescence
- Revenue from contracts with customers
- Leases

Fair value of assets and liabilities at the time of acquisition

The Group are required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For the acquisitions of Wystrach GmbH and Wyrent GmbH in 2021 the Group engaged a third-party appraisal firm to assist the Group in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant judgments in selecting valuation methods, estimates and assumptions. The significant purchased intangible assets recorded by Hexagon Composites included customer relationships, trade name and technology. Critical estimates in the evaluations for such intangible assets include, but are not limited to, estimated average customer relationship based on customer attrition, applying a relief from royalty model using an appropriate royalty rate and expected developments in technology and markets.

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

Depreciation and impairment of property, plant & equipment and intangible assets

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

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. For criteria for recognition, see note 2.12 and note 11.

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

Impairment of goodwill

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

See also note 11 for further information on impairment testing of goodwill.

Product warranty provisions

Management estimates the warranty provision using information on historical warranty costs and other relevant information relevant to future warranty claims. Factors that can influence estimated liabilities include the results of productivity and quality initiatives, as well as prices of parts and labor costs. See also note 19.

Contingent considerations

As a part of business combinations, the purchase price consideration may have to be estimated dependent upon the content of the sale-and purchase agreement, herein e.g., contingent considerations. Such liabilities are subject to estimation uncertainty as they typically are dependent upon the financial performance of, and/or other quantitative and qualitative events of the acquired entity. Management uses significant judgement in the valuation of such liabilities such as, but not limited to, future profitability, discount rates and probability of certain target achievement. Any subsequent revaluations of said liabilities are recognized as fair value adjustments through profit and loss. See also note 5.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of the Group's share option program, RSUs and PSUs at the grant date, the Group uses the Black & Scholes model and Monte Carlo simulations when relevant. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 27.

Provision for obsolescence

The Group makes provision for obsolescence. These provisions are based on detailed assessment of the age distribution of inventory items and whether the goods are part of an active or expired product range. Write-down for obsolescence is made when the cost of the goods is higher than the expected net sales value. These provisions are estimate-based and require in-depth knowledge about goods and markets.

Revenue from contracts with customers

Determining the timing of satisfaction of services and funded development contacts.

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

The Group determined that the input method is the best method in measuring progress of the services and funded development contracts because there is a direct relationship between the Group's effort (i.e., total costs incurred) and the transfer of service to the customer. The Group recognizes revenue on the basis of the total costs expended relative to the total expected costs to complete the service and funded development contract. See also note 4.

Leases – Significant judgement in determining the lease term of contracts with renewal options and incremental borrowing rate

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

The Group cannot readily determine the interest rate implicit in the lease for all lease contracts. 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 24 Leases.

Note 4 Segment information

A revised segment and reporting structure were established from 1 January 2021. Agility Fuel Solutions and Hexagon Mobile Pipeline incl. CNG/LDV joined forces to create Hexagon Agility & CNG LDV. The combination enables improved operational flexibility and the pursuit of combined global market opportunities. As a result of the growing market opportunities for cylinder testing technology Hexagon Digital Wave is a new business segment from 2021. 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. Hexagon Agility & CNG LDV - global leader of (renewable) natural gas fuel systems and delivery solutions for the mobility market.
b. Hexagon Purus - leading global provider of technology needed for zero emission mobility
c. Hexagon Digital Wave - global leader in innovative cylinder testing and monitoring technology.
d. Hexagon Ragasco LPG - world's leading manufacturer of composite LPG cylinders.

The executive management group is 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. No customer or customer group is exceeding 10 per cent of annual sales in the group in 2021 and 2020.

Geographical segments

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

Transactions in the different segments have been eliminated.

Business segment data 2021

(NOK 1 000)	Hexagon Agility	Hexagon Ragasco LPG	Hexagon Digital Wave	Hexagon Purus	Unallocated	Elimination	Consolidated 2021
Revenue from external customers:							
Sale of cylinders and equipment (at a point in time)	2 413 077	575 643	48 155	495 103	1 073	2 975	3 536 026
Sale of services and funded development (transferred over time)	70	-	-	3 441	-	-	3 511
Internal transactions	202 693	2 495	9 029	7 495	171 381	(393 094)	-
Total revenue from contract with customers	**2 615 840**	**578 138**	**57 184**	**506 039**	**172 454**	**(390 119)**	**3 539 537**
Rental income	1 695	-	-	1 679	766	(787)	3 354
Total revenue	**2 617 535**	**578 138**	**57 184**	**507 718**	**173 220**	**(390 906)**	**3 542 890**
Operating profit for segment before depreciation/amortisation (EBITDA)	**292 655**	**94 972**	**(10 677)**	**(271 777)**	**3 538**	**(128)**	**108 584**
Operating profit for segment (EBIT)	**138 508**	**60 325**	**(14 826)**	**(324 874)**	**(14 315)**	**1 086**	**(154 096)**
Profit/loss from associates and joint ventures	-	-	-	(2 957)	-	-	(2 957)
Net financial items	(38 031)	(5 785)	(4 859)	(19 441)	(66 575)	(10 000)	(144 691)
Tax expense	39 104	11 017	206	(2 120)	(20 676)	(1 698)	25 833
Profit/loss for the year	**61 373**	**43 523**	**(19 891)**	**(345 152)**	**(60 214)**	**(7 216)**	**(327 577)**
Segment assets	**3 819 260**	**516 251**	**83 882**	**2 101 745**	**5 039 814**	**(5 045 707)**	**6 515 246**
Segment liabilities	**1 641 009**	**392 111**	**113 013**	**686 347**	**1 508 395**	**(1 309 930)**	**3 030 945**
Investments in fixed assets for the year	146 378	39 418	6 784	107 711	946	-	301 238
Depreciation/amortisation/impairment	77 605	29 232	1 108	17 129	3 051	-	128 125
Investments in intangible assets for the year	5 962	-	-	37 735	16 059	-	59 755
Depreciation/amortisation/impairment	41 599	-	-	17 853	10 948	-	70 400
Additions of right-of-use assets for the year	24 309	12 777	-	32 345	536	-	69 966
Depreciation/amortisation/impairment	34 944	5 415	3 041	18 116	2 640	-	64 155

Geographical information 2021

(NOK 1 000)	Europe	North America	South America	South-East Asia	Middle East	Other	Norway	Consolidated 2021
Income divided among customer locations from external customers	1 197 409	2 174 867	15 425	81 447	14 996	-	58 746	3 542 890
Non current assets[1]	1 109 628	2 121 649	-	7 897	-	-	438 284	3 677 458
Investments in assets for the year	127 469	131 085	-	-	-	-	42 684	301 238

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

Contract balances	For the year ended 31 December	
	2021	2020
Trade receivables	880 396	450 457
Contract assets (accrued revenue)	4 165	814
Contract liabilitites (incl. prepayment from customers)	277 658	51 665

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2021, TNOK 10 915 (2020 TNOK 13 293) 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 higher amount in contract assets in 2021 is the result of normal fluctuations in this part of the business at the end of the year. All contracts are for period of one year or less or are build based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contract liabilities include short-term advances received for funded services & development and paid not delivered goods to external customers. The outstanding balances of these accounts increased in 2021 due to increasing activities in services & funded development projects. The entire contract liabilities was recognized in the subsequent period.

Performance obligations

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

Sale of goods

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

Sale of services

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

Sale of funded development contracts

The Group has entered into contracts with a limited number of customers for development services. As the inputs (raw materials, labor hours etc.) are integrated into a combined output, the combined product has been determined to constitute one performance obligation. Further, the customization process & integration significantly modifies the assets under construction until delivery. The Group assessed that the performance obligation is satisfied over time because it has at all times an enforceable right to payment for performance completed to date, including a reasonable margin. Additionally, the asset has no alternative use for the Group as it is limited practically from readily directing the asset in its completed state, as the Group would suffer a significant loss from modifying the asset before it could be sold to another customer. The Group measures progress based on costs incurred relative to the total expected costs to complete the project as this measurement most faithfully depicts the Group's progress towards complete satisfaction of the performance obligation.

Business segment data 2020

(NOK 1 000)	Hexagon Agility	Hexagon Ragasco LPG	Hexagon Digital Wave	Hexagon Purus	Unallocated	Elimination	Consolidated 2020
Revenue from external customers:							
Sale of cylinders and equipment (at a point in time)	2 306 797	550 045	46 240	139 287	26 379	-	3 068 748
Sale of services and funded development (transferred over time)	-	-	-	2 117	-	-	2 117
Internal transactions	104 215	61	3 476	38 409	113 271	(259 432)	-
Total revenue from contract with customers	**2 411 012**	**550 105**	**49 716**	**179 813**	**139 651**	**(259 432)**	**3 070 865**
Rental income	8 799	-	-	-	712	-	9 511
Total revenue	**2 419 811**	**550 105**	**49 716**	**179 813**	**140 363**	**(254 543)**	**3 080 375**
Operating profit for segment before depreciation/amortisation (EBITDA)	**230 499**	**99 538**	**2 362**	**(140 722)**	**(3 037)**	**1 299**	**189 940**
Operating profit for segment (EBIT)	**65 027**	**63 113**	**1 859**	**(167 628)**	**(24 381)**	**2 738**	**(59 272)**
Profit/loss from associates and joint ventures	-	-	-	(1 885)	-	-	(1 885)
Net financial items	(32 770)	(15 821)	4 929	(103 859)	152 540	-	5 018
Tax expense	36 056	13 278	206	34 654	7 448	-	91 643
Profit/loss for the year	**(3 799)**	**34 014**	**6 581**	**(308 026)**	**120 711**	**516**	**(147 781)**
Segment assets	**3 340 642**	**484 994**	**76 792**	**2 094 625**	**5 109 088**	**(4 941 204)**	**6 164 937**
Segment liabilities	**1 389 145**	**394 037**	**85 324**	**465 604**	**1 611 103**	**(1 376 113)**	**2 569 099**
Investments in fixed assets for the year	60 178	19 300	607	65 357	1 137	-	146 578
Depreciation/amortisation/impairment	85 096	29 490	888	6 234	4 048	-	125 756
Investments in intangible assets for the year	16 769	-	-	13 370	9 611	-	39 751
Depreciation/amortisation/impairment	43 782	-	-	12 393	10 070	-	66 245
Additions of right-of-use assets for the year	1 146	11 543	701	25 463	1 491	-	40 346
Depreciation/amortisation/impairment	36 593	6 935	3 332	8 006	2 343	-	57 210

Geographical information 2020

(NOK 1 000)	Europe	North America	South America	South-East Asia	Middle East	Other	Norway	Consolidated 2020
Income divided among customer locations from external customers	910 450	1 945 136	24 860	114 311	14 323	-	71 295	3 080 375
Non current assets[1]	568 894	2 090 582	-	9 145	-	-	379 553	3 048 173
Investments in assets for the year	54 130	72 845	-	-	-	-	19 602	146 578

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

Note 5 Business combinations and changes in the Group`s structure

Acquisition of Wystrach GmbH

On 10 November 2021 our subsidiary Hexagon Purus GmbH acquired 100 per cent of the shares of Wystrach GmbH and Wyrent GmbH ("Wystrach"). Wystrach and Wyrent GmbH is reported as a part of the Hexagon Purus segment in the Hexagon Group from November 2021.

Wystrach is a leading European systems and solutions provider for storage and transport of compressed gases, headquartered in Weeze Germany with approximately 185 employees. The Company specializes in the design, manufacturing and assembly of hydrogen systems including steel system structures and high-pressure piping and has its production facilities in Weeze, Germany.

The Transaction represents a step-change for Hexagon Purus and reinforces its position as a global leader in zero emission mobility solutions. Wystrach will bring significant systems assembly capacity and knowhow and complement the capabilities of Hexagon Purus, improving control of the value chain and accelerating time to market. Combining two industry frontrunners will increase scale, organizational bandwidth and execution capabilities and put Hexagon Purus in pole position to capitalize on the strong market growth expected for hydrogen storage solutions.

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

Wystrach GmbH

(NOK 1 000)	Fair value recognised on acquisition
ASSETS	
Intangible assets:	
Customer relationships	78 654
Technology	64 941
Software and licenses	1 533
Tangible assets:	
Land and land rights	22 260
Buildings	66 780
Technical equipment and machines	6 640
Other equipment, factory and office equipment	17 340
Right-of-use Assets	7 683
Current assets:	
Inventories	170 560
Trade receivable	49 691
Other current assets	59 536
Cash	1 277
Total assets	**546 895**

(NOK 1 000)	Fair value recognised on acquisition
LIABILITIES	
Liabilities to banks	48 458
Lease liabilities	7 683
Accruals for pensions and similar obligations	980
Deferred tax liabilities	44 837
Provisions	481
Trade payables	105 542
Payments received on account of orders	58 031
Income tax liabilities	7 436
Other liabilities	60 880
Total liabilities	**334 328**
Net identifiable assets and liabilities at fair value	**212 567**
Goodwill	187 369
Purchase consideration	**399 935**
Consideration shares issued in Hexagon Purus ASA	144 500
Deferred payment	43 037
Contingent liabilities	64 933
Purchase consideration transferred / Paid in cash	**147 466**
Less cash and cash equivalents acquired	1 277
Acquisition, net of cash acquired	**146 189**

[1] There may be subsequent adjustments to the purchase price allocation with corresponding adjustment to goodwill prior to 11 November 2022 (1 year after the transaction).

The fair value of Wystrach was NOK 399.9 million. The acquisition is settled with MNOK 147.5 million in cash, NOK 144.5 million in consideration shares in Hexagon Purus ASA, NOK 43.0 million in deferred payment and contingent liabilities of NOK 64.9 million expected to be settled in cash in 2023 and 2024. Earn-out amounts are dependent upon revenue- and EBITDA targets of Wystrach in 2021, 2022 and 2023 and is recognised as a best estimate of target achievement.

The deferred payment of NOK 43.0 million at acquisition, with a closing balance at NOK 43.5 million, is presented as other non-current financial item. The contingent liability of NOK 64.9 million at acquisition, with a closing balance at NOK 65.6 million, is presented as non-current financial liabilities.

In the Group's profit for 2021, Wystrach is included from the 1 November. The difference between 1 November and the acquisition date 11 November is assessed to be immaterial for the Group. Wystrach's contribution to the Group's revenue and EBITDA in 2021 was NOK 140 million and NOK 18 million respectively. If the acquisition had taken place on 1 January 2021, the Group total revenue and profit after tax would have amounted to NOK 3 697 million and NOK -339 million respectively.

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

Transaction costs of NOK 12.4 million are expensed as other operating expenses in the income statement and are part of operating cash flows in the statement of cash flows.

Acquisition of Hexagon Cylinders Pvt, Ltd in 2020

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

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

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

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

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

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

There is no material transaction costs related to the acquisition.

Note 6 Net financial items

(NOK 1 000)	2021	2020
Interest income	4 394	5 968
Unrealised gains from forward exchange contracts with actual gains or losses through profit and loss	1 121	34 256
Foreign exchange items	118 466	272 762
Other finance income	1 611	6 635
Total finance income	**125 592**	**319 622**
Loss on exchange items	92 784	220 035
Unrealised loss on forward exchange contracts and interest rate swaps with actual gains or losses through profit and loss	52 681	-
Cost associated with redemption of bond loan[1]	46 839	-
Cost of interest on loans etc.	48 580	70 883
Cost of interest on lease liabilities	7 980	11 123
Other finance expense	21 421	12 563
Total finance expense	**270 283**	**314 604**
Net financial items	**(144 691)**	**5 018**

[1] This consists of MNOK 22.7 in cash for call premium and MNOK 24.2 non-cash impact for accelerated realisation of other charges being amortised over the original tenor of the bond.

Note 7 Tax

Tax expense

(NOK 1 000)	Note	2021	2020
Income tax payable in the income statement		32 039	53 240
Change in deferred tax in income statement		(6 206)	38 403
Tax expense		**25 833**	**91 643**
Income tax payable in the balance sheet		47 201	118 397
Prepaid tax overseas in the balance sheet	15	(28 017)	(63 121)
Settled tax not paid		22 389	2 037
Tax payable from acquired companies at acquisition date		(7 436)	-
Effect on tax payable of group contributions in Norway		2 188	-
FX translation effects		(4 285)	(4 074)
Total income tax payable in the income statement		**32 039**	**53 240**

Nominal tax rates in Norway	**22%**	**22%**
Profit before tax	(301 744)	(56 138)
Tax based on nominal tax rate in Norway	(66 384)	(12 350)
Varying foreign tax rates vs. Norwegian tax rate	(15 875)	(2 953)
Change in not capitalized loss due to uncertainty	94 863	49 447
Reversal of capitalized tax assets prior year	-	62 228
Other differences relating to foreign subsidiaries	4 597	1 102
Share of profit/loss from associates	651	(415)
Other non-taxable income and non-deductible expenses	11 666	(8 369)
Tax expense from prior periods	(4 533)	-
FX translation effects	849	2 953
Tax expense	**25 833**	**91 643**

Deferred tax assets and deferred tax liabilities

	Balance sheet		Change in deferred tax in income statement	
(NOK 1 000)	2021	2020	2021	2020
Deferred tax				
Loss carryforwards	(167 763)	(118 904)	(48 859)	(29 046)
Pension	(168)	442	(611)	583
Plant & equipment	66 549	45 382	21 167	(2 406)
Intangible assets	118 887	87 110	31 778	(8 008)
Inventories and trade receivables	(4 479)	(14 562)	10 083	(27 058)
Derivatives	(18 121)	17 352	(35 473)	7 536
Provisions for liabilities/other current liabilities	(25 367)	(20 884)	(4 484)	404
Other	91 346	83 526	7 820	17 764
Deferred tax liabilities net	**60 883**	**79 462**	**(18 579)**	**(40 230)**
Reduction of tax assets due to uncertainty	172 599	106 122	66 477	78 493
Deferred tax assets / liabilities - net carrying amount	**233 482**	**185 584**	**47 898**	**38 263**
Change in deferred tax from purchase of companies			45 306	-
Change in deferred tax from group contributions in Norway			2 188	
Change in deferred tax due to OCI			(81)	(140)
Change in deferred tax on FX translation			6 691	
Net change in deferred tax in income statement			(6 206)	38 403

Carrying amounts

(NOK 1 000)	2021	2020
Deferred tax asset	(13 678)	(1 775)
Deferred tax liabilities	247 160	187 359
Net recognised deferred tax assets/deferred tax liabilities	**233 482**	**185 584**

Deferred tax recognised in the statement of comprehensive income are as follows:

(NOK 1 000)	2021	2020
Deferred tax asset	-	-
Deferred tax liabilities	81	140
Total	**81**	**140**

Overview loss carried forward

(NOK 1 000)	2021	2020
Norway	351 005	203 190
North America	322 005	238 880
Europe	207 819	152 082
Total	**880 830**	**594 152**

The losses are carried forward 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.

Note 8 Earnings per share

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

To calculate diluted earnings per share, the profit and weighted average number of shares outstanding is adjusted to accommodate all dilution effects associated with share options. All share options are taken into consideration in the "denominator", and adjustments are made for recognised option expenses in the numerator. There are 6 456 404 (5 942 632) instruments that could potentially dilute basic earnings per share in the future. These are not included in the calculation of the diluted earnings per share because they are antidilutive for the periods presented. See note 27 for further specification type of instruments.

(NOK 1 000)	Note	2021	2020
Profit/loss for the year flowing to holders of ordinary shares			
Profit/loss for the year		**(327 577)**	**(147 781)**
Weighted average number of shares outstanding 31.12	17		
Ordinary shares issued 01.01		201 619 712	183 290 648
Own shares		(847 292)	(1 851 723)
Issued new shares		-	18 329 064
Outstanding number of shares 31.12		200 772 420	199 767 989
Weighted average number of shares outstanding 31.12		**200 270 205**	**190 541 878**
Profit/loss per share		**(1.64)**	**(0.78)**
Diluted number of shares outstanding 31.12	17		
Ordinary shares issued 01.01		201 619 712	183 290 648
Own shares		(847 292)	(1 851 723)
Issued new shares		-	18 329 064
Outstanding shares 31.12 adjusted for dilution effects		**200 772 420**	**199 767 989**
Weighted average number of shares outstanding 31.12 adjusted for dilution effects		**200 270 205**	**190 541 878**
Diluted profit/loss per share		**(1.64)**	**(0.78)**

Note 9 Payroll costs and number of employees

The Group - payroll costs

(NOK 1 000)	Note	2021	2020
Salaries/fees[1]		876 046	756 539
Bonuses and share-based payments		116 648	73 457
Pension expense, defined-benefit plans	18	481	2 063
Pension expense, defined-contribution plans	18	38 649	33 607
Other social security costs		69 474	74 430
Payroll costs		**1 101 298**	**940 096**

[1] Capitalized payroll costs related to technology development projects amounted to MNOK 18.5 in 2021 and MNOK 10.0 in 2020.

	2021	2020
Average number of full-time equivalents:	1 282	1 036
Corporate management, R&D and support		
Norway	13	13
USA	33	41
Germany	-	10
Hexagon Agility & CNGLDV		
USA	660	534
Canada	25	25
Norway	21	21
Germany	165	115
Hexagon Purus		
Norway	8	8
USA	35	41
Germany[2]	321	64
Canada	48	30
China	8	-
Hexagon Digital Wave		
USA	40	35
Hexagon Ragasco LPG		
Norway	129	118
USA	2	2
Russia	5	4
Total number of employees 31.12	**1 505**	**1 060**

[2] Hexagon Purus includes 187 full time employees in Wystrach GmbH, Germany that was that was acquired 11 November 2021.

Note 10 Property, plant & equipment

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	Assets under construction	2021 Total
Cost of acquisition					
Cost of acquisition 1 January 2021	189 935	990 552	212 274	97 024	1 489 784
Additions	8 557	38 601	20 141	233 938	301 238
Transfer from assets under construction	2 421	63 129	29 898	(95 447)	-
Disposals/scrap	(185)	(36 936)	(56 989)	-	(94 110)
Additions from purchase of companies	89 040	10 239	13 741	-	113 020
Translation differences	6 782	14 386	(791)	(828)	19 548
Cost of acquisition 31 December 2021	**296 549**	**1 079 970**	**218 274**	**234 686**	**1 829 479**
Accumulated depreciation and impairment					
Accumulated depreciation 1 January 2021	55 049	587 226	100 243	-	742 518
Depreciation for the year	12 498	85 027	29 570	-	127 094
Impairment	-	-	1 031	-	1 031
Disposals/scrap	(185)	(31 556)	(24 977)	-	(56 718)
Translation differences	534	4 968	(573)	-	4 929
Accumulated depreciation and impairment 31 December 2021	**67 896**	**645 665**	**105 293**	**-**	**818 855**
Net carrying amount as of 31 December 2021	**228 653**	**434 305**	**112 981**	**234 686**	**1 010 625**
Of which pledged	-	-	-	-	-
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		

Addition from purchase of companies of MNOK 113.0 relates to the acquisition of Wystrach GmbH, Germany (see note 5).

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	Assets under construction	2020 Total
Cost of acquisition					
Cost of acquisition 1 January 2020	178 201	904 445	188 164	164 189	1 434 999
Additions	9 615	11 525	29 961	95 477	146 578
Transfer from assets under construction	5 375	116 691	41 064	(163 130)	-
Disposals/scrap	(164)	(25 380)	(45 096)	(3 568)	(74 208)
Additions from purchase of companies	-	-	-	-	-
Translation differences	(3 093)	(16 728)	(1 819)	4 055	(17 585)
Cost of acquisition 31 December 2020	**189 935**	**990 552**	**212 274**	**97 024**	**1 489 784**
Accumulated depreciation and impairment					
Accumulated depreciation 1 January 2020	43 353	517 127	70 420	-	630 901
Depreciation for the year	11 826	91 640	22 023	-	125 489
Impairment	-	268	-	-	268
Disposals/scrap	643	(15 521)	8 790	-	(6 087)
Translation differences	(772)	(6 288)	(991)	-	(8 051)
Accumulated depreciation and impairment 31 December 2020	**55 049**	**587 226**	**100 243**	**-**	**742 518**
Net carrying amount as of 31 December 2020	**134 885**	**403 326**	**112 031**	**97 024**	**747 266**
Of which pledged	-	-	-	-	-
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-development	Customer relationships	2021 Total
Cost price					
Opening balance 1 January 2021	1 370 132	215 435	244 151	456 522	2 286 240
Additions from purchase of companies	187 369	1 533	64 941	78 654	332 497
Additions	-	17 175	42 580	-	59 755
Disposals	-	(198)	(45)	-	(242)
Translation differences	15 561	5 508	2 433	5 818	29 319
Cost of acquisition 31 December 2021	**1 573 061**	**239 453**	**354 061**	**540 994**	**2 707 569**
Accumulated depreciation and impairment					
Opening balance 1 January 2021	274	36 143	96 833	118 635	251 885
Depreciation for the year	-	13 543	21 083	35 725	70 352
Impairment	-	-	47	-	47
Disposals	-	(198)	-	-	(198)
Translation differences	-	1 791	307	(1 139)	959
Accumulated depreciation and impairment 31 December 2021	**274**	**51 279**	**118 270**	**153 221**	**323 045**
Net carrying amount 31 December 2021	**1 572 788**	**188 174**	**235 790**	**387 773**	**2 384 524**
Amortisation rate	None	6–34%	5–20%	7–14%	
Useful life	Indefinite	3–17 years	5–20 years	7–15 years	
Depreciation method	None	Straight-line	Straight-line	Straight-line	

Addition from purchase of companies of MNOK 332.5 relates to the acquisition of Wystrach GmbH, Germany (see note 5).

Hexagon Composites ASA has the following purchased and own-developed intangible assets

(NOK 1 000)	Goodwill	Patents and licences	Technology-development1	Customer relationships	2020 Total
Cost price					
Opening balance 1 January 2020	1 370 058	207 659	228 752	454 116	2 260 584
Additions from purchase of companies	4 673	-		4 576	9 249
Additions	-	13 736	16 766	-	30 502
Disposals	-	-	-	-	-
Translation differences	(4 598)	(5 960)	(1 367)	(2 171)	(14 095)
Cost of acquisition 31 December 2020	**1 370 132**	**215 435**	**244 151**	**456 522**	**2 286 240**
Accumulated depreciation and impairment					
Opening balance 1 January 2020	274	24 100	80 572	82 345	187 291
Depreciation for the year	-	12 927	16 707	36 612	66 245
Impairment	-	-	-	-	-
Translation differences	-	(884)	(445)	(322)	(1 651)
Accumulated depreciation and impairment 31 December 2020	**274**	**36 143**	**96 833**	**118 635**	**251 885**
Net carrying amount 31 December 2020	**1 369 859**	**179 292**	**147 318**	**337 887**	**2 034 355**
Amortisation rate	None	6–34%	5–20%	7–14%	
Useful life	Indefinite	3–17 years	5–20 years	7–15 years	
Depreciation method	None	Straight-line	Straight-line	Straight-line	

Addition from purchase of companies of MNOK 9.2 relates to the acquisition of SGT Pvt Ltd, India (see note 5).

Research & development costs totalling MNOK 104.7 (MNOK 137.3) were expensed in 2021. The Group has received government grants of MNOK 11.7 (MNOK 13.8) in 2021. MNOK 11.7 (MNOK 13.1) has been offset against research and development costs.

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

Impairment testing

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

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

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

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

Key assumptions used in value in use calculations

The most important assumptions for calculating value in use are related to estimates for operating revenues, EBITDA margins, discount rates and growth rates beyond the forecast period of 5 years. A weighted average cost of capital after tax of 8.7 per cent has been used for all Cash Generating units (CGUs).

Following the spin-off and separate listing of Hexagon Purus in December 2020, the Hexagon Group has defined separate targets for the Hexagon businesses ex Purus ("Hexagon proforma"), namely Hexagon Agility, Hexagon Ragasco and Hexagon Digital Wave. These are typically more mature businesses with a longer historical basis for the forecast. Hexagon Purus is less mature, however is in the leading position, operating in an extreme growth environment. The addressable market and opportunity roadmap have been thoroughly studied and a business plan produced on the basis of maintaining a significant market share of the rapidly developing e-mobility market globally. All operating revenues and EBITDA margins are based on the stated forecast periods, past performance and management expectations of market development for the future. Growth rates are consistent with industry and market forecasts except where conservatively applied outside the primary forecast periods.

Hexagon (ex Purus)

Hexagon proforma primary forecast horizon is 4 years from 2022 to 2025 and from which projections are made, on a rolling 5 year basis, using prudently conservative growth rates which collectively approximate to 15 per cent. Hexagon proforma collectively employs targets of:

- At least 15 per cent annual operating revenue growth
- Attaining 15 per cent EBITDA margin

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

- Hexagon Agility attaining target revenue growth and > target EBITDA margin
- Hexagon Ragasco attaining target revenue growth and > target EBITDA margin
- Hexagon Digital Wave > target revenue growth and > target EBITDA margin

Hexagon Purus

The Hexagon Purus business is in its early phase and should use a longer forecast period than the other more mature businesses, in order to develop and implement its addressable green technology and e-mobility activities and attain a steady state operation and profit margins. To conform with IFRS 36 with a maximum 5 year forecast horizon, and given start-up companies do not by nature have previous history to rely on, terminal values and growth rates are applied at the end of year 5. With the focus of global climate change mitigation pointed towards promoting fuels that reduce GHG and Co_2 emissions there is strong support that adoption rates will increase at an even faster rate than we have seen historically with CNG/RNG – and as already observed with the zero-emission regulation friendly European BEV adoption. Hexagon Purus' initial business plan projections are for significant growth: NOK 4 to 5 billion in revenues by 2025 and double-digit EBITDA margins in the longer-term.

In this regard the following assumptions are used specifically in relation to the business activities for which the historical goodwill attributable to Hexagon Purus arose, being hydrogen cylinders, distribution, ground storage, marine, rail and other cylinder applications:

- at target revenue growth and attaining target EBITDA margin

The goodwill items of the following cash flow generating units are subject to impairment testing

	2021	2020
Hexagon Agility	1 010 062	913 646
Hexagon Digital Wave	32 787	31 804
Hexagon Purus	497 589	392 058
Hexagon Ragasco	32 350	32 350
Total goodwill	**1 572 788**	**1 369 859**

The assumptions that were used as a basis for the calculations made at the end of 2021 were met by good margins for all 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 nature of business activities compared with 2021. In the prognosis period, an increase in the operating profit equal to the general growth in the economy is, at a minimum, expected. The impairment testing is performed in the functional geographic currency of the CGU being USD for Hexagon Agility and Hexagon Digital Wave, and NOK for Hexagon Ragasco. The individual study on CNG LDV uses EUR.

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, sensitive to changes in the discount rate. The sensitivity analysis uses the economic assumptions referred to above as its starting point. Calculations have been made based on one of the estimated economic assumptions being changed and in which the other economic assumptions remain unchanged.

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

Note 12 Other non-current financial assets

(NOK 1 000)	2021	2020
Cross-currency interest swap (see note on non-current interest-bearing debt)	-	78 829
Other non-current assets	2 869	1 094
Total other non-current assets	**2 869**	**79 924**

More information relating to cross-currency interest swap can be found in note 21 and note 25.

Note 13 Inventories

(NOK 1 000)	2021	2020
Raw materials and consumables	787 377	529 686
Work in progress	115 226	55 345
Finished goods	244 401	154 966
Total inventories	**1 147 004**	**739 998**
Provision for obsolete inventory in balance sheet	(38 529)	(35 129)
Carrying amount of holdings used as pledged assets	-	-

Note 14 Trade receivables

(NOK 1 000)	2021	2020
Trade receivables	891 311	463 748
Provisions for expected credit loss	(10 915)	(13 293)
Trade receivables after provision for losses	**880 396**	**450 456**
Carrying amount of trade receivables used as pledged assets	-	-

Losses on trade receivables are classified as other operating expenses in the income statement. Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

As of 31 December the Company had the following ageing of trade receivables

	Contract assets	Total	Not due	<30 days	30–60 days	60–90 days	>90days
Expected credit loss rate 2021	-	1.2%	0.2%	0.4%	6.7%	0.4%	9.9%
Estimated total gross carrying amount at default 2021	4 165	891 311	578 086	141 610	59 367	60 867	51 381
Expected credit loss 2021	-	10 915	1 071	569	3 948	217	5 109
Expected credit loss rate 2020	-	2.9%	1.0%	2.0%	7.5%	10.0%	16.3%
Estimated total gross carrying amount at default 2020	814	463 748	295 936	89 741	45 975	2 369	29 728
Expected credit loss 2020	-	13 293	2 959	1 795	3 448	237	4 853

Changes in the provision for losses are as follows

	2021	2020
Opening balance 1 January	13 293	14 574
Additions from purchase of companies	898	-
Provision for losses for the year	595	117
Actual losses during the year	(4 026)	(1 303)
Translation differences	155	(96)
Closing balance 31 December	**10 915**	**13 293**

Credit risk and currency risk regarding trade receivables are described in more detail in note 25.

Note 15 Other current assets

(NOK 1 000)	2021	2020
Prepaid expenses	90 202	43 788
VAT refund	24 681	10 551
Prepaid tax overseas	28 017	63 121
Forward exchange contracts	1 162	41
Other[1]	38 381	74 348
Total other current assets	**182 443**	**191 849**

[1] Other in 2021 included receivables from the Skattefunn tax incentive scheme and other grants of NOK 7 837 thousand (8 330 thousand).

Note 16 Bank deposits, cash and cash equivalents

(NOK 1 000)	2021	2020
Cash at bank and in hand	600 209	1 649 882
Bank deposits, cash and cash equivalents	**600 209**	**1 649 882**
Cash & cash equivalents in the cash flow analysis	600 209	1 649 882
Undrawn Group overdraft facility	264 337	85 000
Undrawn loan facilities	318 268	368 416
Restricted funds included in cash & cash equivalents[1]	8 944	8 766

[1] Restricted tax withholdings.

Note 17 Share capital, shareholder information and dividend

(NOK 1 000)	2021	2020
Ordinary shares of NOK 0.10 each	201 619 712	201 619 712
Total number of shares	**201 619 712**	**201 619 712**

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)	
	2021	2020	2021	2020	2021	2020
Ordinary shares						
Issued and paid 1 Jan	201 619 712	183 290 648	20 162	18 329	2 075 999	1 203 145
Issued new share capital	-	18 329 064	-	1 833	-	905 456
Transaction cost	-	-	-	-	-	(32 601)
Issued and paid 31 Dec	**201 619 712**	**201 619 712**	**20 162**	**20 162**	**2 075 999**	**2 075 999**
Own shares						
1 January	1 851 723	1 974 882	185	197	-	-
Change during period	(1 004 431)	(123 159)	(100)	(12)	-	-
31 December	**847 292**	**1 851 723**	**85**	**185**	**-**	**-**

As of 31 December 2021 the Company had 847 292 own shares (1 851 723). The cost of acquisition of NOK 20 690 thousand (NOK 45 218 thousand) is entered as a reduction in equity. The shares are held as "own shares", and the Company is entitled to sell them in the future.

20 Largest shareholders as of 31 December 2021	Number of shares	Shareholding
MITSUI & CO LTD	45 833 321	22.73%
FLAKK COMPOSITES AS[1]	20 000 000	9.92%
CLEARSTREAM BANKING S.A.	17 333 008	8.60%
MP PENSJON PK	11 762 777	5.83%
BRØDR. BØCKMANN AS	5 554 663	2.76%
NØDINGEN AS	5 283 879	2.62%
KTF FINANS AS[1]	5 000 000	2.48%
FOLKETRYGDFONDET	3 840 921	1.91%
BROWN BROTHERS HARRIMAN & CO	3 054 500	1.51%
RBC INVESTOR SERVICES TRUST	3 021 598	1.50%
SKANDINAVISKA ENSKILDA BANKEN AB	2 855 299	1.42%
STATE STREET BANK AND TRUST COMPANY	2 742 055	1.36%
JPMORGAN CHASE BANK, N.A., LONDON	1 994 276	0.99%
VERDIPAPIRFONDET STOREBRAND NORGE	1 907 971	0.95%
NORDNET BANK AB	1 835 153	0.91%
THE NORTHERN TRUST COMPANY, LONDON	1 718 415	0.85%
VERDIPAPIRFONDET NORDEA KAPITAL	1 415 216	0.70%
VERDIPAPIRFONDET KLP AKSJENORGE	1 325 899	0.66%
FLAKK INVEST AS[1]	1 300 000	0.64%
SIS SIS AG	1 298 216	0.64%
Total 20 largest shareholders	**139 077 167**	**68.98%**
Remainder	62 542 545	31.02%
Total	**201 619 712**	**100.00%**

[1] These shareholdings are controlled by the Chair of the Board, Knut Flakk.

Ownership structure

The total number of shareholders as of 31 December 2021 was 6 094 of whom 463 were foreign shareholders. The number of shares held by foreign shareholders was 111 547 389 or 55.3 per cent.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2021, the same as for 2020.

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

The Board (unanimous) has a mandate to increase share capital by up to NOK 2 016 195 by issuing up to 20 161 950 shares (par value NOK 0.10). This authorization is valid until the next ordinary general assembly.

Note 18 Pension 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 are provided below:

(NOK 1 000)	2021	2020
Defined contribution pension plan	36 826	31 668
Defined benefit pension plan	481	2 063
Multi-employer pension plan in Norway (new AFP)	1 823	1 940
Total	**39 130**	**35 670**

Defined contribution pension plans in the Group

The defined contribution pension plans in the Norwegian companies have contribution rates from 7 per cent for salaries in the range of up to 7.1 times the national insurance base rate (G) and from 8 per cent for salaries in the range from 7.1 G to 12 G. As of 31 December 2021 the Norwegian defined contribution pension plans had 166 (158) members.

Our subsidiaries in the USA and Canada offer defined contribution plans subject to USA and Canada statutory requirements. The defined contribution plans cover full-time employees and employer contributions range up to 6 per cent 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 December 2021, 740 (706) members were covered by the plan.

The table below provides the expensed contributions in the defined contribution plans:

(NOK 1 000)	2021	2020
Defined contribution pension plans - Norway	12 205	10 813
Defined contribution pension plans - USA / Canada	24 621	20 855
Total	**36 826**	**31 668**

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 31.12.2021 amounted to NOK -21 211 thousand, compared with NOK -20 924 thousand as of 31.12.2020. As of 31.12.2021 the Groups defined benefit plans had 21 members (19 members in 2020).

Pension expenses for the year relating to the defined benefit pension plans are calculated as follows

(NOK 1 000)	2021	2020
Current service cost	269	1 642
Interest cost on benefit obligation	388	457
Expected return on plan assets	(285)	(371)
Administrative costs	250	276
Employer’s contribution	64	59
Recognised effect of change of plan	(205)	-
Total pension expenses	**481**	**2 063**

Pension liabilities and plan assets

(NOK 1 000)	2021	2020
Present value of funded obligations	28 528	24 826
Fair value of plan assets	(23 970)	(21 056)
Employer's contributions on net pension liabilities	88	133
Net liability recognized in balance sheet 31 December	**4 645**	**3 904**

(NOK 1 000)	2021	2020
Net liability recognized in balance sheet 1 January	3 904	2 735
Translation differences	(152)	128
Recognized benefit expense	481	2 063
Benefits paid	(1 247)	(1 657)
Additions from purchase of companies	1 291	-
Actuarial gains and losses arising from changes in financial assumptions	691	691
Actuarial gains and losses arising from changes in demographic assumptions	(322)	(55)
Net liability recognized in balance sheet 31 December	**4 645**	**3 904**
Applying to activities held for sale		
Net pension liability recognized in balance sheet 31 December	**4 645**	**3 904**

Change in benefit liability during year

(NOK 1 000)	2021	2020
Benefit obligation 1 January	24 826	22 255
Current service cost	269	1 642
Interest expense	388	457
Actuarial gains/losses (-)	475	703
Pension payments	(769)	(577)
Translation differences	(323)	347
Effect change of plans	(205)	-
Additions from purchase of companies	3 866	-
Retirement benefit obligation 31 December	**28 528**	**24 826**
Retirement benefit obligation	**28 528**	**24 826**
Retirement benefit obligation for continuing operations 31 December	**28 528**	**24 826**

Expected premium payment next year is NOK 2 136 thousand.

Change in fair value of plan assets during the year

(NOK 1 000)	2021	2020
Plan assets 1 January	21 056	19 602
Return on plan assets	285	371
Actuarial gains/losses (-)	107	67
Administrative costs	(250)	(276)
Pension premiums	1 015	1 554
Paid pensions	(615)	(481)
Translation differences	(203)	219
Effect change of plans	-	-
Additions from purchase of companies	2 575	-
Effect of demerged activities	-	-
Plan assets 31 December	**23 970**	**21 056**

Average distribution of plan assets by investment category as of 31 December:

	2021		2020	
(NOK 1 000)	Allocation	Amount	Allocation	Amount
Shares	9.7%	2 325	7.2%	1 516
Bonds/loans/certificates	76.0%	18 217	78.8%	16 592
Property	13.6%	3 260	13.6%	2 864
Other	0.7%	168	0.4%	84
Total	**100.00%**	**23 970**	**100%**	**21 056**

The actual return on plan assets in 2021 was NOK 392 thousand (437 thousand), allowing for previous years' actuarial gains/losses.

Calculation of pension expenses and net pension liabilities is based on the following assumptions:

	2021		2020	
	Norway	Germany	Norway	Germany
Discount rate	1.90%	1.45%	1.70%	1.14%
Return on plan assets	1.90%	1.45%	1.70%	1.14%
Salary increases	2.75%	2.00%	2.25%	2.00%
Pension increases	2.50%	1.80%	2.00%	1.50%
Adjustment of national insurance base rate	2.50%	1.80%	2.00%	1.50%
Mortality table	K2013 BE	RT Heubeck 2018G	K2013 BE	RT Heubeck 2018G

The Group has used the Norwegian covered bonds (OMF) as basis for the discount rate as of 31 December for both 2021 and 2020 for the Norwegian plans.

Multi-employer pension plan in Norway

121 (137) 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 are 2.5 per cent (2.5 per cent in 2020) for salaries in the range 1.0 - 7.1 times the national insurance base rate (G) and is expected to increase in the coming years. Total contribution for the arrangement were NOK 1 823 thousand in 2021 and NOK 1 940 thousand in 2020. Expected premium for 2022 is NOK 1 873 thousand.

Note 19 Provisions

(NOK 1 000)	2021	2020
Balance 1 January	89 301	72 471
Additions from purchase of companies	438	-
Provisions for year	12 668	32 879
Translation differences	785	(1 623)
Provisions used during year	(36 445)	(14 425)
Balance 31 December	**66 747**	**89 301**

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

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

Note 20 Interest-bearing liabilities

				Carrying amount	
(NOK 1 000)	Interest rate conditions	Currency	Maturity	2021	2020
Unsecured					
Bond loan	Nibor 3 month + 3.75%	NOK	N/A	-	1 100 000
Total unsecured non-current liabilities				**-**	**1 100 000**
Secured					
Bank loan (bullet) [1]	Nibor 3 month + margin	NOK	9 Dec 2024	1 100 000	-
Bank loan (bullet) [1]	Nibor 3 month + margin	NOK	9 Dec 2026[4]	31 732	-
Bank loan (bullet)	Euribor 3 month + margin	EUR	N/A	-	146 584
Bank loan Volksbank an der Niers AG [3]	Euribor 3 month + margin	EUR	30 Sep 2036	7 677	-
Bank loan Deutsche Bank AG [3]	Euribor 3 month + margin	EUR	30 Mar 2037	15 469	-
Bank loan Deutsche Bank AG [3]	Euribor 3 month + margin	EUR	30 Jun 2033	17 547	-
Bank loan Deutsche Bank AG [3]	Euribor 3 month + margin	EUR	30 Nov 2025	5 865	-
Other					
Amortized transaction costs loans [2]		NOK		(7 820)	(40 457)
Total secured non-current liabilities				**1 170 470**	**106 127**
Total non-current liabilities				1 170 470	1 206 127
1st year's instalments, classified as current				(4 413)	-
Total non-current liabilities, not including 1st year's instalments				**1 166 057**	**1 206 127**

Estimated repayment structure for non-current liabilities (NOK 1 000) as of 31 December 2021

2022	2023	2024	2025	2026[4]	Thereafter
4 413	4 400	1 104 450	4 380	34 682	25 964

1 On December 9, 2021, Hexagon Composites ASA entered into a new loan facility agreement for a combined NOK 1 700 million, comprising an overdraft facility, a multi-currency revolving credit facility (RCF) and a Term Loan. In addition to a NOK 250 million bilateral overdraft facility with the Company's existing corporate bank partner, the new agreement introduced a second bank together covering a NOK 350 million RCF for a term of 3 years with two 1-year extension options (3+1+1), and a NOK 1 100 million Term Loan with a tenor of 3 years. The Term loan was used to refinance the outstanding bond which was repurchased on 23 December 2021.

2 Costs associated with the loans are amortised over the duration of the loans using the effective interest method. Buy-back premium and rest amortization associated with the bond loan amounted to MNOK 22.7 and MNOK 24.2 respectivly and was expensed in 2021 (see also note 6).

3 The bank loans towards Volkesbank and Deutsche Bank relates to the acquisition of Wystrach GmbH, Germany on 11 November 2021. Wystrach GmbH has in addition an overdraft facility of MEUR 2.3 as of 31 December 2021.

4 Maturity includes extension options.

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

Covenants

As of 31 December 2021, financial covenants were in compliance with comfortable margins.

Reconciliation for liabilities arising from financing activities

(NOK 1 000)	Non-current interest bearing liabilities	Current interest-bearing liabilities	Lease liabilities	Total
Liabilities 1 January 2020	**1 298 058**	**2 857**	**294 632**	**1 595 547**
Financing activities with cash settlement				
Additions from acquisition of companies	-	-	-	-
Repayment of non-current liabilities	(77 085)	-	-	(77 085)
Repayment of lease liabilities	-	-	(73 770)	(73 770)
Repayment of current liabilities	-	(2 857)	-	(2 857)
Financing activities without cash settlement				
New non-current liabilities	-	-	-	-
New lease liabilities	-	-	40 346	40 346
Exchange differences	10 943	-	3 375	14 318
Other transactions without cash settlement	(25 789)	-	11 123	(14 666)
Liabilities 31 December 2020	**1 206 127**	**-**	**275 705**	**1 481 832**

(NOK 1 000)	Non-current interest bearing liabilities	Current interest-bearing liabilities	Lease liabilities	Total
Liabilities 1 January 2021	**1 206 127**	**-**	**275 705**	**1 481 832**
Financing activities with cash settlement				
Repayment of non-current liabilities	(1 265 825)	-	-	(1 265 825)
New interest bearing liabilities	1 134 459	4 595	-	1 139 054
Repayment of lease liabilities	-	-	(70 715)	(70 715)
Repayment of current liabilities	-	-	-	-
Financing activities without cash settlement				
Additions from acquisition of companies	43 831	4 627	7 899	56 358
New lease liabilities	-	-	69 966	69 966
Reclassification 1st year's instalments	(4 413)	4 413	-	-
Exchange differences	(3 419)	-	1 897	(1 522)
Other transactions without cash settlement	55 297	-	7 980	63 277
Liabilities 31 December 2021	**1 166 057**	**13 635**	**292 732**	**1 472 424**

Note 21 Other non-current financial liabilities and provisions

(NOK 1 000)	2021	2020
Cross-currency swap	81 423	-
Deferred payment from business combination	43 490	-
Contingent liabilities from business combination	65 616	-
Total non-current financial liabilities	**190 529**	**-**
Other non-current provisions	11 686	2 157
Total non-current provisions	**11 686**	**2 157**

In 2019 the company entered into a cross-currency swap of USD 120.3 to effectively convert long-term financing from NOK to USD. As of 31.12.2020 the fair value of the swap, NOK 78 829 thousand was presented as non-current financial assets (see note 15). During 2021 the swap was settled and re-issued with an USD denominated balance of 132.7 million. In relation with the refinancing of the Group in December 2021 the maturity of the swap was extended concurrent with the initial maturity of the bank loan. The value of the swap as of 31 December 2021 was NOK -81 423 thousand.

Deferred payment from business combinations of NOK 43 490 thousand and contingent liabilities from business combinations of NOK 65 616 thousand relates to the acquisition of Wystrach GmbH, Germany (see note 5).

Note 22 Current interest-bearing liabilities

(NOK 1 000)	2021	2020
Current interest-bearing liabilities overdraft facility	8 637	-
Other current interest-bearing liabilities	585	-
1st year's instalments, non-current interest-bearing liabilities	4 413	-
Total current interest-bearing liabilities	**13 635**	**-**
1st year's instalments, lease liabilities	62 455	45 146
Total	**89 725**	**45 146**

Current interest-bearing debt is subject to the same financial terms as the secured non-current interest-bearing debt disclosed in note 20. The overdraft facilities within the Group are generally priced on base rate + margin, in addition to periodic charges connected to the provision of the facilities.

Note 23 Trade payables and other current liabilities

(NOK 1 000)	2021	2020
Trade payables	392 747	290 371
Public duties payable	40 406	28 162
Accrued expenses and other current liabilities	279 744	228 856
Withholding tax on dividend	-	87 095
Total	**712 897**	**634 484**

Note 24 Leases

Right of use assets

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	2021 Total
At cost				
Cost of acquisition 1.1	**349 678**	**30 983**	**6 892**	**387 553**
Corrections / adjustments prior years	-	-	(2 498)	(2 498)
Cost of acquisition 1.1 adjusted	**349 678**	**30 983**	**4 394**	**385 055**
Additions of right-of-use assets	46 443	22 733	790	69 966
Expirations at maturity	(8 077)	-	(124)	(8 201)
Disposals	-	-	-	-
Transfers and reclassifications	(20 121)	20 324	(204)	-
Additions from purchase of companies	-	7 101	798	7 899
Translation differences	5 118	(2 872)	(118)	2 129
Cost of acquisition 31.12	**373 042**	**78 270**	**5 537**	**456 849**
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1.1	**109 986**	**6 663**	**4 352**	**121 002**
Corrections / adjustments prior years	-	-	(2 498)	(2 498)
Accumulated depreciation and impairment 1.1 adjusted	**109 986**	**6 663**	**1 854**	**118 504**
Depreciation for the year	52 509	10 245	1 401	64 155
Impairments for the year	-	-	-	-
Expirations at maturity	(8 077)	-	(124)	(8 201)
Disposals	-	-	-	-
Transfers and reclassifications	(19 770)	18 868	902	-
Additions from purchase of companies	-	-	-	-
Translation differences	1 965	(1 385)	(498)	82
Accumulated depreciation and impairment	**136 613**	**34 391**	**3 536**	**174 540**
Carrying amount of right-of-use assets as of 31.12	**236 429**	**43 879**	**2 001**	**282 309**
Useful life	3-17 years	3-7 years	2-5 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	2020 Total
At cost				
Cost of acquisition 1.1 (right-of-use asset at implementation)	**342 921**	**384**	**6 515**	**349 820**
Corrections / adjustments prior years	-	-	-	-
Cost of acquisition 1.1 adjusted	**342 921**	**384**	**6 515**	**349 820**
Additions of right-of-use assets	10 125	30 068	152	40 346
Expirations at maturity	-	-	-	-
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Additions from purchase of companies	-	-	-	-
Translation differences	(3 368)	531	225	(2 612)
Cost of acquisition 31.12	**349 678**	**30 983**	**6 892**	**387 553**
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1.1 (at implementation)	**62 747**	**384**	**2 872**	**66 003**
Corrections / adjustments prior years	-	-	-	-
Accumulated depreciation and impairment 1.1 adjusted	**62 747**	**384**	**2 872**	**66 003**
Depreciation for the year	50 614	5 173	1 423	57 210
Translation differences	(3 375)	1 106	57	(2 212)
Accumulated depreciation and impairment	**109 986**	**6 663**	**4 352**	**121 002**
Carrying amount of right-of-use assets as of 31.12	**239 692**	**24 320**	**2 540**	**266 552**
Useful life	3-17 years	3-7 years	2-5 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

Lease liabilities

(NOK 1 000)	2021 Total	2020 Total
Undiscounted lease liabilities and maturity of cash outflows		
Less than 1 year	73 596	53 126
1-2 years	52 866	51 518
2-3 years	50 639	38 408
3-4 years	25 066	34 060
4-5 years	21 300	19 258
More than 5 years	106 946	126 638
Total undiscounted lease liabilities at 31 December	**330 413**	**323 007**

Summary of the lease liabilities

(NOK 1 000)	2021 Total	2020 Total
At initial application 1 January	275 705	294 632
New lease liabilities recognised in the year	69 966	40 346
Additions from purchase of companies	7 899	-
Transfers and reclassifications	-	-
Cash payments for the principal portion of the lease liability	(62 736)	(62 647)
Cash payments for the interest portion of the lease liability	(7 980)	(11 123)
Interest expense on lease liabilities	7 980	11 123
Currency exchange differences	1 897	3 375
Total lease liabilities at 31 December	**292 732**	**275 705**
Current lease liabilities	62 455	45 146
Non-current lease liabilities	230 276	230 559

Summary of cash outflows leases

(NOK 1 000)	2021 Total	2020 Total
Cash payments for leases	70 715	73 770
Variable payments	10 427	11 788
Cash payments related to short-term leases and leases of low value	1 386	1 273
Total cash outflows for leases	**82 528**	**86 830**

Some of the leases have options to extend the contract beyond the period used in the calculations. For most cases the probability of utilizing such options are not high enough to include options in the calculation of the leases. The leases do not contain any termination options that are considered significant for the calculations. The leases do not contain any restrictions on the Group's dividend policy or financing, and there are no requirements to financial performance or ratios. The Group does not have significant residual value guarantees related to its leases to disclose. No operational risks related to leases are identified.

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:

(NOK 1 000)	2021 Total	2020 Total
Fixtures & fittings	31 552	60 299
Total	**31 552**	**60 299**
Accumulated depreciation	4 487	12 791
Booked value	**27 064**	**47 508**

All leases are on short-term and the future minimum lease payment related to the fixed assets in 2022 are expected to be MNOK 5.4.

Note 25 Market risk

Covid 19 considerations

The pandemic has had a global impact on markets, increased uncertainty around future energy prices and caused wide-spread supply chain disruptions. Hexagon's management continuously monitors the impacts from the pandemic and evaluates the consequences for the Group. The direct effect for Hexagon has so far been manageable however indirect consequences such as supply chain disruptions and longer lead times and higher costs for materials and components have had some impact on the Group's operations. It is however not expected that the pandemic will have a significant effect on the Group's operations or financial statements in the long term.

- Hexagon Agility and CNG LDV have been impacted primarily by supply chain distribution, particularly related to semiconductor and chassis shortages. This has had some impact on revenues in 2021 but we do not see this as a recurring issue in the medium and long term. Input costs have risen and the impacts of these are to be mitigated by higher output prices
- Hexagon Ragasco has been impacted by increased input costs, however sale price increases should mitigate the effects of these going forward
- Hexagon Digital Wave has had limited effects, mainly related to shortages of electronic components and logistics challenges, and is expected to have limited effects going forward
- Hexagon Purus has been impacted by longer lead times related to certain components, including battery cells. This has had some impact on revenues in 2021 but we do not see this as a recurring issue in the medium and long term

Climate change risk

Climate change is among the most important megatrends affecting business across all sectors today. The urgent need for a transition to a resource-efficient, low-carbon economy opens new business opportunities for Hexagon, as a solutions provider in this space. We strive to maximize the positive climate impact of Hexagon technologies by enabling the avoidance of greenhouse gas emissions from both material production and waste management in the application of those technologies.

Climate change also represents some level of physical risk to Hexagon in terms of severe climate events that could damage business facilities or disrupt supply chains. The general level of risk and potential impact from physical climate change for Hexagon is, however, considered relatively low – the Group does not have facilities on low-lying shorelines or floodplains or has a history of forest fires around its facilities.

The most critical factors in Hexagon's own greenhouse gas emissions are the production processes which, throughout the value chain, can be reduced to further strengthen Hexagon's business model. In addition, the transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with a potential to have significant impact on Hexagon's revenues. More information on climate and environmental risks and how these are managed can be found in the ESG Report.

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 form 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 December 2021

(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 P&L	Financial instruments at amortized cost	Total
Assets					
Other non-current financial assets	-	-	-	2 869	2 869
Trade receivables	-	-	-	880 396	880 396
Forward exchange contracts	1 162	-	-	-	1 162
Bank deposits, cash and cash equivalents	-	-	-	600 209	600 209
Total financial assets	**1 162**	**-**	**-**	**1 483 474**	**1 484 636**
Liabilities					
Non-current interest-bearing liabilities	-	-	-	1 166 057	1 166 057
Other non-current financial liabilities	81 423	-	65 616	43 490	190 529
Non-current lease liabilities	-	-	-	230 276	230 276
Current lease liabilities	-	-	-	62 455	62 455
Current interest-bearing liabilities	-	-	-	13 635	13 635
Trade payables and other current liabilities	-	-	-	712 897	712 897
Total financial liabilities	**81 423**	**-**	**65 616**	**2 228 810**	**2 375 849**

The Group has the following financial assets and liabilities divided into different categories for accounting treatment and reconciled against the balance sheet items 31 December 2020

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

(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 defined levels of 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 Composites GmbH and Hexagon Purus GmbH applies credit insurance to cover parts of the companies' receivables.

Trade receivables amounted to NOK 891 311 thousand (463 748 thousand). Except of parts in Hexagon Ragasco AS, Hexagon Composites GmbH and Hexagon Purus GmbH these do not have credit insurance. However are partly covered through Letter of Credits and prepayments from customers.

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

The Group has not issued guarantees for third party obligations.

The carrying amount of the financial assets, including derivatives, in the balance sheet represents the maximum risk exposure. As counterparties in derivative transactions are normally banks, the credit risk associated with derivatives is considered to be negligible. The Group considers its maximum risk exposure to be the carrying amount of its trade receivables (see note 14), contract assets (see note 4) and other current assets (see note 15).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings 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, 22 and 24). 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 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. The principal bank loan facility in the parent company has been drawn in Euro, NOK and USD, with EURIBOR/NIBOR/LIBOR base rates. As part of the NOK 1.1 billion financing of the acquisition of Hexagon Agility, a cross-currency hedge has been established where the Group receives a variable rate equal to NIBOR + margin and pays a variable rate equal to LIBOR + margin. Apart from this, the group remains unhedged at end 2021 as was the case by end 2020.

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 December.

	Change in interest rates in base points	Effect on profit/loss before tax (NOK 1 000)	Gains or losses on interest rate derivatives in comprehensive income before tax (NOK 1 000)
2021	+50	(5 898)	
	(50)	5 898	
2020	+50	(6 031)	
	(50)	6 031	

Based on the interest bearing liabilities which existed as of 31 December 2021, an interest rate increase of 1 per cent would reduce profit after tax by NOK 9 202 thousand (9 407 thousand).

The average effective interest rate on financial liabilities was as follows:

	2021	2020
Bank overdrafts	1.4%	1.7%
Bank loan	1.5–2.9%	3.0–3.8%
Bond loan	4.1%	4.8%

(iii) Liquidity risk

Liquidity risk is the risk of the group not being in a position to fulfil its financial liabilities when they fall due. The group's strategy for managing liquidity risk is to set a level of available liquidity to enable it to discharge its financial liabilities when they fall due, both under normal and unexpected circumstances, without risking unacceptable losses or damaging the group's reputation. Undrawn credit facilities are dealt with in note 16.

The majority of excess liquidity is invested in bank deposits

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

31 December 2021 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 interest-bearing liabilities	368	1 103	12 164	1 150 862	23 014	1 187 511
Interest on interest-bearing liabilities	3 020	6 126	27 091	72 944	1 850	111 031
Non-current financial liabilities	-	-	-	190 529	-	190 529
Repayment of leases	6 019	11 850	49 369	130 482	95 011	292 731
Interest on leases	698	1 356	5 466	18 227	11 935	37 682
Trade payables and other current liabilities	281 549	151 604	279 744	-	-	712 897
Total	**291 654**	**172 039**	**373 834**	**1 563 045**	**131 810**	**2 532 381**

31 December 2020 Remaining period (NOK 1 000)	Less than 1 month	1–3 Months	3–12 Months	1–5 Years	More than 5 years	Total
Repayment of interest-bearing liabilities	-	-	-	1 246 584	-	1 246 584
Interest on interest-bearing liabilities	-	14 593	43 778	72 963	-	131 333
Repayment of leases	3 762	7 524	33 860	115 594	114 966	275 706
Interest on leases	645	1 291	6 044	19 832	19 489	47 301
Trade payables and other current liabilities	294 141	111 487	228 856	-	-	634 484
Total	**298 549**	**134 894**	**312 537**	**1 454 973**	**134 455**	**2 335 408**

See note 20 for information on long-term loans, notes 22 and 23 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 before tax (NOK 1 000)	Effect on other comprehensive income and expenses before tax (NOK 1 000)
2021	+5%	(4 638)	(10 536)
	(5%)	4 638	10 536
2020	+5%	13 991	(16 255)
	(5%)	(13 991)	16 255

	Movement of NOK against EUR	Effect on profit/loss before tax (NOK 1 000)	Effect on other comprehensive income and expenses before tax (NOK 1 000)
2021	+5%	7 778	(36 784)
	(5%)	(7 778)	36 784
2020	+5%	18 624	(4 984)
	(5%)	(18 624)	4 984

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 December 2021, 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 (1 000)	Maturity	Exchange rate	Fair value 31 Dec 2021
Forward contracts to hedge expected future sales[1]	EUR/NOK	1 400/15 228	2022	10.38–11.22	1 130
Forward contracts to hedge expected future sales[1]	EUR/NOK	100/1 050	2023	10.50–10.50	32
Total					**1 162**

[1] The forward contracts do not qualify for hedge accounting under IFRS 9.

As of 31 December 2020, the Group had the following forward contracts to hedge future sales to customers.

Forward exchange contracts	Currency sell/buy	Amount (1 000)	Maturity	Exchange rate	Fair value 31 Dec 2020
Forward contracts to hedge expected future sales[1]	EUR/NOK	2 975/30 911	2021	9.97 - 11.07	(344)
Forward contracts to hedge expected future sales[1]	EUR/NOK	1 250/13 660	2022	10.67 - 11.22	386
Total					**41**

[1] The forward contracts do not qualify for hedge accounting under IFRS 9.

Net investments in foreign operations

An intercompany interest-bearing loan from Hexagon Composites ASA of USD 105 091 thousand MNOK 926.8 at 31 December 2021 (MNOK 896.7 at 31 December 2020) 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 2021 there is recognized a hedging gain of NOK 23 509 thousand (hedging loss on NOK 77 221 thousand at 31 December 2020) in OCI related to this loan. Accumulated OCI effect in equity at 31 December 2021 is NOK -36 698 thousand (NOK -60 207 thousand at 31 December 2020). The hedging loss recognized in OCIis equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognized in profit and loss.

(v) Measurement of fair value

The fair value of forward exchange contracts is calculated by comparing the agreed forward rate and the estimated equivalent forward rate prevailing on the balance sheet date with the same maturity multiplied by the fixed volume specified in the contract. Contingent considerations arising from business combinations are measured as a best estimate of target achievement at each reporting date. 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

		2021		2020	
(NOK 1 000)	Level	Book value	Fair value	Book value	Fair value
Financial assets					
Other non-current financial assets	2	2 869	2 869	79 924	79 924
Trade receivables		880 396	880 396	450 456	450 456
Forward exchange contracts	2	1 162	1 162	41	41
Bank deposits, cash and cash equivalents		600 209	600 209	1 649 882	1 649 882
Financial liabilities					
Bank loans (incl. amortized costs)	2	1 166 057	1 173 877	146 250	146 584
Bond loan (incl. amortized costs)	2	-	-	1 059 877	1 094 500
Lease liabilities	2	292 731	292 731	275 705	275 705
Non-current contingent liabilities	3	65 616	65 616	-	-
Other non-current financial liabilities	3	124 913	124 913	-	-
Current interest-bearing liabilities	2	9 222	9 222	-	-
Trade payables and other current liabilities		712 897	712 897	634 484	634 484

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 values 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 December 2021 and 31 December 2020 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 apprised at fair value with gains and losses in the income statement

(NOK 1 000)	2021	2020
Level 1: Based on prices in an active market	-	-
Level 2: Observable market data	(80 261)	1 015 630
Level 3: Other than observable market data	(65 616)	-
Total financial instruments at fair value	**(145 877)**	**1 015 630**

Financial instruments appraised at fair value with gains and losses over other income and expenses in total comprehensive income

(NOK 1 000)	2021	2020
Level 1: Based on prices in an active market	-	-
Level 2: Observable market data	-	-
Level 3: Other than observable market data	-	-
Total financial instruments at fair value	**-**	**-**

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 2020 or 2021.

Note 26 Investments in joint ventures and associates

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

Hexagon Composites ASA has had the following investment in joint ventures and associates in 2021 and 2020

Companies	Country	Business segment	Ownership share 31 Dec 2021	Voting share 31 Dec 2021
Hyon AS	Norway	Hexagon Purus	-	-
Norwegian Hydrogen AS	Norway	Hexagon Purus	21.0%	21.0%

Hexagon Composites Group's share of profit/loss in Hyon AS and Norwegian Hydrogen AS:

	Hyon AS		Norwegian Hydrogen AS	
(NOK 1 000)	2021	2020	2021	2020
Book value as at 1 January	-	651	2 066	-
Share capital contribution	700	300	7 880	3 000
Share of profit after tax	(35)	(951)	(2 922)	(934)
Sale of shares	(665)	-	-	-
Committed contribution (other operating expenses)	-	-	-	-
Book value as at 31.12	**-**	**-**	**7 024**	**2 066**

On 28 June 2021 Hexagon Purus ASA sold all shares in Hyon AS.

There are no material transactions between Hexagon Group, Hyon AS and Norwegian Hydrogen AS in 2021 and 2020. Norwegian Hydrogen does not have an observable market value in form of market price or similar.

Note 27 Share based payment

Share-based payment in Hexagon Composites ASA

The Company has a performance share units program (PSUs) and a restricted share units program (RSUs) covering certain employees in senior positions. As at 31.12.2021, total 51 employees were included in the PSUs programs and 51 employees in the RSUs programs.

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

22 May 2018 Hexagon Composites ASA issued 1 200 000 call options to senior executives and managers in the Group at NOK 20.85 per share, provided that the share price on the date of exercise was minimum NOK 25.36 per share. The options could 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. The exercise period was extended to 14 December 2021. During 2021, 1 140 000 of the options have been exercised at the weighted average share price of NOK 41.96.

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 would at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated. During 2021, 100 000 of the RSU's have been exercised at the weighted average share price of NOK 35.42.

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

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

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

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

2 May 2021 Hexagon Composites ASA decided to provisionally award up to 1 734 990 Performance Share Units ("PSUs") to executives. The PSUs are non-transferable and will vest in Q1 2024 subject to satisfaction of the applicable vesting conditions. Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

20 August 2021 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, PSUs and RSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with these programs were NOK 25.5 million YTD 31 December. The fair value of all outstanding PSUs (6 243 552) and RSUs (212 852) is estimated to NOK 40.5 million per 31 December 2021.

In addition to the above-mentioned instruments, the Company has issued bonus arrangements to certain executives within the Group. The bonus arrangements are dependent upon the share price development of Hexagon Purus ASA and is converted to a given number of cash settlement options in Hexagon Purus ASA, for the purpose of calculating quarterly fair values using the Black-Scholes model. These cash settlement arrangements involved total expenses of NOK 4.6 million in 2021 and a remaining unamortized accrual estimated to MNOK 14.9 as of 31.12.2021.

Overview of options with equity settlement

	Share Options 2021	RSUs 2021	PSUs 2021	Share Options 2020	RSUs 2020	PSUs 2020
Outstanding options 1 January	1 140 000	219 994	4 582 638	2 705 000	149 994	2 235 906
Options granted	-	100 000	1 734 990	-	70 000	3 711 634
Options exercised	(1 140 000)	(100 000)	-	(1 565 000)	-	-
Options lapsed/cancelled	-	(7 142)	(74 076)	-	-	(1 364 902)
Share options outstanding 31 December	**-**	**212 852**	**6 243 552**	**1 140 000**	**219 994**	**4 582 638**
Exercisable at 31 December	-	-	-	-	-	-
Weighted average exercised price (NOK)	41.96	35.42	NA	20.00	NA	NA

The following table list the input to the model used for the plan for year ended 31 December

	RSUs Awarded 2021	PSUs Awarded 2021	RSUs Awarded 2020	PSUs Awarded 2020
Weighted average fair values at the measurement date per share (NOK)	32.50	49.00	46.76	27.40
Dividend yield (%)	-	-	-	-
Expected volatility (%)	-	-	-	-
Risk-free interest rate (%)	-	-	-	-
Expected lifetime (years)	4.00	3.84	4.00	3.84
Weighted average share price (NOK)	-	-	-	-
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

Share-based payment in Hexagon Purus ASA

The Company has a performance share units program (PSUs) and a restricted share units program (RSUs) covering certain employees in senior positions. As at 31.12.2021, total 4 employees were included in the PSUs programs and 33 employees in the RSUs programs.

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

The second share-based long term incentive plan is an employee RSU program, where 561 000 RSUs are currently issued to key personnel and management employees of the Group. Subject to satisfaction of the applicable vesting conditions, each RSU entitles eligible employees to receive such number of Hexagon Purus shares as corresponds to the number of RSUs vested at the date on which the Company's Board of Directors approves the Company's annual accounts for the financial year of 2023.

The fair value of the RSUs and PSUs are calculated on the grant date, using the Black-Scholes model and monte Carlo simulation, and the cost is recognized over the service period. Cost of the RSU and PSU schemes, including social security, was NOK 8.5 million year-to-date 31 December 2021. The unamortized fair value of all outstanding RSUs and PSUs as of 31 December 2021 is estimated to be NOK 18.8 million.

Overview of number of outstanding options

	RSUs 2021	PSUs 2021	RSUs 2020	PSUs 2020
Outstanding options 1 January	695 621	421 242	-	-
Options granted	91 000	-	695 621	421 242
Options exercised	-	-	-	-
Options lapsed/cancelled	(15 000)	-	-	-
Share options outstanding 31 December	**771 621**	**421 242**	**695 621**	**421 242**
Exercisable at 31 December	-	-	-	-
Weighted average exercised price (NOK)	NA	NA	NA	NA

The following table list the input to the model used for the plan for year ended 31 December

	RSUs Awarded 2021	PSUs Awarded 2021	RSUs Awarded 2020	PSUs Awarded 2020
Weighted average fair values at the measurement date per share (NOK)	27.30	27.30	27.30	27.30
Dividend yield (%)	-	-	-	-
Expected volatility (%)	30%	30%	30%	30%
Risk-free interest rate (%)	-	-	-	-
Expected lifetime (years)	3.84	4.00	3.54	3.54
Weighted average share price (NOK)	-	-	-	-
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

Note 28 Transactions with related parties

The Group's related parties consist of associates, joint ventures, main shareholders, members of the Board and management. Transactions with joint ventures and associates are disclosed in note 26. There are no sales to, purchases from, loans to, receivables or liability/payables to members of the Board. There are no sales to, purchases from, loans to, receivables or liability/payables to key management personnel of the Group, except for any short-term postings related to salary payout and remuneration of out-of-the pocket expenses.

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

The income statement includes the following amounts resulting from transactions with related parties

(NOK 1 000)	2021	2020
Sales revenue	-	7 472
Other operating income	-	-
Cost of materials	-	-
Other operating expenses	3 437	-

The balance sheet includes the following amounts resulting from transactions with related parties

(NOK 1 000)	2021	2020
Trade receivables	-	-
Trade payables	449	-

Remuneration of the Board and Executive management 2021

(NOK 1 000)	Salaries and fees	Bonuses[1]	Benefits in kind	Pension premium	Value of share options[2]	Total remuneration 2021
Executive management	24 840	15 342	144	1 355	11 588	53 270
Board of Directors	1 990	-	-	-	-	1 990
Total remuneration	**26 830**	**15 342**	**144**	**1 355**	**11 588**	**55 260**

[1] Bonuses relates to bonuses expensed in the year.
[2] The value of share options relates to recognized costs for the year. Executives hold other share-based instruments as well (see note Share based payments).

Remuneration of the Board and Executive management 2020

(NOK 1 000)	Salaries and fees	Bonuses[1]	Benefits in kind	Pension premium	Value of share options[2]	Total remuneration 2020
Executive management	20 753	10 494	467	1 054	3 798	36 566
Board of Directors	1 790	-	-	-	-	1 990
Total remuneration	**22 543**	**10 494**	**467**	**1 054**	**3 798**	**38 556**

[1] Bonuses relates to bonuses expensed in the year.
[2] The value of share options relates to recognized costs for the year. Executives hold other share-based instruments as well (see note Share based payments).

Pursuant to Section 6-16a and b of the Norwegian Public Limited Liabilities Companies Act, the Company will disclose a seperate remuneration report regarding the determination of pay and benefits to the CEO and management executives. Reference is made to the separate remuneration report which will be made available on the Company`s website.

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

Group management participates in the Company's general pension arrangements, which are described in note 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 31.12.2021 the Group President has 0 thousand (120 thousand) share options and 147 thousand (180 thousand) provisional performance share units (PSUs performance adjusted) outstanding. In addition he has 573 thousand cash settlement options (0 thousand). The CFO has 0 thousand (80 thousand) share options and 99 thousand (121 thousand) provisional performance share units (PSUs performance adjusted) 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

	2021	2020
Knut Flakk, (Chair)[1]	27 834 969	29 384 969
Kristine Landmark (Deputy chair)[2]	10 000	10 000
Katsunori Mori (Board member)[3]	45 833 321	45 833 321
Hans Peter Havdal	3 900	3 900

[1] Of the shares owned by Knut Flakk, 131 248 are privately owned, 500 000 are owned by his wife and 27 203 721 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

	2021	2020
Jon Erik Engeset, Group President & CEO[1]	323 554	263 554
David Bandele, Group Chief Financial Officer	115 429	88 317

[1] The shares owned by Jon Erik Engeset, 64 106 are privately owned and 259 448 are owned by related limited liability companies.

Expensed auditor fees were divided among the following services (excl. VAT)

(NOK 1 000)	2021	2020
Statutory audit and auditing-related services	7 275	7 391
Other attestation services	560	332
Tax advice	4 491	2 992
Other non-auditing services	863	1 851
Total	**13 189**	**12 565**

Note 29 Purchasing commitments

The Group has the following commitments resulting from purchasing materials

(NOK 1 000)	2021	2020
2021	-	276 130
2022	350 807	98 296
Thereafter	102 728	-
Total	**453 535**	**374 425**

The Group has the following commitments resulting from contracts for investments in production facilities/machines

(NOK 1 000)	2021	2020
2021	-	38 806
2022	159 747	-
Thereafter	-	-
Total	**159 747**	**38 806**

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	Votes
Subsidiaries					
Hexagon Ragasco AS	Norway	Raufoss	Hexagon Ragasco LPG	100%	100%
Hexagon Ragasco NA Inc.	USA	Lincoln, NE	Hexagon Ragasco LPG	100%	100%
Composite Scandinavia AB	Sweden	Piteå	Hexagon Ragasco LPG	100%	100%
Hexagon Composites India Pvt. Ltd.	India	Bangalore	Hexagon Ragasco LPG	100%	100%
Hexagon Composites Russia LLC	Russia	Nizhny Novgorod	Hexagon Ragasco LPG	100%	100%
Hexagon USA Holdings Inc.	USA	Lincoln, NE	Unallocated	100%	100%
Hexagon R&D Services LLC	USA	Lincoln, NE	Unallocated	100%	100%
Hexagon Digital Wave LLC	USA	Centennial, CO	Digital Wave	100%	100%
Hexagon Agility Inc.	USA	Costa Mesa, CA	Hexagon Agility & CNG LDV	100%	100%
Agility Fuel Solutions LLC	USA	Costa Mesa, CA	Hexagon Agility & CNG LDV	100%	100%
Agility Fuel Systems LLC	USA	Costa Mesa, CA	Hexagon Agility & CNG LDV	100%	100%
FAB Holding LLC	USA	Fontana, CA	Hexagon Agility & CNG LDV	100%	100%
FAB Enterprise LLC	USA	Fontana, CA	Hexagon Agility & CNG LDV	100%	100%
FAB Services West LLC	USA	Fontana, CA	Hexagon Agility & CNG LDV	100%	100%
Enviromech Industries, LLC	USA	Costa Mesa, CA	Hexagon Agility & CNG LDV	100%	100%
Enviromech Industries ULC	Canada	Kelowna, BC	Hexagon Agility & CNG LDV	100%	100%
Agility Fuel Solutions UK Ltd	UK		Hexagon Agility & CNG LDV	100%	100%
AFS MFG LLC	USA	Salisbury, NC	Hexagon Agility & CNG LDV	100%	100%
AFS Salisbury LLC	USA	Costa Mesa, CA	Hexagon Agility & CNG LDV	100%	100%
Agility Cylinders, LLC	USA	Lincoln, NE	Hexagon Agility & CNG LDV	100%	100%
Agility Powertrain Systems, LLC	USA	Costa Mesa, CA	Hexagon Agility & CNG LDV	100%	100%
Agility India Private Ltd	India	Bangalore	Hexagon Agility & CNG LDV	100%	100%
Agility Fuel Solutions Norway AS	Norway	Raufoss	Hexagon Agility & CNG LDV	100%	100%
Agility Fuel Solutions Brazil Ltda	Brazil	Sao Paulo	Hexagon Agility & CNG LDV	100%	100%
Hexagon Lincoln LLC	USA	Lincoln, NE	Hexagon Agility & CNG LDV	100%	100%
Hexagon Technical Services LLC	USA	Lincoln, NE	Hexagon Agility & CNG LDV	100%	100%

Company	Home Country	Registered office	Business segment	Ownership	Votes
Hexagon Mobile Pipeline GmbH	Germany	Kassel	Hexagon Agility & CNG LDV	100%	100%
Hexagon Composites GmbH	Germany	Kassel	Hexagon Agility & CNG LDV	100%	100%
Hexagon Operations GmbH	Germany	Kassel	Hexagon Agility & CNG LDV	100%	100%
Hexagon Purus ASA	Norway	Aalesund	Hexagon Purus	73%	73%
Hexagon Technology H2 AS	Norway	Aalesund	Hexagon Purus	73%	73%
Hexagon Purus HK Holding AS	Norway	Aalesund	Hexagon Purus	73%	73%
Hexagon Composites Germany GmbH	Germany	Herford	Hexagon Purus	73%	73%
Hexagon Purus GmbH	Germany	Kassel	Hexagon Purus	73%	73%
Wystrach GmbH	Germany	Weeze	Hexagon Purus	73%	73%
Wyrent GmbH	Germany	Weeze	Hexagon Purus	73%	73%
Hexagon Purus Property GmbH	Germany	Kassel	Hexagon Purus	73%	73%
xperion E&E Overseas GmbH	Germany	Herford	Hexagon Purus	73%	73%
xperion E&E US Holding Inc.	USA	Heath, OH	Hexagon Purus	73%	73%
xperion E&E USA LLC	USA	Heath, OH	Hexagon Purus	73%	73%
Hexagon Purus North America Holdings Inc.	USA	Lincoln, NE	Hexagon Purus	73%	73%
Hexagon Purus LLC	USA	Lincoln, NE	Hexagon Purus	73%	73%
Hexagon Masterworks Inc.	USA	Taneytown	Hexagon Purus	73%	73%
Hexagon Purus Systems USA, LLC	USA	Costa Mesa, CA	Hexagon Purus	73%	73%
Hexagon Purus Systems Canada, Ltd.	Canada	Kelowna	Hexagon Purus	73%	73%
Hexagon Purus Maritime AS	Norway	Ålesund	Hexagon Purus	73%	73%
Hexagon Raufoss AS	Norway	Raufoss	Unallocated	100%	100%
Hexagon Technology AS	Norway	Aalesund	Unallocated	100%	100%
Hexagon Cylinders India Pvt. Ltd.	India		Unallocated	100%	100%
Joint ventures / Joint operations owned by Hexagon Purus					
Norwegian Hydrogen AS	Norway	Ålesund	Hexagon Purus	21%	21%

Wystrach GmbH and Wyrent GmbH were acquired on 10 November 2021.

Note 31 Exchange rates

	Exchange rate 1 Jan 2021	Average exchange rate 2021	Exchange rate 31 Dec 2021
USD	8.5326	8.5904	8.8194
CAD	6.6976	6.8523	6.9400
EUR	10.4703	10.1633	9.9888
GBP	11.6462	11.8254	11.8875
RUB	11.4470	11.6603	11.7100
CHF	969.2500	940.5500	966.8800
SEK	104.3500	100.190	97.4500

Note 32 Events after the balance sheet date

The situation in Ukraine and Russia

Hexagon is closely following the tragic events unfolding in Ukraine and the resulting humanitarian crisis. The Company do not have operations or employees in Ukraine but has a sales/distribution entity for its LPG products in Russia staffed by six employees of which sales represented around 0.5 per cent of Group revenues in 2021. The Company is closely monitoring the situation and is continuously assessing potential impacts to ensure compliance with international sanctions. In the meantime, Hexagon has stopped all product shipments to Russia.

Hexagon Purus nominated to major contract

Hexagon Purus is nominated by a leading and long-standing commercial truck OEM, to provide battery packs for serial production of class 8 battery electric heavy-duty vehicles. The total sales value for the initial period from 2024-2027 is estimated at approximately USD 800 million (approx. NOK 7 billion), increasing to approximately USD 1.2 billion (approx. NOK 10 billion) if the extension option is exercised.

Hexagon Purus letter of intent with Hino Motors Manufacturing U.S. Inc.

Hexagon Purus signed a long-term binding letter of intent with Hino Motors Manufacturing U.S. Inc. to provide battery packs for multiple Hino truck platforms with serial production planned from 2024. The total sales value over the life of the agreement is estimated at USD 1 billion (approx. NOK 9 billion).

Private placement in Hexagon Purus ASA

On 15 February 2022, Hexagon Purus ASA completed a private placement raising a total of NOK 600 million in gross proceeds. Hexagon Composites ASA subscribed for, and was allocated, their pro-rata 73.3 per cent share of the offer shares in the private placement. The participation for Hexagon Composites ASA amounted to NOK 440 million.

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

Income statement – Parent Company

HEXAGON COMPOSITES ASA

(NOK 1 000)	Note	2021	2020
Other revenue	5	127 558	108 836
Total operating income		**127 558**	**108 836**
Payroll & social security expenses	8, 10, 13	63 666	56 823
Depreciation and impairment	2	373	217
Other operating expenses	10	72 622	68 569
Operating profit		**(9 103)**	**(16 773)**
Income from investment in subsidiaries	9	10 000	62 000
Finance income	11, 12	195 582	963 637
Finance expense	4, 11, 12	170 540	164 482
Profit before tax		**25 940**	**844 381**
Tax on profit	9	12 006	37 295
Profit/loss for the year		**13 934**	**807 086**
Allocated to dividends	1	-	-
Transferred equity	1	13 934	807 086
Total transferred		**13 934**	**807 086**

Balance Sheet – Parent Company

HEXAGON COMPOSITES ASA

(NOK 1 000)	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets	10	9 088	-
Total intangible assets		**9 088**	**-**
Property, plant and equipment			
Land, buildings and other real estate	2	6 616	6 101
Fixtures/fittings, equipment and tools	2	1 354	927
Total property, plant & equipment		**7 970**	**7 028**
Financial assets			
Investments in subsidiaries	3	1 401 455	1 257 608
Loans to group companies	4, 5	2 379 357	2 320 303
Other non-current receivables	4	12	78 862
Investments in shares		301	301
Total financial assets		**3 781 125**	**3 657 075**
Total non-current assets		**3 798 184**	**3 664 103**

(NOK 1 000)	Note	2021	2020
Current assets			
Receivables			
Trade receivables	5	8	-
Other receivables	5	68 096	141 508
Total receivables		**68 104**	**141 508**
Bank deposits, cash and cash equivalents	6	1 145	106 985
Total current assets		**69 249**	**248 492**
Total assets		**3 867 433**	**3 912 595**

(NOK 1 000)	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	1, 7	20 162	20 162
Own shares	1	(85)	(185)
Share premium	1	2 075 999	2 075 999
Other paid-in capital	1	98 226	69 615
Total paid-in capital		**2 194 303**	**2 165 591**
Other equity	1	372 256	348 880
Total other equity		**372 256**	**348 880**
Total equity		**2 566 558**	**2 514 470**
Liabilities			
Other non-current liabilities			
Non-current interest-bearing liabilities	4	1 123 912	1 206 127
Other non-current financial liabilities	4	81 423	-
Deferred tax liabilities	9	-	12 869
Total other non-current liabilities		**1 205 336**	**1 218 997**
Current liabilities			
Liabilities to credit institutions	4, 12	17 543	-
Trade payables		1 426	5 127
Income tax payable	9	31 776	56 171
Public duties payable		6 399	8 622
Other current liabilities	5	38 394	109 209
Total current liabilities		**95 539**	**179 128**
Total liabilities		**1 300 875**	**1 398 125**
Total equity and liabilities		**3 867 433**	**3 912 595**

Aalesund, 24 March 2022
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chair

Kristine Landmark
Deputy Chair

Katsunori Mori
Board Member

Hans Peter Havdal
Board Member

Liv Astri Hovem
Board Member

Jon Erik Engeset
Group President & CEO

Cash flow statement – Parent Company

HEXAGON COMPOSITES ASA

(NOK 1 000)	Note	2021	2020
Cash flow from operating activities			
Profit before tax		25 940	844 381
Tax paid for the period		(56 171)	(35 026)
Depreciation and impairment		373	217
Gains and losses on shares		-	(670 322)
Impairment on shares		-	19 000
Recognised group contribution and dividend		(10 000)	(62 000)
Changes in trade payables		(3 701)	3 854
Changes in other accrual accounting entries		20 290	(5 263)
Net cash flow from operating activities		**(23 269)**	**94 841**
Cash flow from investment activities			
Purchase of property, plant & equipment and intangible assets		(1 315)	(303)
Purchase of shares		-	(9 183)
Net payments on loans to/from subsidiaries		3 092	(727 116)
Net cash flow from investing activities		**1 777**	**(736 602)**

(NOK 1 000)	Note	2021	2020
Cash flow from financing activities			
New non-current liabilities		1 131 732	-
Repayment of non-current liabilities		(1 243 165)	(77 085)
Proceeds from issues of shares		-	874 687
Net change in bank overdraft		17 543	(43 033)
Dividend payments		-	-
Proceeds from/purchase of own shares		9 543	(7 169)
Net cash flow from financing activities		**(84 347)**	**747 401**
Net change in cash & cash equivalents		(105 839)	105 640
Cash & cash equivalents at beginning of period		106 985	1 345
Cash & cash equivalents at end of period	6	**1 145**	**106 985**
Undrawn group overdraft facility	6	**250 000**	**85 000**
Undrawn credit facility		**318 268**	**368 416**

Notes – Parent Company

HEXAGON COMPOSITES ASA

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

The Company has a share-based program for the senior and key executives. The share-based program for the senior and key executives is settled in stocks, and consist of share options, performance share units (PSUs) and restricted share units (RSUs). In addition, certain key executives have share based programs settled in cash. The fair value of the share-based programs is expensed over the vesting period which is over the agreed-upon future service period and, where applicable, the performance conditions are fulfilled. The fair value of the share options, PSUs and RSUs is measured at grant date and calculated using the Black & Scholes model.

The cost of the employee share-based transaction is expensed over the vesting period. The value of the issued options, PSUs and RSUs of the transactions that are settled with equity instruments (settled with the company's own shares) is recognized as salary and personnel cost in profit and loss with a corresponding increase in other paid-in capital. The cash settlement options are however recognized with a corresponding change in provisions. 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 Company'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.

Pension expenses

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

Tax

Tax expense in the income statement includes income tax payable for the period and changes in deferred tax. Deferred tax is calculated at 22 per cent 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 1 January 2021	20 162	(185)	2 075 999	69 615	348 880	2 514 470
Profit/loss for the year	-	-	-	-	13 934	13 934
Allocated dividends	-	-	-	-	-	-
Share-based payment	-	-	-	28 612	-	28 612
Distributed dividend Hexagon Purus AS	-	-	-	-	-	-
Movement in own shares etc.	-	100	-	-	9 442	9 543
Equity at 31 December 2021	**20 162**	**(85)**	**2 075 999**	**98 226**	**372 256**	**2 566 558**

Note 2 Property, plant & equipment

(NOK 1 000)	Land/ buildings and other property	Fixtures/ fittings, equipment and similar	Total
Cost of acquisition as of 1 January 2021	8 446	4 358	12 803
Property, plant & equipment purchased	588	727	1 315
Cost of acquisition 31 December 2021	**9 034**	**5 084**	**14 118**
Accumulated depreciation and impairment 31 Dec 2021	2 418	3 730	6 148
Carrying amount at 31 December 2021	**6 616**	**1 354**	**7 970**
Depreciation for the year	73	300	373
Useful life	20 years – perpetual	4–10 years – perpetual	

Note 3 Shares in subsidiaries

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%	7 557
Hexagon Technology AS	Ålesund	100%	100%	14 174
Hexagon Purus ASA	Ålesund	73%	73%	1 150 183
Hexagon USA Holdings Inc.	Delaware, USA	100%	100%	19 020
Hexagon Mobile Pipeline GmbH	Kassel, Germany	100%	100%	276
Hexagon Composites GmbH	Kassel, Germany	100%	100%	127 846
Hexagon Operations GmbH	Kassel, Germany	100%	100%	8 245
Hexagon Composites Russia LLC	Nizhny Novgorod, Russia	100%	100%	1
Hexagon SGT India	India	100%	100%	9 249
				1 401 455

Equity and profit/loss as reported in most recent annual accounts (company only)

(NOK 1 000)	Hexagon Ragasco AS	Hexagon Raufoss AS	Hexagon Technology AS	Hexagon USA Holdings Inc.	Hexagon Mobile Pipeline GmbH	Hexagon Composites Russia LLC
Carrying amount	64 905	7 557	14 174	19 020	276	1
Equity at 31 Dec 2021	85 565	7 607	54 540	660 513	(9 335)	17 170
Profit 2021	27 908	36	(3 208)	(46 913)	(5 396)	8 141

(NOK 1 000)	Hexagon Purus ASA	Hexagon Composites GmbH	Hexagon Operations GmbH	Hexagon SGT India
Carrying amount	1 150 183	127 846	8 245	9 249
Equity at 31 Dec 2021	1 415 398	61 128	(9 850)	-
Profit 2021	(353 704)	(31 118)	(12 900)	-

Note 4 Receivables and liabilities

(NOK 1 000)	2021	2020
Receivables due for payment after 1 year		
Other non-current financial assets[3]	12	78 862
Loans to group companies	2 379 357	2 320 303
Total	**2 379 369**	**2 399 166**
Short-term liabilities		
Liabilities to credit institutions[1]	17 543	-
Total	**17 543**	-

Long-term financing

(NOK 1 000)	Currency amount	Carrying amount	Interest	Duration	Maturity
Bank loan[1]	NOK 1 100 000	1 100 000	Nibor 3 month + 1.90%	3 years	9 Dec 2024
Bank loan[1]	NOK 31 732	31 732	Nibor 3 month + 2.00%	3 (+2) years	9 Dec 2026
Amortized costs[2]		(7 820)			
Total non-current interest-bearing liabilities		**1 123 912**			

[1] On December 9, 2021, Hexagon Composites ASA entered into new loan facility agreement for a combined NOK 1 700 million, comprising an overdraft facility, a multi-currency revolving credit facility (RCF) and a Term Loan. In addition to a NOK 250 million bilateral overdraft facility with the Company's existing corporate bank partner, the new agreement introduced a second bank together covering a NOK 350 million RCF for a term of 3 years with two 1-year extension options (3+1+1), and a NOK 1 100 million Term Loan with a tenor of 3 years. The Term loan was used to refinance the outstanding bond which was repurchased on 23 December 2021.

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

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

Other non-current financial liabilities

(NOK 1 000)	Interest	Duration	Maturity	2021	2020
Cross-currency swap (NOK/USD)[3]	Pay USD Libor 3 m + / Receive NOK Nibor 3 m +	3 years	9 Dec 2024	81 423	-
Other non-current financial liabilities				**81 423**	-

[3] The company has entered into a cross-currency swap to effectively convert the NOK denominated loan into USD. The fixed USD denominated balance on entering into the swap was USD 132.7 million. The swap has a term concurrent with the bank loan. The value of the swap as of 31 December 2021 was NOK 81 423 thousand. In 2020 was the value on the Swap -78 629 and is included in other non-current financial assets.

Note 5 Intra-group transactions and balances

(NOK 1 000)	2021	2020
Income		
Administrative services to subsidiaries	126 774	108 096
Total	**126 774**	**108 096**
Receivables		
Loans to group companies	2 379 357	2 320 303
Trade receivables	-	-
Other current receivables	66 701	119 326
Total	**2 446 059**	**2 439 630**
Liabilities		
Liabilities to group companies - long-term	-	-
Liabilities to group companies - current	20 931	11 750
Total	**20 931**	**11 750**

Note 6 Bank Deposits

(NOK 1 000)	2021	2020
Restricted tax withholdings	1 077	1 191

The Group's liquidity in Norway is organised 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 (NOK 1 000)	Number	Nominal	Carrying amount
A shares	201 619 712	0.10	20 161 971

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

20 Largest shareholders as of 31 December 2021	Number of shares	Shareholding
MITSUI & CO LTD	45 833 321	22.73%
FLAKK COMPOSITES AS[1]	20 000 000	9.92%
CLEARSTREAM BANKING S.A.	17 333 008	8.60%
MP PENSJON PK	11 762 777	5.83%
BRØDR. BØCKMANN AS	5 554 663	2.76%
NØDINGEN AS	5 283 879	2.62%
KTF FINANS AS[1]	5 000 000	2.48%
FOLKETRYGDFONDET	3 840 921	1.91%
BROWN BROTHERS HARRIMAN & CO	3 054 500	1.51%
RBC INVESTOR SERVICES TRUST	3 021 598	1.50%
SKANDINAVISKA ENSKILDA BANKEN AB	2 855 299	1.42%
STATE STREET BANK AND TRUST COMPANY	2 742 055	1.36%
JPMORGAN CHASE BANK, N.A., LONDON	1 994 276	0.99%
VERDIPAPIRFONDET STOREBRAND NORGE	1 907 971	0.95%
NORDNET BANK AB	1 835 153	0.91%
THE NORTHERN TRUST COMPANY, LONDON	1 718 415	0.85%
VERDIPAPIRFONDET NORDEA KAPITAL	1 415 216	0.70%
VERDIPAPIRFONDET KLP AKSJENORGE	1 325 899	0.66%
FLAKK INVEST AS[1]	1 300 000	0.64%
SIS SIS AG	1 298 216	0.64%
Total 20 largest shareholders	**139 077 167**	**68.98%**
Remainder	62 542 545	31.02%
Total	**201 619 712**	**100.00%**

[1] These shareholdings are controlled by the Chair of the Board, Knut Flakk.

As of 31 December 2021 the Company had 847 292 own shares (1 851 723). The cost of acquisition of NOK 20 690 thousand (NOK 45 218 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 December 2021 was 6 094 of whom 463 were foreign shareholders. The number of shares held by foreign shareholders was 111 547 389 or 55.3 per cent.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2021, the same as for 2020.

The Board (unanimous) has a mandate to increase share capital by up to NOK 2 016 195 by issuing up to 20 161 950 shares (par value NOK 0.10). This authorization is valid until the next ordinary general assembly.

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 15 people in total - 13 employed and 2 retired. Pension arrangements are dealt with according to the Norwegian Accounting Standard NRS 6A for pension costs.

The defined contribution pension plan's contribution rates are 7 per cent for salaries in the range of up to 7.1 times the national insurance base rate (G) and 25.1 per cent for salaries in the range 7.1 to 12 G.

Contributions for the year were expensed at NOK 1 905 thousand (2 012), excluding employer's contributions.

Note 9 Tax

Tax expense for the year consists of

(NOK 1 000)	2021	2020
Income tax payable	33 964	57 706
Withholding tax	-	16
Change in deferred tax	(21 958)	(20 428)
Total tax expense	**12 006**	**37 295**

Calculation of tax base for the year

(NOK 1 000)	2021	2020
Profit before tax	25 940	844 381
Permanent differences	28 634	(674 933)
Gains and losses on/sale of financial assets	-	-
Change in temporary differences	99 808	92 853
Use of loss carryforwards	-	-
Tax base for the year	**154 382**	**262 301**

Received group contributions of NOK 10 000 thousand (NOK 62 000 thousand) have been entered as income on investments in subsidiaries and included in the pre-tax profit.

Overview of temporary differences

(NOK 1 000)	2021	2020
Financial assets and instruments	(32 284)	66 436
Non-current assets	(19)	(280)
Provisions	(9 008)	(7 659)
Total	**(41 311)**	**58 497**
Deferred tax 22%	**(9 088)**	**12 869**

Why tax expense for the year does not amount to 22% of profit before tax

(NOK 1 000)	2021	2020
22% of profit before tax	5 707	185 764
Permanent differences 22%	6 300	(148 485)
Withholding tax	-	16
Correction for previous year	-	-
Effect of change in tax rate	-	-
Calculated tax expense	**12 006**	**37 295**
Effective tax rate[1]	46.3%	4.4%

[1] Tax expense in relation to profit before tax

The tax rate on general income in Norway is 22 per cent both in the financial year 2021 and 2020. Deferred tax assets and liability were calculated using a tax rate of 22 per cent.

Note 10 Payroll, number of employees, remuneration, loans to employees etc.

Payroll costs

(NOK 1 000)	2021	2020
Wages/salaries and fees	24 526	24 332
Employer's contribution	2 917	8 146
Pension expense	1 905	2 012
Other contributions	34 319	22 333
Total	**63 666**	**56 823**

There were 13 (13) employees in the Company during the financial year.

(NOK 1 000)	Salaries and fees	Bonuses[1]	Benefits in kind	Pension premium	Value of share options[2]	Total remuner-ation
Executive management	7 208	4 618	64	531	4 707	17 127
Board of Directors	1 790	-	-	-	-	1 790
Total remuneration	**8 998**	**4 618**	**64**	**531**	**4 707**	**18 917**

[1] Bonuses relates to bonuses expensed in the year.
[2] The value of share options relates to recognized costs for the year. Executives hold other share-based instruments as well (see note Share based payments).

Pursuant to Section 6-16a and b of the Norwegian Public Limited Liabilities Companies Act, the Company will disclose a seperate remuneration report regarding the determination of pay and benefits to the CEO and management executives. Reference is made to the separate remuneration report which will be made available on the Company`s website.

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

Group management participate in the Company's general pension arrangements, which are described in note 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 31.12.2021 the Group President has 0 thousand (120 thousand) share options and 147 thousand (180 thousand) provisional performance share units (PSUs performance adjusted) outstanding. In addition he has 573 thousand cash settlement options (0 thousand). The CFO has 0 thousand (80 thousand) share options and 99 thousand (121 thousand) provisional performance share units (PSUs performance adjusted) outstanding.

Shares owned by Board Members or closely-related parties

	2021	2020
Knut Flakk, (Chair)[1]	27 834 969	29 384 969
Kristine Landmark (Deputy chair)[2]	10 000	10 000
Hans Peter Havdal	3 900	3 900
Katsunori Mori (Board member)[3]	45 833 321	45 833 321

[1] Of the shares owned by Knut Flakk, 131 248 are privately owned, 500 000 are owned by his wife and 27 203 721 are owned through related limited companies.
[2] The shares are owned by Kristine Landmarks husband.
[3] Shares owned by Mitsui & Co., Ltd., represented in the Board by Katsunori Mori.

Shares held by key management personnel

	2021	2020
Jon Erik Engeset, Group President[1]	323 554	263 554
David Bandele, Group Chief Financial Officer	115 429	88 317

[1] Of the shares owned by Jon Erik Engeset 64 106 are privately owned and 259 448 are owned by related limited liability companies.

Expensed auditors' fees and comprised of the following services (not including VAT)

(NOK 1 000)	2021	2020
Statutory audit and auditing-related services	1 283	1 325
Other attestation services	250	-
Tax advice	2 328	-
Other non-auditing services	466	1 020
Total	**4 326**	**2 344**

Note 11 Net financial items

Finance income

(NOK 1 000)	2021	2020
Interest income from group companies	124 561	165 893
Other interest income	3 081	4 077
Other finance income (currency gains)	67 941	123 345
Profit on sale of shares	-	670 322
Total finance income	**195 582**	**963 637**

Finance expense

(NOK 1 000)	2021	2020
Other interest expenses	45 901	69 193
Arrangement fees and other commissions	65 780	10 514
Currency losses	57 205	64 681
Impairment of financial assets	-	19 000
Other finance expense	1 653	1 095
Total finance expense	**170 540**	**164 482**

Note 12 Financial market risk

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

Interest rate risk

Interest rate risk arises in the short and medium term from the Company's floating rate liabilities. The Company uses interest rate swaps to minimise the risk.

Currency risk

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

Note 13 Share-based payment

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

22 May 2018 Hexagon Composites ASA issued 1 200 000 call options to senior executives and managers in the Group at NOK 20.85 per share, provided that the share price on the date of exercise was minimum NOK 25.36 per share. The options could 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. The exercise period was extended to 14 December 2021. During 2021, 1 140 000 of the options have been exercised at the weighted average share price of NOK 41.96.

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 would at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated. During 2021, 100 000 of the RSU's have been exercised at the weighted average share price of NOK 35.42.

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

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

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

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

2 May 2021 Hexagon Composites ASA decided to provisionally award up to 1 734 990 Performance Share Units ("PSUs") to executives. The PSUs are non-transferable and will vest in Q1 2024 subject to satisfaction of the applicable vesting conditions. Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

20 August 2021 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, PSUs and RSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with these programs were NOK 25.5 million YTD 31 December. The fair value of all outstanding PSUs (6 243 552) and RSUs (212 852) is estimated to NOK 40.5 million per 31 December 2021.

In addition to the above-mentioned instruments, the Company has issued bonus arrangements to certain executives within the Group. The bonus arrangements are dependent upon the share price development of Hexagon Purus ASA and is converted to a given number of cash settlement options in Hexagon Purus ASA, for the purpose of calculating quarterly fair values using the Black-Scholes model. These cash settlement arrangements involved total expenses of NOK 4.6 million in 2021 and a remaining unamortized accrual estimated to MNOK 14.9 as of 31.12.2021.

Overview of options with equity settlement

	Share Options 2021	RSUs 2021	PSUs 2021	Share Options 2020	RSUs 2020	PSUs 2020
Outstanding 1 January	1 140 000	219 994	4 582 638	2 705 000	149 994	2 235 906
Granted	-	100 000	1 734 990	-	70 000	3 711 634
Exercised	(1 140 000)	(100 000)	-	(1 565 000)	-	-
Lapsed/Cancelled	-	(7 142)	(74 076)	-	-	(1 364 902)
Share options outstanding 31 December	**-**	**212 852**	**6 243 552**	**1 140 000**	**219 994**	**4 582 638**
Exercisable at 31. December	-	-	-	-	-	-
Weighted average exercised price (NOK)	41.96	35.42	NA	27.00	NA	NA

The following table list the input to the model used for the plan for year ended 31 December

	RSUs Awarded 2021	PSUs Awarded 2021	RSUs Awarded 2020	PSUs Awarded 2020
Weighted average fair values at the measurement date per share (NOK)	32.50	49.00	46.76	27.40
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	0%	0%	0%	0%
Risk-free interest rate (%)	0%	0%	0%	0%
Expected life of share options (years)	4.00	3.84	4.00	3.84
Weighted average share price (NOK)	0.00	0.0	0.0	0.0
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

Note 14 Leases

Ordinary lease payments for 2021 were NOK 5 041 thousand (4 260).

Future minimum lease payments relating to fixed term leases fall due as follows:

Not later than 1 year	5 056
1 to 5 years	8 498
Later than 5 years	-
Total	**13 555**

Note 15 Covid-19 considerations

The pandemic has caused increased market risk, increased uncertainty to future energy prices and supply chain disruptions impacting our manufacturing. Hexagon's management are closely monitoring the development of the pandemic and are continuously evaluating the consequences for the Group. The effect for Hexagon has so far been limited, however indirect consequences such as supply chain disruptions and longer lead times for materials and components have had some impact on the Group's operations. It is however not expected that the pandemic will have a significant effect on the Group's operations or financial statements in the long term.

- Hexagon Agility and CNG LDV have been impacted by supply chain distribution, particularly related to semiconductor and chassis shortages. This has had some impact on revenues in 2021 but we do not see this as a recurring issue in the medium and long term
- Hexagon Ragasco has been impacted by increased raw material prices, however sale price increases will mitigate the effect going forward
- Digital Wave has had limited effects and is expected to have limited effects going forward
- Hexagon Purus has been impacted by longer lead times related to certain components, including battery cells. This has had some impact on revenues in 2021 but we do not see this as a recurring issue in the medium and long term.

Note 16 Events after the balance sheet date

The situation in Ukraine and Russia
Hexagon is closely following the tragic events unfolding in Ukraine and the resulting humanitarian crisis. The Company do not have operations or employees in Ukraine but has a sales/distribution entity for its LPG products in Russia staffed by six employees of which sales represented around 0.5 per cent of Group revenues in 2021. The Company is closely monitoring the situation and is continuously assessing potential impacts to ensure compliance with international sanctions. In the meantime, Hexagon has stopped all product shipments to Russia.

Hexagon Purus nominated to major contract
Hexagon Purus is nominated by a leading and long-standing commercial truck OEM, to provide battery packs for serial production of class 8 battery electric heavy-duty vehicles. The total sales value for the initial period from 2024-2027 is estimated at approximately USD 800 million (approx. NOK 7 billion), increasing to approximately USD 1.2 billion (approx. NOK 10 billion) if the extension option is exercised.

Hexagon Purus letter of intent with Hino Motors Manufacturing U.S. Inc.
Hexagon Purus signed a long-term binding letter of intent with Hino Motors Manufacturing U.S. Inc. to provide battery packs for multiple Hino truck platforms with serial production planned from 2024. The total sales value over the life of the agreement is estimated at USD 1 billion (approx. NOK 9 billion).

Private placement in Hexagon Purus ASA
On 15 February 2022, Hexagon Purus ASA completed a private placement raising a total of NOK 600 million in gross proceeds. Hexagon Composites ASA subscribed for, and was allocated, their pro-rata 73.3 per cent share of the offer shares in the private placement. The participation for Hexagon Composites ASA amounted to NOK 440 million.

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

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Statsautoriserte revisorer
Ernst & Young AS

Langelandsvegen 1, DaaeGården
6010 Ålesund

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
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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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and 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 of the Group comprise the financial position of the Group as at 31 December 2021, the income statement, statement of comprehensive income, cash flow statement and 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

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To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 22 years from the election by the general meeting of the shareholders in 2000 for the accounting year 2000.

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 2021. 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 of Wystrach GmbH and Wyrent GmbH - Purchase price allocation

Basis for the key audit matter
Hexagon Composites ASA group acquired 100 % of the shares and obtained control over Wystrach GmbH and Wyrent GmbH on 10 November 2021. The purchase consideration amounted to NOK 400 million. The company, with 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 144 million to customer relationships and technology, and NOK 187 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.

Our audit response
We considered the application of the accounting principles and discussed the choice of method for determining the value customer relationships 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 companies. 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.

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Goodwill - Impairment assessment

Basis for the key audit matter
As at 31 December 2021, Hexagon Composites ASA Group reported goodwill of NOK 1 573 million. The goodwill consists mainly of the cash flow generating units Hexagon Agility of NOK 1 010 million and Hexagon Purus of NOK 498 million included the new acquisition of Wystrach Gmbh in 2021 of NOK 187 million. 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.

Our audit response
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 2022-2026 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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Group president and CEO) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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 and the Group to cease to continue as a going concern.

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- 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 the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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 requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Hexagon Composites ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name hexagoncompositesasa-2021-12-31-en.zip, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

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Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aalesund, 24 March 2022
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

APPENDIX 1

Material topic definitions

Material topic	Description
Our contribution through our solutions	
Low carbon technology solutions for our customers	Enabling our customers to reach their climate targets.
Climate change	An ever-expanding number of companies and other institutions are declaring net-zero ambitions and seeking the solutions to deliver on them. We are experiencing significant demand for our solutions across all business areas.
EU taxonomy	The EU taxonomy helps companies, investors and policymakers define economic activities that can be considered environmentally sustainable. In this way, it financially empowers more companies to make the energy transition. We are experiencing significant related demand for our solutions from small, medium and large businesses.
Minimizing operational environmental footprint	
GHG emissions	Greenhouse gas emissions from energy, transportation, and Hexagon's other business activities.
Energy	Energy used for electricity, use of fossil fuels and other energy sources.
Product lifetime	Ensuring long product lifetimes, requalification and extended life as well as recycling possibilities.
Material waste	Waste generated throughout Hexagon's value chain and activities: reduction, reuse or recycling.
Responsible procurement	Ensuring environmental and social considerations are taken into account within our supply chain.

Material topic	Description
Product safety and compliance	
Product safety	Ensuring the highest safety standards and the quality of our products.
Responsible employer	
Occupational health and safety	Worker health and safety practices.
COVID-19	Mitigating actions to ensure a safe working environment.
Diversity and inclusion	Representation of female and minority employees in the workforce.
Workforce development	Training and development for workers to build capabilities and career opportunities – maintaining and attracting talent.
Local community relations	Stimulating good relations with, and being a positive force in, the local communities in which we operate.
Business ethics and anti-corruption	
Material topic	Description
Human rights in our supply chain	Promoting ethical business practices throughout.
Anti-corruption and integrity	Preventive measures and zero tolerance for corruption.

APPENDIX 2

Methodology

In 2021, with the help of sustainability experts from Asplan Viak AS, we set up a comprehensive, group wide GHG reporting system for our operational business areas. Here, we leveraged the benefits of two methodological approaches to report a complete scope 1 – 3 GHG account; physical data collection provides carbon intensities per unit of input consumed by Hexagon, while financial spend-data provides carbon intensities per monetary unit spent on products and services. This approach of capturing specific data where possible and filling the gaps with secondary data is recognized in the Greenhouse Gas Protocol as a hybrid method[1].

Physical data collection, i.e. the approach of collecting and analyzing all inputs of raw materials and energy carriers going into the manufacture of Hexagon's products, highlighted the most material contributors to the GHG account. For these key flows, comprising 40 per cent of our GHG account, life-cycle assessment based GHG intensities were collected.

The spend-based approach ensures that we leave no stone unturned, meaning that all activities included in our financial reporting are attributed a carbon emission intensity. This method allows us to fill the data gaps for the remaining 55 per cent of our GHG account, which for instance are the purchase of facility management services, investments in capital equipment, auxiliaries and so forth. Here we use environmentally extended input-output data, where national GHG emissions are allocated to industry sectors, to derive GHG intensities per monetary unit spent.

The combination of these approaches allows us to report with a high degree of completeness while also ensuring that specific carbon emissions are reported for our material raw materials and energy carriers. This further enables us to set a baseline for carbon mitigation strategies in reaching our climate ambitions.

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

- Scope 1 emissions: direct emissions calculated from fossil fuel consumption. Direct emissions from purchased services are reported in Scope 3.
- Scope 2: indirect GHG emissions from purchased energy (electricity and heat). Scope 2 emissions are calculated in two ways. 100 per cent of reported emissions is based on activity data from operational business areas, such as invoices and meter readings.
- Scope 3 emissions: indirect GHG emissions from the purchase of goods and services, including capital goods, upstream emissions from the production of fuels, transportation, operational waste and business travel.

Life-cycle based emissions factors are used to calculate GHG emissions from the most significant contributors in the Scope 3 category; carbon fiber, glass fiber, high-density polyethylene and aluminum. Emissions from recorded waste are calculated using life-cycle based emissions factors for the respective waste treatment routes. All other Scope 3 emissions are calculated using an environmentally extended input-output method, attributing GHG emissions to spend-data. This allows us to take responsibility for emissions caused by all economic activities in the group.

[1] See GHG Protocol's Technical Guidance for Calculating Scope 3 Emissions: https://ghgprotocol.org/scope-3-technical-calculation-guidance

APPENDIX 3

The ten principles of the United Nations Global Compact

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

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

WE SUPPORT

Human Rights

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

Labor Standards

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

Environment

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

Anti-Corruption

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

Jon Erik Engeset
Group President & CEO

Reporting on the UN SDGs

Hexagon' contribution to the UN Sustainable Development Goals in 2021

SDG	Goal	Target (indicators)		Hexagon's contribution
3	Good Health and Well-being		By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Our products and solutions
7	Ensure access to affordable, reliable, sustainable and modern energy for all	7.1	By 2030, ensure universal access to affordable, reliable and modern energy services	In 2021, we helped avoid over 1.1 million metric tons equivalent of CO_2 from our low carbon emissions portfolio. In addition, our low pressure business helped mitigate 51 000.6 metric ton equivalent of CO_2[1] We are committed to the green transition through our continued support for EU policies, EU taxonomy and "Fit for 55" package, which establishes a roadmap to achieve emission reductions by 2030 and net-zero emissions by 2050 [1] Based on Hexagon Ragasco 2021 sales volumes and 1x filling of LPG during the year which replaced brown and black coal as well as paraffin
		7.3	By 2030, double the global rate of improvement in energy efficiency	
		7.A	By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors	
		8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	
		8.7	Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms	
		8.8	Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	

SDG	Goal	Target (indicators)	Hexagon's contribution
9	**Build resilient infrastructure, promote sustainable industrialization and foster innovation**	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	
11	**Make cities inclusive, safe, resilient and sustainable**	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Our CNG and RNG fuel systems and low pressure LPG cylinders are important when considering the mitigation of climate change as we are part of the value chain which enables a reduction of particular matter NOX and SOX in addition CO_2. We also focus on circular economy issues through our development of digital testing and requalification technologies which enable reducing resource consumption and increasing the life-time of assets and the reduction, reuse and recycling of waste wherever possible. communities
12	**Ensure sustainable consumption and production patterns**	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	
13	**Take urgent action to combat climate change and its impacts**	13.2 Integrate climate change measures into national policies, strategies and planning (13.2.1 Number of countries that have communicated the establishment or operational status of an integrated policy/strategy/plan which increases their ability to adapt to the adverse impacts of climate change, and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production)	Our contribution to SDG 13 is exemplified by our commitment to reach net-zero by no longer than 2050 and to reduce our GHG footprint substantially in the short term as well as advancing the transportation sector's pathway compatible with a 1.5C global warming target. We intend to go beyond reducing our carbon footprint. Our approach is focused on increasing clean energy solutions, accelerating investment in low carbon and zero-emission mobility, mitigating indirect emissions from our supply chain and decarbonizing our operations.

Glossary

ASA	Public Limited company in Norway
BAR	Unit of pressure. 1 millibar = 100 N/m²
BIOGAS	Produced from raw materials such as agricultural waste, manure, municipal waste, plant material, sewage, green waste or food waste
BIO-LPG	Propane produced from renewable feedstocks such as plant and vegetable waste material
BEV	Battery Electric Vehicle
CHASSIS	The base frame of a car, carriage or other wheeled 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
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
LDV	Light-Duty Vehicle
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas (propane gas)
MOBILE PIPELINE®	Gas distribution products
NGV	Natural Gas Vehicle
OEM	Original Equipment Manufacturer
X-STORE®	High-pressure composite cylinder for bulk transportation and storage of CNG
RESIN	Chemical adhesives for strengthening glass and/or carbon fiber
RNG	Renewable Natural Gas Pipeline compatible gaseous fuel derived from biogenic or other renewable sources that has lower lifecycle carbon dioxide equivalent (CO_2-eq) emissions than geological natural gas
SCBA CYLINDER	Self-contained breathing apparatus
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
SCOPE 1 EMISSIONS	Direct emissions calculated from fossil fuel consumption. Direct emissions from purchased services are reported in Scope 3
SCOPE 2 EMISSIONS	Indirect GHG emissions from purchased energy (electricity and heat). Scope 2 emissions are calculated in two ways. 100 per cent of reported emissions is based on activity data from operational business areas, such as invoices and meter readings
SCOPE 3 EMISSIONS	Indirect GHG emissions from the purchase of goods and services, including capital goods, upstream emissions from the production of fuels, transportation, operational waste and business travel
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

Financial calendar 2022

Annual General Meeting
28 April 2022

1st quarter 2022
12 May 2022

2nd quarter and half year report 2022
11 August 2022

3rd quarter 2022
3 November 2022

4th quarter 2022
17 February 2023

Details
Interim report and presentation material will be released at 07:00 CET and made available on www.hexagongroup.com and www.newsweb.no.

The interim results are presented live at 8:30 am CET. Hexagon Composites ASA reserves the right to change the dates. All presentations are held in Oslo and are open to all interested parties.

Two weeks before the presentation of the interim report Hexagon Composites practice a quiet period where contact with analysts, investors and media are limited. This is done to minimize the risk of information leakage and potential different information in the market.

Contact us

IR contact
Ingrid Aarsnes
VP Investor Relations & ESG
Phone: +47 950 38 364
ingrid.aarsnes@hexagongroup.com

Address
Hexagon Composites ASA
Korsegata 4B
6002 Ålesund
Norway

Phone: +47 70 30 44 50
office@hexagongroup.com
hexagongroup.com

hexagongroup.com

artbox.no