



Annual report

2023

START READING →



Driving Energy Transformation


We are the world's leading manufacturer of Type 4 composite cylinders and fuel systems for alternative fuels. Our solutions enable global OEMs, fleet owners and distributors to displace diesel and make the switch to clean energy.

With over 20 years of experience in the industry, our solutions are in use across the world - as fuel systems on commercial vehicles, in gas transportation modules to provide areas with access to clean energy, and in homes, as its own energy source.

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

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 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.

VISION

**Clean Air
Everywhere**

PURPOSE

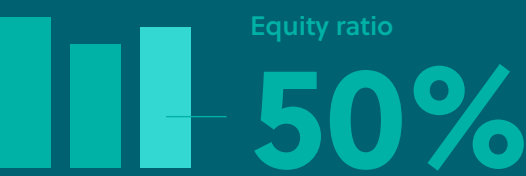
**Driving Energy
Transformation**

VALUES

**Integrity
and Drive**

Hexagon at a glance

OUR RESULTS



OUR PEOPLE



OUR CONTRIBUTION



¹ Full-time equivalent

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

The production of Type 4 cylinders is at the core of what we do. We have evolved from a cylinder manufacturer to a full integrator of fuel solutions that drive the energy transition within three main markets:



INFRASTRUCTURE

Hexagon's gas distribution solutions are essential to clean fuel supply chains. Our solutions have the largest transport capacity worldwide and enable the safe transport of compressed (renewable) natural gas (RNG/ CNG), hydrogen or other industrial gases to users lacking pipeline infrastructure.

2 000+

distribution modules in operation worldwide



MOBILITY

Hexagon is the leading global provider of clean fuel solutions for commercial vehicles. Our portfolio offers solutions that cover compressed (renewable) natural gas, hydrogen and battery electric. Integrating energy storage and fuel delivery systems into commercial vehicles is one of our key competences. Our systems are installed on medium and heavy-duty trucks, refuse collection trucks, buses, delivery trucks and vans.

100 000

vehicles on the road



DOMESTIC

Hexagon's lightweight, safe and durable composite liquefied petroleum gas (LPG) cylinders have been a game changer in the LPG industry and are used in homes, leisure and small industrial applications worldwide.

22+

million LPG cylinders sold

Key figures

REVENUES AND PROFIT MNOK	2023	2022 Re-presented	2021 Re-presented
Revenue	5 186	4 303	3 278
Operating profit before depreciation (EBITDA)	480	348	381
Operating profit (EBIT)	221	106	171
Profit/loss before taxes from continuing operations	(933)	24	46
Profit/loss after taxes from continuing operations	(941)	6	18
Profit/loss after tax from discontinued	2 050	(432)	(345)
Total profit/loss after tax	1 109	(426)	(328)

CAPITAL 31.12 MNOK

Total assets	6 428	7 904	6 515
Equity	3 214	3 469	3 484
Equity ratio ¹	50.0%	43.9%	53.5%

CASH FLOWS MNOK

Cash flow from operating activities - continuing operations	674	424	113
Cash flow from operating activities - discontinued operations	(291)	(325)	(457)

PROFITABILITY AND RATE OF RETURN

EBITDA margin ²	9.3%	8.1%	11.6%
EBIT margin ³	4.3%	2.5%	5.2%
Return on equity ⁴	33.2%	(12.3%)	(9.3%)
Return on assets ⁵	15.5%	(5.9%)	(5.2%)

¹ Total equity in percentage of total assets

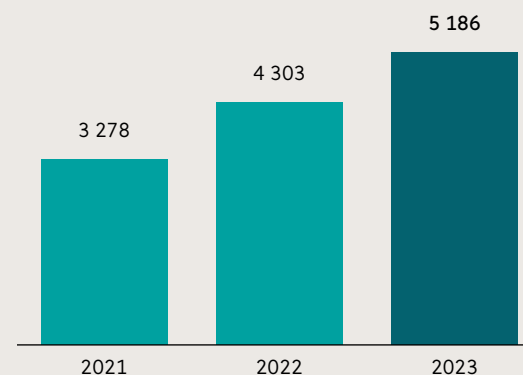
² Operating profit before depreciation and amortization (EBITDA) in a percentage of revenue

³ Operating profit (EBIT) in a percentage of revenue

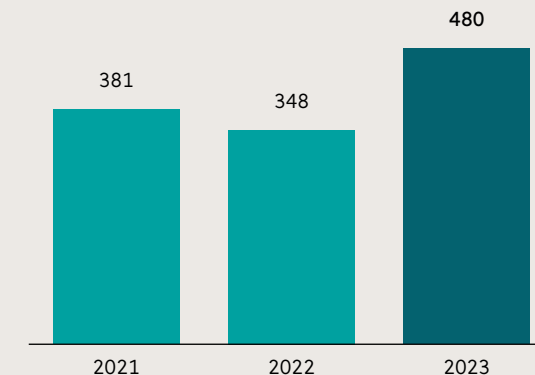
⁴ Profit after tax divided by average total equity

⁵ Profit after tax divided by average total assets

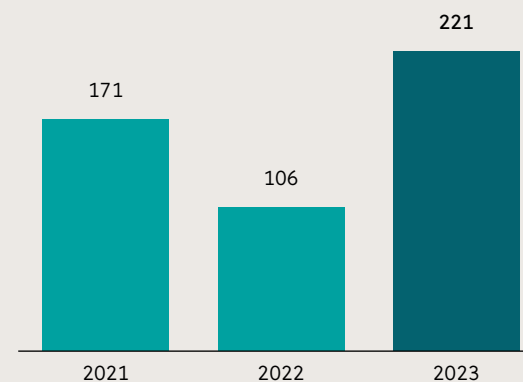
REVENUE MNOK



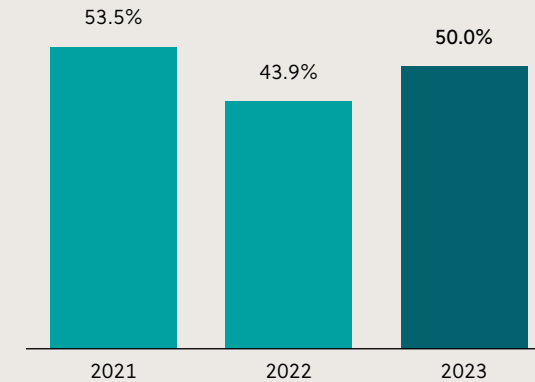
EBITDA MNOK



EBIT MNOK



EQUITY RATIO %



A WORD FROM THE CEO

Accelerating the energy transition and positioning for further growth

Dear shareholders,

Hexagon develops, manufactures, and integrates technologies that enable commercial fleet owners, gas distribution companies and consumers to make the switch to clean energy solutions.

In 2023, Hexagon delivered all-time high revenues of NOK 5 186 million. The strong topline, coupled with margin recovery from inflationary pressure in 2021 and 2022 and improvements in operational efficiency, contributed to an EBITDA of NOK 480 million after one-off costs of 27 million, up from NOK 348 million in 2022.



At Hexagon, we pride ourselves on our people. They are among the world's leading experts in clean energy technologies.

A record year for Mobile Pipeline

Hexagon Agility's Mobile Pipeline business was the key profit driver for the Group in 2023, with sales up more than 50% over 2022. This is in large part due to rising demand for the transportation of stranded renewable natural gas (RNG) in the US. We see further market growth in 2024 and beyond.

Driving the industry forward with smart technologies

Smart technology is a priority for Hexagon to enhance the value proposition for our customers while reducing material costs and extending the lifetime of our products.

In 2023, Hexagon Ragasco launched its smart cylinder, Linktra®, providing consumers with new digital features on LPG cylinders while setting the benchmark for how LPG distributors can manage logistics in the future.

Hexagon Digital Wave's Modal Acoustic Emissions testing technology provides the market's most cost-efficient and accurate inspection methods for high-pressure composites cylinders.

Our people

At Hexagon, we pride ourselves on our people. They are among the world's leading experts in

clean energy technologies. Investing in their development and safety is essential to remain an attractive workplace and deliver on our strategic agenda.

Operating in a historically male-dominated industry, we have taken steps to improve our gender balance. I am pleased that the percentage of female employees has increased to 20% from 18% in 2021.

In 2023, we recorded 24 work related injuries, seven of which led to loss of working time. We will further strengthen our efforts to reduce the number of incidents.

Committed to net- zero

I am proud to state that the solutions we deployed in 2023 contributed to the avoidance of just over 1.5 metric tons of CO₂ equivalents, equal to taking 300 000 petroleum cars off the road for one year.

Hexagon's own carbon footprint increased by 11% to 255 365 metric tons of CO₂ equivalents in 2023. The increase is a result of Group growth. Scope 3 emissions represent 96% of our total carbon footprint.

Hexagon recognizes the importance of reducing our own carbon footprint. In the past year we submitted near-term reduction targets for 2033 as well as net-zero targets for 2050. Engaging with our suppliers is essential to reach net zero and important steps have been taken in that direction. In the coming year, we will focus on implementing detailed roadmaps across our sites.

Inflection point for the US Heavy Duty Truck sector

Cummins' X15N natural gas engine will be launched in the second half of 2024. The X15N's improved energy efficiency over current natural gas alternatives will allow natural gas vehicles to compete head-to-head with diesel, matching power and range, while superior in CO₂ emissions and fuel economics. The launch of the engine will triple the addressable market for heavy-duty natural gas trucks in the US.

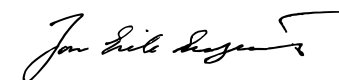
To meet the expected market growth, Hexagon has over the last few years invested in additional capacity in Kassel, Germany, and Lincoln, Nebraska. In 2024 we will install new cylinder capacity in Salisbury, North Carolina. By leveraging the already established infrastructure and support functions, we can add several new production lines in 2026 and 2027 within the

existing footprint, at relatively low incremental capital expenditure. Hence, when we exit 2024 our CapEx needs will be relatively modest and focused on innovation, maintenance, and productivity improvements.

Driving energy transformation

I sincerely thank Hexagon's shareholders, customers and suppliers for driving the energy transformation together with us, and not least our employees around the world who are committed to delivering on our vision of Clean Air Everywhere.

Sincerely,



Jon Erik Engeset
Group President & CEO

Our strategic direction for 2023 and beyond

We will lift profitability and drive sustainability →

Hexagon has a strong position in alternative energy solutions - we are number one in our industries with leading technology and know-how. Infrastructure and mobility are our core.

There are three global trends that – while challenging for the world – create an opportunity for us to expand and innovate. Decarbonization; deglobalization and the energy crisis.

We are well positioned to enable the significant shift to alternative fuels through this decade and beyond. Our strategy will keep us at the forefront of industries that make a difference - for the climate, the circular economy and society at large.



Capitalize on renewable natural gas markets' growth through our infrastructure offering

A significant share of renewable natural gas (RNG) production is stranded without access to stationary pipeline. Our distribution systems are key to bringing the gas to the pipeline or directly to the end customers across industries, making us a vital part of the ecosystem. Hexagon Agility has a market leading position in mobile gas transportation and distribution solutions, providing a very exciting platform for growth. In anticipation of the strong demand ahead, we are investing significantly in capacity expansion, product development and commercial initiatives.



Grow our position as the leading clean fuel solutions provider for commercial transportation

Hexagon boasts the complete portfolio of clean fuel storage solutions for on-road commercial transportation, making us an attractive supplier to fleets looking to displace diesel vehicles in their decarbonization efforts. Building upon decades of high-pressure gas storage experience, we are the industry leading provider of RNG systems, hydrogen systems and battery electric systems. Coming from less than 2% adoption today, the growth potential for renewable fuels within transportation is enormous. Competition is emerging, but we aspire to reinforce our market leadership through production capacity expansions, product innovation, cost reduction efforts and increased on customer value.



Develop new business with smart technology as a backbone

Over the last years, Hexagon has developed and acquired cutting edge testing and inspection technologies for its cylinders in order to reduce cost, enhance safety and improve customer value. Our smart LPG cylinders have potential to significantly improve fleet management and customer loyalty, and have been successfully launched in Norway. Further, our proprietary Modal Acoustic Emission (MAE) technology is already representing a significant impact to the regulatory high-pressure cylinder requalification process in the Mobile Pipeline industry, and this will continue to grow with an expanding fleet. We see significant future opportunities for lifetime extension, impact detection and structural health monitoring, providing us with a competitive advantage in both the Mobile Pipeline and the Mobility segments going forward.



Decarbonize the supply chain together with our suppliers to reach net zero by 2050

The world is not on track to halve emissions by 2030 - and we face more disruption from climate change than ever before. As a company, Hexagon's purpose is to drive energy transformation and achieve clean air everywhere.

In our industry, our customers are among the most innovative and sophisticated clients that demand the highest ESG standards from their suppliers. We have committed to the Science-Based Targets initiative and are actively working to develop a clearly defined path to reduce our scope 1-3 emissions in line with the Paris Agreement goals. We are committed to achieving net zero by 2050, at the latest.



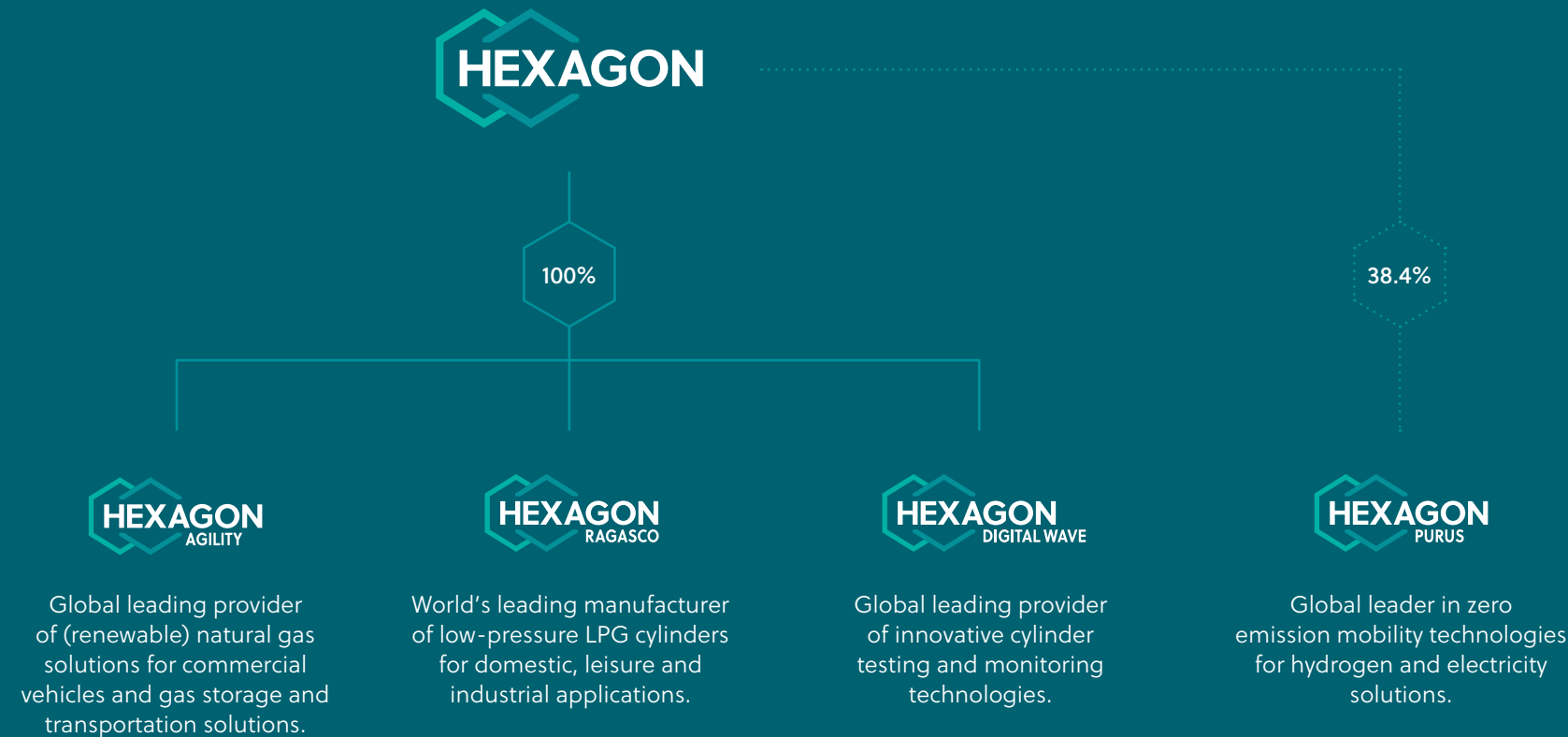
Drive profitability from operational efficiency, innovation and scale

Restoring satisfactory margins remains a key priority for us. Last year's profitability was below expectations. This was due, in large part, to external factors such as industry-wide supply chain inefficiencies and rapid cost inflation. To mitigate these challenges and recover margin growth, we will intensify our efforts to optimize our manufacturing processes, improve life-cycle value and drive unit cost down. This will be to the benefit of our customers and our shareholders. With our ongoing World Class Manufacturing program, capacity expansions and strong R&D focus we aim to achieve EBITDA margins of 15%.

Business areas

We believe that technology is no longer the barrier to enabling clean energy for all.

Hexagon is organized into four business areas, all global leaders in their segments.



Hexagon Agility

ENABLING A CARBON-NEGATIVE FUTURE



Heavy-Duty Trucks



Transit Buses



Refuse Trucks



Distribution



Hexagon Agility is a global provider of (renewable) natural gas solutions for commercial vehicles and gas transportation solutions.

The company is the market leader in North America, where it has spearheaded the use of compressed natural gas in commercial vehicles. Today, Hexagon Agility offers the broadest range of clean fuel solutions for commercial vehicles, passenger vehicles and gaseous energy transportation. Its lightweight solutions are engineered for high performance, durability, and uncompromised safety and are available for immediate deployment.



WORKFORCE

922



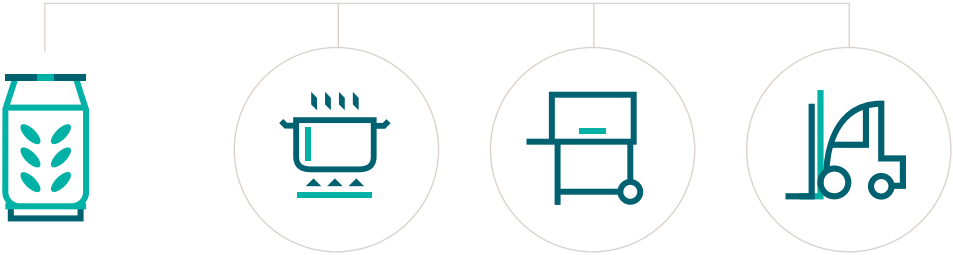
PRESENCE

USA, Canada, Norway, Germany, South America

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 22+ million cylinders worldwide in the past 20 years. Compared to steel, the composite LPG cylinder offers a unique value proposition, and competitive edge in terms of weight, safety and longevity. All cylinders are produced at Hexagon Ragasco’s high volume, highly automated production facility in Norway, which is the most advanced of its kind.



WORKFORCE
132



PRESENCE
**Norway, France, Poland,
Chile, Singapore, USA,
and CIS countries**

Hexagon Digital Wave

DIGITALIZING CYLINDER SYSTEMS



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

With applications in the industrial gas, fire service equipment, medical oxygen, automotive, alternative fuels, and aerospace industries, Hexagon Digital Wave’s goal is to remove technology barriers and simplify workflows with digital and automated platforms that enhance productivity and reduce total cost of ownership in the compressed gas and pressure vessel industries.



WORKFORCE

66



PRESENCE

USA

Hexagon Purus

DRIVING THE TRANSITION TO ZERO EMISSION MOBILITY



Battery Electric Vehicle



Light-Duty Vehicles



Transit Buses



Distribution



Fuel Cell Electric Vehicles



Rail



Maritime

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 on the Oslo Stock Exchange (HPUR.OL). Hexagon reduced its ownership from 68.4% to 38.4% in June 2023 and remains the largest minority shareholder of Hexagon Purus. Hexagon Purus' annual report can be found at www.hexagonpurus.com



WORKFORCE

653



PRESENCE

Germany, USA, Canada,
India, China, Norway

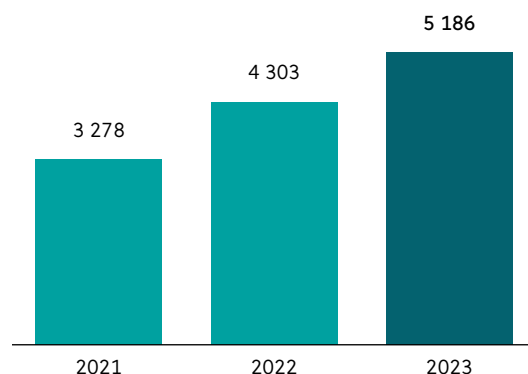


Board of directors' report

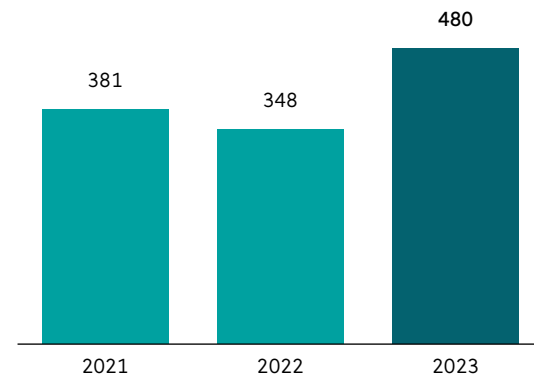
BOARD OF DIRECTORS' REPORT

A year of strong growth and positioning for stronger demand

GROUP REVENUE MNOK



GROUP EBITDA MNOK



In 2023, Hexagon Group passed the NOK 5 billion revenue mark. The significant increase from NOK 4 303 million in 2022 to NOK 5 186 million in 2023, was largely attributable to Hexagon Agility's Mobile Pipeline business, which has benefitted from an increased demand for Mobile Pipeline distribution of renewable natural gas in the US. Strong topline growth coupled with recovery of margins contributed to an EBITDA of NOK 480 million, compared to NOK 348 million in 2022.

The demand for natural gas heavy-duty vehicles is expected to increase significantly following the launch of Cummins' new X15N-liter natural gas engine. Over the past years, Hexagon has invested in additional production capacity and is in the final stages of completing its expansion programs to coincide with the increased market demand in the US, following the availability of the new engine from the second half of 2024.

2023 was also a year of structural change. In the second quarter, Hexagon distributed 25% of Hexagon Purus shares, worth NOK ~1.4 billion, as a dividend in kind to its shareholders and reduced its shareholding in Hexagon Purus to 38.4%. The distribution entailed a deconsolidation of Hexagon Purus as a subsidiary and a one-off accounting gain of NOK ~2.4 billion.

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.

KEY FIGURES CONTINUING OPERATIONS

NOK million	2023	2022	2021
Hexagon Agility			
Revenue	4 321	3 478	2 618
EBITDA	381	209	293
EBITDA margin	9%	6%	11%
Hexagon Ragasco			
Revenue	679	706	578
EBITDA	114	123	95
EBITDA margin	17%	17%	16%
Hexagon Digital Wave			
Revenue	179	116	57
EBITDA	8	7	(11)
EBITDA margin	4%	6%	(19%)
Corporate functions and eliminations ¹			
Revenue	8	3	25
EBITDA	(23)	9	4
Hexagon Group			
Revenue	5 186	4 303	3 278
EBITDA	480	348	381
EBITDA margin	9%	8%	12%

¹ Corporate/eliminations refer to holding- and non-operating entities within the Group and inter-segment eliminations within the Group

Key developments for the Group in 2023

All time high revenues in Hexagon Agility

Hexagon Agility’s Mobile Pipeline business had its best year ever with sales increasing more than 50% over last year, order intake in excess of NOK 1.6 billion and a solid order book for 2024. The growth is driven by increased demand for renewable natural gas, coupled with decarboni-zation targets and lack of pipeline infrastruc-ture, contributing to record high revenues of NOK 4 321 million and an EBITDA at NOK 381 million for Hexagon Agility.

Hexagon Purus deconsolidated following a dividend in kind of NOK 1.4 billion

Following Hexagon’s decision to distribute 25% Hexagon Purus shares worth NOK ~1.4 billion to its shareholders on 29 June 2023, Hexagon Purus was effectively deconsolidated and ceased as an operating segment within the Group. While Hexagon remains the largest shareholder and strategic partner of Hexagon Purus, the deconsolidation makes Hexagon Composites’ profitable growth and positive cash flow more visible. The deconsolidation also entailed a one-off accounting gain of NOK 2 351 million.

Hexagon Ragasco experienced some volume contraction from the European market, but continued expanding its customer base

Hexagon Ragasco experienced somewhat lower overall volumes in 2023 due to customer de-stocking effects in the second half in Europe but received several introductory orders from customers outside Europe as well as a long-term agreement with its long-standing Saudi Arabian customer, Gasco, for custom made LPG cylinders worth NOK 200 million over the next five years. Margins remained at 17%, delivering NOK 114 million in EBITDA, despite the lower volumes to Europe.

Hexagon Digital Wave delivered another year of profitable growth

During 2023, Hexagon Digital Wave successfully entered into an important strategic partnership and long-term agreements with key customers such as Compass Natural Gas within the Modal Acoustic Emission (MAE) business and Linde Gas & Equipment within its Ultrasonic Examination business. Higher activity, especially within the Modal Acoustic Emission (MAE) business, con-tributed to revenues growing by 54% to NOK 179 million and EBITDA at NOK 8 million.

Initiated strategic review of Hexagon Ragasco

In September, Hexagon announced a strategic review of Hexagon Ragasco to explore whether its growth opportunities can best be realized inside or outside the Group. The review is still ongoing and expected to be concluded in the first half of 2024.

Hexagon Purus delivered on their business plan and successfully secured NOK 2.3 billion in capital in two tranches

Hexagon Purus continued its global expansion program, opened five new production facilities in the US and Europe and landed several large agreements, including a USD 2 billion long-term agreement with Hino Trucks for delivery of up to 10 000 zero emission heavy-duty trucks in the US by 2030. Revenues for 2023 were NOK ~1.3 billion and the company is on track to reach its 2025 objectives. Hexagon Purus secured a total of NOK ~2.3 billion in capital during 2023 and attracted Mitsui & Co. Ltd and Hy24 as new strategic investors. Of the total capital raised, NOK 1 billion was announced in December 2023 and fully paid-in in February 2024. Hexagon Composites subscribed for NOK 200 million as a convertible bond investment in the capital raise in December.

Impairment of Hexagon's equity investment of Hexagon Purus

Hexagon recorded a one-off non-cash impairment loss on its equity-accounted investment in Hexagon Purus of NOK 702 million in the fourth quarter 2023. The accounting-driven impairment charge was a result of Hexagon Purus' negative share price development in the second half of 2023.

Key developments for the Group after the balance sheet date

Hexagon Agility – Received orders for Mobile Pipeline modules of NOK 197 million

In January 2024, Hexagon Agility received a new order for NOK 197 million from REV LNG for delivery of Mobile Pipeline TITAN 53 modules.

Hexagon Purus share price development

Hexagon Purus has in the period since year-end 2023 and until signing of these financial statements experienced a significant negative share price development. As described in [note 26](#), the Group has, based on a value in use calculation related to its investment in the associated company Hexagon Purus, recorded an impairment loss of NOK 702 million in the statement of income in 2023. The impairment

represented an adjusted carrying amount of the associate of NOK 1 225 million, equating to an adjusted carrying amount per share of NOK 11.52 in Hexagon Purus. Although the quoted share price of Hexagon Purus upon signing of these financial statements are significantly lower than the adjusted carrying amount per share, the assumptions and estimates used in the value in use calculation still stand upon the signing date of the financial statements of the Group.

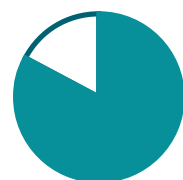
Segment results

Following the deconsolidation of Hexagon Purus on 29 June 2023, Hexagon Group is organized into three business areas: Hexagon Agility, Hexagon Ragasco and Hexagon Digital Wave. All are global leaders within their segments, driving the energy transition with a range of alternative fuel solutions. Hexagon Purus, which formerly has been reported as an operating segment of the Group, ceased as an operating segment following the deconsolidation on 29 June and historical financials have been classified as a separate item under "Discontinued operations" in the income statement. Since Q3 2023, Hexagon Purus has been presented as an associated company, reflecting Hexagon's non-controlling interest share of 38.4%.

Segment results for

Hexagon Agility

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



SHARE OF
GROUP REVENUE

83%

Key developments in 2023

- High activity in the Mobile Pipeline business with 50% revenue growth and solid order book for 2024.
- Successfully launched its newly designed TITAN 450 Mobile Pipeline distribution module with 25% greater gas capacity and 20% weight benefit.
- Total order intake in excess of NOK 2.0 billion:
 - Orders of approximately NOK 430 million from UPS for delivery of RNG fuel systems for heavy- and medium-duty trucks.
 - Multi-year agreement worth approximately EUR 10 million with Manaseer Group in Jordan for delivery of Mobile Pipeline X-STORE modules for CNG transport.
 - Multiple orders for Mobile Pipeline in excess of NOK 1.6 billion, including NOK 1.0 billion for the new TITAN 450 module.
- Higher volumes in Mobile Pipeline, increased focus on operational excellence and adjusted pricing resulted in increased profit margins
- Experienced some volume contraction in the heavy-duty fuel systems business in anticipation of Cummins' new 15L engine to hit the market in mid-2024, as well as lower volumes from a single customer.

Sales and market

2023 was a strong but mixed year for Hexagon Agility. While its Mobile Pipeline distribution business delivered another year of strong growth, its fuel systems business for commercial vehicles experienced some volume contraction within the heavy-duty segment. The growth within the Mobile Pipeline business was primarily due to an underlying growing demand for transportation of stranded RNG to pipeline injection sites as RNG is becoming a larger share of the fuel mix in the US. In 2022, approximately 70% of all on-road fuel used in natural gas vehicles was RNG, compared to only approximately 30% five years ago.

The volume reduction within the heavy-duty fuel systems business was largely attributed to a single customer who placed and took delivery of significant orders in 2021 and 2022 and used 2023 to optimize its fleet operations, as well as some push-out of orders from OEMs and fleet operations in anticipation of Cummins' new X15N natural gas engine. The new X15N natural gas engine will be launched in the second half 2024 and is expected to increase the addressable market for natural gas-powered commercial vehicles by a factor of three. Today, around two thirds of all heavy-duty trucks in the US are only addressed by diesel due to range requirements, but with the introduction of Cummins' new

engine, CNG/RNG will compete head-to-head with diesel on range. With an increased focus on sustainability worldwide coupled with RNG's environmental superiority versus diesel, the Board sees a very prosperous future for Hexagon Agility.

In the light-duty vehicle business, the activity in 2023 remained at low levels as OEMs have transitioned away from CNG to battery-electric passenger vehicles. This segment is now immaterial to the Group's activities and results. Hexagon's Agility's production site in Kassel, Germany is currently producing CNG/RNG fuel systems for the European transit bus and heavy-duty market, as well as Mobile Pipeline distribution modules and deliveries of type-4 cylinders to Hexagon Purus' hydrogen business.

Profit/loss

For the full year 2023, Hexagon Agility reported revenues of NOK 4 321 (3 478) million, including favorable FX effects of approximately NOK 370 million. Adjusting for these effects, the underlying growth rate was 14%, principally achieved through strong performance by the Mobile Pipeline business. The Mobile Pipeline business had a record year generating underlying revenue growth of 52% versus 2022, where increasing demand for transportation of renewable natural

gas (RNG) remains the key underlying growth factor. Volumes within the commercial vehicles business were however lower, mainly due to lower heavy-duty truck volumes.

EBITDA for the full year 2023 was NOK 381 (209) million, translating into an EBITDA margin of 9% (6%). Improved pricing, significant volume effects in Mobile Pipeline, as well as operational gains from enhanced focus on world class manufacturing are key factors explaining the improved margin within Hexagon Agility.

KEY FIGURES			
NOK million	2023	2022	2021
Revenue	4 321	3 478	2 618
EBITDA	381	209	293
EBITDA margin	9%	6%	11%
EBIT	182	28	139
EBIT margin	4%	1%	5%



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.



Key developments in 2023

- Signed a five-year distribution agreement for new, custom-sized LPG cylinders with the largest LPG distributor in Saudi Arabia, Gasco, at a value of approximately EUR 20 million.
- 21 introductory orders from new customers globally, contributing an additional 16% of volumes and important additions to Hexagon Ragasco’s recurring volume base.
- Successfully launched its Linktra®cylinder enabling connection of Hexagon Ragasco’s composite cylinders both to the LPG distributors and to consumers. In cooperation with Linde, a pilot program was successfully completed in Norway in 2023.
- Received order for 20 000 Linktra® cylinders to be distributed by a leading Scandinavian LPG distributor in 2024.
- Operating profit margins sustained at decent levels despite negative volume effects.

Sales and market

Hexagon Ragasco further increased its market presence in 2023, gaining several new customers outside its key European markets. The Company further strengthened its position in the Middle East with its long-standing customer, Gasco, Saudi Arabia’s largest LPG distributor. Commencing in 2024, Hexagon Ragasco will start production of a custom-made LPG cylinder for the Saudi Arabian market. The custom-made

cylinder mirrors the dimensions of the incumbent steel cylinders, minimizing the switching cost to composites related to Gasco’s logistics operations. The distribution agreement, with a total value of EUR 20 million, extends over five years and is a testament to Hexagon Ragasco’s customer intimacy and adaptability.

Hexagon Ragasco has over the past couple of years developed its first smart cylinder, enhancing value to end-users as well as distributors. In the first half of 2023, the Company successfully launched the LINKTRA® smart cylinder pilot in Norway together with Linde. For 2024, Hexagon Ragasco and Linde will introduce the smart cylinder to other geographical markets in Scandinavia.

Furthermore, North America continues to represent a large untapped market for Hexagon Ragasco. The Company’s deliveries to this market have largely been related to LPG cylinders for forklift truck applications, which experienced a decline in volumes in 2023 due to eased scarcity on aluminum and steel as input factors in the US. Hexagon Ragasco is determined to increase its market share versus steel with the increased value proposition of its smart cylinder capability.

Profit/loss

For the full year 2023, Hexagon Ragasco reported revenues of NOK 679 (706) million and generated an EBITDA of NOK 114 (123) million. Favorable FX effects and price increases to compensate for cost price inflation contributed to a stable EBITDA margin of 17% (17%), despite lower volumes. Volume contraction was largely related to the European market where certain large LPG distributors have been subject to CapEx constraints. On the positive side, volumes in the Middle East, Africa, Asia and Oceania increased as a result of multiple introductory orders, including a significant order to a customer in Tahiti.

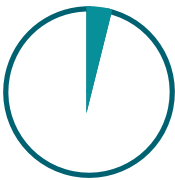
KEY FIGURES

NOK million	2023	2022	2021
Revenue	679	706	578
EBITDA	114	123	95
EBITDA margin	17%	17%	16%
EBIT	76	86	60
EBIT margin	11%	12%	10%

Segment results for

Hexagon Digital Wave

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



SHARE OF GROUP REVENUE
4%

Key developments in 2023

- Strategic partnership with Compass Natural Gas to perform Modal Acoustic Emissions (MAE) requalification of composite Type 4 cylinders used in mobile pipeline trailers in the northeast region of the US.
- Long-term agreement signed with Linde Gas & Equipment Inc. for Ultrasonic Examination (UE) testing equipment and services globally.
- Supplied CP Industries with UE7 Ultrasonic Examination (UE) machine. The machine will be used to verify the integrity of their manufacturing process for Type 1 steel cylinders and represents a new segment for Hexagon Digital Wave.
- Certified by Transport Canada for Modal Acoustic Emission (MAE) technology to requalify composite cylinders used in pipeline trailers manufactured by Quantum Fuel Systems, opening the Company's Modal Acoustic Emission (MAE) technology to the Canadian market.

Sales and market

Over the past two years, Hexagon Digital Wave has tripled its revenues. The company has experienced very strong demand and momentum within its Modal Acoustic Emission (MAE) requalification business with revenues growing by a factor of more than ~6x. The growth within Modal Acoustic Emission (MAE) is explained

by a broadening of the Company's customer base and geographical markets as well as an underlying growing demand for requalification of CNG/RNG cylinders. As transporters of CNG/RNG are subject to periodic requalification of its cylinders, Hexagon Digital Wave benefits from a growing installed base of type-4 cylinders used for transport of natural gas. The Company's Modal Acoustic Emission (MAE) services allow for a safe and time efficient requalification of Type-4 cylinders in situ, which more and more customers see the great benefits of. Hexagon Digital Wave's Ultrasonic Examination (UE) machine business has also seen positive momentum with revenues almost doubling since 2021. Currently Hexagon Digital Wave has Ultrasonic Examination (UE) machines in more than 45 countries and growing. Hexagon Digital Wave is taking the lead in digitalizing its industry by developing technologies for effective real-time health monitoring of cylinder systems and connected services. Investments in organization and processes will be continued towards the development of new SMART cylinder concepts for mobility platforms.

Profit/loss

For the full year 2023, Hexagon Digital Wave reported revenues of NOK 179 (116) million, representing a growth of 54%. The growth is largely related to the strong momentum in the Modal Acoustic Emission (MAE) business. Hexagon

Digital Wave reported positive EBITDA at NOK 8 (7) million with an EBITDA margin of 4% (6%) despite significant investments in organizational growth and development. Margins for 2024 and beyond are expected to improve.

KEY FIGURES

NOK million	2023	2022	2021
Revenue	179	116	57
EBITDA	8	7	(11)
EBITDA margin	4%	6%	(19%)
EBIT	1	1	(15)
EBIT margin	1%	1%	(26%)

Segment results for

Hexagon Purus

Hexagon Purus is a global leader in key technologies for hydrogen distribution and zero emission mobility. The company is listed on the Oslo Stock Exchange (HPUR.OL) with Hexagon holding a 38.4 per cent ownership since 29 June 2023.

Effective 29 June 2023, Hexagon Purus was deconsolidated as a subsidiary of the Hexagon Group and presented as discontinued operations. Historical financial results of Hexagon Purus which were consolidated in the Hexagon Group up to and including Q2 2023 have been classified as a separate item under “Discontinued operations” in the income statement. See also [note 5](#) in the consolidated financial statements. Since 29 June 2023, Hexagon’s investment in Hexagon Purus has been classified as an associated company and accounted for under the equity method in the Hexagon group accounts.

Key developments in 2023

- Signed several important long-term agreements for hydrogen infrastructure applications and zero-emission mobility, including major agreements with Hino Trucks and Daimler Truck North America for complete vehicle integration of battery-electric heavy-duty trucks, potentially worth more than USD 2 billion.
- Opened several new production facilities in line with its global expansion program.
- Continued to deliver on its ambitious business plan and reiterated target of EBITDA breakeven in 2025.

- Raised gross proceeds of NOK 2.3 billion through a combination of equity private placements and convertible bond private placements.
- Significantly strengthened its strategic investor base with the additions of Mitsui & Co. Ltd., and Hy24.
- Successfully transferred to the main list of the Oslo Stock Exchange.

For more info, please refer to Hexagon Purus’ annual report for 2023.

KEY FIGURES

NOK million	2023	2022	2021
Revenue	1 320	964	508
EBITDA	(445)	(406)	(272)
EBIT	(595)	(501)	(325)
Profit after tax	(684)	(432)	(345)

Financial statements Group

Following the deconsolidation of Hexagon Purus effective 29 June 2023 and the subsequent classification of Hexagon Purus as discontinued operations, historical financial figures for Hexagon Group have been re-presented for full comparability of profit/losses from continuing operations. Historical financials for Hexagon Group are thus equivalent to the financials previously reported and referred to as Hexagon excluding Hexagon Purus. As such, Hexagon Purus is no longer considered an operating segment within the Group. Continuing operations comprise Hexagon Agility, Hexagon Ragasco and Hexagon Digital Wave.

Operating results from continuing operations

For the full year 2023, Hexagon Group reported revenues of NOK 5 186 (4 303) million, including approximately NOK 390 million of positive FX translation effects. Excluding FX, the underlying revenue growth was 11%, largely explained by Hexagon Agility's Mobile Pipeline distribution business which has benefitted from a rapid growth in demand for transportation of renewable natural gas (RNG) in the US and increased underlying revenues by 52% in 2023.

EBITDA for the Group came in at NOK 480 (348) million, including a total of NOK 27 million in strategic expenses all deemed non-recurring.

Substantial growth in Hexagon Agility's Mobile Pipeline business has been a key profit driver for the Group throughout the year, offset by somewhat lower volumes in Hexagon Agility's automotive fuel systems business and Hexagon Ragasco. Improved pricing enacted to mitigate inflation in all segments, as well as operational efficiency and reduced supply chain disruptions, also contributed positively to the Group margin.

Total profit after taxes

Total profit after taxes includes continuing and discontinued operations and shows a profit of NOK 1 109 million for the full year, which is primarily explained by a healthy trading profit and the gain following the deconsolidation of Hexagon Purus as a subsidiary of NOK 2 351 million in Q2 and offset by the significant impairment of Hexagon's equity investment in Hexagon Purus in Q4 of NOK 702 million.

Profit/loss before tax from continuing operations in 2023 was NOK -933 (24) million, impacted by a one-off impairment charge of Hexagon's equity investment in Hexagon Purus of NOK 702 million. This non-cash, accounting-driven impairment charge was recognized as a result of Hexagon Purus' negative share price development in the second half of 2023. See also [note 26](#) for further information.

Share of profit/loss from associated companies amounted to NOK -177 (-4) million in the year. Since 29 June 2023, Hexagon Purus has been accounted for under the equity method in the Hexagon Group accounts with its 38.4% interest, which amounted to NOK -156 million in quarter, including PPA amortizations. The remaining 21 million in losses from associates were related to Cryoshelter Bio-LNG has held a 40% interest since August 2022.

Net financial items were net NOK -276 (-78) million in the year. On 29 June 2023, Hexagon entered into a total return swap (TRS) representing 5% of the shares in Hexagon Purus. The TRS is accounted for as a financial derivative, and due to the share price development in Hexagon Purus, which Hexagon is exposed to through the TRS, NOK 125 million was recognized as a financial expense in 2023. Furthermore, and as a result of higher interest rates, net interest expenses also increased significantly in 2023 and amounted to NOK 165 (91 million). For further details and breakdown of other financial items, see [note 6](#) to the financial statements.

On 29 June, the board of directors of Hexagon Composites ASA decided to distribute 69.2 million shares in Hexagon Purus ASA as a dividend-in-kind to its shareholders and effectively

reduced its ownership in Hexagon Purus by 25% to 43.4%. The distribution as well as other factors constituted a loss of control event. The deconsolidation of Hexagon Purus generated a one-off accounting gain of NOK 2 351 million. Profit/loss from discontinued operations of NOK 2 050 million includes the said gain as well as Hexagon Purus' profit/loss up to 29 June 2023 of NOK -302 million. See also [note 5](#) for further information related to the deconsolidation of Hexagon Purus and subsequent presentation as discontinued operations.

Financial position

On 31 December 2023, the Group's balance sheet amounted to NOK 6 428 (7 904) million. The decrease in total assets year-over-year is to a large extent related to the deconsolidation of Hexagon Purus. Of the Group's total assets of NOK 7 904 million on 31 December 2022, NOK 2 655 million were related to Hexagon Purus. On 29 June 2023, Hexagon recognized its retained 38.4% interest in Hexagon Purus at fair value of NOK 2 105 million and increased its total assets accordingly. Total assets were however negatively impacted by a total of NOK -880 million in non-cash accounting effects related to equity-method accounting and impairment charge in Hexagon Purus in the second half of 2023.

The Group's total liabilities as of year-end 2023 were NOK 3 214 (4 435) million, of which interest-bearing liabilities were NOK 1 108 (1 717) million. Total equity ended at NOK 3 214 (3 469) million, equating to an equity ratio of 50% (44%).

Cash flow

The reported cash flow statement for the Group includes cash flows of Hexagon Purus up to and including the second quarter of 2023. As of 31 December 2023, the cash balance amounted to NOK 154 million. Cash generation for continuing operations was strong in 2023 with net cash flows from operating activities of NOK 674 (424) million driven by an EBITDA of NOK 480 million coupled with positive effects from a targeted lowering of working capital.

Net cash flows from investing activities were positive of NOK 15 (-179 million) largely explained by proceeds from sale of 5% shares in Hexagon Purus through a total return swap (TRS) agreement of NOK 274 million. Excluding the share sale, investing cash flows were NOK -259 million, to a large extent driven by capacity expansion investments in the US and loans granted to Cryoshelter Bio LNG.

Net cash flow from financing activities was NOK -870 (60) million. The positive cash generated from operating activities in continuing operations allowed for a significant repayment of interest-bearing debt of NOK 569 million. The remaining cash flows were related to interest payments, leasing payments and purchase of treasury shares.

Total cash flows from discontinued operations (Hexagon Purus) was NOK 639 million up to 29 June 2023, including proceeds from capital raises of NOK 1 300 million. Hexagon Purus' cash balance as of 29 June 2023 of NOK 973 million was however derecognized in full from Hexagon's group accounts on the same day.

Long-term borrowing and liquidity

The Group's long-term borrowing is financed centrally through the parent company Hexagon Composites ASA. During the year and due to improved liquidity, the Group reduced its debt facilities with DNB and Danske Bank from NOK 2 025 million to NOK 1 700 million by cancelling its accordion facility of NOK 325 million. Total drawings excluding amortized transaction costs under the debt facilities amounted to NOK 1 111 (1 680) million for Hexagon Composites ASA as of year-end, representing a net repayment of

interest-bearing debt during 2023 of NOK 569 million. Available liquidity for the Group as of year-end was NOK 743 (677) million consisting of NOK 154 (332) million in cash and NOK 589 (360) million in unused credit/overdraft facilities. As the Group's debt facilities mature in December 2024, all interest-bearing debt have been presented as current liabilities. Hexagon management is currently in advanced discussions with its banking partners to refinance its existing debt facilities and aims to have completed the refinancing within the first half of 2023. All financial covenants under the debt facility agreement were met with comfortable margins as of year-end. The Board considers the Group's current available liquidity as sufficient for the Group's operations.

The Parent Company

The Group's headquarter is located in Aalesund, Norway. At the end of 2023, Hexagon Composites ASA's corporate administration consisted of 15 (15) employees, responsible for general administration, finance, strategy, business development, IT, operations, investor relations and communications. In 2023, the Parent Company Hexagon Composites ASA incurred an operating profit of NOK -52 (-10) million and a profit after tax of NOK 813 (126) million, which is largely explained by gains from the divestment of 30% of

outstanding shares in Hexagon Purus. The Board of Hexagon Composites ASA proposes that the profit for the year is allocated as follows:

Allocation of profits for the year (MNOK)	
Allocated to dividends	-
Transferred to other equity	813
Total allocations	813

Share capital and dividends

Hexagon Composites ASA is listed on the Oslo Stock Exchange under the ticker “HEX”. At the end of 2023, 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. On 31 December 2023 the Group held 1 379 853 (650 418) of treasury shares. The Company’s market value at year-end was NOK 5.8 (5.5) billion. For further investor information, refer to the Investor section on the website.

In 2023, Hexagon Composites ASA distributed a total of 69.2 million shares in Hexagon Purus as a dividend in kind to its shareholders for a total consideration of NOK 1 369 million on 29 June 2023. The dividend in kind represented a dividend of NOK 6.79 per share.

Given Hexagon’s current focus on finalizing its expansion program, the Board does not propose any dividends for 2023.

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, interest rate risk

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 totaling NOK 589 (360) 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 ensure that sales are made to customers with appropriate credit profiles within defined limits. Actual losses on outstanding receivables in 2023 were NOK 1 (0) million. Trade receivables at the end of the year amounted to NOK 551 (865) 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 dollars 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 expenses while keeping this volatility within acceptable limits. See [note 20](#) 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 aftermath of the pandemic has caused increased market risk, especially related to unpredictable supply chains and inflation levels worldwide and a following increase of interest rates to combat the heightened inflation levels. In 2023, the Group had largely neutralized the inflationary effects of inflation of input cost prices, but higher interest rates weighed down profits in 2023. Hexagon's management are closely monitoring the macroeconomic development, recessionary trends, inflation rates and interest rates in all areas where Hexagon operates and will implement necessary countermeasures if and when such measures become necessary.

Corporate governance

Hexagon Composites ASA's principles for corporate governance are subject to annual review and discussions by the board of directors. The Company 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 the Company's 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 defense 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), 2021 Universal standards. Hexagon has also received limited assurance from EY Norway on the Sustainability Report for 2023.

The Sustainability Report describes the Group's principles, practices and performance in areas defined as material to the Company, based on materiality assessments and regular stakeholder dialogue. For 2023, Hexagon's material topics include: Our contribution through our solutions, Waste and Circularity, Our greenhouse gas emissions, Product Safety, Governance and Responsible employer. The Sustainability Report for 2023 is included as a separate report in this annual report.

Transparency Act

On 1 July 2022, the Norwegian Transparency Act entered into force and requires Hexagon to carry out due diligence assessments related to fundamental human rights and decent working conditions in its own businesses and supply chains. There were no findings of violations of human rights or decent working conditions within the supply chain of Hexagon in 2023. For further details, please refer to the Transparency Act Statement on Hexagon's website under the Sustainability section.

Reporting of EU Taxonomy related information

The EU Taxonomy was approved by the Norwegian Government in December 2021, and entered into force in Norway on 1 January

2023. For the fiscal year 2023, Norwegian companies are required to report on taxonomy eligibility and taxonomy alignment for the first two environmental objectives, "climate change mitigation" and "climate change adaptation". The Board is pleased to announce that close to all of Hexagon's product- and service offerings are considered taxonomy-eligible under the taxonomy, while 62 to 71% is currently considered taxonomy-aligned. The Board furthermore acknowledges that the legislation concerning the EU Taxonomy is still under development and that the Group still have some formal requirements to fulfill, especially within its Mobile Pipeline business, until a higher taxonomy-alignment can be demonstrated. Reference is further made to the separate section on the EU Taxonomy in this annual report for further details and descriptions concerning the taxonomy.

Organization 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 the year, Hexagon Group (excluding Hexagon Purus) had 1 156 (1 164) full-time employees in its workforce, whereof the share of women was 20% (19%). Company has set a target of 25% women in the workforce by 2025 and 30% by 2030.

Hexagon believes a diverse and inclusive working environment will have a positive impact on the business. Throughout 2023, the Company has focused on implementing equality in recruitment and hiring strategies, as well as developing a Talent Development Cycle program that will be implemented in the coming year. The program structures several people processes and intends to remove systemic barriers that could hinder employees from reaching their full potential and to provide equal opportunities for all.

Hexagon has made good progress in the past year in terms of integrating processes and tools that promote diversity, equality and inclusion. 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 has established training and operational requirements that ensure a safe and healthy work environment.

Overall responsibility for health and safety resides with the senior management and Boards of their respective business areas 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 and Germany were respectively 5.6 (5.7%) and 5.6% (5.1%) in 2023. 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 2023, recordable work-related injuries ended at 32 (37), including Hexagon Purus numbers per 30 June 2023. Although there is a declining trend, the company is not satisfied with the results and will increase its focus to further strengthen the health and safety culture in the Group. More info

can be found in the Sustainability report for 2023 included in this annual report.

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 (GHG) 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, and in 2023, Hexagon submitted both near-term reduction targets for 2033 in line with the 1.5oC Paris Agreement, as well as net-zero targets by 2050.

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. As a part of the Group's work with the EU Taxonomy, a physical climate risk and vulnerability assessment has been performed for all operational sites. Based

on the assessment, Hexagon identified extreme wind and tornados in the US as events that may cause significant damage or disruptions. The general level of risk and potential impact from physical climate change for Hexagon is, however, considered relatively low. Refer to [Note 32](#) – Climate risk, as well as the Sustainability Report for 2023 included in this annual report for further information on climate and environmental risks and how these are managed.

Enabling the transition to alternative fuel solutions

Transportation is considered a hard to abate sector and the fastest growing source of greenhouse gas emissions worldwide, currently responsible for 17% of annual greenhouse gas emissions. Hexagon works with global leading OEMs and fleet owners to enable adoption of low-carbon mobility solutions. The company measures its impact by calculating the greenhouse gas emissions impact of the solutions deployed versus the type of fossil fuel application they replace. In 2023, Hexagon's alternative fuel solutions enabled the avoidance of around 1.5 million metric tons of CO₂ equivalents, equal to emissions from 300 000 petroleum cars off the road for one year.

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's continuing operations expensed R&D costs amounting to NOK 38 (50) million in 2023 and capitalized technology development of NOK 14 (11) million in 2023. The Group has received government contributions of NOK 7 (7) million towards research and development activities for 2023.

Outlook

Hexagon is focused on carbon negative, zero emission and near-zero emission energy solutions, supported by world-class manufacturing and digitalization, to enable customers to reach their net-zero ambitions. Together with clients and partners, the Company is finding new ways to make alternative energy solutions available and affordable.

During 2023, supply bottlenecks within the automotive business eased, and input prices and cost inflation stabilized. Hexagon's initiatives to further improve margins in the automotive business are progressing, including world class manufacturing processes at all sites.

Global regulations and incentive programs continue to support the energy transition. In addition to far-reaching programs, such as REPower EU and the US Inflation Reduction Act, specific federal and regional programs addressing transportation are being implemented. The Board is confident that Hexagon's product offering will play a key role in the transition to a low-carbon economy and expects to see continued sustainability driven demand in the years ahead.

Hexagon Agility

Hexagon Agility's Heavy-Duty truck order book for the first half of 2024 is weaker than last year due to lower freight volumes and customers awaiting the launch of Cummins' 15-liter natural gas engine. Demand for the new engine is expected to ramp-up from the second half of 2024, and significantly from 2025 and beyond. The Company's addressable market for Natural Gas driven long-haul trucks will increase three-fold when this new engine is widely available. Hexagon's current expansion program will substantially increase cylinder capacity for heavy-duty truck applications to meet future demand. The expansion is being timed to coincide with the ramp-up of volumes, catering for a soft first-half of the year, in favor of a substantially stronger second-half, and continued growth through 2025 and beyond. The Americas and European Transit

bus segments have been resilient in light of competing alternative fuel technologies, as focus remains on taking market-share from diesel. The Refuse truck business, mainly out of the US, also sees stable demand.

For the Mobile Pipeline business, production capacity for 2024 is almost fully booked, and significantly increased capacity is scheduled to come online in 2024.

Although the first half of the year is likely to be softer for the reasons listed above, margin improvements are expected to continue from the second half onwards. Mobile pipeline is expected to continue its growth trajectory with continued strong margin contribution through 2024.

Hexagon Ragasco

Hexagon Ragasco's introductory order for the Linktra™ Smart cylinder in Norway coupled with the new cylinder developed exclusively for Gasco in Saudi Arabia, expected to go into production and sale within the coming quarters, and a record high number of new accounts outside Europe in 2023 justify optimism for 2024 and beyond. The strategic review announced in Q4 2023 is expected to be concluded by the end of the second quarter of 2024.

Hexagon Digital Wave

Hexagon Digital Wave’s Modal Acoustic Emission (MAE) requalification services and Ultrasonic Examination (UE) equipment saw strong demand towards the end of 2023 and the Company is expecting further growth for the full year in 2024. Hexagon Digital Wave is focused on profitable growth of the established recertification businesses while it continues to invest in development and expansion of customer offerings

within its Modal Acoustic Emission (MAE) platform, as well as Ultrasonic Examination (UE) market expansion and providing other intelligent solutions.

Going concern

In accordance with the accounting act § 3-3a we confirm that the conditions for continued operations are present and that the annual report have been prepared based on the going

concern assumption. This assumption is based on budgets and profit forecasts for 2024 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.

Subsequent events

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

Oslo, 20 March 2024
The Board of directors of Hexagon Composites ASA


Knut Flakk
Chair


Kristine Landmark
Deputy chair


Katsunori Mori
Board member


Liv Astri Hovem
Board member


Liv Dingsør
Board member


Sam Gabbita
Board member


Joachim Magnusson
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 2023 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.

Oslo, 20 March 2024
The Board of directors of Hexagon Composites ASA





 Knut Flakk Chair	 Kristine Landmark Deputy chair	 Katsunori Mori Board member
 Liv Astri Hovem Board member	 Liv Dingsør Board member	 Sam Gabbita Board member
 Joachim Magnusson Board member		 Jon Erik Engeset Group President & CEO

Executive management

				
Position	JON ERIK ENGESET CEO & President	DAVID BANDELE Chief Financial Officer	HANS PETER HAVDAL Chief Operating Officer & CEO Hexagon Agility	KAREN ROMER SVP Communications
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.	Hans Peter Havdal was appointed Chief Operating Officer in March 2023 and CEO of Hexagon Agility in April 2023. Prior to his role as COO, Hans Peter served as a board member of Hexagon Composites. Hans Peter has broad international experience from the manufacturing and automotive industries, including as CEO of Kongsberg Automotive ASA, and Division manager at Semcon International, a global consulting company	Karen Romer joined Hexagon in April 2020. She has broad internal experience within global corporate communications, public relations, marketing and CSR and has held roles at Hill + Knowlton Strategies, Aker Solutions, Statoil Fuel & Retail/Couche-Tard and Lindorff.
Education	MSc and MBA from the Norwegian School of Economics.	David holds a Bachelor of Economics from the University of Sheffield and is an ICAEW Chartered Accountant (ACA).	Master of Science in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU).	Bachelor of Arts degree in English Literature from Fordham University
Number of shares	404 861	155 654	3 900 ¹	15 655





¹ Includes shares owned by related parties

Executive management cont.

				
	GEORGE SIEDLECKI	ASHLEY REMILLARD	RICK RASHILLA	EIRIK LØHRE
Position	SVP Strategy & CEO Hexagon Digital Wave	SVP Legal & Government Affairs	SVP Sustainability	VP Corporate Development
Experience	George Siedlecki joined Hexagon in 2014 and has held several key management positions in the Group. He has served as CEO of Hexagon Digital Wave since July 2023. George has extensive management- and finance leadership experience from various roles within public accounting and publicly held companies, principally in the automotive industry.	Ashley Remillard joined Hexagon Agility in May 2019, and has served in her current role since March 2023. She has previously practiced law at Nossaman LLP in both transactional and litigation settings, specializing in environmental law.	Rick Rashilla has held several key management positions in the Group, and was appointed SVP Sustainability in 2022. He has more than 35 years' experience in managerial and R&D positions related to filament wound pressure vessels and other composites technology from General Dynamics, Brunswick Defence and Lincoln Composites.	Eirik Løhre has served as VP Corporate Development since March 2023. He joined Hexagon in 2021 and has broad experience from corporate finance at SEB and Nordea.
Education	MBA from the University of Notre Dame.	Juris Doctor from the University of Southern California School of Law, Bachelor of Arts in Communications from the University of Southern California.	Bachelor of Science in Industrial Management from the University of Cincinnati.	Bachelor of Science in Finance from the Norwegian School of Business (BI).
Number of shares	109 498	17 762	160 067	14 000

¹ Includes shares owned by related parties

Board of directors

				
	KNUT FLAKK Chair	KRISTINE LANDMARK Deputy chair	KATSUNORI MORI Board member	LIV ASTRI HOVEM Board member
Board position				
Experience	<p>Knut Flakk is the founder of Hexagon Composites ASA and CEO of Flakk Gruppen AS. He has an extensive entrepreneurial track record having established and developed a number of companies both in Norway and internationally. Flakk has been the CEO of the Flakk Group since 1996 and holds an MSc from BI Norwegian Business School and an MBA from London Business School.</p>	<p>Kristine Landmark has extensive experience from various management positions within the banking and furniture industries. She is a professional Board member and holds several board positions within several industries and associations. Landmark holds an MSc from the Norwegian School of Economics (NHH).</p>	<p>Katsunori Mori is currently President & CEO of Mitsui & Co. Plastics Ltd. Mori has over the last years held various management positions in Mitsui & Co. within the fields of plastics, advanced composite materials and renewable energy related materials. He has previously been a member of the Board of Advanced Composites Products and Sunwize Technologies. Mori holds a bachelor's degrees in Aeronautical Engineering from Kyoto University.</p>	<p>Liv Astri Hovem is currently CEO of DNV's Accelerator, Hovem has extensive experience in leading international businesses across multiple industries, including in the maritime and energy sectors. She has previously served as board member of several companies, Hovem holds a Master's degree in Naval Architecture & Offshore Engineering from UC Berkeley, and a Master's degree in Civil Engineering from the Norwegian Technical University.</p>
Board member since	2000 (Chair since 2000)	2011 (Deputy Chair since 2014)	2016	2020
Member of	Nomination committee	Audit Committee, Remuneration Committee	Remuneration committee	Chair of the Audit Committee
Independence	Second largest shareholder in Hexagon	Independent board member	Represents Mitsui & Co., Hexagon's largest shareholder	Independent board member
Current board positions	Chair of Flakk Gruppen AS, Devold of Norway AS, H-fasader AS, Geographic Hotels and Adventures AS and Norwegian Hydrogen AS	Chair of L K Hjelle Møbelfabrikk AS, Nils Sperre AS Board member of: Endur ASA, Flokk Holding AS, Hagen AS, Devold of Norway AS, Mostein Eiendom Holding AS, Entec Group AS		Chair of DNV Imatis AS
Meeting attendance 2023	100%	89%	89%	89%
Number of shares	22 568 314 ¹	10 000 ¹	45 833 321 ²	-

¹ Includes shares owned by related parties

² Shares owned by Mitsui & Co., represented in the board by Katsunori Mori

Board of Directors cont.



SAM GABBITA
Board member



LIV DINGSØR
Board member



JOACHIM MAGNUSSON
Board member

Experience	Sam Gabbita is the co-founder of Qell, a California based investment platform focused on mobility and transportation. He has held a variety of positions in private equity and investment banking industries and has broad experience from managing sustainability focused investments spanning transportation, energy and advanced materials. Gabbita holds a Bachelor of Economics from University of California, Los Angeles, and an MBA from The Wharton School at the University of Pennsylvania.	Liv Dingsør is the CEO of Digital Norway. She has broad executive experience within business development and development of digitalization strategies across industries. Dingsør also has more than a decade of experience in strategic and operational M&A, finance, sales, organizational development, and value chain optimization, serving as CEO of several companies led through digital transformation journeys. She holds an MSc in Economics and Business Administration from the Norwegian School of Economics (NHH).	Joachim Magnusson is Managing Director of NOVAB AB, Magnusson has 30+ years' experience in the automotive industry, with extensive knowledge in operations and world class manufacturing. He has held several leadership positions internationally, including CEO of Xandor Automotive, EVP Driveline Systems of Kongsberg Automotive, Managing Director of Kenmore International, Chinaand Managing Director of Scandinavia and Hungary at TI Automotive. Magnusson's education is within Mechanical Engineering.
Board member since	2022	2022	April 2023
Member of	Chair of the Remuneration committee	-	-
Independence	Independent board member	Independent board member	Independent board member
Current board positions	-	Chair of Inventas AS	-
Meeting attendance 2023	100%	89%	100%
Number of shares	-	-	-

Statement on EU Taxonomy for sustainable economic activities

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.

Background and objectives

As part of the European Green Deal, the European Union (EU) has placed the topics of climate protection, environment and sustainability at the heart of its political agenda in order to achieve climate neutrality by the year 2050. To this end, the EU Action Plan on financing sustainable growth was developed with the aim to reorient capital flows towards sustainable investment, to mainstream sustainability in risk management and to foster transparency and long-termism in financial and economic activity. The Action Plan comprises ten measures and centers around the EU taxonomy (Regulation (EU) 2020/852 and associated delegated acts).

The EU taxonomy is a classification system for sustainable economic activities. An economic activity is considered taxonomy-eligible if it is listed in the climate- or environmental delegated acts supplementing article 8 of the EU Taxonomy Regulation and further can potentially contribute to realizing at least one of the following six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

As per year-end 2023, large, listed companies are obliged to report on alignment to the climate change mitigation and climate change adaptation objectives and eligibility for the remaining four objectives. An activity is only considered environmentally sustainable, i.e., taxonomy-aligned, if it meets all three of the following conditions:

- The activity makes a substantial contribution to one of the environmental objectives by meeting the screening criteria defined for this economic activity, e.g., level of CO₂ emissions for the climate change mitigation environmental objective.
- The activity meets the Do-No-Significant-Harm (DNSH) criteria defined for this economic activity. These are designed to prevent significant harm to one or more of the other environmental objectives, e.g., from the production process or by the product.
- The Group carries out its activities in compliance with the minimum safeguards, which apply to all economic activities and relate

primarily to human rights and social and labor standards.

A taxonomy-eligible economic activity means an economic activity that is described in the delegated acts supplementing the Regulation, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

The EU taxonomy regulation entered into force in Norway on 1 January 2023. Hexagon is required by the Sustainable Finance Act to report on taxonomy eligibility and alignment for Hexagon Ragasco and Hexagon Agility under the environmental objective "Climate Change mitigation". For 2023 reporting, taxonomy-eligibility and alignment are not mandatory for Hexagon Digital Wave's activities that fall under the environmental objective "Transition to a circular economy". Due to the deconsolidation of Hexagon Purus on 29 June 2023 and the subsequent presentation of Hexagon Purus as discontinued operations, the

following report does not cover Hexagon Purus' economic activities. Hence, Hexagon Group does not include associates and/or joint ventures into the EU Taxonomy KPIs.

Eligible economic activities in the Hexagon Group

As a world-leading composite cylinder technology developer and manufacturer, and with our purpose of "Driving Energy Transformation", 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 more than 600 000 high pressure composite cylinders, more than 70 000 fuel systems and more than 20+ million LPG cylinders.

Over the last three years we have worked diligently to assess our products and services in view of the EU Taxonomy;

In 2021, Hexagon 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. All our products and services were found to be potentially sustainable under the EU Taxonomy.

In 2022, Hexagon continued its efforts on interpreting the EU Taxonomy and performed a technical screening of all our products and services within Hexagon Agility, Hexagon Ragasco and Hexagon Digital Wave. The screening concluded that Hexagon is well positioned to meet all the relevant technical screening criteria and become environmentally sustainable, however some gaps were identified.

In 2023, Hexagon worked diligently to close the gaps and performed necessary screenings and assessments.

All our products and services in Hexagon Ragasco and Hexagon Agility are deemed eligible under the climate change mitigation objective and all our products and services in Hexagon Digital Wave are deemed eligible under the transition to a circular economy objective. Although it is not mandatory to report eligibility and alignment against the transition to a circular economy objective, we have nevertheless included Hexagon Digital Wave's financial metrics within the Group KPIs. The products and services in this business area are, however, well positioned to meet the alignment criteria in 2024.

The following sections provide an overview of our products and services and how they fit into the economic activities in the EU Taxonomy.

Fuel system for commercial vehicles – CCM 3.3. Manufacture of low carbon technologies for transport

Hexagon Agility's fuel systems are installed on a variety of commercial vehicles, ranging from heavy- to medium duty trucks, refuse trucks and transit buses. The technical screening criteria under the economic activity "CCM 3.3. Manufacture of low carbon technologies for transport" refers largely to the end-products or the commercial vehicles themselves. As Hexagon Agility is a key supplier for the manufacturers of low carbon transport vehicles, Hexagon has considered its fuel systems to be eligible under this economic activity. Our technical screening assessment is thus based on the vehicles our systems are installed on and not the fuel system itself. Hexagon has four facilities for production and assembly of fuel systems, including Salisbury (North Carolina, US), Fontana (California, US), Raufoss (Norway) and Kassel (Germany).

To make a substantial contribution to climate change mitigation within this economic activity, the heavy and medium duty vehicles our systems are installed on (i.e., vehicles of categories N2 and N3) needs to be zero-emission heavy-duty vehicles as defined in Article 3, point (11), of Regulation (EU) 2019/1242 or 'low-emission heavy-duty vehicles' as defined in Article 3, point (12) of that Regulation. Furthermore, the transit

buses our systems are installed on (i.e., vehicles designated as category M³) need to comply with the latest EURO VI standard, and where such a standard is not available – the direct CO₂ emissions of the vehicles need to be zero.

Mobile Pipeline distribution solutions and Type 4 composites cylinders – CCM 3.6. Manufacture of other low carbon technologies

Hexagon Agility's Mobile Pipeline distribution modules enables safe transport of renewable natural gas (RNG), compressed natural gas (CNG) as well as other gases. Our Mobile Pipeline modules are outfitted with our cutting-edge lightweight Type 4 composite cylinders certified for transport. With significantly more capacity and weighing 70 per cent less than steel tubes, our composite solutions enable customers to deliver more gas and reduce transports resulting in low total cost of ownership.

Hexagon has assessed these distribution solutions to fall within the economic activity "CCM 3.6. Manufacture of other low carbon technologies", which is described as manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered specifically in other parts of the Taxonomy.

Hexagon Agility also sells its Type 4 high-pressure composite cylinders as a stand-alone product to external customers. The assessment for this activity is similar to the Mobile Pipeline distribution solutions.

To make a substantial contribution to climate change mitigation within this economic activity, the economic activity manufactures technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market.

Composite cylinders for cooking, heating and leisure – CCM 3.6. Manufacture of other low carbon technologies

Hexagon Ragasco is the leading manufacturer of composite LPG cylinders worldwide with an industry-leading safety record, certifications in close to 100 countries and millions of cylinders sold worldwide. Our cylinders are designed as the modern alternative to steel cylinders for a variety of applications, both industrial and for home-users or leisure activities. The cylinders' advanced construction with polymeric and composite materials combines uncompromising safety, quality, design and innovation.

Hexagon has assessed Hexagon Ragasco's LPG cylinders to fall within the economic activity

"CCM 3.6 Manufacture of other low carbon technologies", which is described as manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered specifically in other parts of the Taxonomy.

To make a substantial contribution to climate change mitigation within this economic activity, the economic activity manufactures technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market.

Modal Acoustic Emission (MAE) testing and Ultrasonic Examination (UE) machines – CE 4.1 Provision of IT/OT data-driven solutions

Hexagon Digital Wave's product offering consists of MAE testing services and UE machines. MAE services allow testing and qualifying composite cylinders using high-bandwidth stress waves. MAE testing works by placing transducers on the surface of a composite vessel, applying stress to the structure and recording any ultrasonic stress waves that propagate from the epicenter of a flaw, which are ultimately tested analyzed with Hexagon Digital Wave's proprietary software. Our UE test equipment makes it easy for operators to detect even the smallest defects in metallic cylinders without removing the valve or product.

The UE machines produce an ultrasonic beam which scans the cylinder for defects and allows the operator to efficiently analyze whether there are structural integrity issues or not.

Hexagon has assessed that Hexagon Digital Wave's product and services fall within the economic activity "CE 4.1. Provision of IT/OT data-driven solutions" within the environmental objective "Transition to a circular economy". This economic activity covers a wide variety of software and information technology or operational technology systems for among other things – analyzing the operational performance and condition of a product or equipment.

To make a substantial contribution to circular economy, and for remote monitoring and predictive maintenance systems, at least two of the following capabilities specified in points (a) to (d) need to be met in their full scope:

- a. alerting the user to abnormal sensor values, and assessing the status of the product, equipment, or infrastructure, detecting wear and tear or electrical issues, and drawing conclusions about the exact nature of abnormal operating conditions by means of advanced analytical methods;
- b. predicting the expected remaining lifetime of a product, equipment, or infrastructure,

and recommending measures to extend the remaining lifetime;

- c. predicting an upcoming product, equipment or infrastructure failure and recommending measures to prevent such failure;
- d. providing recommendations about the highest value next use cycle, such as reuse, recovering components through parts harvesting for remanufacture, or recycling, taking into consideration a combination of factors regarding the product's condition.

Due to the requirements for substantial contribution for CE 4.1. Provision of IT/OT data-driven solutions are yet to become effective and endorsed by the EU, it is not mandatory to report on alignment for this activity in 2023. We have therefore considered our MAE and UE business as "not aligned" for 2023, although our products and services are well positioned to meet the alignment criteria in 2024.

Table 1 below shows a summary and overview of eligible products and services and their respective economic activities and environmental objectives.

Business area	#	Description of product / service	Taxonomy-eligible economic activity	Environmental objective
Hexagon Agility	1	Fuel system for commercial vehicles	CCM 3.3. Manufacture of low carbon technologies for transport	Climate change mitigation
	2	Mobile Pipeline distribution solutions	CCM 3.6. Manufacture of other low carbon technologies	Climate change mitigation
	3	Type 4 composite cylinders		
Hexagon Ragasco	4	Composite cylinders for cooking, heating and leisure	CCM 3.6. Manufacture of other low carbon technologies	Climate change mitigation
Hexagon Digital Wave	5	Modal Acoustic Emission (MAE) testing	CE 4.1. Provision of IT/OT data-driven solutions	Transition to a circular economy
	6	Ultrasonic Examination (UE) machines		

Table 1 - Overview of eligible products and services and respective economic activities.

Meeting the alignment criteria for Substantial Contribution and Do-No-Significant-Harm (DNSH)

Fuel system for commercial vehicles – CCM 3.3. Manufacture of low carbon technologies for transport

Our fuel systems for commercial vehicles are found to meet the substantial contribution criteria for “3.3 Manufacture of low carbon technologies for transport” because the heavy- and medium duty commercial vehicles our fuel systems are installed on, are considered to meet the definition of “low-emission heavy-duty vehicles” as defined in Article 3, point (12) of that Regulation (EU) 2019/1242. “Low-emission heavy-duty vehicles” in the said regulation “means a heavy-duty vehicle, other than a zero-emission

heavy-duty vehicle, with specific CO₂ emissions of less than half of the reference CO₂ emissions of all vehicles in the vehicle sub-group to which the heavy-duty vehicle belongs, as determined in accordance with point 2.3.3 of Annex I.” As more than 90% of all heavy-and medium duty vehicles today run on diesel, the comparable reference vehicle sub-group is considered to be diesel-engine vehicles and their CO₂ emissions. Comparing the on-average negative CO₂ emissions from all natural gas vehicles, with CO₂ emissions from diesel vehicles, we have assessed all of our customers’ natural gas vehicles to fit into the category of “low-emission heavy-duty vehicles.”. As such, our fuel systems are thus considered to make a substantial contribution and thus in accordance with the criteria.

Furthermore, fuel systems that are delivered to transit buses (i.e., vehicles designated as categories M² and M³) in Europe are all considered compliant with the latest EURO VI standard, and as such are considered to meet the substantial contribution criteria. For transit buses delivered to areas where the EURO VI standard is not applicable, the criterion for substantial contribution is “zero direct CO₂ emissions”. For fuel systems delivered to the transit bus segment in these areas, Hexagon has used the same reasoning as for heavy-duty trucks above where CO₂ emissions are considered negative, and thus concluded that these vehicles also meet the substantial contribution criteria.

During 2023, Hexagon has performed an assessment of all DNSH criteria at all production sites

for fuel systems in the US and Europe. For DNSH 2 (Climate change adaptation), a physical climate risk and vulnerability assessment has been performed for all of Hexagon Agility’s production sites. The assessment found that that two of Hexagon’s manufacturing sites were exposed to physical climate risk being extreme wind and tornados. To reduce this risk, climate adaptation plans will be developed for the respective sites and implemented within five years in line with the compliance requirements in the regulation.

For DNSH 3 (Sustainable use and protection of water and marine resources), water risk has been assessed through a screening without any identified risks due to insignificant use of water

or the use of closed-loop water systems in the production lines.

For DNSH 4 (Transition to a circular economy), the criteria are considered met because Hexagon Agility uses secondary raw materials in its manufacturing process and ensures the highest possible recycling of internal scrap material into other products. The products are designed for high durability, recyclability, and policies are in place to prioritize recycling over disposal in the manufacturing process, and integrate Eco Design principles into Advanced Product Quality Planning for new products. In 2024, we will further work on reducing waste in line with our commitment to “Drive a zero-waste operations culture” and further improve product design and processes to reduce our net environmental impact.

For DNSH 5 (Pollution prevention and control), the criteria have been challenging to assess. As a manufacturer, Hexagon uses a wide range of substances in the production lines. No constituents that contain persistent pollutants, mercury and substances that deploy the ozone layer are being used and all manufacturing sites comply with national laws and regulations for handling substances, including the REACH directive for our European operations. As our operations in the US are not subject to the EU directives, we have

performed a separate assessment of the use of substances regulated under the REACH directive. The assessment concluded that our relevant US operations comply with the directive, and as such – the DNSH criteria are considered met.

For DNSH 6 (Protection and restoration of biodiversity and ecosystems), Hexagon Agility has performed a screening to assess whether its activities/manufacturing sites are listed in Annex II to the EIA directive, and thus need to perform an EIA. The screening did not find our kind of manufacturing activities mentioned in the Annex, hence an EIA was not considered required.

Conclusion

The overall assessment concludes that “fuel systems for commercial vehicles” within the economic activity “CCM 3.3. Manufacture of low carbon technologies for transport”, is taxonomy-aligned when taking into account compliance with the minimum safeguard’s requirements, see separate section.

Mobile Pipeline distribution solutions and Type 4 composites cylinders – CCM 3.6. Manufacture of other low carbon technologies

The substantial contribution criteria for CCM 3.6. “Manufacture of other low carbon technologies”, requires a third-party verified life cycle assessment (LCA) for GHG emissions compared to the

best performing alternative. Hexagon Agility is currently working on LCAs which will cover both its Mobile Pipeline distribution modules and its Type-4 composite cylinders. Until the LCAs are completed, we are not able to document the substantial contribution criteria, but we expect to complete the LCA work during 2024. Hexagon considers it highly likely that the LCAs once finalized will clearly demonstrate quantified life-cycle GHG emission savings.

For the DNSH criteria, separate assessments have been made for these activities and conclusions are concurrent with those for fuel systems for commercial vehicles elaborated in the previous section.

Conclusion

Substantial contribution cannot be demonstrated for 2023, and these activities are thus not taxonomy-aligned in the 2023-reporting.

Composite cylinders for cooking, heating and leisure – CCM 3.6. Manufacture of other low carbon technologies

Hexagon Ragasco is the first gas cylinder producer worldwide to issue an environmental product declaration (EPD) including an LCA for its composite cylinders. Since there is no comparable product on the market, the comparison analysis as per the criteria cannot be performed.

Hexagon Ragasco has thus made a benchmark comparison of its composite cylinders with LPG steel cylinders. In this regard, composite cylinders are assessed to possess unique benefits which lead to emissions reductions, hereof:

- Weight: reduced product weight by approx. 50 per cent compared to traditional steel cylinders, resulting in reduced raw material consumption, reduced carbon emissions during transportation and reduced material for end-of-life handling.
- Materials: composite cylinders have prolonged lifetime in high humidity climates, eliminating the need for refurbishment as required for steel cylinders
- Durability: durable cylinders with a proven lifetime of 20 years.

Additionally, using hydropower-based electricity reduces emissions significantly in the production phase. Hexagon Ragasco’s LCA (ISO 14025) and EPD for its composite cylinders have been verified by the Norwegian research institute SINTEF. As such, the quantified life cycle GHG emissions are considered verified by an independent third party in line with the requirements for substantial contributions.

Hexagon Ragasco are also considered compliant will all DNSH criteria. For DNSH 2 (Climate change adaptation), a physical climate risk and

vulnerability assessment has been performed for Hexagon Ragasco's production site in Raufoss (Norway), where no significant climate risks were identified.

For DNSH 3 (Sustainable use and protection of water and marine resources), environmental degradation risk has been assessed to not represent a risk related to Hexagon Ragasco's production processes. The Norwegian Environment Agency (Miljødirektoratet) has assessed that Hexagon Ragasco does not need concessions related to water because it consumes an insignificant amount of water in their manufacturing processes, and it is in closed loops.

For DNSH 4 (Transition to a circular economy), the criteria are considered met because Hexagon Ragasco uses secondary raw materials in its manufacturing process and ensures the highest possible recycling of internal scrap material into new products. The company also works with suppliers for certain components that use recycled materials and uses spare parts to increase lifetime. The company's R&D projects aim at the further implementation of a circular economy by

improvement of product durability at the design level, damage detection technologies, increased lifetime, recycling for composite material and waste. The company is working also on improving traceability and has also set a target to achieve zero composites waste going to disposal within 2026.

For DNSH 5 (Pollution prevention and control), the criteria is considered met as REACH regulations are implemented into Norwegian laws that Hexagon Ragasco complies with.

For DNSH 6 (Protection and restoration of biodiversity and ecosystems), a screening has been performed to assess whether the production of composites cylinders for cooking and heating or composite cylinders for leisure are activities listed in Annex II to the EU Directive 2011/92/EU. The screening did not find this activity (or potentially similar activities) in the list of activities required to perform an EIA. Thus, a screening was performed which found that there was no need for an EIA¹. (Since the production is placed in Norway, the production in Raufoss is obliged to

follow national laws, including any requirements to perform an EIA.)

Conclusion

Substantial contribution criteria and DNSH criteria are all considered met and Hexagon Ragasco's activities are thus considered taxonomy-aligned when taking into account compliance with the minimum safeguard's requirements, see separate section.

Modal Acoustic Emission (MAE) testing and Ultrasonic Examination (UE) machines – CE 4.1 Provision of IT/OT data-driven solutions

Although the substantial contribution criteria for the economic activity under CE 4.1 Provision of IT/OT data-driven solutions are outlined (see also section on eligibility above), not all DNSH criteria for this economic activity were outlined and made effective for the 2023 reporting. As such, is not mandatory to report on alignment for this activity in 2023, and Hexagon has on a voluntary basis presented the financial KPIs associated with Hexagon Digital Waves products and services as eligible but "not-aligned". Hexagon Digital

Waves products and services are however well positioned to meet the alignment criteria in 2024.

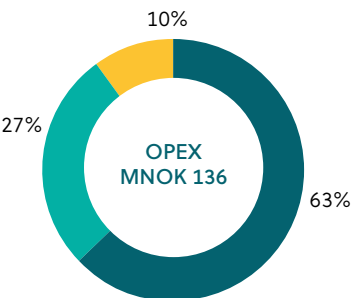
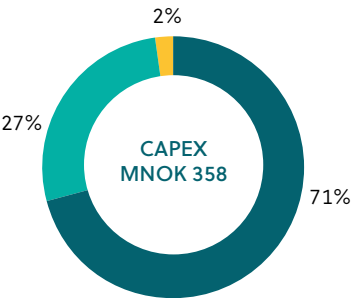
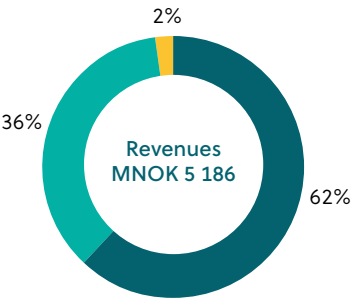
Meeting the "Minimum safeguards" criteria

For activities to be aligned with the EU Taxonomy, they must meet the minimum safeguards criteria. There is currently no legally binding definition of how to adhere with the minimum safeguards in relation to human rights and Labor Rights, bribery and anti-corruption, taxation and fair competition. As such, we have assessed our alignment on the report produced by the Platform on Sustainable Finance titled "Final Report on Minimum Safeguards"².

Based on the criteria defined by this report, we define ourselves as aligned with the minimum safeguards. For a full overview of Hexagon's assessments, please refer to the document: Minimum safeguards reporting under the EU Taxonomy on our website.

¹ According to FAQ (ref. EU Taxonomy Navigator, FAQ published Oct, 23). "Therefore, there is no need for an EIA in every case. The requirement in the criteria is to go through the process to determine whether there is need for an EIA – "An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU". If the screening has been done and the conclusion is that no EIA is needed, this part of the requirement is met."

² Report published by The EU platform on sustainable finance, October 2022



■ Aligned
■ Eligible, but not aligned
■ Non-eligible

Key performance indicators

The EU Taxonomy defines sales revenues, capital expenditure and operating expenditure as the key performance indicators that must be reported on. The pie charts show the Group’s eligible and aligned KPIs for Revenues, CAPEX and OPEX for 2023. The tables required by the EU Taxonomy are included at the end of the section.

Revenues

The definition of turnover in the EU Taxonomy corresponds to total revenues as reported in the Group’s IFRS consolidated financial statements, which amounted to NOK 5 186 million for the fiscal year 2023. Of this total, NOK 5 101 million, or 98% of Group revenues, was attributed to taxonomy-eligible activities. Of the total taxonomy-eligible revenues, NOK 3 212 million, or 62%, meet the technical screening criteria for substantial contribution. Taking into account the DNSH and the minimum safeguards criteria, NOK 3 212 million, or 62%, of the Group’s total revenues was also considered taxonomy-aligned. Of this total, all of Hexagon Ragasco’s revenues, and all of Hexagon Agility’s revenues from its fuel systems business are included as aligned. In the table below, eligible and aligned revenues are presented for each of our operating segments. The figures are furthermore discussed and explained in the following.

Within Hexagon Agility, revenues have been allocated to the two economic activities within the EU Taxonomy, “3.3. Manufacture of low carbon technologies for transport” and “3.6. Manufacture of other low carbon technologies”, where activity 3.3. includes revenues associated with fuel systems for commercial vehicles and fleet care services, while 3.6. includes revenues associated with Mobile Pipeline distribution modules and sale of stand-alone Type 4 high-pressure cylinders. Revenues of NOK 2 536 generated from fuel systems for commercial vehicles contribute substantially to climate change mitigation as the fuel systems facilitate the usage of renewable natural gas (RNG) as fuel source for the vehicles being assessed in the screening criteria. Taking into account that all DNSH criteria and minimum safeguards were also met, revenues within this activity were considered taxonomy-aligned for 2023. Revenues generated from Mobile Pipeline modules and Type 4 high-pressure cylinders amounted to NOK 1 727 million but did not meet the technical screening criteria, which requires a formal and documented life cycle assessments (LCA) verified by an independent third party. As a result, only Hexagon Agility’s fuel system business was considered taxonomy-aligned in 2023. Hexagon is, however, confident that Hexagon Agility’s Mobile Pipeline modules and Type 4 composite cylinders will become taxonomy-aligned once the formal requirements and

procedures in the Taxonomy have been properly documented.

Within Hexagon Ragasco, revenues have been allocated to economic activity “3.6. Manufacture of other low carbon technologies”, which requires a formal and third-party verified life cycle assessment (LCA) to meet the technical screening requirements. Hexagon Ragasco is the first gas cylinder producer worldwide to issue an environmental product declaration (EPD) including an LCA for its composite cylinders. As a result of this, and the business’ compliance with all DNSH criteria, all of Hexagon Ragasco’s NOK 675 million eligible revenues are also considered taxonomy aligned.

Hexagon Digital Wave’s product offering has been allocated to the environmental objective “Transition to a circular economy”. As the regulations for technical screening and DNSH within this objective are yet to be finalized and become effective by the EU, alignment reporting for Hexagon Digital Wave is not required. Due to this, Hexagon Digital Wave’s key performance indicators are all presented as non-aligned. NOK 162 million of Hexagon Digital Wave’s revenues are however considered taxonomy eligible, which is viewed as a good foundation for future alignment for this business.

Revenues 2023

Economic activities	Environmental objective	Revenues	Compliance with substantial contribution criteria		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned revenues		
		NOK million	% ¹⁾	NOK million	% ¹⁾	Y/N	Y/N	NOK million	% ¹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES		5 101	98%	3 212	62%	Y/N	Y	3 212	62%
Hexagon Agility	Climate change mitigation	4 263	82%	2 536	49%	Y	Y	2 536	49%
3.3. Manufacture of low carbon technologies for transport		2 536	49%	2 536	49%	Y	Y	2 536	49%
3.6. Manufacture of other low carbon technologies		1 727	33%	0	0%	Y	Y	0	0%
Hexagon Ragasco	Climate change mitigation	675	13%	675	13%	Y	Y	675	13%
3.6. Manufacture of other low carbon technologies		675	13%	675	13%	Y	Y	675	13%
Hexagon Digital Wave	Transition to a circular economy	162	3%	0	0%	N	Y	0	0%
4.1. Provision of IT/OT data-driven solutions		162	3%	0	0%	N	Y	0	0%
B. Taxonomy-non-eligible activities		86	2%						
TOTAL (A + B)		5 186	100%						

¹⁾ All percentages relate to the Group's total revenues.

Capital expenditure

Capital expenditure for the purposes of the EU Taxonomy refers to the following items in the IFRS consolidated financial statements: additions to property, plant and equipment, additions to intangible assets and additions to lease right-of-use assets. These are reported in the notes to the 2023 consolidated financial statements in the notes on "Property, plant and equipment", "Intangible assets", and "Leases". Additions from business combinations, reported under

note "Changes in the Group structure", are also included, if relevant. By contrast, additions to goodwill are not included in the calculation.

In the fiscal year 2023, additions in the Hexagon Group as defined above amounted to:

- NOK 229 million from property, plant and equipment,
- NOK 24 million from intangible assets, and
- NOK 105 million from right-of-use assets.

Total capital expenditure to be included in accordance with the EU Taxonomy therefore amounted to NOK 358 million.

All capital expenditures within each operating entity of the Group have been allocated to the same economic activities as for revenues for each operating entity. For most operating entities, capital expenditures are related to one product/service offering and thus one specific economic activity. For those operating entities that deliver

products/services covering two or more economic activities, the capital expenditure has been allocated pro rata in accordance with the revenue split within that entity, unless the capital expenditure could be directly attributed to a specific product and thus economic activity. Capital expenditure in non-operating and holding entities have all been considered non-eligible.

Taxonomy eligible capital expenditure amounted to NOK 349 million, representing 98 per cent of

the Group’s total capital expenditure in 2023. Of this amount, Hexagon Agility’s capital expenditure within its fuel systems business and all of Hexagon Ragasco’s capital expenditure meet the substantial contribution criteria, totaling NOK 254 million, or 71 per cent. For the same reasons as explained in the section on revenues above, capital

expenditures within Hexagon Agility’s Mobile Pipeline business and Type 4 high-pressure cylinder business, and Hexagon Digital Wave did not meet the substantial contribution criteria in 2023.

Taking into account the DNSH criteria and the minimum safeguards criteria, and for the same

reasons as for revenue alignment, Hexagon Agility’s capital expenditure within its fuel system business of NOK 185 million, as well as Hexagon Ragasco’s capital expenditure of NOK 69 million was deemed taxonomy-aligned. This represented 71 per cent of total capital expenditure and was

largely related to investments in property, plant and equipment.

The table below shows eligible and aligned capital expenditure for each of our operating segments and for each economic activity.

Capital expenditure 2023

		Revenues		Compliance with substantial contribution criteria		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned capital expenditure	
Economic activities	Environmental objective	NOK million	% ¹⁾	NOK million	% ¹⁾	Y/N	Y/N	NOK million	% ¹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES		349	98%	254	71%	Y/N	Y	254	71%
Hexagon Agility	Climate change mitigation	262	73%	185	52%	Y	Y	185	52%
3.3. Manufacture of low carbon tech-nologies for transport		185	52%	185	52%	Y	Y	185	52%
3.6. Manufacture of other low carbon technologies		77	22%	0	0%	Y	Y	0	0%
Hexagon Ragasco	Climate change mitigation	69	19%	69	19%	Y	Y	69	19%
3.6. Manufacture of other low carbon technologies		69	19%	69	19%	Y	Y	69	19%
Hexagon Digital Wave	Transition to a circular economy	18	5%	0	0%	N	Y	0	0%
4.1. Provision of IT/OT data-driven solutions		18	5%	0	0%	N	Y	0	0%
B. Taxonomy-non-eligible activities		9	2%						
TOTAL (A + B)		358	100%						

¹⁾ All percentages relate to the Group’s total capital expenditure.

Operating expenditure

The operating expenditure reported by us for the purposes of the EU Taxonomy comprises non-capitalized research and development costs, which can be taken from the note on “Intangible assets”. We also include the expenditure for short-term leases recognized in our consolidated

financial statements, which can be found in the note on “Leases”, and expenditure for maintenance and repairs.

The allocation of operating expenditure to the economic activities followed the same logic as that described for capital expenditure. Due to

somewhat higher operating expenditures compared to capital expenditures in non-operating and holding entities, the portion of eligible operating expenditures was 90 per cent, for a total of NOK 122 million. NOK 86 million, or 63 per cent, meet the substantial contribution criteria, and NOK 86 million, or 63 per cent, are considered

taxonomy aligned. The explanations for the results follow the same reasoning as for revenues and capital expenditures above, which is also depicted in the table below.

Operating expenditure 2023

		Operating expenditure		Compliance with substantial contribution criteria		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned operating expenditure	
Economic activities	Environmental objective	NOK million	% ¹⁾	NOK million	% ¹⁾	Y/N	Y/N	NOK million	% ¹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES		122	90%	86	63%	Y/N	Y	86	63%
Hexagon Agility	Climate change mitigation	79	59%	46	34%	Y	Y	46	34%
3.3. Manufacture of low carbon technologies for transport		46	34%	46	34%	Y	Y	46	34%
3.6. Manufacture of other low carbon technologies		33	25%	0	0%	Y	Y	0	0%
Hexagon Ragasco	Climate change mitigation	40	29%	40	29%	Y	Y	40	29%
3.6. Manufacture of other low carbon technologies		40	29%	40	29%	Y	Y	40	29%
Hexagon Digital Wave	Transition to a circular economy	3	2%	0	0%	N	Y	0	0%
4.1. Provision of IT/OT data-driven solutions		3	2%	0	0%	N	Y	0	0%
B. Taxonomy-non-eligible activities		14	10%						
TOTAL (A + B)		136	100%						

¹⁾ All percentages relate to the Group’s total operating expenditure.

Tabular presentation of the KPIs in accordance with the EU Taxonomy
Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year N	2023		Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)(h)									
	Code (a) (2)	Turnover MNOK (3)w	Proportion of Turnover, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2.) turnover, year N-1 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
Economic activities (1)																			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	2 536	49%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	Y	Y	Y	Y	Y	Y		E	
Manufacture of other low carbon technologies	CCM 3.6	675	13%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	Y	Y	Y	Y	Y	Y		E	
Turnover of environmental sustainable activities (Taxonomy-aligned (A.1))		3 212	62%	62%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y			
Of which enabling		3 212	62%	62%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y		E	
Of which transitional		-	0%							N/A	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of other low carbon technologies	CCM 3.6	1 727	33%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Provision of IT/OT data-driven solutions	CE 4.1	162	3%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1 889	36%	33%	0%	0%	0%	3%	0%										
A. Turnover of Taxonomy eligible activities (A.1+A.2)		5 101	98%	95%	0%	0%	0%	3%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		86	2%																
TOTAL		5 186	100%																

Proportion of capital expenditure from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year N	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)(h)										Category (transitional activity) (20)
	Code (a) (2)	Turnover MNOK (3)w	Proportion of Turnover, year N (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2.) CapEx, year N-1 (18)	Category (enabling activity or) (19)		
Economic activities (1)																				
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmental sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	CCM 3.3	185	52%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	Y	Y	Y	Y	Y	Y			E	
Manufacture of other low carbon technologies	CCM 3.6	69	19%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	Y	Y	Y	Y	Y	Y			E	
CapEx of environmental sustainable activities (Taxonomy-aligned (A.1)		254	71%	71%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y				
Of which enabling		254	71%	71%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y			E	
Of which transitional		-	0%							N/A	Y	Y	Y	Y	Y	Y			T	
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (g)																				
Manufacture of other low carbon technologies	CCM 3.6	77	21%	EL	N/EL	N/EL	N/EL	N/EL	N/EL											
Provision of IT/OT data-driven solutions	CE 4.1	18	5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL											
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		95	26%	21%	0%	0%	0%	5%	0%											
A. CapEx of Taxonomy eligible activities (A.1+A.2)		349	98%	93%	0%	0%	0%	5%	0%											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities		9	2%																	
TOTAL		358	100%																	

Proportion of operating expenditure from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year N	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)(h)									
	Code (a) (2)	Turnover MNOK (3)w	Proportion of Turnover, year N (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2.) OpEx, year N-1 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)
Economic activities (1)																			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	46	34%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	Y	Y	Y	Y	Y	Y			
Manufacture of other low carbon technologies	CCM 3.6	40	29%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	Y	Y	Y	Y	Y	Y			
OpEx of environmental sustainable activities (Taxonomy-aligned (A.1)		86	63%	63%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y			
Of which enabling		86	63%	63%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y		E	
Of which transitional		-	0%							N/A	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of other low carbon technologies	CCM 3.6	33	24%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Provision of IT/OT data-driven solutions	CE 4.1	3	2%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		36	26%	24%	0%	0%	0%	2%	0%										
A. OpEx of Taxonomy eligible activities (A.1+A.2)		122	90%	88%	0%	0%	0%	2%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		14	10%																
TOTAL		136	100%																

Sustainability report



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About this report

This Sustainability report provides a performance update on Hexagon's 2023 development, targets and initiatives within Environmental, Social and Governance (ESG).



This report has been prepared in accordance with the Global Reporting Initiative GRI 2021 Universal standards. Our overview of disclosures according to GRI, including references to sections where GRI indicators are reported upon can be found www.hexagongroup.com. The communication of progress for the United Nations Global Compact will be done through their digital platform and made public on the UN Global Compact website by 31 July 2024.

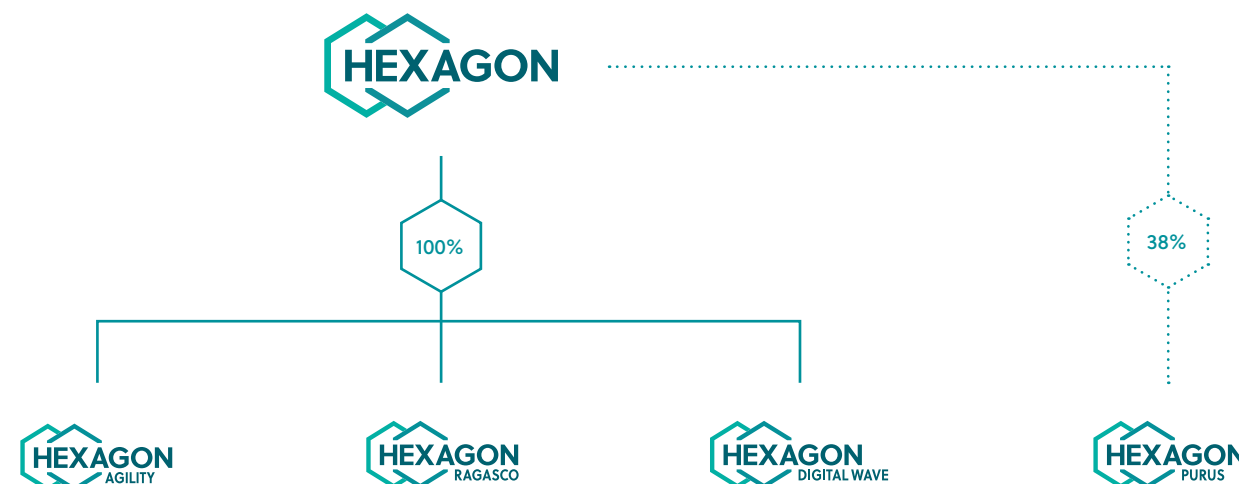
When we reference Hexagon in this report, unless otherwise stated, we are referencing our portfolio of businesses; Hexagon Agility, Hexagon Ragasco, Hexagon Digital Wave and Hexagon Purus.

The Norwegian Code of Practice for Corporate Governance

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. Further information on corporate governance can be found in the Board of Director's corporate governance report on our [website](http://www.hexagon.com).

Report boundaries

The report boundaries are, in general, drawn around companies under the operational control of Hexagon Composites ASA. Hexagon Purus was deconsolidated as of 29 June 2023 when Hexagon Composites' ownership stake changed from 68% to 38%. Hexagon Purus is included in the report for the period from 1 January 2023 until 29 June 2023. For the period from 1 July 2023 until 31 December 2023 and full year 2023, please refer to Hexagon Purus' Sustainability report available on www.hexagonpurus.com.



ESG governance

We are committed to our purpose of driving energy transformation – enabling a positive impact on society, people, and the planet is the reason we come to work every day. In its first year as an integral part of our organization, Hexagon’s ESG Team made significant progress in further establishing and driving our ESG initiatives in 2023. The leaders of Hexagon’s Environmental, Social and Governance efforts established concrete action plans and targets for the work and priorities within their areas including milestones throughout the year. These plans and targets were also linked to Hexagon’s short term incentive programs for executives and business area management teams.



Hexagon’s SVP Sustainability leads our sustainability (“Environment”) strategy, conceptualizing and developing the vision and strategy to drive the company’s CO₂ reduction efforts, including Hexagon’s Science Based Targets, as well as the roadmaps for implementing and executing these initiatives.

Hexagon’s Senior Director of People & Culture and “Social” Officer, leads our social criteria strategy, setting targets and goals to drive the company’s relationships with employees, suppliers, customers, and the communities where we operate.

Hexagon’s SVP Legal & Government Affairs and “Governance” Officer, ensures that we as a company comply with outside regulatory and legal requirements as well as internal policies and bylaws, working with management and staff to identify and manage regulatory risk.

These are all highly cross functional leadership roles that partner with the business areas to improve Hexagon’s ESG profile and drive

innovative solutions that support our material topics and net zero commitment.

Each business area in the Hexagon Group has dedicated resources and cross functional teams which support the development of the relevant strategies and targets, and implement them in local operations.

All three E, S, and G leaders coordinate with our ESG reporting efforts, led by our VP Investor Relations & ESG, to secure the necessary transparency and support improvements in our external ESG reporting.

The key responsibilities of the ESG organization are to:

- Evaluate and provide guidance on Hexagon's ESG strategy, Group policies, and performance
- Assess and monitor annual ESG targets and results
- Discuss and evaluate key ESG strategic decisions and directions

- Discuss and assess the impact of current and future ESG trends relevant to the Group
- Evaluate and further develop the Group's approach to ESG risk assessment and transparency.

Hexagon's ESG organization is supported by the Group executive team (GET) and the CEO. The highest decision-making responsibility for sustainability is with the company's board of directors and is included in the board's annual strategy process as well as the quarterly reporting to the board's audit committee.

Sustainability topics and stakeholder engagement are reviewed by the GET on a monthly basis and is a fixed topic on the quarterly agenda for Hexagon's audit committee. The development of annual ESG performance indicators as well as tracking of progress towards key targets, is also reviewed regularly by the audit committee. Hexagon's sustainability report is reviewed and approved as part of the annual report by the board of directors.



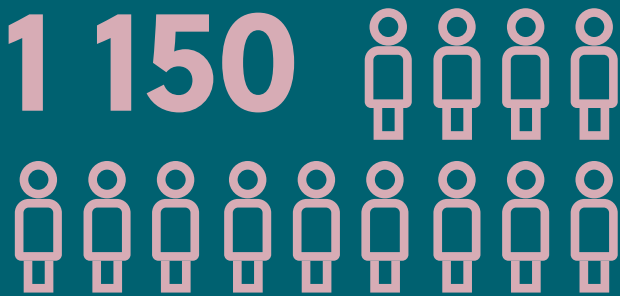
Sustainability in Hexagon

Since its establishment in 2000¹, Hexagon has been contributing to creating a better future for people and the planet by enabling the transition to clean energy solutions within transportation, infrastructure and leisure. 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 products, operations and ways of working.

¹ Referring to the establishment of Hexagon Composites ASA
² Head count
³ 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.

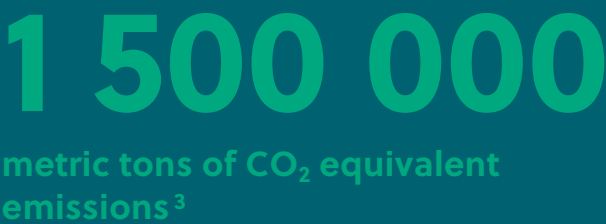
OUR PEOPLE

Employees²



OUR CONTRIBUTION

Hexagon Group's solutions have avoided



Committed to reach net-zero by

2050

Avoided **6x** more GHG emissions than generated in our operations

Material topics

Hexagon provides alternative fuel solutions to commercial vehicles, gas distribution companies and people across the world. Our solutions enable our customers to make the switch to cleaner energy solutions and are key to accelerating the transition towards a cleaner and more low-carbon global society.



Development of material topics

Hexagon's material topics have been identified based on stakeholder expectations, significant impacts, and internal strategic priorities throughout our value chain, first identified through stakeholder dialogue in 2019. Our key stakeholder groups include employees, customers, investors, suppliers, partners and NGO's. See [stakeholder engagement chapter](#) for more details.

The input from stakeholders was prioritized and taken into our strategy and risk planning by Group management, which also evaluated our actual and potential positive and negative impacts on people, planet and society. In 2021, we surveyed our stakeholders, which reconfirmed

our material topics and identified "Diversity and inclusion" and "Minimizing operational environmental footprint" as key issues with a strong increase in relevance for both internal and external stakeholders.

Our material topics have remained unchanged since 2021.

Double-materiality assessment

In the past year, Hexagon has focused on improving performance indicators and ambitions on our material topics, whilst initiating the work on its double materiality assessment. The double materiality assessment will form the basis for our 2024 report.

	MATERIAL TOPICS 2023	DESCRIPTION
 Environment	Our contribution through our solutions	Hexagon has a positive impact by enabling access to alternative fuel solutions that contribute to reduced impact on the climate.
	Greenhouse gas emissions	We recognize the importance of reducing our own carbon footprint to reach our net-zero commitment by 2050.
	Material waste and circularity	It is essential for us to understand how our own consumption affects the planet and what we can do to minimize our impact.
 Social	Product safety	Hexagon’s solutions transport and store various highly pressurized gases. If safety is not managed well, it has the potential to negatively impact people and society.
	Occupational health and safety	Hexagon’s manufacturing involves complex machinery and industrial processes, rapidly moving equipment, heat, caustic chemicals, and pressurized gas which can cause potential negative impact on people and society if not managed well.
	Diversity and inclusion	Hexagon believes a diverse and inclusive working environment will have a positive impact on the business. The lack of diversity, equal opportunities or the presence of biases can lead to potential negative economic and social impacts to our people and our regions.
	Workforce development	With 1 150 employees operating in a fast-paced industry, we recognize the potential positive impacts of engaging and investing in our employees’ development.
 Governance	Business ethics, anti-corruption and responsible procurement	We hold ourselves accountable for all our interactions with customers, suppliers and owners, our people and the communities in which we operate. Hexagon is committed to conduct its business fairly, honestly and openly with no tolerance for corruption.

Measuring our results

PRIORITIES/MATERIAL TOPICS	OBJECTIVES	MEASURED BY	2022	2023 ¹	STATUS 2023
Responsible employer	Increase percentage of women to 25%	Increased percentage	19% ²	20%	●
	Keep our employees safe	Reduce number of work-related injuries	25	24	●
	Create an engaging and attractive workplace	Great Place to Work Trust Index	75% ²	77%	●
Product safety	Zero incidents related to product safety	Incidents reported to us by customers	0	4	●
Our contribution through our solutions	Enable our customers to make the switch to alternative fuel alternatives	Avoided emissions from solutions put into operation on an annual basis	1 350 690	1 500 000	●
Our greenhouse gas emissions	Reduce our operational footprint	Metric tons of CO ₂ equivalent	228 362	255 365	●
Governance	Raise awareness of business ethics	Number of employees trained	Not applicable	48%	●
Waste and circularity	Completed waste stream mapping for sites in the US and Germany	Number of sites with mappings	Not applicable	4/4	●

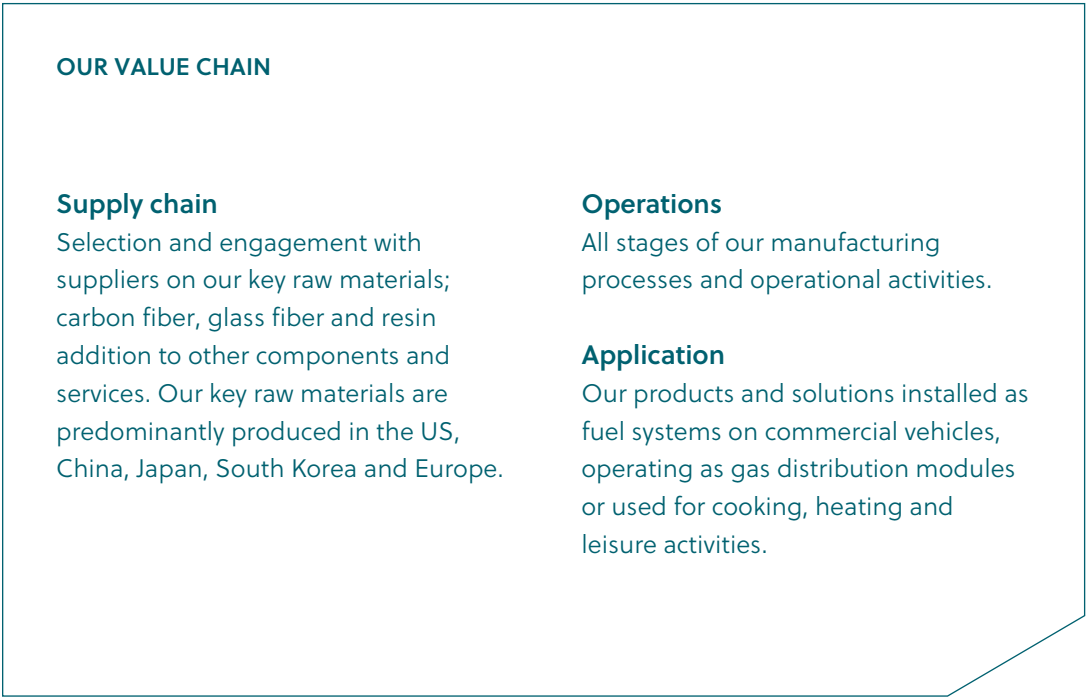
● Target met in 2023 ● Target not met for 2023

¹ Excludes data from Hexagon Purus

² Includes data from Hexagon Purus




Impacts in our value chain

Hexagon’s material topics are an integrated part of our business. Our topics are managed based on the potential positive and negative impacts they might have on people, planet and society. The impacts are managed and evaluated as part of our strategic and operational planning.



Note: Distribution of products from factory door to customers is only relevant for Hexagon Ragasco, which represents approx. 15% of Hexagon’s revenues. It is therefore not included as part of our value chain.

The table illustrates the potential impact of our material topics in Hexagon’s value chain

	Material topics	Supply chain	Operations	Application
 Environment	Our contribution through our solutions	●●●	●●●	●●●
	Our operational footprint	●●●	●●●	●●●
	Material waste and circularity	●●	●●●	●
 Social	Product safety	●	●●●	●●●
	Occupational health and safety	●	●●●	●●●
	Diversity and inclusion	●●	●●●	●
	Workforce development	●	●●●	●
 Governance	Business ethics and anti-corruption	●●●	●●●	●
	Responsible procurement	●●●	●●●	●

● Low ●● Medium ●●● High

Stakeholder engagement

We actively and regularly engage with internal and external stakeholders to discuss our priorities, performance, approach and strategy. Our stakeholders are selected based on the level of impact they can have on Hexagon or the impact we can have on them – both positive and negative.

Through regular engagement and feedback we can enhance and challenge our own priorities and ultimately improve our performance and strengthen our strategic direction.

Throughout 2023, we engaged with numerous stakeholders, including employees, investors, regulators, suppliers, customers and non-governmental organizations in the form of meetings, written communication, seminars, events and surveys.

Employees and potential employees

Hexagon's employees are essential for the company to achieve its sustainability goals and ambitions. We strive for an active dialogue with employees through day-to-day interaction and digital internal channels. Our employees can give feedback on topics of their interest by communicating with their managers, using local feedback systems, workforce surveys or via our grievance system. Feedback from employees is

channeled to management which evaluates and initiates actions or improvements in close cooperation with local HR teams.

Customers

Hexagon's customers directly impact the company through their purchasing behavior. Enabling our customers to meet their sustainability targets is part of what drives Hexagon's business forward. For both existing and potential customers, our role is to understand their needs and requirements in the alternative fuel segment and advise, adapt and deliver to the best of our capabilities.

Owners, analysts and financial community

Hexagon's investors and owners have a direct impact on us through control functions such as the general meeting. We engage with our investors on a regular basis, and it is our policy to provide all investors with correct, consistent, relevant and timely information. For investors and

the financial community, the Group executive team, Finance function and the board of directors are engaged.

Partners and suppliers

Hexagon has an active approach towards our partners and suppliers. Being a world leader in Type 4 composites technology, our suppliers of carbon fiber are significant to our business activities and strategy. We have a close dialogue with our key suppliers, and undertake visits, surveys and meetings to ensure our expectations for quality, safety and sustainability are met. For key suppliers, we engage on all levels of the organization, from procurement leads to the board of directors.

National/International regulators, NGO's and governments

Regulators and local governments can directly affect Hexagon's business operations and strategy through regulations and legislations.

To maximize the potential positive impact of our solutions, we conduct meetings and host events with NGO's to educate and influence both potential customers and policy makers.

Incorporation of stakeholder's feedback

Throughout this report we have included examples that demonstrate how we incorporate stakeholder feedback into our management and approach for each topic. The management is responsible for involving and updating Hexagon's Board of Directors on relevant feedback, topics and impacts from Hexagon's stakeholders. Updates are done on a quarterly basis.

See [appendix 2](#) for a summary of how we engage with our stakeholders, topics raised, and channels used.

Our contribution through our solutions

Materiality

The race to net-zero is accelerating. There is an urgent need to transition to a resource-efficient, low-carbon economy. As a provider of clean energy solutions to people and industries around the world, Hexagon works with global OEMs, fleet owners and distributors to enable and accelerate the adoption of alternative fuel solutions.

This is a material topic for Hexagon, because of the positive impact we make by enabling access to alternative fuel solutions and contributing to reduced impact on the climate. From point of deployment, our solutions can immediately reduce CO₂ emissions, positively impacting the environment and people.

Transportation is a hard-to-abate sector and in 2023 approximately 97%¹ of new heavy-duty trucks were diesel. To reach the Paris Agreement and emission reduction targets for transportation, the industry needs to pick up the pace. By

educating our stakeholders on the possibilities and impacts of our solutions, Hexagon can contribute to accelerating the adoption of alternative fuels.

We are fully committed to driving the energy transition forward. Our growth ambitions are supported by our broad portfolio of alternative fuel solutions and global presence in key energy markets.

¹ Source: https://www.acea.auto/files/ACEA_truck_fact_sheet.pdf



Our approach

Hexagon continues to leverage the demand and market opportunity in our core markets to enable the transition to alternative fuel solutions. Our portfolio of companies offer the full spectrum of alternative fuel mobility solutions, including high-pressure composite tanks and fuel systems for renewable and compressed natural gas (RNG and CNG), bio-liquid natural gas (bio-LNG) hydrogen, and battery electric - all solutions ready for immediate deployment. Our broad range of solutions enable our customers to make the switch to alternative fuels within three market segments; commercial vehicles, gas distribution and LPG cylinders for domestic/leisure.

Low and below zero emissions for commercial vehicles

Transportation is considered a hard to abate sector and the fastest growing source of emissions worldwide, currently responsible for 17% of annual greenhouse gas emissions. We are working with global leading OEMs and fleet owners such as Scania, UPS, Volvo, Daimler and Iveco to support and enable their adoption of low-carbon mobility solutions.

Our priority is to offer solutions that reduce carbon emissions and at the same time offer the most suitable technology to meet the needs of our customers.

The use of renewable natural gas in transportation

There is a growing demand for the use of renewable natural gas (RNG) as a transportation fuel.

What is RNG?

Renewable natural gas is produced from organic and landfill waste. When organic waste decomposes, methane is released into the atmosphere. RNG projects capture and recover methane produced at a landfill or an anaerobic digestion facility. The waste is collected and placed into digesters where the methane, which would otherwise be emitted into the atmosphere, is captured and purified into RNG.

The global warming potential of methane is at least 28 times greater than CO₂ with a relatively short (12-year) atmospheric life. When burned as a fuel, rather than being released directly into the atmosphere, methane is converted into water and carbon dioxide and contains zero to very low levels of ethane, propane, and butane.

As of today, RNG is the only carbon negative fuel available at scale. A carbon negative fuel means it removes more carbon from the atmosphere than it puts back through burning.

Renewable natural gas as a fuel

Commercial vehicles that run on natural gas can also use renewable natural gas. The two are interchangeable. The same goes for natural gas infrastructure. In addition there is a growing number of dedicated fuel stations dedicated to RNG. In 2022, 69% of all on-road fuel used in natural gas vehicles was RNG.

RNG enables fleets to displace both existing diesel and conventional natural gas solutions, further reducing emissions without comprising on range, efficiency or cost.

Hexagon recognizes the near-term positive impact RNG has on the planet - and works closely with customers to enable the switch to a clean fuel solution that cut emissions and keep operations running.

Holistic approach to emissions reduction

Hexagon offers a full range of alternative fuel solutions that can displace diesel in the

DID YOU KNOW

Today, 69% of natural gas used in transportation in the US, is renewable. RNG comes from organic waste such as food, manure and landfill. It can go beyond net-zero and achieve a negative carbon-intensity rating. When produced from manure, RNG has a carbon-intensity score of -340.

Source: www.cleanenergyfuels.com



Our solutions represent a sustainable alternative, with immediate positive climate impact and a proven lifetime of 20+ years.

commercial vehicle sector. From our view, regulations should promote a mix of low-carbon, renewable energy and powertrain technologies that could scale up collectively. To permanently reduce the global carbon footprint of the transport sector, emission reductions should be viewed holistically, and account for all elements of a technology's life cycle.

In cooperation with NGO's and selected partners, we work to educate regulators and customers on the restrictions and possibilities of the different alternative fuel solutions for commercial vehicles.

Gas distribution

Access to clean energy is essential to drive the energy transition. Hexagon's gas distribution solutions are used by global leading industrial gas distributors such as Certarus, Air Liquide and Linde, to transport and distribute compressed gas to industries and people lacking pipeline infrastructure.

In North America, our solutions have moved from operating in traditional oil and gas sectors to transporting and enabling access to renewable natural gas (RNG). The number of RNG production facilities has nearly doubled in the past 3 years. These facilities are often located in off-grid

areas and gas distribution solutions are needed to move stranded gas to pipeline or fuel stations.

We recognize that our solutions are essential to further develop clean fuel supply chains. To leverage growth and enable access to clean energy, we are currently expanding our capacity in this segment both in Europe and in the US. In 2023, 50% of our gas distribution was related to RNG, contributing to the increased availability of RNG as a fuel.

LPG cylinders

The use of liquid petroleum gas (LPG) for cooking and heating produces practically no particulates. Its CO₂ footprint is 20 per cent lower than that of heating oil and 50 per cent lower than coal. For homes and smaller industrial applications, Hexagon's low pressure composite LPG cylinders are offered as a safer and lighter alternative to steel cylinders for consumers. Hexagon's cylinders are 50% lighter than the equivalent steel cylinder, and the composite LPG cylinder does not explode if exposed to fire. The enhanced features of Hexagon's composite LPG cylinder help our customers attract new LPG users.

A priority for Hexagon is to continue to educate potential customers on the benefits of composite

LPG cylinders and make composite LPG cylinders an equal alternative to steel.

Impacts on our GHG emissions and end-of-life

Hexagon recognizes the fact that materials used in our solutions are impacting our own greenhouse gas emissions and we engage with our suppliers to find ways of improving our footprint without compromising the safety of our solutions. We acknowledge that the emissions must be reduced throughout the value chain to further strengthen our business model. Learn more about our processes and initiatives in [Minimizing our operational footprint](#).

Our solutions represent a sustainable alternative, with a proven lifetime of 20+ years. At the same time, we acknowledge that currently there are no sustainable end-of-life handling solutions for composite cylinders, which means they must be disposed at landfills or through energy recovery. Both are low on the waste hierarchy.

Hexagon is actively working on improved recycling applications for “end of life” for composite cylinders and are investing resources in finding solutions to end-of-life (see [Product safety and compliance](#)). We believe that with global efforts and partnerships, new methods of recycling can be commercialized on a global scale in the next decade.

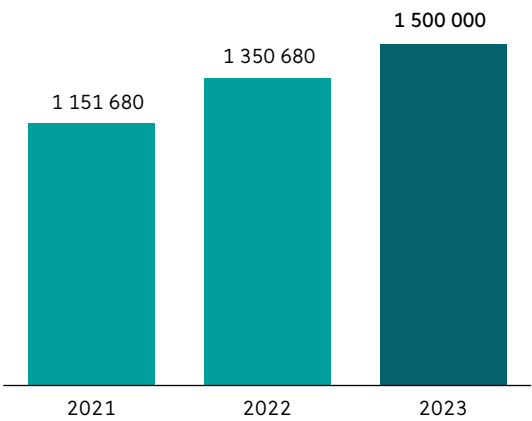


Results and achievements 2023

Hexagon has experienced high demand the past year, with gas distribution being the main driver for growth. We measure our impact and progress on a quarterly basis by calculating the green-house gas emissions our solutions have avoided by being put in operation. Measuring the reduction of CO₂ reminds us of the positive impact our solutions have on people and the planet. The avoided emissions are calculated based on the type of solutions we put into operation and what type of solution/fuel they replace. See [appendix](#) for further information on methodology.

DEVELOPMENT OF AVOIDED EMISSIONS

Metric tons per year



We are pleased to see an increase in the number of emissions avoided in 2023, confirming the growing demand and increased adoption of our alternative fuel solutions.

Educating our stakeholders

With decades of experience, our employees have extensive knowledge of the role our solutions play in decarbonizing society. To maximize the potential positive impact of our solutions, we have in the past year increased our work with NGOs in order to educate and influence both potential customers and regulators.

In 2023, we held one webinar in cooperation with the European Biogas Association addressing the challenges and opportunities in the regulatory framework and advising on the spectrum of solutions for the transportation industry in Europe. We also hosted an event to meet with policy-makers and industrial stakeholders in Brussels where we shared our view on what should be included in future emission reduction regulations for heavy-duty vehicles. In addition, our senior leaders from Finance, Sales and Government relations regularly presented at industry and investor conferences as well as other events to inform and educate various stakeholders.

PERFORMANCE EVALUATION AND LOOKING AHEAD

Hexagon’s revenue related to gas distribution (Mobile Pipeline) showed more than 50% underlying revenue growth in 2023. This indicates the momentum in the industry, and growing demand for alternative fuel solutions. Hexagon has ongoing expansion projects to meet future demand and to continue delivering high-quality alternative fuel solutions for the industry.

A key priority for 2024 will be to continue to engage with policy makers, NGO’s and OEM’s to educate them on why we need to take into account all elements of a technology’s life cycle to permanently reduce the global carbon footprint of the transportation sector.





Minimizing our operational environmental footprint

Hexagon delivers products and services that enable the transition towards clean energy. To do so responsibly also means mitigating the embodied climate impact of our own operations.

Waste and circularity

Materiality

The world is seeing the results of years with poorly managed waste. We all have a role to play to minimize the pollution and impact of waste and energy consumption. Hexagon's manufacturing processes involve substances and materials that can potentially cause harm to the environment if not handled properly. Carbon and glass fiber are non- biodegradable materials and key raw materials in our production processes. We recognize the importance of establishing processes that ensure the material can be recycled and repurposed by other industries.

It is essential for us to understand how our own consumption affects the planet and focus on what we can do to minimize our impact.

Our approach

Hexagon is committed to protecting the environment by managing its business in an environmentally sensitive and responsible manner. Driving energy transformation is our purpose, and it is a clear expectation from our stakeholders that we will do our utmost to minimize the impact of the waste related to our manufacturing processes. We have close dialogue with suppliers, research institutions and employees to find new ways to reduce our footprint.

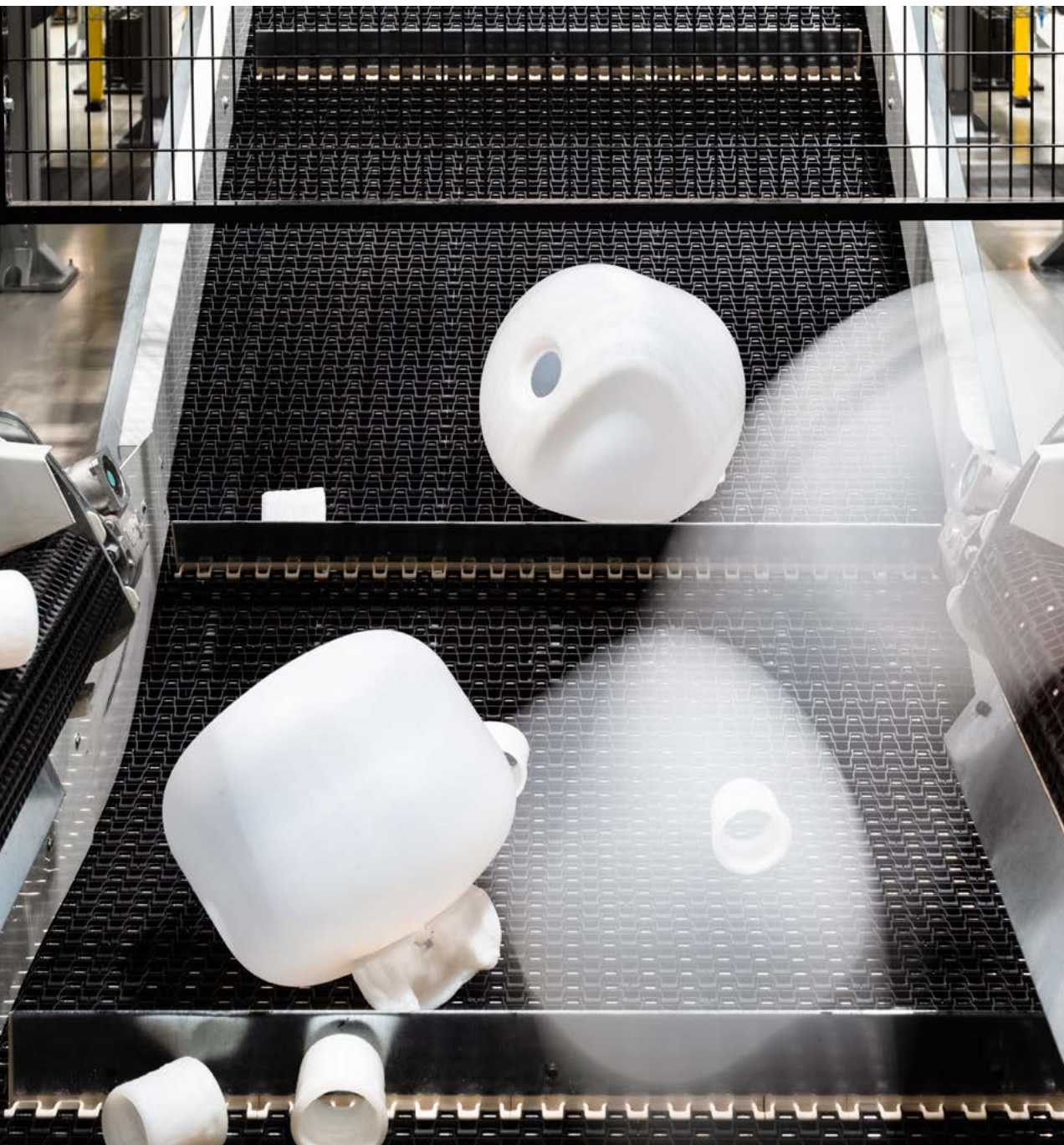
Our processes are supported by certified environmental management systems and the majority of our manufacturing sites are certified to ISO 14001 Environmental Management (see all ISO certifications at www.hexagongroup.com). Emissions from the various manufacturing sites are regulated by national and/or local authorities.

Zero waste and zero impact

The Group has set a common approach through its Environmental, Health and Safety guidelines where management is responsible for achieving

our long-term goal of 1) zero waste to landfill from production and advancing a zero-impact energy culture with efficient design, CO₂ efficient operational operational and procurement choices to reduce energy consumption and carbon emissions. Employees at every level are expected to actively participate in the success of environmental programs and report any environmental concerns to management.

Environmental awareness is part of our culture, and we engage with our employees through various initiatives to promote environmental awareness and enable them to participate and suggest improvements in our operations and in our surroundings. Hexagon generates waste both upstream and downstream in its value chain, ending up as scrap during production, distribution, and testing, including carbon fiber, cardboard, paper, plastic, wood, e-waste and metals, as well as regular household types such as packaging and food waste.



All production sites are committed to conserving natural resources and reducing our environmental footprint by applying the reduce, reuse and recycling principles.

Our top priorities involve:

- Reducing the presence of hazardous materials
- Recycling processes for carbon and glass fiber used in production
- Reducing waste to landfill

Reducing the presence of hazardous materials

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 by the organization. Environmental compliance requirements are based on local environmental laws and operations.

All sites have done an initial screening and identification of current raw material replacements

that reduce the presence of hazardous materials in Hexagon's products. Within the business areas, there are several initiatives being ongoing to reduce or eliminate raw materials used in products or processes that result in waste streams or presence of material that may harm the environment. Such initiatives include recycling of pallets, packaging materials, returnable shipping racks and pallets, reduction in painted parts, plastic bottles, foams, seal and packing materials.

Recycling of plastic

Hexagon Ragasco is improving their recycling of HDPE plastic by installing a HDPE grinder at their facility. This will be used to grind production scrap from HDPE which will be reused to form new casings or other injection moulded products.

Recycling of carbon and glass fiber

We are actively working to both reduce and recycle raw materials used in our manufacturing processes. The recycling of unused carbon fiber has advanced over the past years, and unused carbon fiber material is now being sent to vendors for grinding before being used in other products containing carbon fiber.

Results and achievements 2023

Reduce plastic

Hexagon Ragasco reduced spill of microplastics and established closed loop for sludge water. As well as reducing 25% of HDPE waste through on site recycling efforts.

Reuse of carbon fiber

- Collectively, recycled 74 metric tons of carbon fiber
- Hexagon Agility established a new agreement in Germany to secure collection and recycling of carbon fiber scrap. The recycled carbon fiber will be recycled into carbon fiber compound or other short fibers and used in other products.

Improve waste streams

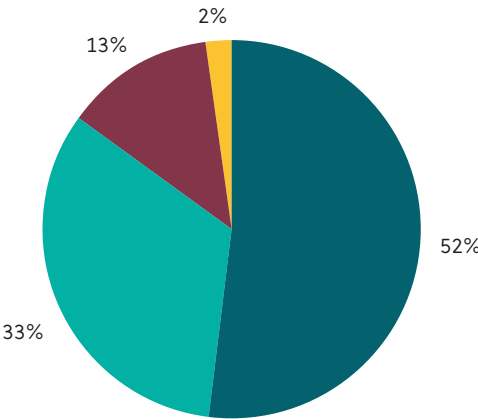
- Conducted waste stream mapping for all waste types, recycling, landfill, hazardous and electronic, at sites in Lincoln, Salisbury, Fontana, and Kassel, Germany.
- No violations or non-compliances of local environmental laws were identified in 2024

We see a increase in waste generated in 2023, which is consequence of higher production activity. However, we are pleased to see that our initiatives have led to improved recycling processes and the implementation of sustainable recycling processes for recycling of carbon fiber, glass fiber and HDPE.

WASTE

Total waste (kg) %

- Recycled material
- Waste to landfill
- Waste to energy
- Hazardous waste



WASTE KPI

Metric tons	2023 ¹	2022
Carbon fiber recycled	74	181
Cardboard Recycled	236	227
Paper Recycled	2.86	4
Metal recycled	445	471
Plastic Recycled	357	366
Paint recycled	38	Not reported
Wood Recycled	624	446
Mixed Waste recycled	209	321
Food waste recycled	1.68	Not reported
Solid waste to energy	496	449
Solid waste to landfill	1 280	1 120
Non-hazardous waste	3 760	3 690
Hazardous waste	86.6	84
Total amount of waste generated	3 852	3 780

¹ Excluding Hexagon Purus. Waste data for Hexagon Purus available in appendix.

PERFORMANCE EVALUATION AND LOOKING AHEAD

We have made good progress in reducing and recycling waste and material where applicable. The waste stream mapping conducted is essential to realize our full potential and to capture gaps in current processes. We recognize the importance of our close dialogue with research institutes, suppliers and our dedicated workforce to move forward in this area. Targets and improvements are an integrated part of our employees' daily work.

In 2024, Hexagon will continue to execute and structure initiatives to ensure we continuously reduce our own operational footprint.

Targets 2024

Improve processes

- Audit waste streams and identify potential and set targets per site.
- Hexagon Agility in Germany to be ISO 14001 certified

Reduce and recycle carbon fiber

- Continue established recycling processes
- Hexagon Ragasco: long term target of 0 kg of glass fiber waste in own operations by 2026.
- Hexagon Agility: to implement new recycling process of carbon fiber in Germany. Aims to contribute to recycle and repurpose 100 metric tons in 2024

Recycling of plastics

- Implement HDPE grinder in Hexagon Ragasco to re-use material for new casings or other injection moulded products



Our greenhouse gas emissions

Materiality

Climate action and the transition to net-zero is high on the global agenda. As a provider of solutions that enable the switch to low-carbon solutions, Hexagon recognizes the importance of reducing our own carbon footprint to reach our net-zero commitment by 2050. Reductions in our own emissions may also contribute to a positive impact on people and the economy.

The main portion of our carbon emissions are generated from the raw materials and input factors of our cylinder manufacturing. Hexagon's opportunities to contribute positively to reducing greenhouse gas emissions lie largely in the development of our products, both in manufacturing and in the disposal of our cylinders at end-of-life. It is therefore of high strategic importance to reduce our indirect carbon usage and to further develop our cylinders and solutions to minimize the impact they have at end-of-life.

Our approach

Hexagon has reported its scope 1 and 2 emissions since 2019. The main share of our carbon emissions are generated in scope 3 activities. In 2023, continued the work to further detail our scope 3 emissions reporting to ensure we capture the most significant indirect sources of GHG emissions in our value chain. In January 2022, we signed the Science-Based Targets initiative and are committed to reaching net-zero as soon as possible before 2050. In 2023 we submitted both near-term reduction targets for 2033 in line with the 1.5oC Paris Agreement, as well as net-zero targets by 2050.

For Hexagon, 96% of our carbon emissions are generated from scope 3 activities. More specifically, through key raw materials and other purchased goods and services with carbon fiber being the main driver of our scope 3 emissions.

During the year, we have increased dialogue and engagement with our key suppliers via procurement departments, self-assessment scorecards, and across management levels to further understand their climate ambitions, their future impact

DID YOU KNOW

With the introduction of our newest Mobile Pipeline product in fourth quarter 2023, the TITAN 450, we have achieved substantial reductions in cylinder material consumption per unit of stored gas volume from our former designs. In addition, we have increased the stored volume per module by 24%, meaning 24% fewer units are needed to transport the same amount of RNG/CNG or other gases.

Achievements:

- Steel consumption reduced by more than 15%
- Carbon fiber has been reduced by at least 5%¹
- Resin has been reduced by at least 5%¹
- Plastic has been reduced by more than 5%

¹ The carbon fiber and resin stats reflect the minimum reduction as product mix delivered in 2023 included some products which reflect an even higher reduction per unit

and plans and their potentials for emission reductions.

For carbon fiber, our main driver of our Scope 3 emissions, we have signed a new long term

agreement with our key supplier that includes a commitment to emission reductions. Similar agreements will be developed for other key raw materials.



In addition, the competence and expertise of our employees are essential as we assess alternative raw materials and processes. Hexagon's R&D teams are dedicated to testing alternative carbon fiber and resin materials that are more environmentally friendly as they become available. This is an area where we need to carefully balance the environmental impact with product safety before concluding on next steps. In 2023, our teams worked on improvements to carbon fiber that increased fiber strength translation and reduced the amount required in new products.

Additionally, the US Department of Energy awarded Hexagon Agility a three-year R&D contract extension to research low-cost carbon fiber that includes opportunities for new processing and recycling methods that contribute to GHG reductions.

Eco design

Hexagon considers the environmental aspects of its products during the research and development (R&D) stage of product development. In 2023, we integrated Eco Design principles into Advanced Product Quality Planning (APQP) for new products which is part of our management

system. The principles cover potential impacts on materials, energy consumption and waste, and is also part of our project manager training and the project approval template that is mandatory for all new projects. We will include Life Cycle Assessments (LCA) to this process once we have completed the LCA cradle-to-grave for our products in 2024. The LCAs will allow our teams to quantify and evaluate design choices based on analysis of GHG impacts of the various materials and components included to ensure we are designing with both as little material as possible, and the most sustainable materials available.

Life cycle and end-of-life

The total lifecycle and end-of life of our cylinders are of key importance to both Hexagon and our customers. Reducing our own carbon footprint will positively affect our products. However, due to today's limited recycling options for composite materials, we recognize that the main challenge is at the product's end-of-life. Hexagon is currently running several R&D projects aimed at finding new ways to recycle composite materials and will keep our customers up to date on relevant findings.

Results and achievements 2023

Restatement of numbers

In 2023, we performed a re-evaluation of carbon fiber emission factors in cooperation with carbon fiber suppliers. This resulted in a lower emission factor for almost 3 600 tons of carbon fiber and hence a recalculation of the emissions from this key raw material. We calculate our carbon fiber-related emissions based on the annual

quantity of carbon fiber purchased, using emission factors specific to our suppliers. This marks an improvement over previous reporting years, where we due to limitations in data availability, used a generic emission factor from EuCIA for all carbon fiber purchased. Further, we have applied a conservative 25% adjustment to account for any data limitations to ensure that we do not

under-report emissions. This approach was selected to better reflect the specifics of our supply chain in the emissions reporting, while at the same time ensuring that any estimations are conservative. In addition, the model for spend-based emission factors was updated in 2023, requiring the recalculation of spend-based emissions from prior years to maintain consistency across reporting periods.

In total, this resulted in a reduction of previously reported numbers and we are therefore restating our total carbon footprint from 2021-2022. Due to the deconsolidation of Hexagon Purus from 29 June 2023, our 2023 sustainability reporting only includes Hexagon Purus' contributions for the first half of the year. For further details about Hexagon Purus' sustainability work, please visit www.hexagonpurus.com.

Total carbon footprint

Hexagon Ragasco reduced the carbon footprint per LPG cylinder by 8% from a 2019 baseline by sourcing around 30% of the glass fiber from Norway instead of China and reducing the waste percentage per cylinder by 0.72 percentage points.

Lifecycle and end-of-life

There are several examples of a lifecycle approach to reducing our CO₂ footprint in Hexagon. This includes several projects.

Hexagon Ragasco

- Installation of a composite grinder and shredder, enabling the reuse of HDPE for new casings or other injection molded products.
- Sourcing of post-consumer recycled material (PCR) from suppliers.

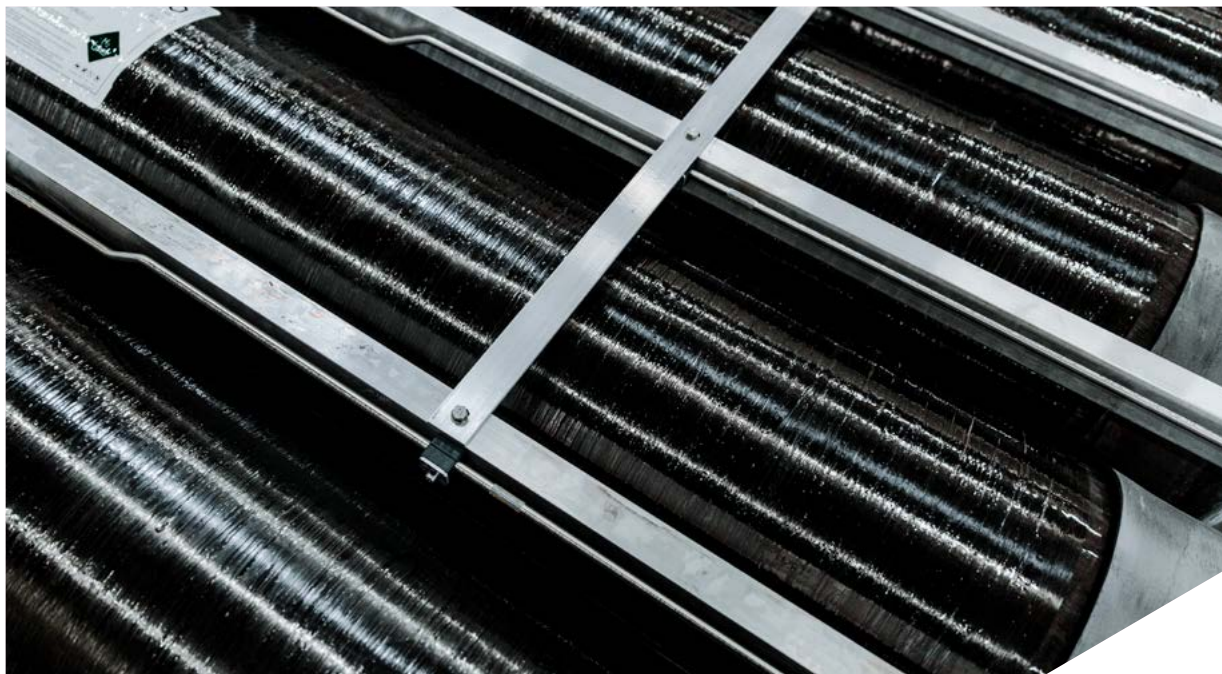
The combination of increasing the use of recycled plastic and the reduction of waste in production has the potential to cut the CO₂ footprint of LPG cylinders by 11%.

Both projects have been externally funded.

Hexagon Agility

Reparation of damaged liners from cylinders instead of discarding as waste. This initiative resulted in more than 23 tons of HDPE saved in 2023.

Overall Hexagon Agility diverted 74 tons of carbon fiber in the form of end-of-life tanks and carbon scrap - from landfill to carbon fiber



recycling facilities. At these facilities carbon fiber is recovered from the scrapped tanks and subsequently chopped into small pieces and repurposed for applications including compounding and concrete production.

Hexagon is currently developing an end-of-life guide for fuel systems to enable customers to choose the most sustainable method of disposal, refurbishment or repurposing for their systems. The guide outlines how to participate in the Certified Pre-Owned program, ideas

for repurposing systems, and a detailed list of which components can be recycled if disposal is selected.

Hexagon is working on LCAs for our products, and we have conducted screening cradle-to-gate LCAs according to ISO 14040 for our highest running cylinder and fuel system. The next step is a cradle-to-grave analysis and a formal LCA according to ISO 14044 for these two products. This data will form the foundation of future LCAs for Hexagon Agility’s entire product line.

For Hexagon Ragasco’s LPG cylinders, a cradle-to-grave LCA was performed 2022 and an EPD (Environmental Product Declaration) according to ISO 14025 was completed in 2022. The results of this LCA and EPD can be found at www.hexagon-ragasco.com.

Science Based Targets

In 2022, Hexagon committed to set company-wide emission reductions in line with climate science with the Science Based Target initiative (SBTi). Targets were submitted in 2023 and SBTi approval is currently pending. One of our largest sources of Scope 3 emissions is the use of carbon fiber in our products.

Energy use

Hexagon is currently tracking energy consumption at all facilities and is in the process of certifying sites outside Norway according to ISO 50001. To get an extensive understanding of our potential to reduce our emissions, we continue the efforts to improve our data collection processes. In 2023, we have been performing full technical energy reviews at two sites, Fontana and Salisbury, resulting in various proposed improvement initiatives such as energy monitoring of main equipment/machinery, motion sensors for lighting, temperature controls and change

to LED lights. This work will continue in 2024 for additional sites.

We are working on increasing our renewable energy use and are planning for green energy transition at all sites. As of 2023, we have started to purchase renewable energy certificates for all electricity used at our Kassel and Lincoln sites. In addition, Hexagon Ragasco installed solar panels with a calculated annual production of 370 000 kwh. Both Hexagon Ragasco and Hexagon Digital Wave achieved their energy reduction targets of 2% and 5% reductions for 2023 respectively. In Salisbury, North Carolina, and Fontana, California, we started to purchase RNG in October 2023 for filling vehicles being serviced or delivered to customers. Evaluation of solar panel installation is underway for the Salisbury plant in the US.

Pursue reduction or elimination of raw materials, used in products or processes, that result in a waste stream or presence of material that may harm the environment.

This year each operating location improved their capture and containment of eligible recycling materials, improved measurement of the materials and researched additional opportunities to eliminate or reuse “single use” items.

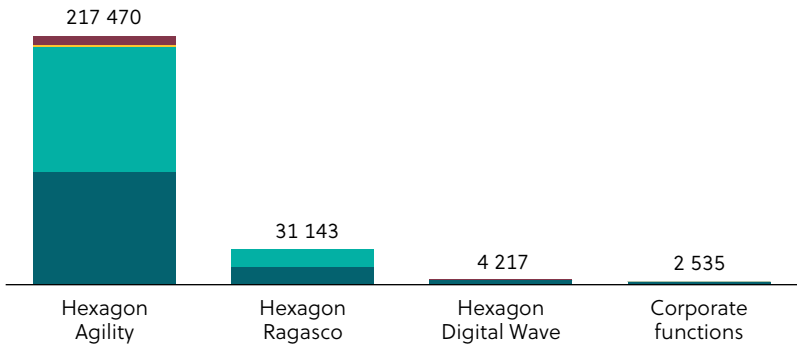
Emissions scope ¹ – greenhouse gas emissions (tons of CO ₂ equivalent)	2023	2022
Scope 1 (direct emissions)	2735	3 422
Scope 2 (location based)	7 880	6 694
Scope 2 (market-based)	9 262	12 031
Scope 3 ²	244 749	218 246
Total ³	255 364	228 362

Energy consumption	Unit	2023	2022
Non-renewable fuel consumption	GJ	47 820	62 530
Electricity consumption	GJ	92 505	101 327
Heating consumption	GJ	6 169	5 637

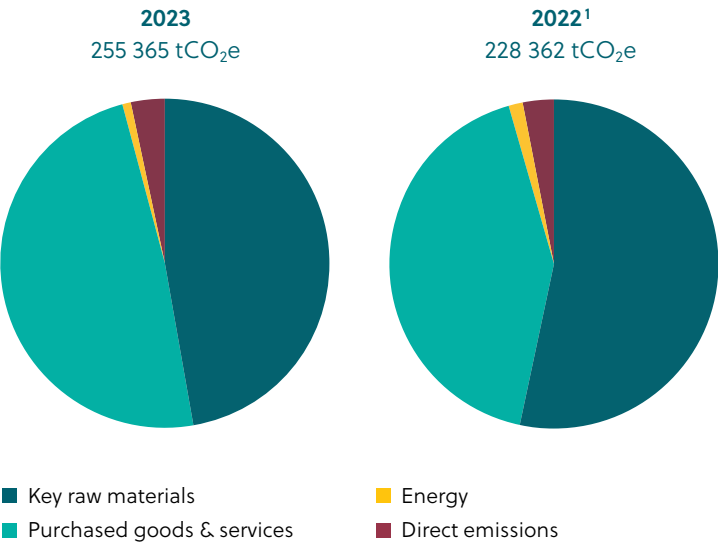
¹ Restatement of numbers. New numbers due to new calculation method. Numbers exclude Hexagon Purus.
² Restatement of numbers due to new calculation method in 2022
³ Scope 2 market-based not included in total

EMISSIONS BY BUSINESS AREA 2023

Tons of CO₂ equivalent



OUR TOTAL CARBON FOOTPRINT



¹ Base year

Scope 3 emissions

Description	Calculation Methodology	Estimated GHG Emissions (metric tons of CO ₂ equivalent)	
		2023	2022
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, 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: 123 994	Sum of key raw materials: 96 154
Carbon fiber Carbon fiber emission factors from EuCIA.		94 400	63 563
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.		11 746	9 866
Fiberglass	Emissions from key raw materials are estimated by multiplying transaction (mass) data 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.	6 001	9 960
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.		5 958	7 554
Aluminum		4 774	5 040
Steel		1 000	-
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 multiplying our spend data with emission factors per monetary unit spent. This enables us to report estimated emissions from all group-wide economic activities.	120 756	122 092

PERFORMANCE EVALUATION AND LOOKING AHEAD

Hexagon's underlying revenues grew by 11% (excluding FX) from 2022.

As a result, we had higher activity in our operations and a natural increase in spend and purchase of key raw materials., especially carbon fiber.

In total, the increase of 12% in our Scope 1-3 emissions is mainly a consequence of higher activity within Hexagon Agility.

Targets 2024

- Receive approval for our near term and net-zero Science Based Targets
- Implement detailed roadmaps to net zero including transition to green energy planning at all sites

Hexagon Agility

- Expand and execute life cycle assessments for a Hexagon Agility cylinder, system, and Mobile Pipeline product lines to understand the environmental impact of the product design and enable eco-design
- Work with suppliers to improve their sustainability using Ecovadis rating platform and developing individual supplier goals for improvement over time of emission reductions

- ISO 50001 certification for US sites in 2024.
- ISO 14001 certification for Kassel site in Germany

Hexagon Ragasco

- reduce carbon footprint per cylinder by approximately 15% from 2019 baseline.
- Zero composite waste by 2026

Energy reduction targets: overall goal of 5% in scope 1 and 2 for the group



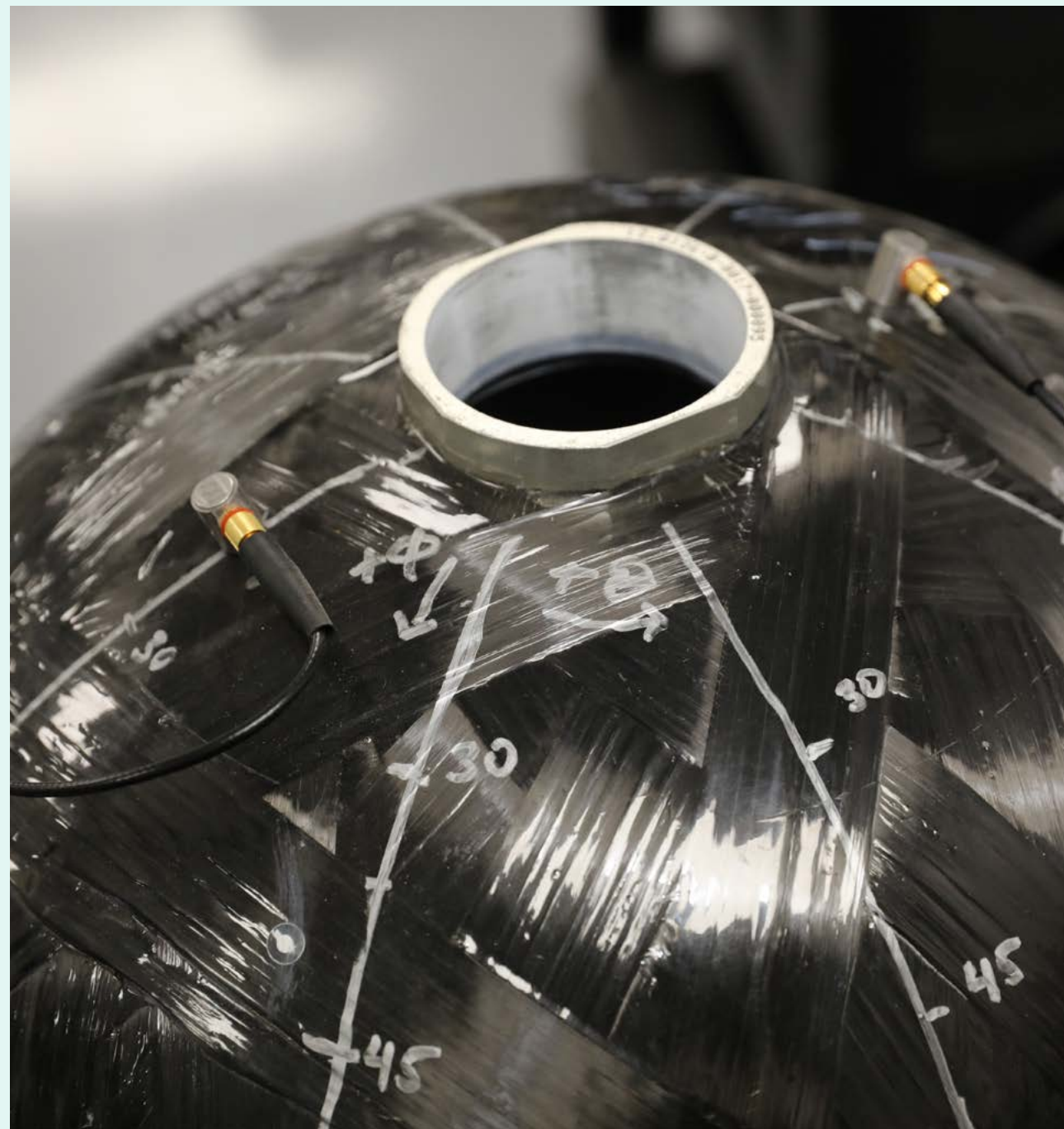
Product safety and compliance

Materiality

At Hexagon, the safety of our cylinders and system assemblies is our top priority and essential to our operating and regulatory objectives. Every cylinder is tested according to the appropriate internal, local, national, industry and international requirements and associated procedures before being shipped to the customer, built into fuel systems, or installed on vehicles at our own facilities.

Hexagon's cylinders are used to transport and store various highly pressurized gases such as hydrogen, RNG/CNG, LPG and helium. 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. Product safety is an essential component of conducting responsible business and of building and maintaining

trust in our products. Our high-pressure composite cylinders weigh up to 50 percent less than steel cylinders, are corrosion-resistant and not susceptible to material fatigue - which is of crucial importance to the cylinders' lifetime and safety. The lower weight of our composite cylinders improves efficiency over the lifetime of the customer installation through less maintenance and lower fuel consumption for transportation.



Our approach

Hexagon has continuously leveraged its composites expertise from more than six decades of pressure containment experience to improve the safety of all its cylinders and cylinder systems. This depth of experience with composite pressure cylinders has enabled us to develop best-in-class fuel systems and gas transportation modules. The fully integrated business model ensures that process improvements and detailed knowledge can be shared across the business units to improve performance and safety.

Training and continuous improvements

Our people take pride in the safety of our products, and are trained to identify potential design, engineering, manufacturing and quality risks, and to immediately report such risks to supervisors. Hexagon promotes transparency along with safety to ensure diligence in assessing risk, and all Hexagon employees are responsible for doing their part to ensure product safety and quality. In 2023 manufacturing locations directed significant effort to ensure written work instructions were up to date and able to be used in training both new and existing personnel.

Hexagon also offers multiple training courses in person, online and virtual classrooms for

customers and end users of our products. In 2023, more than 4 000 technical training interactions occurred. Since such learning curricula vary by product area, specific training may also be provided to address unique operational, start-up or incident scenarios. Safety is a critical component of all training courses being offered, as well as operation and maintenance procedures, diagnostics and repair procedures, and cylinder inspection.

Compliance with standards and regulations

Hexagon develops highly regulated products that must demonstrate compliance with worldwide regulations through actual test results, qualification by similarity and analytical modeling. During production, for example, every cylinder is tested at a pressure higher than it will ever experience in the field. To ensure best-in-class products, we consistently exceed the minimum standards, and 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. Hexagon tests systems well above and beyond the regulatory standards, including vehicle crash testing, rollover testing, and durability testing exceeding 1 million miles.

When validation testing is complete, the product is certified for operation. For further details, see our Product Safety Policy on our website.

The safety of our products is assured throughout product development during our design review process. We follow the highest automotive processes and tools such as Advanced Product Quality Planning (APQP) and Design Failure Modes and Effects Analysis (DFMEA). Every design or design enhancement is subjected to rigorous peer review, allowing for multiple iterations and multi-disciplinary input. Regular product segment reviews and roundtable safety

sessions are conducted to evaluate potential field issues and every field issue is tracked together with any associated corrective action. In addition, all warranty claims are monitored to gather further feedback on product performance.

We conduct forensic evaluations on select populations of products that have completed their useful life to understand in-field aging effects and residual performance capabilities. This information is used to continuously improve our products' safety. For more than 40 years, Hexagon has been integrally involved in the development of safety codes and standards within the commercial pressure cylinder industry, both through leadership positions on the standards committees, as well as actively participating 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 any new risks. Hexagon designs its products to drive more rigorous and stringent standards, thereby promoting safety advancements across the industry. Most of Hexagon's businesses are certified to ISO 9001 and 14001. For a full overview, please visit www.hexagongroup.com.

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Results and achievements 2023

For 2023, our key focus areas go beyond compliance, push for improvements to international standards and relentlessly strive to improve product safety; further product innovation through digitalization; various waste stream initiatives to minimize materials that may harm the environment and improved recycling applications for “end-of-life” composite cylinders.

With decades of experience assisting localities and countries with development of equitable, safe and consistent rationale for applying advanced technology to pressure containment, Hexagon has during 2023 played an important role in convening, participating, monitoring and offering opinion on a significant number of national or international standards relating to compressed gas system components and operating guidelines.

Throughout 2023, Hexagon continued to develop and innovate digital products. Pilot demonstrations of SMART cylinders for Hexagon Ragasco’s LPG and Hexagon Agility’s CNG/RNG tanks and

systems are underway with Hexagon Digital Wave supporting the latter. The Hexagon Ragasco Linktra® cylinders enable consumers to have full control of the gas level of their cylinder, and LPG distributors of their stocks and supply logistics.

Hexagon Ragasco had four product safety incidents in 2023, all were related to minor filling incidents for forklift trucks in the US. There were no damages or injuries related to the incidents. All incidents are being thoroughly investigated and corrective actions will be implemented as soon as the investigations are concluded.

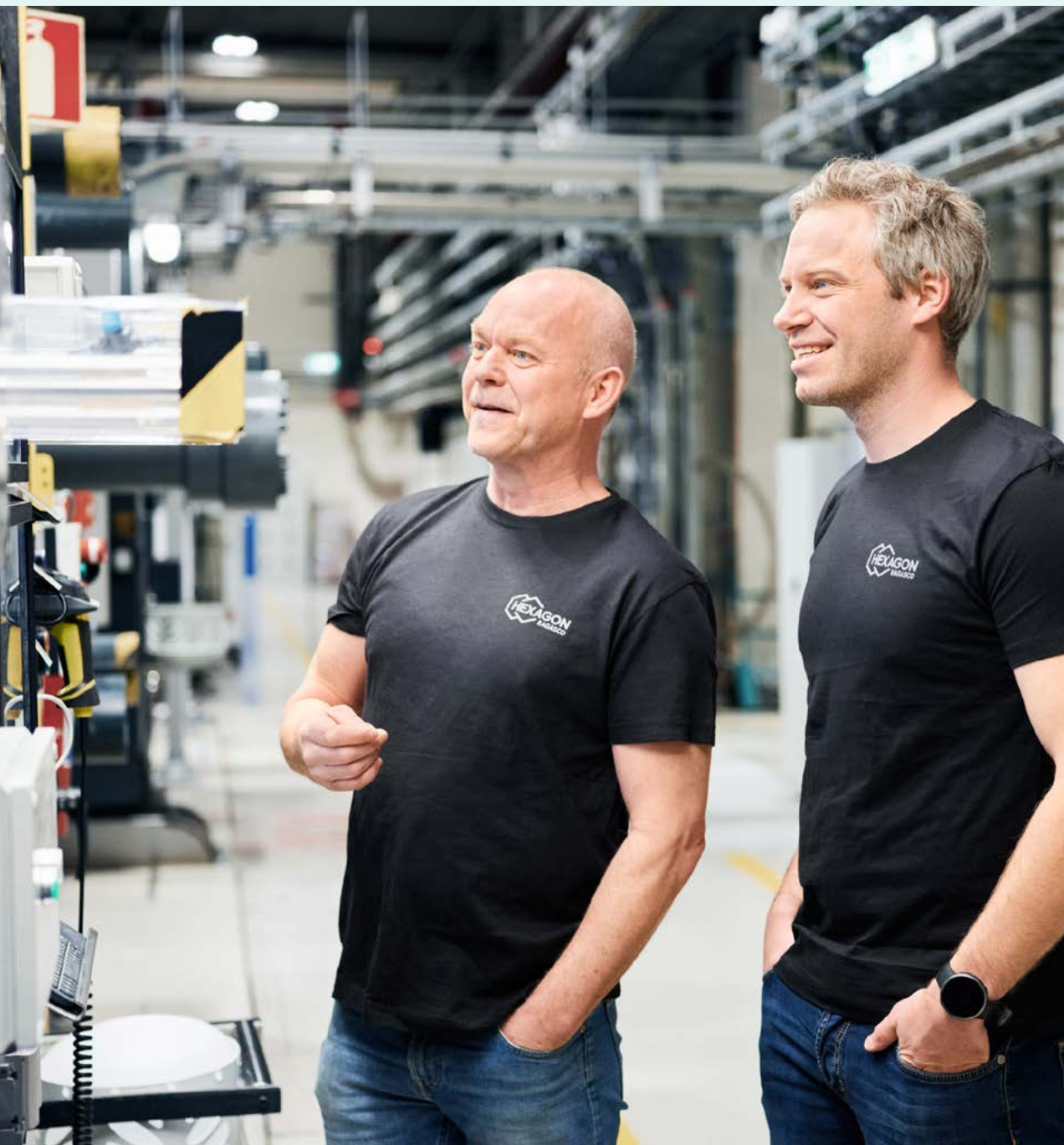
Through innovation in product development, Hexagon has tested and is now fielding gas distribution systems that contain meaningful reductions in metals, plastics, resin and carbon fiber. These innovations result in reduced waste streams and beneficial reduction in greenhouse gas emissions related to purchased materials without compromising product performance or safety.

PERFORMANCE EVALUATION AND LOOKING AHEAD

Building on our six decades of composites experience, Hexagon continues its focus on safety and compliance for all products and is a strong contributor to further development of safety codes and standards, promoting safety advancements across our industry. Our market leading position comes with a responsibility to contribute where we can to prevent any product safety incidents and Hexagon is committed to this role through extensive support of key Standards Development Organizations and Regulations, Codes, and Standards (RCSs) that they support.

Targets 2024

- Pursue reduction or elimination of materials that result in unnecessary waste streams or presence of material that may harm the environment
- Recycling applications for “end-of-life” composite cylinders
- Zero incidents related to product safety.



Occupational health & safety

Materiality

Hexagon actively promotes a positive health and safety culture to achieve our overall goal of zero injuries and zero impact on people and the environment. Hexagon's manufacturing involves complex machinery and industrial processes, rapidly moving equipment, heat, caustic chemicals, and pressurized gas which can cause potential negative impact on people and society if not managed well. Keeping our employees safe during our operations is vital, and we work actively with our employees and suppliers to mitigate any potential impact on our employees' safety, health, and well-being.

Our approach

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. Everyone working for Hexagon is required to follow our global Environment, Health and Safety (EHS) Policy, available on our website, in addition to local safety regulations and policies depending on the type of work.

Overall responsibility for health and safety resides with the senior management and Boards of the respective business areas in Hexagon. They are responsible for leading and developing a zero-injury health and safety culture, and relevant departments, including EHS, HR and our operational teams, manage and monitor day-to-day implementation.

Hexagon strives to ensure employees are properly trained and provided with appropriate safety and emergency equipment. Local management teams work daily to ensure that

all work activities are done safely by taking action to eliminate unsafe acts and conditions that endanger employees' health and safety. In addition, management is responsible for making health and safety factors a priority in all operating decisions. Employees in Hexagon are responsible for reporting incidents, near incidents, safety breaches and hazards, and each site follows local environment, health and safety (EHS) standards and regulations.

We have adopted tools and routines to systematically assess hazard recognition and implementation of preventive measures. This is conducted at each site by the EHS manager at that site. Our employees are encouraged to report any irregularities, without fear of retribution, in a no-blame culture. They also have access to our global, third-party whistleblowing channel, which complies with national and international standards.

Occupational health services

In Hexagon, 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. The well-being and health of our employees is a priority for us, and we offer access to physical and mental health services, in addition to internal activities to promote physical activity.

Monitoring and learning

All incidents and potential incidents in health & safety are closely monitored. Incidents at production sites are tracked and reported daily as part of morning meetings. Each location has its targets based and set of safety requirements based on type of work performed, and actions are customized to fit local needs.

Training

We have an active approach towards health and safety training and awareness. The training focuses on operational requirements, hazard recognition and safety behavior and is done both virtually and as on-hands training. Time spent on training is tracked and for part of our organization, a minimum of two weeks hands-on training is required before being authorized to work alone. It is the responsibility of the managers to ensure that their employees have received proper training to perform the job safely.

Managing risks and identifying hazards

Employees at all levels are responsible for identifying and reporting potential hazards. The EHS manager, in cooperation with the operations manager, is responsible for assessing the risk and utilize the hierarchy of control to manage it. Priority will be given to eliminating, isolating or replacing the risk. The EHS manager is responsible for mitigating the hazard to an acceptable risk level.

Results and achievements 2023

Due to the negative trend in the past years, Hexagon has had continued focus on health and safety to mitigate incidents and to ensure safety is top of mind across the organization.

Initiatives completed in 2023

- Implemented reporting of high-consequence injuries across all sites.
- Implemented hazard identification and correction systems at all manufacturing sites.
- Implemented tracking of absenteeism at our North American sites
- Hexagon Agility has reassessed Job Hazard Analysis and Work Instructions to include needed PPE and trained the workforce accordingly.
- Hexagon Agility has implemented EHS Tier 3 Board; weekly meetings with leadership to review and discuss metrics and observations

Training

Monthly safety training has been introduced as a requirement for all employees, both existing employees and new hires. The training mainly focuses on operational requirements, hazard recognition and safety behavior, and we offer both virtual and on-hands training.

- EHS training Norway 39.5 hours

KEY PERFORMANCE INDICATORS

Indicator	Unit	HEX excl. HPUR 2023	HPUR 1H 2023 ⁴	HEX Full Year 2023	2022
Fatalities	Number	0	0	0	0
Recordable work-related injuries ¹	Number	24	7	31	36
High-consequenses injuries	Number	0	0	0	Not reported
Rate of recordable WRI	Number	1.95	3.9	2.4	2.9
Rate of high-consequence WRI	Number	0	0	0	Not reported
Lost Time Incidents	Number	7	9	16	20
Lost Time Incidents Frequency ²	Number	0.57	0.56	0.56	0.69
Close calls ³	Number	373	10	383	
Working hours	Hours	2 100 455	521 595	2 622 050	2 659 285

Rates are calculated per 200 000 hours worked

¹ Recordable 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 Lost Time Incident Frequency is defined as the number of lost time injuries occurring per 200 000 hours worked

³ Close calls: an incident where no injury or ill health occurs, but has the potential to do so.

⁴ Hexagon Purus ASA 1.1-30.6.2023

- Safety training North America including employee safety orientation, hearing conser- vation, industrial ergonomics, first-aid, hand and power tool safety was completed by the majority of the workforce.

Recordable injuries and working hours.

Hexagon delivered 2.62 million working hours with no fatalities in 2023. We had 31(36)

recordable work-related injuries. The recordable injuries are mainly from cuts/laceration and strains.

Sick leave

Sickness absence levels in Norway and Germany were 5.6 (5.7) per cent and 5.6 (5.1) per cent respectively. No occupational disease cases were recorded in the Group. In North America,

sickness absence was not recorded as employ- ees are allocated generic paid time off (PTO) of 15 days – which includes but is not limited to sickness absence. To better understand potential employee absence in the US, we have implemented sickness absenteeism as a new parameter for our US sites.

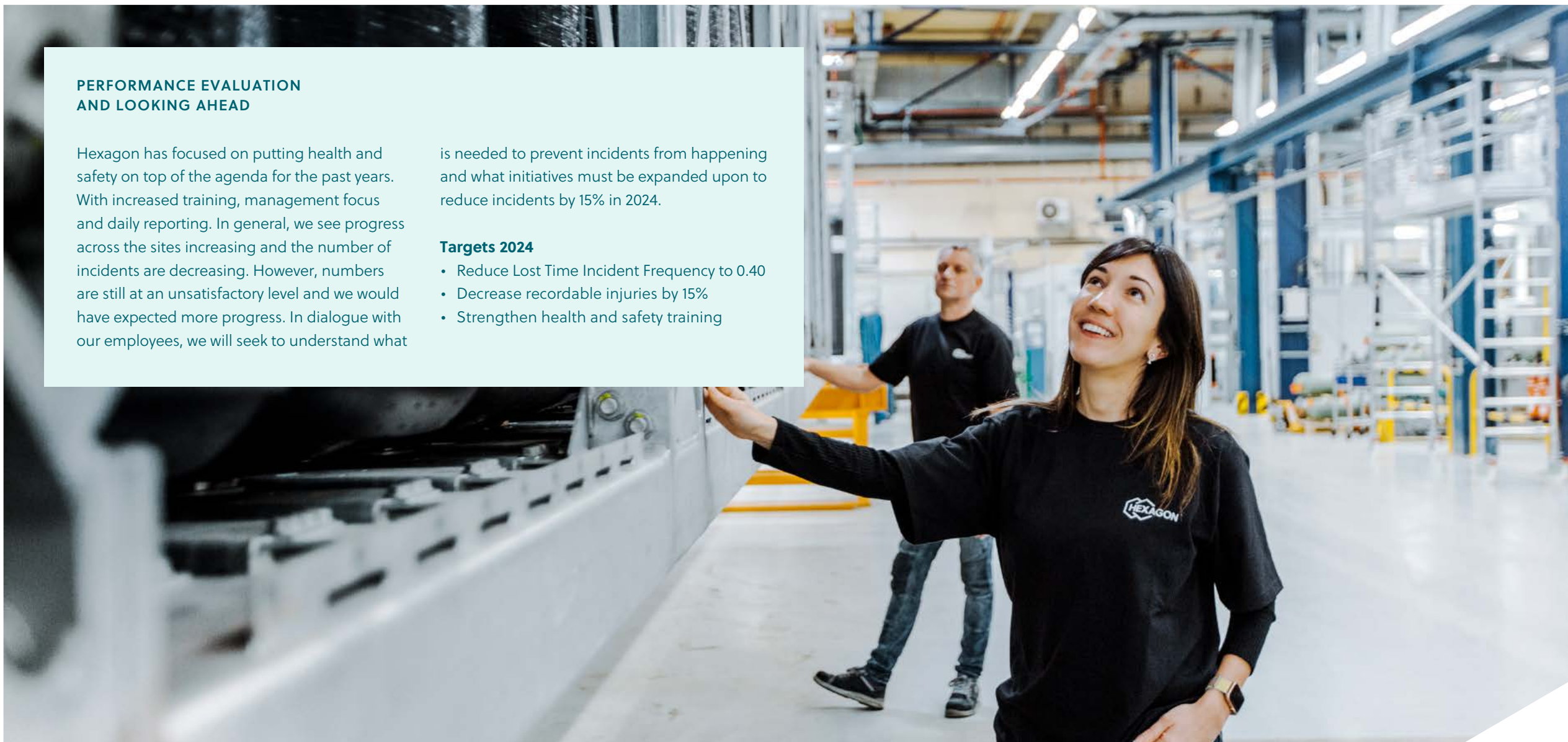
PERFORMANCE EVALUATION AND LOOKING AHEAD

Hexagon has focused on putting health and safety on top of the agenda for the past years. With increased training, management focus and daily reporting. In general, we see progress across the sites increasing and the number of incidents are decreasing. However, numbers are still at an unsatisfactory level and we would have expected more progress. In dialogue with our employees, we will seek to understand what

is needed to prevent incidents from happening and what initiatives must be expanded upon to reduce incidents by 15% in 2024.

Targets 2024

- Reduce Lost Time Incident Frequency to 0.40
- Decrease recordable injuries by 15%
- Strengthen health and safety training



Our people

Our employees' expertise, engagement and motivation are key to driving the energy transition forward.



Workforce development

Materiality

Having 1 150 employees across the world at various locations, operating in a fast-paced industry, we recognize the potential positive impacts of engaging and investing in our employees' development.

The race to attract and retain talent is challenging given the current trends and the nature of the manufacturing industry where production employees must be on site to perform their job. Historically, the industry is male-dominated and female candidates are few in most of the markets where we operate. Hexagon's ability to drive workforce development is critical to maintain healthy retention rates, attract new talents, improve diversity and secure long-term sustainable growth - for individuals and across the Group .

Our approach

Our workforce are enablers of a clean energy future. Hexagon's six leadership principles, Grow, Inspire, Transform, Achieve, Ascend and Align describe the path we want our employees to follow, regardless of level in the organization. We strive to build a culture that removes barriers, drives engagement and provides employees with opportunities to achieve their full potential.

The responsibility for workforce development lies with HR teams in each business area and management teams at each location. The processes are overseen by the Group's People & Culture function.

The main objectives are to ensure our processes are set up to:

- Grow talent
- Build leadership capabilities
- Enhance technical skills
- Create engagement

We have seen the need to have a more structured approach to our processes. Throughout 2023, we have increased collaboration between functions, conducted leadership training and shared best practices across the HR teams- all leading to defined steps and people processes needed to further develop our workforce in the year to come.

Training and development

Our training and development functions are offered across various topics and channels. From 2-day workshops, individual follow ups to 30 min online training sessions.

- **Hexagon University** is our hub for learning and professional & personal development activities for Hexagon's people. The training session are conducted virtually, making them accessible to employees across the world.
- **Drive** is Hexagon's leadership accelerator course, 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.

- **Clifton Strengths Finder:** an internationally recognized tool is used to enable employees to identify their strengths. This is combined with coaching and teambuilding to identify - and attain - their best potential.
- **Safety and quality training:** conducted on a regular basis. Both on site and virtually.
- **Technical training:** enhancing technical skills through our own training lab in Salisbury, North Carolina. We have several positions within production and manufacturing where skilled labor is not required. By providing training, we can improve efficiency, enhance knowledge and reduce the risk of injuries.

Results and achievements in 2023

Hexagon use a variety of processes to track and measure our improvements. From daily interaction, analogue feedback boxes, on site, retention rates, diversity tracking and our Great Place to Work® survey. Priorities and targets are set and tracked per site, as each site has differences in type of work, areas of improvement and demographics different in demography.

Creating a Great Place to Work

Since 2017, Hexagon has conducted the Great Place to Work Survey® on an annual basis. The survey enables employees to give open and honest feedback to Hexagon as an employer on what works well, what can be improved and what needs to change. Management teams at each location are responsible for following up and implementing actions where needed.

The 2023 survey had a 59% response rate, up from 51% in 2022. The average of “Taking everything into account, this is a great place to work”, ended at 77%, up two percentage points from 2022.

The increase in the response rate is a positive trend; however, the rate is still below our target of 70%. To increase the response rate for 2024,

we seek to further improve access to the survey for our workers who are not regularly using a computer in their work and increase internal awareness.

We are pleased to see that our business areas met the criteria in 2023 to become officially certified as a Great Place to Work® (GPTW). Although GPTW certified, we score lower than external benchmarks and we will strive to continuously improve our score and participation rates.

Employee gender balance

Given our industry, retaining, and attracting female candidates are important to Hexagon. To achieve this, we have expanded our recruitment pipelines and introduced tools to help us eliminate gender biased language in job postings. Internally, Think Twice!, an unconscious-biased course is rolled out across sites to raise awareness of how our unconscious biases influence our decision making processes. In 2023, the total percentage of women ended at 20%, up from 19% in 2022. However, we see a decline in female managers from 24% to 21%. Learn more in the [Diversity & Inclusion](#) chapter.

RESULTS FROM THE GPTW SURVEY 2023

Statement	2023	2022
Respondents feel they are treated fairly regardless of their sexual orientation	90%	93%
Respondents perceive that people are treated fairly regardless of their race	89%	90%
Respondents perceive that people are treated fairly regardless of their gender	89%	89%
Respondents perceive that people are treated fairly regardless of age	85%	87%
Respondents perceive that management avoids favoritism	62%	63%
People here are treated fairly regardless of disability.	89%	N/A
Respondents feel they make a difference in the organization	78%	
Taking everything into account, I would say this is a great place to work.	77%	75%



Established a Talent Development Cycle program

Identifying competencies and developing our people is critical for Hexagon. To achieve long-term, sustainable results, we have established a series of people processes that build upon each other and form the Talent Development Cycle program. This program structures: talent reviews, succession planning, individual performance objectives, strategic workforce planning, individual development plans and performance feedback. The intent is to remove systemic barriers that could hinder employees from reaching their full potential and provide equal opportunities for all. Ultimately, the program should drive growth in both our people and our business.

Training and personal development

We continued our training and development programs throughout 2023. Drive, our leadership accelerator course was held in Germany for the first time, both in English and German.

Individual training plans for each employee have been developed across our largest sites in North America. The same set-up will be rolled out to other locations in 2024 as part of the Talent Development Cycle program.

At our largest assembly site in Salisbury, North Carolina, we set up a technical training lab in 2023 to provide technical training for the various roles needed in production. The training lab was set up based on feedback from employees wanting more hands-on experience to perform their job.

PERFORMANCE EVALUATION AND LOOKING AHEAD

We are making steady progress within the various areas of workforce development. Through our 2023 actions and initiatives, employees confirmed the importance of developing and systemizing our human capital development, tools, and policies. As a response, the Talent Development Cycle program will be rolled out across our largest facilities in 2024.

Targets 2024

The implementation of our Talent Development Cycle program will be a key focus area across the organization, including:

- Strategic workforce planning – how to bridge gaps between the organization’s current capabilities vs its future needs.
- Structured individual development plans, process performance feedback and individual performance objectives.
- Talent review – leadership to assess the organization’s capabilities and potential.
- Continued personal development in form of Clifton Strengths Finder, unconscious biased training, technical trainings and the Drive accelerator course.

Number of employees participated	2023	2022
Drive accelerator program	100	200
Clifton Strengths finder	33	150
Unconscious biased training	65	72

Diversity & Inclusion

Materiality

Hexagon is committed to workplace diversity, ensuring equal opportunities for all, and fostering a culture of inclusion. Having employees of more than 30 different nationalities, we subscribe to the idea that our greatest asset is our people and believe diversity will enable better decision-making and increase value creation in the company.

Hexagon believes a diverse and inclusive working environment will have a positive impact on the business, and the regions in which we operate. We recognize that the lack of diversity, equal opportunities and biases can lead to potential negative economic and social impacts to our people and our regions.

Our approach

Hexagon's approach to diversity and inclusion is governed by our Diversity & Inclusion policy and Code of Conduct, available on hexagongroup.com

Leaders within Hexagon are, as part of their job performance, responsible for specific diversity and inclusion activities and for achieving measurable outcomes. This includes setting goals to foster diverse representation among teams, including but not limited to, our attraction and hiring process, performance and rewards management, learning and development programs and initiatives.

Every employee, manager and consultant of Hexagon, its subsidiaries and affiliates are tasked with promoting diversity and fostering a culture of inclusion. Preferential treatment or discrimination in working conditions due to gender, race, religion, age, national origin, disability or sexual preference are strictly prohibited.

All employees shall be treated in a nondiscriminatory manner and are encouraged to report any form of discrimination through Hexagon's Whistleblowing channel.

Building a diverse, equal and inclusive workforce

To build a diverse workforce, we recognize the importance of expanding our recruitment pipelines and eliminating bias within our talent processes.

Throughout 2023, Hexagon has focused on implementing equality in recruitment and hiring strategies, and executive sponsorship for diversity programming initiatives.

We have also increased our collaboration with universities across our regions to both raise awareness of the industry and the possibilities it brings. The availability of female candidates within Science, Technology, Engineering and

Mathematics are increasing and we are also targeting this groups specifically to attract new talent.

Instead of developing new governing policies across the Group, we have focused on developing people processes which in sum lay the ground for our Talent Development Cycle program. This program should ensure equal treatment and mitigate any systemic barriers that could hinder employees from reaching their full potential.

Results and achievements 2023

At the end of 2023, Hexagon had 1 149 (1 698) full-time employees in its workforce, of whom approximately 49 per cent were categorized as production employees. The remaining 51 per cent were employed in administrative roles such as sales, marketing, R&D, procurement, engineering HR and finance.

Women represent 20% the total workforce. On manager level, we have 79% male managers and 21% female managers.

The decrease in full-time employees compared to 2022, is related to the deconsolidation of Hexagon Purus as of 29 June 2023.

At our US operations, we have worked systematically to have a more inclusive application pool. Digital tools have been implemented to ensure recruitment ads hold an inclusive language and layout, and contribute to reduce any potential barriers toward gender, age and mindset. A diversity dashboard has been created to track and analyze our progress. Our new initiatives have led to better insights into our applicants, our areas of improvement, and our potential within the different fields of work.

As a result, in Lincoln, Nebraska - our largest site in the US - we increased the number of female workers by 2% in 2023.

Other initiatives completed:

- Think Twice! – our unconscious bias training has been launched to 65 participants
- In the US, facility and policy improvements have been completed to allow space for lactation support and meditation, as well as a review of flex work options.
- Developed Talent Development Cycle program that will be launched in 2024

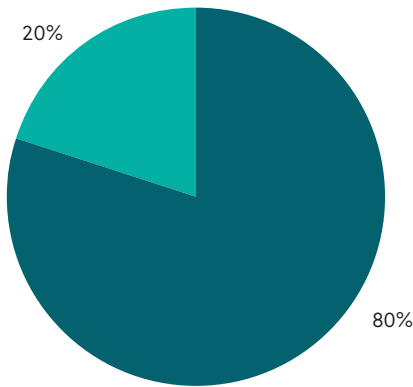
GOVERNANCE BODY

	Gender (% female)		Age group (%) 2023		
	2023	2022	<30	30-50	>50
Board of directors	43%	43%	-	29%	71%
Executive management	25%	22%	-	25%	75%
Headquarters (Norway)	33%	47%	7%	33%	60%
Managers	21%	24%	1%	62%	36%
All employees	20%	19%	19%	57%	24%

Total numbers of employees per region and gender is available in the appendix.

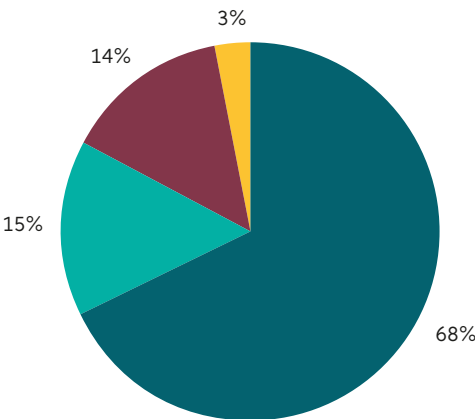
GENDER BALANCE

Men Women

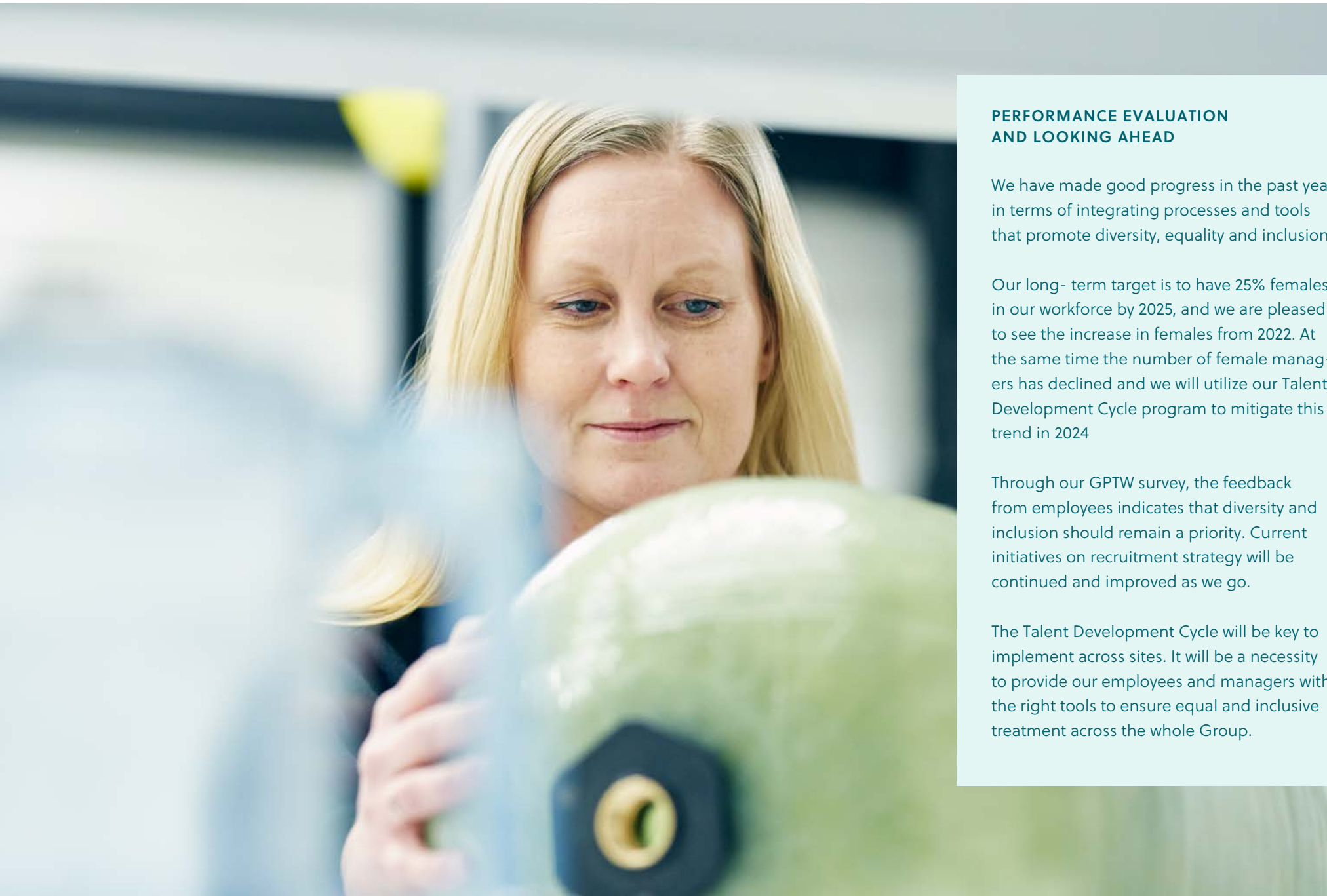


EMPLOYEES PER REGION¹

USA Germany Norway Canada



¹ FTE per 31.12.2023. Breakdown of gender balance per country is available in appendix.



PERFORMANCE EVALUATION AND LOOKING AHEAD

We have made good progress in the past year in terms of integrating processes and tools that promote diversity, equality and inclusion.

Our long-term target is to have 25% females in our workforce by 2025, and we are pleased to see the increase in females from 2022. At the same time the number of female managers has declined and we will utilize our Talent Development Cycle program to mitigate this trend in 2024

Through our GPTW survey, the feedback from employees indicates that diversity and inclusion should remain a priority. Current initiatives on recruitment strategy will be continued and improved as we go.

The Talent Development Cycle will be key to implement across sites. It will be a necessity to provide our employees and managers with the right tools to ensure equal and inclusive treatment across the whole Group.

We will continue initiatives started in 2023, using training, awareness and tools to overcome any diversity challenges, promoting a culture that removes barriers.

Targets 2024

- All managers to complete Think Twice! – our unconscious biased training.
- Pilot a global Women's Leadership Group for high potential female talent across the business, establishing executive sponsorship for the initiative.
- Implement talent development cycles and strategic workforce planning, ensuring employees are given the opportunity to achieve their full potential, regardless of gender and background.
- Target of 20% females at our facility in Lincoln, Nebraska



Governance

Materiality

Hexagon has a proud industrial history and a strong, value-based culture that drives our business performance. Our core values; integrity and drive, support our behavior and our beliefs. We hold ourselves accountable for all our interactions with our customers, suppliers and owners, our people and the communities in which we operate, and we are committed to carrying out business fairly, honestly and openly with no tolerance for corruption. Business ethics, anti-corruption and responsible procurement are therefore material topics for Hexagon.

Our approach

Hexagon's Code of Conduct serves as a compass, providing descriptions, guidance, and insight into how to act in accordance with our governing principles, including our vision, purpose and values. Acting with integrity, adhering to internal policies, and complying with external laws and regulations are foundations to our success and reputation. The Code of Conduct equips our people to navigate potential ethical dilemmas and establishes clear guidelines for key areas like human rights, labor rights, anti-corruption and bribery, conflicts of interest and other relevant areas.

We value strong partnerships and work to ensure our partners align with our anti-corruption rules and policies, as well as relevant laws. Our Supplier Code of Conduct outlines our compliance expectations for those we work with.

Anti-corruption

Hexagon fosters an organizational culture based on integrity and the highest ethical standards, which is essential to maintaining our high product quality and reputation as a trusted business partner. The company is committed to carrying out its business in accordance with the highest standards, with zero tolerance for

corruption. Hexagon works proactively to design, implement, and monitor robust procedures to prevent any form of corruption. We conduct thorough risk assessments, both regionally and for specific contracts, to identify and mitigate potential vulnerabilities. In 2023, Hexagon launched a 12-month anti-corruption training program for all employees to ensure all levels of the organization are aware of our commitment to anti-corruption principles. At year end, 48% of our employees had completed this training.

Our Anti-Corruption Policy and Guidelines is endorsed by the board of directors and supplements Hexagon's Code of Conduct. The policy is available on our website.

Human rights

Respect for human rights is a fundamental value for Hexagon, and the protection of human rights across our operations and value chain is a business priority. Hexagon respects all internationally recognized human rights and our human rights policy is aligned with the UN Guiding Principles, 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 on Human Rights and Working Conditions is available on our website and confirms our commitment to respecting human rights across all our business enterprises wherever we operate.

In addition, Hexagon is committed to actively conducting human rights due diligence in accordance with the Norwegian Transparency Act and OECD Guidelines for Multinational Enterprises. In 2023, Hexagon performed its first comprehensive due diligence analysis of its value chain, including a saliency assessment and value chain mapping, and identified near term action items to ensure all levels of Hexagon's supply chain have human rights protections in place. We remain committed to continuous improvement across our own operations and throughout our value chain. Hexagon's Transparency Act statement is available on our website.

Responsible procurement

Hexagon's business relationships are governed by our Supplier Code of Conduct. This includes specific provisions related to human rights and working conditions, working hours and leave, wages and benefits, non-discrimination, fair

treatment, and the absence of child and forced labor. In 2023, we updated the Supplier Code of Conduct to specifically require suppliers to submit certain ESG information and to confirm that robust due diligence is required for sourcing of high-risk or conflict minerals. The Supplier Code of Conduct is explicitly included in contractual terms and conditions with our business partners. We reserve the right to require suppliers to provide evidence of compliance and should adverse human rights impacts be identified, Hexagon maintains the ability to immediately terminate the business relationship and is committed to notifying relevant authorities of the violation, as well as being involved with necessary remediation processes.

In 2023, Hexagon published its Supplier Management Policy, which sets forth Hexagon's approach to supply chain management. Our supply chain management approach starts at the very top of our organization, with our Board of Directors. The Board maintains oversight of critical supply chain decisions and has the authority to review and approve key supplier relationships. At the next level, managerial oversight of the supplier selection process within each of the Business Areas ensures a consistent approach



Hexagon strives to maintain a transparent business climate, with a focus on business ethics and fostering open discussion and resolution of difficult or undesirable incidents.

to supplier selection throughout the Hexagon Group.

Hexagon subscribes to the “do no harm” rule, whereby we are duty-bound to prevent, reduce and control the risk of environmental harm caused by our company. Our suppliers play an integral part in our sustainability journey; we will never succeed without our partners and suppliers making sustainability a top priority. Suppliers are required to complete self-assessments, questionnaires, or scorecards to demonstrate their sustainability initiatives and goals. Each supplier is evaluated based on certain criteria that reflect the sustainability targets and priorities of Hexagon. Hexagon may perform on-site evaluations, full or limited audits of various scopes, remote evaluations (supplier performance reviews or business evaluations), technical assessments or product evaluations to understand and assess Supplier’s approach to sustainability, among other key performance indicators. Understanding the carbon footprint of our suppliers, learning about suppliers’ efforts to reduce energy consumption and waste, and obtaining data from our suppliers regarding emissions is an important step in achieving our sustainability goals.

In 2023, the new supplier screening involved a supplier self-assessment related to various ESG

criteria and documentation and more than 165 suppliers within various procurement categories were assessed. During the year, a balance scorecard for suppliers was developed with 10 specific metrics we will measure suppliers on. ESG is one of the components with a weighting of 15%. In 2024, this self-assessment will continue, and we will implement a review of all new suppliers, as well as the 200 largest suppliers in our largest business area, Hexagon Agility through the ESG supplier management platform, EcoVadis. Hexagon will utilize Ecovadis to develop both a minimum acceptable score and a corrective action plan for any contracted suppliers not meeting our minimum requirements.

Human rights due diligence

Hexagon is committed to actively conducting human rights due diligence in accordance with the Norwegian Transparency Act and OECD Guidelines for Multinational Enterprises. Please refer to Hexagon’s Transparency Act statement.

Based on our sector and geographic area of operations, we have identified five areas that we have been prioritizing, working hours and leave, wages and benefits, freedom of association and collective bargaining, supplier compliance, access to grievance mechanism. In addition to working on these areas, we have processes in place to identify potential human rights risks with

suppliers. Prior to engaging with a new business partner, Hexagon utilizes a supplier questionnaire and scorecard to identify overall supplier risk and decides whether additional due diligence needs to be undertaken.

In 2023, Hexagon performed its first comprehensive due diligence analysis of its value chain, including a saliency assessment and value chain mapping to identify high-risk suppliers and high-risk geographies related to relevant raw materials in our supply chain. We identified our critical raw materials, critical suppliers, the geographic footprint of these suppliers, and evaluated the sufficiency of the human rights protections in place. We also assessed and categorized the suppliers according to risk area using reputable human rights indices, and performed individual follow-ups based on these evaluations. Through this process, we evaluated, identified and mitigated as necessary, any potential human rights risks throughout the entire value chain. Currently, high-risk suppliers may trigger additional inquiries and audits before we enter a formal business relationship.

Reporting concerns - Whistleblowing

Hexagon promotes a culture of ethical business practices where difficult issues can be openly discussed and addressed. We offer a secure whistleblowing channel in four languages on our website available to anyone with concerns about potential misconduct violation or potential violation of any applicable law or Hexagon’s policies and/or procedures. The whistleblowing channel is hosted by an independent third-party and available to all employees and external parties to report issues or concerns anonymously. 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 retaliation.

In 2023, we revised our whistleblowing policy to describes protocols in place to process whistleblower reports and to clarify that our policy provides protection of whistleblowers’ employment status as well as protection of whistleblowers from harassment in the workplace.

During 2023, one incident was reported, while nine incidents were reported during 2022. The incident was investigated and processed according to Hexagon’s whistleblowing procedures and policy; the policy is also available on our website. The whistleblower was informed of the outcome of the investigation and invited to provide further feedback. The incident resulted in appropriate internal measures to address thesituation.

Incident	2023	2022
Potential corruption	-	-
Discrimination/hostile work environment/favoritism	-	3
Health and safety	1	2
HR related issues (e.g., compensation; attendance)	-	4



Results and achievements 2023

The various risks related to supply chain, partners and other areas are regularly assessed and evaluated in the business area closest to the relevant risk factor. The risk assessment is updated regularly, including using third party due diligence tools, and details of the main risks and any changes are presented to the company's audit committee quarterly. For 2023, no specific high-risk corruption factors were identified, and Hexagon received no penalties related to corrupt or anti-competitive behaviors during the year.

Hexagon continues to promote zero tolerance for corruption and anti-competitive behavior internally and externally. During the year, we completed a year-long anti-corruption training program for all employees to ensure all levels of the organization are aware of Hexagon's commitment to anti-corruption principles. We also revised our Anti-Corruption Policy to address lobbying, political expenses, and political involvement and updated our Code of Conduct to specify that robust due diligence is required for

sourcing of high-risk or conflict minerals. We also adopted a Supplier Management Policy to detail our approach to supply chain management.

Within the human rights area, our 2023 key focus area was performing a comprehensive due diligence analysis of our value chain, including a saliency assessment and value chain mapping. Hexagon published its updated Policy on Human Rights and Working Conditions in 2022 and has continued in 2023 to work to ensure that our high standards are met and respected across our organization. While we had no specific concerns related to human rights in 2023, we continued our work to better understand our impact on human rights both in our own operations and supply chain, conducting our human rights due diligence in accordance with the Norwegian Transparency Act and OECD Guidelines for Multinational Enterprises. We remain committed to continuous improvement across our own operations and throughout our business relationships within this area and are developing.

For procurement, we continued mapping key human rights and ESG risks in our supply chain, utilizing questionnaires and scorecards to identify and recognize those suppliers who embody our ESG values. As part of our human rights due diligence, we assessed and categorized all suppliers according to risk area using reputable human rights indices, and performed individual follow-ups based on these evaluations. In total, 100% of our new suppliers were screened for social and environmental criteria. We also started further direct engagements with high-impact suppliers to better understand their ESG risks and mitigating activities, which will continue in 2024.

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

PERFORMANCE EVALUATION AND LOOKING AHEAD

In 2023, we have continued our efforts to strengthen Hexagon's compliance program by updating our Code of Conduct and establishing and implementing key supporting policies, with mandatory training being rolled-out. Promoting our value-based culture and further awareness building and training related to our business ethics and anti-corruption policies continued. We believe that these are important factors to ensure that our people are comfortable raising concerns or seeking guidance and at the same time know what to do in challenging situations.

For 2024, we will continue to raise awareness of business ethics by holding trainings for applicable employees and managers on the Supply Chain Management Policy and updated Code of Conduct. In addition, we continue communications efforts to all stakeholders around business ethics topics.

For procurement, we continued mapping key human rights and ESG risks in our supply chain, utilizing questionnaires and scorecards to identify and recognize those suppliers who embody our ESG values. As part of our human rights due diligence, we assessed and categorized all suppliers according to risk area using reputable human rights indices, and performed individual follow-ups based on these evaluations. We also started further direct engagements with high-impact suppliers to better understand their ESG risks and mitigating activities, which will continue in 2024, with the target of refining a preferred supplier program within our largest business area, Hexagon Agility to measure our supply base across ten specific metrics including ESG. This new supplier selection process will also focus on compliance with our Supplier Code of Conduct as well as establishing a minimum EcoVadis score in advance of any new business awards.

Targets 2024

- Further develop and deepen our knowledge of our supply chain by implementing our preferred supplier program, evaluating our supply chain across ten metrics, including human rights protections and other ESG metrics.
- Implement EcoVadis environmental and social screening as a key requirement for all new suppliers and evaluate 95% of current suppliers
- Work closely with our supply chain on sustainability improvements including implementing ESG criteria in the preferred supplier qualification process.
- Continue implementing relevant supporting policies to our Code of Conduct and revise existing policies annually to close perceived gaps.
- Develop and roll out Supply Chain Management Policy and Code of Conduct training programs to employees.
- Develop a global responsible export policy.





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
Medlemmer av Den norske Revisorforening

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

To the board of directors in Hexagon Composites ASA

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 defined and specified in the Hexagon Composites ASA's GRI Index (see the document GRI content index 2023 on <https://hexagongroup.com/sustainability/esg-resources> (the "Subject Matter") as for the year then ended.

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 Annual report, 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 (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.

Hexagon Composites ASA's responsibilities

The Board of Directors and the Group President & CEO (management) are responsible for 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.

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,

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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 conclusion.

Our Independence and Quality Control

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.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or 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 if a reasonable assurance engagement had 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.

Our procedures included:

- Interviews with key personnel to understand the business and the reporting process
- Interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- Test on a sample basis the calculation Criteria against the methodologies outlined in the Criteria
- Analytical review procedures of the data
- Comparison, on a sample basis, of data with the underlying source information

Independent auditor's report - Hexagon Composites ASA 2023

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- Comparison of the presentation of the Subject Matter with the presentation requirements outlined in the Criteria.

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 for the year then ended in order for it to be in accordance with the Criteria.

Ålesund, 21 March 2024
ERNST & YOUNG AS

War-André Norvik
State Authorised Public Accountant (Norway)

Financial statements

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Consolidated statement of income

(NOK 1 000)	Note	2023	2022 Re-presented
Revenue			
Revenue from contracts with customers	4	5 176 638	4 287 389
Rental income	4	4 383	5 027
Other operating income	4, 24	5 286	10 327
Total revenue		5 186 307	4 302 743
Operating expenses			
Cost of materials	13	2 756 797	2 326 273
Payroll and social security expenses	9, 18, 27, 28	1 281 017	1 051 763
Other operating expenses	5, 14, 19, 24, 28	668 759	577 039
Total operating expenses		4 706 573	3 955 075
Operating profit before depreciation, amortization and impairment (EBITDA)	4	479 734	347 667
Depreciation, amortization and impairment	10, 11, 24	258 575	241 833
Operating profit (EBIT)	4	221 159	105 834
Share of profit/loss of investments in associated companies	26	(176 574)	(3 571)
Impairment loss on associated companies	26	(702 000)	-

(NOK 1 000)	Note	2023	2022 Re-presented
Finance income and expenses			
Finance income	6, 25	157 769	235 396
Finance expense	6, 20, 21, 25	433 331	313 878
Net financial items		(275 562)	(78 482)
Profit/loss before taxes from continuing operations		(932 977)	23 781
Tax expense	7	8 205	18 240
Profit/loss after taxes from continuing operations		(941 182)	5 541
Profit after taxes from discontinued operations	5	2 049 703	(431 518)
Profit/loss for the year		1 108 520	(425 977)
Attributable to:			
Equity holders of the parent		1 205 668	(311 326)
Non-controlling interest		(97 148)	(114 652)
Profit/loss for the year		1 108 520	(425 977)
Earnings per share (NOK)			
Basic	8	5.53	(2.12)
Diluted	8	5.33	(2.12)
Earnings per share for continuing operations (NOK)			
Basic	8	(4.69)	0.03
Diluted	8	(4.69)	0.03

Consolidated statement of other comprehensive income

(NOK 1 000)	Note	2023	2022
			Re-presented
Profit/loss after tax		1 108 520	(425 977)
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified through profit or loss in subsequent periods			
Translation differences on translating foreign activities		141 639	202 529
Translation differences related to deconsolidated subsidiary reclassified to profit and loss	5	(118 307)	-
Share of other comprehensive income from associated companies	26	(21 590)	-
Net total of items that will be reclassified through profit and loss in subsequent periods		1 741	202 529
Items that will not be reclassified through profit or loss in subsequent periods			
Actuarial gains/losses for the period	18	(1 838)	(630)
Tax on actuarial gains/losses for the period	7	404	138
Net total of items that will not be reclassified through profit and loss in subsequent periods		(1 433)	(491)
Other comprehensive income for the period		308	202 038
Total comprehensive income for the period		1 108 828	(223 939)
Attributable to:			
Equity holders of the parent		1 172 401	(125 078)
Non-controlling interests		(63 573)	(98 861)

Consolidated statement of financial position

(NOK 1 000)	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	947 938	1 336 307
Right of use assets	24	365 624	473 233
Intangible assets and goodwill	11	1 785 606	2 570 853
Investments in associates	5, 26	1 225 107	53 272
Other non-current financial assets	12, 25	125 667	141 429
Other non-current assets	18	2 269	4 942
Deferred tax assets	7	19 013	-
Total non-current assets		4 471 225	4 580 035
Current assets			
Inventories	13	1 110 406	1 546 497
Trade receivables	4, 14, 25	551 356	865 403
Contract assets	4, 14	-	9 488
Other current assets	15	140 760	188 772
Bank deposits, cash and cash equivalents	16, 25	154 350	713 547
Total current assets		1 956 872	3 323 707
Total assets		6 428 096	7 903 742

(NOK 1 000)	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Share capital	17	20 162	20 162
Share premium	17	706 544	2 075 999
Treasury shares	17	(138)	(65)
Other capital reserves		180 674	132 346
Other equity		2 306 791	763 464
Equity attributable to equity holders of the parent		3 214 033	2 991 905
Non-controlling interests		-	476 901
Total Equity		3 214 033	3 468 806

(NOK 1 000)	Note	2023	2022
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	20, 25	-	1 482 140
Lease liabilities	20, 24, 25	387 260	481 018
Other non-current financial liabilities	21, 25	-	256 675
Pension liabilities	18	1 591	2 321
Deferred tax liabilities	7	131 018	206 370
Non-current provisions	19	8 594	6 133
Total non-current liabilities		528 462	2 434 656
CURRENT LIABILITIES			
Current interest-bearing liabilities	16, 20, 22, 25	1 108 468	234 674
Lease liabilities short term	20, 24, 25	61 867	70 574
Trade payables	25	384 015	572 569
Contract liabilities	4	332 658	548 643
Other current financial liabilities	21, 25	376 909	75 051
Income tax payable	7	65 835	53 057
Provisions	19	68 011	102 557
Other current liabilities	23	287 840	343 154
Total current liabilities		2 685 601	2 000 280
Total liabilities		3 214 063	4 434 935
Total equity and liabilities		6 428 096	7 903 742

Oslo, 20 March 2024
The Board of directors of Hexagon Composites ASA


Knut Flakk
Chair


Kristine Landmark
Deputy chair


Katsunori Mori
Board member


Liv Astri Hovem
Board member


Liv Dingsør
Board member


Sam Gabbita
Board member


Joachim Magnusson
Board member


Jon Erik Engeset
Group President & CEO

Consolidated statement of cash flows

(NOK 1 000)	Note	2023	2022
Cash flow from operating activities			
Profit before taxes from continuing operations		(932 977)	23 781
Profit before taxes from discontinued operations		2 046 718	(440 898)
Profit before tax		1 113 741	(417 118)
Tax paid/refunded for the period	7	(94 765)	(49 626)
Gain on deconsolidation of Hexagon Purus		(2 351 302)	-
Gains/losses on sale of property, plant and equipment	10	-	(12 021)
Depreciation, amortization and impairment	10, 11, 24	317 331	336 923
Interest income		(32 017)	(15 207)
Interest expenses		221 808	106 324
Share of profit/loss of investments in associated companies	26	176 574	(48 317)
Impairment loss on associated companies	26	702 000	-
Share-based payment expenses	27	57 919	49 895
Changes in net operating working capital ¹	13, 14, 23	88 431	60 984
Changes in pension liabilities	18	419	(2 414)
Changes in unrealized derivatives		163 110	111 224
Changes in other accrual accounting entries		19 842	(22 061)
Net cash flow from operating activities		383 090	98 588
- of which from continuing operations		674 004	423 901
- of which from discontinued operations		(290 914)	(325 313)

(NOK 1 000)	Note	2023	2022
Cash flow from investment activities			
Proceeds from sale of fixed assets	10, 24	-	161 003
Purchase of property, plant and equipment	10	(424 045)	(507 210)
Purchase of intangible assets	11	(43 195)	(75 729)
Interest received		32 017	15 207
Settlement of contingent considerations related to acquisitions	5	(85 963)	-
Investments in associated companies	26	(29 305)	(65 379)
Sale of shares in associated companies	26	274 029	-
Loans to associated companies	12	(73 320)	(45 319)
Other investments	5	(5 000)	-
Net cash flow from investing activities		(354 781)	(517 428)
- of which from continuing operations		15 168	(179 414)
- of which from discontinued operations		(369 949)	(338 014)

(NOK 1 000)	Note	2023	2022
Cash flow from financing activities			
New non-current liabilities	20	776 909	318 268
Repayment non-current liabilities	20	(365 398)	-
New current liabilities	20, 22	-	221 039
Repayment of current liabilities	20, 22	(222 437)	(4 560)
Repayment of principal portion of lease liabilities	20, 24	(71 375)	(73 947)
Interest payments on lease liabilities	24	(29 678)	(9 537)
Interest payments on interest-bearing liabilities		(170 964)	(89 502)
Payments of dividends		-	-
Purchase of treasury shares		(63 722)	(30 495)
Increase in share capital (subsidiary)		576 180	189 043
Net cash flow from financing activities		429 516	520 309
- of which from continuing operations		(870 192)	(60 493)
- of which from discontinued operations		1 299 708	580 802
Net change in cash & cash equivalents		457 825	101 469
Net currency exchange differences		(43 609)	11 869
Cash & cash equivalents at beginning of period		713 547	600 209
Cash and cash equivalents derecognized from deconsolidation of subsidiary		(973 413)	-
Cash & cash equivalents at end of period	16	154 350	713 547
Undrawn loan facilities	16, 20	588 745	360 769
Restricted funds, included in cash & cash equivalents	16	9 802	9 283

¹ Net operating working capital consists of changes in inventories, trade receivables, contract assets, trade payables and contract liabilities.

Consolidated statement of changes in equity

(NOK 1 000)	Note	Share capital	Treasury shares	Share premium	Other capital reserves	Foreign currency translation reserve	Other equity	Total	Non-controlling interest	Total equity
Balance 1 January 2022		20 162	(85)	2 075 999	98 226	94 398	817 591	3 106 291	378 010	3 484 301
Profit/loss for the year							(311 326)	(311 326)	(114 652)	(425 977)
Other comprehensive income						186 738	(491)	186 247	15 791	202 038
Total comprehensive income						186 738	(311 817)	(125 078)	(98 861)	(223 939)
Dividends to shareholders							-	-		-
Movement in treasury shares			20				(30 514)	(30 495)		(30 495)
Share-based payment expenses	27				34 120		11 563	45 682	4 213	49 895
Increase share capital in subsidiary							-	-	160 242	160 242
Transaction cost related to capital increase in subsidiary							(4 496)	(4 496)	(1 638)	(6 134)
Share capital increase in subsidiary (not 100% owned)								-	34 935	34 935
Balance as of 31 December 2022		20 162	(65)	2 075 999	132 346	281 136	482 327	2 991 905	476 901	3 468 806

(NOK 1 000)	Note	Share capital	Treasury shares	Share premium	Other capital reserves	Foreign currency translation reserve	Other equity	Total	Non-controlling interest	Total equity
Balance 1 January 2023		20 162	(65)	2 075 999	132 346	281 136	482 327	2 991 905	476 901	3 468 806
Profit/loss for the year							1 205 668	1 205 668	(97 148)	1 108 520
Other comprehensive income						(10 244)	(23 024)	(33 267)	33 575	308
Total comprehensive income						(10 244)	1 182 644	1 172 401	(63 573)	1 108 828
Dividends to shareholders							-	-		-
Dividend in kind	5			(1 369 455)			-	(1 369 455)		(1 369 455)
Movement in treasury shares			(73)				(63 649)	(63 722)		(63 722)
Share-based payment expenses	27				48 328		6 559	54 887	3 032	57 919
Increase share capital in subsidiary							260 942	260 942	239 058	500 000
Transaction cost related to capital increase in subsidiary							(17 793)	(17 793)	(8 224)	(26 018)
Convertible bonds - equity component	21						190 363	190 363	87 989	278 352
Transaction cost related to convertible bonds - equity component	21						(5 495)	(5 495)	(2 540)	(8 034)
Share capital increase in subsidiary (not 100% owned)								-	102 198	102 198
Derecognition of non-controlling interests related to deconsolidation of subsidiary	5							-	(834 841)	(834 841)
Balance as of 31 December 2023		20 162	(138)	706 544	180 674	270 893	2 035 899	3 214 033	-	3 214 033

Notes

Note 1 General

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

The Board of directors authorized the annual report for publication on 20 March 2024.

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 IFRS® Accounting Standards adopted by the EU and are mandatory for financial years beginning on or after 1 January 2023, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31 December 2023.

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. Furthermore, and as consequence of the deconsolidation and subsequent presentation of Hexagon Purus as discontinued operations on 29 June 2023, historical income statement figures have been re-presented for enhanced comparability of continuing operations.

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. Monthly average exchange rates are used as approximations for transaction exchange rates. Translation differences are recognized in other comprehensive income (“OCI”). Exchange rates used can be found in [note 31](#).

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 are 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 2023. 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 is 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 associated companies.

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 entities of the Group are eliminated in full on consolidation.

Non-controlling interests is presented separately as 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 expenses.

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. 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 with 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 assets and liabilities of the subsidiary and the carrying amount of any non-controlling interests are derecognized. Any consideration received and any investment

retained in the former subsidiary is recognized at their fair values. The difference between the amounts recognized and derecognized is recognized as gain or loss in profit or loss on the date when control is lost.

Amounts recognized in other comprehensive income related to the subsidiary are reclassified to profit or loss or transferred to equity similarly as if the parent had disposed of the assets and liabilities directly. Amounts reclassified to profit or loss (including accumulated translation differences) are included in gain or loss on loss of control of subsidiary in profit or loss.

Discontinued operations

In the event of a loss of control and a deconsolidation of a subsidiary – if the disposal group being deconsolidated comprises a material business segment or operation, the profit or loss after taxes associated with the disposal group is reported separately as discontinued operations in the statement of income. The previous period's income statements are re-presented accordingly. Profit after taxes from discontinued operations comprises the discontinued operation's current earnings and the gain or loss from deconsolidation.

For components of the group where control is not lost, the component is presented as discontinued operation if the component is classified as held for sale and if the component represents a material business segment or operation. Components are classified as held for sale if a sale is highly probable, which by the Group is considered a probability greater than 90 per cent.

2.4 Investment in associates

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).

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

Under the equity method, the investments in associates 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 since the acquisition date. Goodwill relating to the associate 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. 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, 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 are eliminated attributable to the interest in the associate.

If the Group's share of the loss equals or exceeds the carrying amount of the associate, 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.

If there are objective evidence that the investment in the associate is impaired, the Group will perform an impairment test of the carrying amount of the investment. Further, in relation to share price development of listed associates, a decline in fair value will have to be significant or prolonged to provide evidence of impairment. Hexagon assesses a decline in fair value of 20 per cent to be significant and a decline lasting longer than 9 months to be prolonged.

Impairment losses are recognized if the recoverable amount (highest of value in use and fair value less cost of disposal) is lower than the carrying value. Impairment losses are reversed to the extent that the impairment loss decreases or no longer exists. The Group has made a policy choice to present impairment losses on associates on a separate line in the statement of income.

Upon loss of significant influence over the associate, 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 profit and loss.

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 profit and loss, 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 (lease agreement less than 12 months maturity)
- Low value assets (value of the underlying asset less than NOK 100 thousand)

For these leases, the Group recognizes the lease payments as other operating expenses in the statement of income 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

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 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.

Sale- and leaseback transactions

In the event of sale- and leaseback transactions, the Group first assesses whether transfer of control of the underlying asset represents a sale within the context of IFRS 15. The Group considers several factors for determining whether the buyer has obtained control of the asset, including, but not limited to, the existence of any repurchase options, any beneficial renewal options terms, the length of the lease term including any option periods compared to the expected remaining lifetime of the asset, and the lease liability compared to the market value of the asset.

When the transfer of the asset is determined to be a true sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that related to the right-of-use being retained. The said proportionate share of the asset is derived from the recognized lease liability following the transaction in percentage of the fair market value of the underlying asset being sold. Effectively, the Group recognizes the amount of a gain or a loss only related to the rights transferred to the buyer-lessor.

In the event the transfer of the underlying asset to the buyer does not represent a true sale, the Group continues to carry the underlying asset and recognizes a financial liability equal to the transfer proceeds.

2.10 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, loans, 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 classifies its financial assets in the following categories:

- Financial assets at amortized cost
- 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 profit and loss

Financial assets at fair value through profit or loss include financial assets mandatorily required to be measured at fair value.

The category includes foreign exchange contracts, interest rate swaps and total return swaps (TRS) in the event that the underlying shares sold in the TRS agreement qualifies as a true sale.

The criteria for a true sale of shares in a TRS agreement is considered met when control over the underlying shares is not retained. This is the case when the TRS agreement excludes any buy-back rights or obligations, and when the transferee (i.e., the owners of the shares) have the practical ability to sell the shares and exercise that ability unilaterally without any additional restrictions on the transfer imposed by Hexagon.

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.

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.

2.11 Intangible assets and goodwill

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 including goodwill 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 income statement 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 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.

Customer relationships and technology

Purchased customer contracts and technology 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.

2.12 Impairment of non-financial assets

Intangible assets and goodwill 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.

2.13 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.

2.14 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) Treasury shares

In the event of a purchase of treasury shares, the purchase price and any directly associated costs are recognized as a change in equity. Treasury shares are presented as a reduction in equity. Gains or losses on transactions involving treasury 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. Dividends are recognized at fair value.

(IV) Other capital reserves – 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.

2.15 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
2. Hexagon Ragasco
3. Hexagon Digital Wave

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 90 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 goods or services to the customer and when the customer pays for that goods or services 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 at point in time.

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.

2.16 Employee benefits

Defined benefit pension plans

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

The current service cost and net interest income/costs are recognized immediately and is presented as a payroll & social security expense in the income statement. Net interest income/cost is calculated by using the discount rate of the liability at the beginning of the period on the net liability. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognized continuously through other comprehensive income. The pension cost is affecting the payroll & social security costs in the income statement. Actuarial gains and losses, including changes in value, both

for assets and liabilities, are recognized through other comprehensive income. Actuarial gains and losses are not reclassified over profit and loss.

Multi-employer plans

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

Defined contribution pension plans

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

Share-based payment

The Group has share-based programs for senior- and key executives. The programs are settled in shares, 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.

2.17 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 recognizes 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.

2.18 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 and corresponds to the management structure and the internal reporting to the Group Executive Management and the Board of Directors. Financial information relating to segments and geographical areas is presented in [note 4](#).

2.19 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 at the end of the reporting period but which will affect the Group's financial position in the future are disclosed if significant.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to

disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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 associates 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 circumstances. 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 recognition of associated companies
- Impairment testing of associates
- Impairment testing of goodwill
- Leases
- Capitalized development cost

Fair value recognition of associates

Upon initial recognition of an associate, the Group is required to determine the consideration of the associate to the assets and liabilities assumed based on their estimated fair values. Although the fair value of the assets and liabilities assumed are not separately recognized in the statement of financial position, but inherently included in the initial recognized value of the associate, any difference between the fair value of the net assets assumed and the associates' net book values are to be separately accounted for.

Following the deconsolidation of Hexagon Purus as a subsidiary, and the Group's reclassification of Hexagon Purus as an associate at fair value on 29 June 2023, the Group engaged a third-party appraisal firm to assist the Group in determining the fair values of the assets acquired and liabilities assumed.

Significant fair values implicitly reflected in the initial recognition of Hexagon Purus as of 29 June 2023 included technology and customer relationships. Critical estimates in the evaluations for these intangible assets include, but are not limited to;

- For Technologies (by use of a relief from royalty method)
 - Estimated future revenues and growth rates for the said technologies.
 - Estimated churn rates/attrition rates for the technologies
 - Estimated appropriate royalty rates

- Estimated appropriate discount rates / cost of capital
- Estimated useful lifetime of the said technologies
- For Customer Relationships (by use of a Multi Period Excess Earnings Method)
 - Estimated future revenues and growth rates from the said customer relationships
 - Estimated customer churn rates / attrition rates
 - Estimated profit margins towards the said customer relationships
 - Estimated appropriate discount rates / cost of capital
 - Estimated useful lifetime of the said customer relationships

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 26](#) for the purchase price allocation of Hexagon Purus upon first time recognition as an associated company.

Impairment testing of associates

In the event of objective evidence of impairment in an associate, the Group determines the associate's recoverable amount by carrying out an impairment test which involves several assumptions and estimates related to the future cash flows of the associate, which are inherently uncertain, and

similar to the uncertainties pertaining to impairment testing of goodwill described in the section below.

The value in use calculation related to Hexagon's investment in its associated company, Hexagon Purus, is particularly sensitive to revenue growth rates and timing of the expected ramp-up in activity within the hydrogen and battery electric mobility sector. See also [note 26](#) for further information on impairment testing of Hexagon Purus.

Impairment testing of goodwill

Recognized goodwill is assessed at least 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 which is inherently uncertain. The risk of changes in expected cash flows that affect the financial statements will naturally be higher in markets in an early phase and be more limited in established markets. Furthermore, the risk of changes will be significantly higher in periods with uncertain macroeconomic prognosis. Climate related risks have been considered when preparing projections and growth assumptions applied for impairment testing. Hexagon is only to a limited extent considered to be directly exposed to climate related risks as the Group have limited physical infrastructure severe climate exposed locations but

could be affected by changes in customer behaviour and changes in the regulatory environment. Hexagon has however experienced a favorable environmental regulatory environment in recent years which is expected to continue in the years ahead. This trend has implicitly been factored into the future cash flow forecasts used in the impairment testing. For impairment testing purposes, any uncertainty related to the present value of future cash flows is reflected in the cash flow projections, while discount rates have been determined based on appropriate market conditions.

The value in use calculations are 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.

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. Renewal options are 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.

In the event the Group cannot readily determine the interest rate implicit in the lease, the Group uses

the incremental borrowing rate (IBR) to measure the lease liability. 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.

Capitalized 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.

Note 4 Operating segment and revenue breakdown

Following the deconsolidation of Hexagon Purus as of 29 June 2023 (see also [note 5](#)), the Group's operations are divided into three strategic business areas, which are organized and managed separately. These three business areas are also defined as the group's reportable operating segments as the different business areas sell different products, have separate management bodies, address different customer groups and have different risk profiles. The consolidated statement of income for 2022 is re-presented to reflect the continuing operating segments.

The Hexagon Composites group is divided into the following reportable operating segments

- Hexagon Agility - a global provider of clean fuel solutions for commercial vehicles and gas storage- and transportation solutions
- Hexagon Ragasco - the world's leading manufacturer of composite liquified petroleum gas (LPG) cylinders for leisure, household, and industrial application
- Hexagon Digital Wave - global leader in innovative cylinder testing and monitoring technology that reduce down-time and inspection costs while improving inspection accuracy

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 exceeded 10 per cent of annual sales in the group in 2023 and 2022.

Geographical segments

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

Intra-segment sales and transactions have been eliminated.

Business segment data 2023

(NOK 1 000)

	Hexagon Agility	Hexagon Ragasco	Hexagon Digital Wave	Corporate / elimination	Hexagon Purus (equity method)	Hexagon Group (continuing operations)	Hexagon Purus (discontinued)	Hexagon Group 2023
Revenue from external customers:								
Sale of cylinders and equipment (at a point in time)	3 885 528	675 084	160 893	-		4 721 505		4 721 505
Sale to group companies and associates	428 174	3 399	15 485	8 075		455 132		455 132
Other operating income	2 700	220	2 340	27		5 286		5 286
Total revenue from contract with customers	4 316 402	678 703	178 718	8 102		5 181 924		5 181 924
Rental income	4 102	-	-	281		4 383		4 383
Total revenue	4 320 503	678 703	178 718	8 383		5 186 307		5 186 307
Operating profit for segment before depreciation/amortization (EBITDA)	380 903	114 209	7 813	(23 191)		479 734		479 734
Operating profit for segment (EBIT)	181 586	75 576	1 044	(37 047)		221 159		221 159
Profit/loss from associates	(20 606)	-	-	-	(857 968)	(878 574)		(878 574)
Net financial items	(58 005)	7 206	(1 171)	(223 592)		(275 562)		(275 562)
Tax expense	21 066	9 697	77	(22 634)		8 205		8 205
Profit/loss for the year	81 908	73 085	(204)	(238 004)	(857 968)	(941 182)		(941 182)
Profit after taxes from discontinued operations (Hexagon Purus)	-	-	-	-		-	2 049 703	2 049 703
Profit/loss for the year	81 908	73 085	(204)	(238 004)	(857 968)	(941 182)	2 049 703	1 108 520
Segment assets	4 166 566	568 928	122 689	1 569 912		6 428 096		6 428 096
Segment liabilities	1 596 489	318 431	57 427	1 241 716		3 214 063		3 214 063
Investments in property, plant & equipment for the year	160 085	53 778	13 975	698		228 535	195 510	424 045
Depreciation and impairment	92 629	29 418	2 979	1 065		126 091	21 103	147 194
Investments in intangible assets for the year	29 511	2 316	-	(7 435)		24 392	18 803	43 195
Amortization and impairment	52 130	55	-	10 988		63 173	23 772	86 945
Additions of right-of-use assets for the year	81 407	13 530	-	9 993		104 930	9 270	114 200
Depreciation and impairment	54 558	9 160	3 790	1 803		69 311	13 881	83 192

Geographical information 2023 (continuing operations)

(NOK 1 000)	Europe	North America	South America	South-East Asia	Africa	Oceania	Norway	Consolidated 2023
Revenue divided among customer locations from external customers	1 262 632	3 582 345	23 784	169 831	60 008	33 730	53 977	5 186 307
Non current assets ¹	202 448	2 530 847					365 872	3 099 168
Investments in property, plant & equipment for the year	21 311	152 749					54 476	228 535
Investments in intangible assets for the year	1 625	27 886					(5 119)	24 392

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

Contract balances	2 023	2 022
Trade receivables	551 356	865 403
Contract assets	-	9 488
Contract liabilities	332 658	548 643

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2023, TNOK 8 454 (2022 TNOK 13 165) was recognized as provision for doubtful 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. As of 31 December 2023, the Group does not have any contract assets. Contract liabilities include short-term advances received for funded services & development and paid not delivered goods to external customers. The entire contract liabilities were 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 90 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 are normally sold on their own and based on relative stand-alone prices. The Group recognize revenue from services at point in time.

Business segment data 2022

(NOK 1 000)

	Hexagon Agility	Hexagon Ragasco	Hexagon Digital Wave	Corporate / elimination	Hexagon Group (continuing operations)	Hexagon Purus (discontinued)	Elimination	Hexagon Group 2022
Revenue from external customers:								
Sale of cylinders and equipment (at a point in time)	3 204 885	701 029	89 297	3 141	3 998 352			3 998 352
Sale to group companies and associates	260 981	4 977	24 679	(1 601)	289 036			289 036
Other operating income	8 093	210	2 025		10 327			10 327
Total revenue from contract with customers	3 473 959	706 216	116 001	1 540	4 297 716			4 297 716
Rental income	3 919	-	-	1 107	5 027			5 027
Total revenue	3 477 878	706 216	116 001	2 648	4 302 743			4 302 743
Operating profit for segment before depreciation/amortization (EBITDA)	208 988	123 256	6 715	8 709	347 667			347 667
Operating profit for segment (EBIT)	28 186	86 362	1 193	(9 907)	105 834			105 834
Profit/loss from associates	(3 571)	-	-	-	(3 571)			(3 571)
Net financial items	(56 880)	(301)	(6 166)	(15 136)	(78 482)			(78 482)
Tax expense	12 691	16 685	258	(11 394)	18 240			18 240
Profit/loss for the year	(44 956)	69 376	(5 231)	(13 649)	5 541			5 541
Profit after taxes from discontinued operations (Hexagon Purus)	-	-	-	-	-	(431 518)		(431 518)
Profit/loss for the year	(44 956)	69 376	(5 231)	(13 649)	5 541	(431 518)		(425 977)
Segment assets	4 550 321	581 399	109 677	1 750 450	6 991 847	2 654 903	(1 743 009)	7 903 742
Segment liabilities	2 104 101	391 626	46 015	1 077 791	3 619 533	967 282	(151 880)	4 434 935
Investments in property, plant & equipment for the year	213 979	38 352	1 825	13 022	267 180	240 030		507 210
Depreciation and impairment	91 911	29 252	2 109	2 534	125 806	33 779		159 585
Investments in intangible assets for the year	4 940	-	-	18 164	23 104	52 625		75 729
Amortization and impairment	46 344	-	-	12 812	59 156	36 906		96 062
Additions of right-of-use assets for the year	121 532	-	293	1 695	123 520	122 472		245 992
Depreciation and impairment	42 546	7 642	3 413	3 270	56 871	24 404		81 275

Geographical information 2022 (continuing operations)

(NOK 1 000)	Europe	North America	South America	South-East Asia	Africa	Oceania	Norway	Consolidated 2022
Revenue divided among customer locations from external customers	1 214 990	2 861 760	90 831	54 809	26 849	1 488	52 016	4 302 743
Non current assets ¹	189 982	2 369 091					371 375	2 930 449
Investments in property, plant & equipment for the year	24 329	204 521					38 329	267 180
Investments in intangible assets for the year	421	4 519					18 164	23 104

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

Note 5 Discontinued operations and changes in the Group`s structure

Deconsolidation of Hexagon Purus on 29 June 2023

On 29 June 2023, the Board of Hexagon Composites decided to use its mandate from the extraordinary general meeting on 28 June, to distribute 69.2 million shares in Hexagon Purus ASA ("Hexagon Purus") as dividend in kind to its shareholders. The distribution represented 25 per cent of the total outstanding shares in Hexagon Purus and effectively reduced Hexagon's ownership in Hexagon Purus from 68.4 per cent to 43.4 per cent. On the same day and subsequent of the Board meeting, Hexagon sold, and entered into a total return swap (TRS) agreements with its Nordic Banking Partners, representing 5 per cent of the total outstanding shares in Hexagon Purus, or 13.8 million shares. Since 29 June, Hexagon has held 38.4 per cent of the voting rights (106.3 million shares) in Hexagon Purus and a total return swap of 5 per cent (13.8 million shares). Following the above-men-tioned events, Hexagon management made a reassessment of its control consideration in Hexagon Purus, and after considering all relevant facts and circumstances, management concluded that control was lost as of 29 June 2023. Key factors pertaining to this conclusion were the reduced voting right in itself coupled with an irrevocable public statement from the Board of Hexagon Composites which effectively limits Hexagon's Board influence and power in the Board of Purus to a non-controlling party for the foreseeable future. See the full statement from the Board of Hexagon Composites in the stock exchange announcement from 29 June, <https://newsweb.oslobors.no/message/594467>) As a result of the loss of control in Hexagon Purus, Hexagon derecognized all assets and lia-bilities, including non-controlling interests, associated with Hexagon Purus as of 29 June. The table below shows derivation the one-off accounting gain resulting from the deconsolidation of Hexagon Purus on 29 June 2023.

Gain from deconsolidation of Hexagon Purus

(NOK 1 000)	
Fair value of dividend in kind (69 164 402 shares x NOK 19.80 per share)	1 369 455
Fair value recognition of remaining Hexagon Purus shares as associated company (120 136 095 shares x NOK 19.80 per share)	2 378 695
a) Total consideration of Hexagon Composites' share in Hexagon Purus per 29 June 2023	3 748 150
Derecognition book value of net assets in Hexagon Purus	2 348 204
Derecognition book value of non-controlling interests related to Hexagon Purus	(834 841)
b) Total book values of Hexagon Composites' share in Hexagon Purus derecognized per 29 June 2023	1 513 363
c) Reclassification of translation differences from OCI related to Hexagon Purus per 29 June 2023	118 307
a-b+c) Gain from deconsolidation of Hexagon Purus	2 353 094
Transaction costs related to deconsolidation of Hexagon Purus	1 792
Net gain from deconsolidation of Hexagon Purus	2 351 302

Hexagon Purus discontinued operations since 29 June 2023

As Hexagon Purus represented a separate major line of business and a separate segment within the Hexagon Group prior to deconsolidation, the component represents a discontinued operation and has since 29 June 2023 been presented as such. Consequently, Hexagon Group's consolidated statement of income for 2022 has been re-presented for enhanced comparability and in line with IAS 5 Non-current Assets Held for Sale and Discontinued Operations. Continuing operations thus comprise the Hexagon Agility, Hexagon Ragasco and Hexagon Digital Wave segments. Profit/loss after taxes from discontinued operations (Hexagon Purus) as incor-porated in Hexagon's group accounts is shown in the overview below:

Profit/loss after taxes from discontinued operations (Hexagon Purus)

(NOK 1 000)	2023 (up to 29 June 2023)	2 022
Revenue from contracts with customers	570 353	958 636
Other operating income	2 562	4 034
Rental income	629	1 255
Total revenue	573 544	963 925
Cost of materials	334 830	588 525
Payroll and social security expenses	295 899	443 496
Other operating expenses	143 846	337 408
Total operating expenses before depreciation	774 575	1 369 430
Operating profit before depreciation (EBITDA)	(201 031)	(405 505)
Depreciation, amortization and impairment	58 756	95 089
Operating profit (EBIT)	(259 787)	(500 594)
Share of profit/loss of investments in associated companies	(4 402)	51 888
Other financial items (net)	(40 395)	7 808
Profit/loss before taxes	(304 584)	(440 898)
Income tax expenses	(2 984)	(9 380)
Profit/loss after taxes from discontinued operations	(301 600)	(431 518)
Gain from deconsolidation of Hexagon Purus before taxes	2 351 302	-
Income tax on gain from deconsolidation of Hexagon Purus	-	-
Gain from deconsolidation of subsidiary Hexagon Purus after taxes	2 351 302	-
Profit/loss after taxes from discontinued operations according to income statement	2 049 703	(431 518)

Note 6 Net financial items

(NOK 1 000)	2023	2022
Interest income	19 301	8 075
Unrealized gains from forward exchange contracts	8 567	26 523
Foreign exchange items	129 902	200 798
Other finance income	-	-
Total finance income	157 769	235 396
Loss on exchange items	76 048	74 304
Unrealized loss on forward exchange contracts and interest rate swaps	47 068	137 747
Unrealized loss on total return swap (TRS)	124 609	-
Interest expenses	161 157	91 749
Interest expenses on lease liabilities	22 850	7 067
Other finance expense	1 599	3 011
Total finance expense	433 331	313 878
Net financial items	(275 562)	(78 482)

Note 7 Tax

Tax expense

(NOK 1000)	Note	2023	2022
Income tax payable in the income statement		60 469	63 056
Change in deferred tax in income statement		(52 264)	(44 816)
Effect of changes in tax rate		-	-
Tax expense continuing operations		8 205	18 240

Reconciliation of tax payable in the balance sheet to income tax payable in the income statement

(NOK 1000)	Note	2023	2022
Income tax payable in the balance sheet		65 835	53 057
Income tax receivable in the balance sheet	15	(30 343)	(1 992)
Net income tax payable (+) / receivable (-) in the balance sheet		35 492	51 065
- excluding discontinued operations			(3 290)
Net income tax payable (+) / receivable (-) in the balance sheet continuing operations		35 492	47 775
Prepaid taxes		28 755	38 466
Settled taxes not paid		(252)	(1 367)
Effect on tax payable of group contributions in Norway		-	534
FX translation effects		(3 525)	(22 353)
Total income tax payable in the income statement		60 469	63 056

The relationship between tax expense and the accounting profit (loss) before taxes

(NOK 1000)	Note	2023	2022
Profit before tax continuing operations		(932 977)	23 781
Tax based on nominal tax rate in Norway (22%)		(205 255)	5 232
Adjusted for tax effects of:			
Varying foreign tax rates vs. Norwegian tax rate		1 789	(7 046)
Current period unrecognized deferred tax assets		2 024	26 866
Re-assessment of previously unrecognized deferred tax assets		(19 747)	-
Tax effects related to share of profit/loss from associates		38 890	786
Tax effects related to impairment loss of associates		154 440	-
Tax effect of other permanent differences		42 543	100
Other differences relating to foreign subsidiaries		(6 916)	(7 918)
FX translation effects		438	221
Tax expense continuing operations		8 205	18 240

Profit/loss before taxes were negatively impacted by share of losses from associated companies and the impairment loss of the investment in Hexagon Purus. See also [note 26](#) Investments in associated companies for further information.

Tax effect of other permanent differences include share-based payment expenses, tax-free dividends and other non-deductible operating expenses.

Deferred tax assets and deferred tax liabilities

(NOK 1 000)	Balance sheet		Change in deferred tax in income statement	
	2023	2022	2023	2022
Deferred tax positions continuing operations				
Loss carryforwards	(42 635)	(40 427)	(2 207)	(15 714)
Interest deduction limitation reserve	(38 790)	(28 038)	(10 753)	(28 038)
Pension	(330)	(10)	(320)	175
Property, plant & equipment	70 369	73 171	(2 802)	8 528
Intangible assets	58 702	63 491	(4 790)	(4 911)
Inventories and trade receivables	(14 979)	(24 257)	9 278	(19 554)
Derivatives	(51 068)	(42 437)	(8 630)	(24 316)
Provisions for liabilities/other current liabilities	(28 998)	(28 035)	(963)	(6 176)
Other	118 830	146 873	(28 043)	53 063
Deferred tax assets (-) / liabilities (+) net	71 101	120 330	(49 229)	(36 942)
Reduction of tax assets due to uncertainty	40 904	40 497	407	16 518
Deferred tax assets (-) / liabilities (+) net carrying amount	112 005	160 827	(48 822)	(20 424)
Change in deferred tax from purchase of companies			-	-
Change in deferred tax from group contributions in Norway			-	534
Change in deferred tax due to OCI			(404)	(139)
Change in deferred tax on FX translation			3 846	23 996
Net change in deferred tax in income statement			(52 264)	(44 816)

Carrying amounts of deferred taxes

(NOK 1 000)	2023	2022
Deferred tax asset - continuing operations	(19 013)	-
Deferred tax liabilities - continuing operations	131 018	160 827
Net recognized deferred tax assets (-) / deferred tax liabilities (+) continuing operations	112 005	160 827
Deferred tax asset - discontinued operations	-	-
Deferred tax liabilities - discontinued operations	-	45 543
Net recognized deferred tax assets (-) / deferred tax liabilities (+)	112 005	206 370

Deferred tax recognized in the statement of comprehensive income is as follows:

(NOK 1 000)	2023	2022
Deferred tax asset	-	-
Deferred tax liabilities	404	139
Total	404	139

Overview of tax losses carried forward

(NOK 1 000)	2023	2022
Norway	92	-
North America	69 356	64 868
Europe	149 475	154 629
Total tax losses carried forward - continuing operations	218 922	219 496
Tax losses carried forward discontinued operations	-	1 171 304
Total tax losses carried forward	218 922	1 390 801

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 recognized option expenses in the numerator. There are 9 000 964 (5 363 364) 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	2023	2022
Profit/loss for the year flowing to holders of ordinary shares			
Profit/loss for the year		(941 182)	5 541
Profit/loss for discontinued operations		2 049 703	(431 518)
Profit/loss for the year		1 108 520	(425 977)
Weighted average number of shares outstanding 31 December			
	17		
Ordinary shares issued 1 January		201 619 712	201 619 712
Treasury shares		(1 379 854)	(650 418)
Issued new shares		-	-
Outstanding number of shares 31 December		200 239 858	200 969 294
Weighted average number of shares outstanding 31 December		200 604 576	200 870 857
Profit/loss per share for continuing operations		(4.69)	0.03
Profit/loss per share		5.53	(2.12)
Diluted number of shares outstanding 31 December			
	17		
Ordinary shares issued 1 January		201 619 712	201 619 712
Treasury shares		(1 379 854)	(650 418)
Issued new shares		-	-
Effect of employee options issued		9 000 964	5 363 364
Outstanding shares 31 December adjusted for dilution effects		209 240 822	206 332 658
Weighted average number of shares outstanding 31 December adjusted for dilution effects		207 786 740	206 234 221
Diluted profit/loss per share continuing operations		(4.69)	0.03
Diluted profit/loss per share		5.33	(2.12)

Note 9 Payroll expenses and number of employees

The Group - payroll costs

(NOK 1 000)	Note	2023	2022
Salaries/fees ¹		1 042 888	881 978
Bonuses and share-based payments		120 119	72 455
Pension expense, defined-benefit plans	18	1 188	(1 482)
Pension expense, defined-contribution plans	18	42 992	42 002
Other social security expenses		73 829	56 809
Payroll and social security expenses		1 281 017	1 051 763

¹ Capitalized payroll expenses related to technology development projects amounted to MNOK 5.8 in 2023 and MNOK 2.6 in 2022.

	2023	2022
Average number of full-time equivalents:	1 164	1 132
Corporate management, R&D and support		
Norway	15	15
North America	14	27
Hexagon Agility		
North America	727	731
Norway	24	34
Germany	176	175
Hexagon Digital Wave		
North America	66	52
Hexagon Ragasco		
Norway	128	128
North America	4	4
Russia	2	5
Total number of employees 31 December	1 156	1 171

Note 10 Property, plant & equipment

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	Assets under construction	2023 Total
Cost of acquisition					
Cost of acquisition 1 January 2023	214 445	1 334 359	261 045	488 683	2 298 532
Additions continuing operations	11 839	16 374	17 918	182 405	228 535
Additions discontinuing operations	7 973	7 529	13 058	166 950	195 510
Transfer from assets under construction	68 021	46 863	13 234	(128 118)	-
Disposals/scrap continuing operations	(1 606)	(37 501)	(15 802)	(13 756)	(68 664)
Disposals/scrap discontinuing operations	(6 524)	-	(2 727)	-	(9 251)
Derecognition from deconsolidation of subsidiary	(184 598)	(196 482)	(84 165)	(383 846)	(849 092)
Translation differences	14 302	35 674	19 121	29 855	98 952
Cost of acquisition 31 December 2023	123 851	1 206 816	221 681	342 173	1 894 521
Accumulated depreciation and impairment					
Accumulated depreciation 1 January 2023	60 738	774 968	126 520	-	962 226
Depreciation for the year from continuing operations	9 968	98 734	17 389	-	126 091
Depreciation for the year from discontinuing operations	3 821	9 273	8 009	-	21 103
Impairment	-	-	-	-	-
Disposals/scrap continuing operations	(1 606)	(35 899)	(15 410)	-	(52 914)
Disposals/scrap discontinuing operations	(6 524)	-	(2 138)	-	(8 661)
Derecognition from deconsolidation of subsidiary	(19 112)	(93 913)	(10 289)	-	(123 314)
Translation differences	1 681	11 842	8 531	-	22 054
Accumulated depreciation and impairment 31 December 2023	48 965	765 006	132 612	-	946 584
Net carrying amount as of 31 December 2023	74 886	441 810	89 069	342 172	947 938
Of which pledged					-
Useful life	10–20 years	3–15 years	3–10 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

Discontinued operations

On 29 June 2023, Hexagon Purus was effectively deconsolidated from the group accounts of Hexagon Composites, see also [note 5](#). Due this, Hexagon Purus' figures up to and including 29 June 2023, have been presented separately as discontinued operations

(NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	Assets under construction	2022 Total
Cost of acquisition					
Cost of acquisition 1 January 2022	296 549	1 079 970	218 274	234 686	1 829 479
Additions continuing operations	232	6 294	4 855	255 798	267 180
Additions discontinuing operations	1 033	26 953	38 859	173 185	240 030
Transfer from assets under construction	12 918	157 128	19 383	(189 429)	-
Disposals/scrap continuing operations ¹	(113 674)	-	(27 081)	(7 548)	(148 303)
Disposals/scrap discontinuing operations	(218)	(3 055)	(14 761)	-	(18 033)
Translation differences	17 605	67 068	21 515	21 992	128 179
Cost of acquisition 31 December 2022	214 445	1 334 359	261 045	488 683	2 298 532
Accumulated depreciation and impairment					
Accumulated depreciation 1 January 2022	67 896	645 665	105 293	-	818 855
Depreciation for the year from continuing operations	13 866	92 396	18 950	-	125 212
Depreciation for the year from discontinuing operations	7 610	11 161	14 859	-	33 630
Impairment for the year from continuing operations	-	-	594	-	594
Impairment for the year from discontinuing operations	-	-	149	-	149
Disposals/scrap continuing operations ¹	(31 203)	-	(9 912)	-	(41 115)
Disposals/scrap discontinuing operations	(217)	(1 709)	(13 301)	-	(15 226)
Translation differences	2 786	27 455	9 887	-	40 127
Accumulated depreciation and impairment 31 December 2022	60 738	774 968	126 520	-	962 225
Net carrying amount as of 31 December 2022	153 707	559 391	134 525	488 683	1 336 307
Of which pledged					-
Useful life	10–20 years	3–15 years	3–10 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

¹ On 31 December 2022, Agility North Carolina LLC, a wholly owned subsidiary of Hexagon within the Hexagon Agility segment, affected a sale- and leaseback transaction of its facility in Salisbury, North Carolina. The net carrying amount was MUS\$ 8.7 and is presented as disposals. See [note 24](#) for more information.

Note 11 Intangible assets and goodwill

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

(NOK 1 000)	Goodwill	Patents and licences	Technology- development	Customer relationships	2023 Total
Cost price					
Opening balance 1 January 2023	1 717 097	276 081	428 180	558 874	2 980 232
Additions continuing operations	-	9 932	14 460	-	24 392
Additions discontinued operations	-	334	18 469	-	18 803
Disposals continuing operations	-	(1 015)	(1 603)	-	(2 617)
Disposals discontinuing operations	-	(1 917)	-	-	(1 917)
Derecognition from deconsolidation of subsidiary	(583 031)	(13 817)	(233 474)	(177 978)	(1 008 300)
Translation differences	98 814	8 563	8 976	32 405	148 757
Cost of acquisition 31 December 2023	1 232 880	278 161	235 009	413 301	2 159 351
Accumulated amortization and impairment					
Opening balance 1 January 2023	-	70 757	143 672	194 950	409 379
Amortization for the year from continuing operation	-	16 799	16 221	30 152	63 173
Amortization for the year from discontinuing operation	-	2 616	10 419	10 737	23 772
Impairment	-	-	-	-	-
Disposals continuing operations	-	(965)	(1 603)	-	(2 568)
Disposals discontinuing operations	-	(1 614)	-	-	(1 614)
Derecognition from deconsolidation of subsidiary	-	(8 906)	(37 424)	(87 425)	(133 755)
Translation differences	-	1 506	1 412	12 440	15 358
Accumulated amortization and impairment 31 December 2023	-	80 193	132 698	160 853	373 744
Net carrying amount 31 December 2023	1 232 880	197 968	102 311	252 447	1 785 606
Useful life	Indefinite	3–17 years	5–20 years	7–15 years	
Amortization method	None	Straight-line	Straight-line	Straight-line	

Discontinued operations

On 29 June 2023, Hexagon Purus was effectively deconsolidated from the group accounts of Hexagon Composites, see also [note 5](#).

Due this, Hexagon Purus' figures up to and including 29 June 2023, have been presented separately as discontinued operations

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

(NOK 1 000)	Goodwill	Patents and licences	Technology- development	Customer relationships	2022 Total
Cost price					
Opening balance 1 January 2022	1 573 061	239 453	354 061	540 994	2 707 569
Additions continuing operations	-	12 427	10 676	-	23 104
Additions discontinued operations	-	1 294	51 331	-	52 625
Disposals continuing operations	-	(82)	-	-	(82)
Disposals discontinuing operations	-	(262)	(74)	-	(336)
Translation differences	144 036	23 250	12 186	17 880	197 351
Cost of acquisition 31 December 2022	1 717 097	276 081	428 180	558 874	2 980 232
Accumulated amortization and impairment					
Opening balance 1 January 2022	274	51 279	118 270	153 221	323 045
Amortization for the year from continuing operation	-	14 278	16 424	28 453	59 156
Amortization for the year from discontinuing operation	-	2 923	14 820	19 163	36 906
Impairment	-	-	-	-	-
Disposals continuing operations	-	-	-	-	-
Disposals discontinuing operations	-	(261)	(74)	-	(336)
Translation differences	(274)	2 538	(5 769)	(5 888)	(9 393)
Accumulated amortization and impairment 31 December 2022	-	70 757	143 672	194 950	409 379
Net carrying amount 31 December 2022	1 717 097	205 324	284 508	363 924	2 570 853
Useful life	Indefinite	3–17 years	5–20 years	7–15 years	
Amortization method	None	Straight-line	Straight-line	Straight-line	

Research & development costs totalling MNOK 38.0 (MNOK 50.0) were expensed in 2023. The Group has received government grants of MNOK 6.7 (MNOK 7.3) in 2023. MNOK 6.7 (MNOK 7.3) 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. As of the end of 2023, the Group has three CGU's where capitalized goodwill has been allocated to, which are similar to the operating segments disclosed and presented in [note 4](#). Last year, the Group had four CGU's and four operating segments, including Hexagon Purus - which was deconsolidated and presented as discontinued operations on 29 June 2023.

Goodwill 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 five 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 five 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 derived by the weighted average of the company's cost of equity and cost of debt, taking into account the 10-year risk-free interest

rates in the market, beta factor, market risk premium, the company's interest rate, and equity ratio.

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. Discount rates have used have been matched and reflective of the currency of the cash flows being tested. The table below shows WACC rates used.

WACC rates used in impairment testing

Currency	2023		2022	
	Post-tax	Pre-tax	Post-tax	Pre-tax
USD	10.1%	12.9%	11.9%	15.3%
NOK	9.6%	12.3%	11.4%	14.6%

The main reason for the lower WACC rates in 2023 compared to 2022 is related to exclusion of liquidity- and size premiums in determining cost of equity in 2023, as these premiums have been deemed no longer relevant for Hexagon.

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's primary forecast horizon is 5 years from 2024 to 2028 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 collectively employs targets of:

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

The differing CGUs within Hexagon may have differing revenue growth and EBITDA margins at differing periods of time, but collectively are expected to attain the Hexagon 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 couple of years which weigh on positive 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

Growth beyond the forecast horizon are determined based on general economic growth rates in the geographical markets Hexagon's businesses operate in.

The goodwill items of the following cash generating units have been subject to impairment testing

	2023	2022
Hexagon Agility	1 162 713	1 124 360
Hexagon Digital Wave	37 817	36 646
Hexagon Purus	-	523 741
Hexagon Ragasco	32 350	32 350
Total goodwill	1 232 880	1 717 097

The assumptions that were used as a basis for the calculations made at the end of 2023 resulted in comfortable headroom for all of the above. Following the deconsolidation of Hexagon Purus as a subsidiary on 29 June 2023, the goodwill associated with Hexagon Purus was effectively derecognized on the same date, and has thus not been subject to goodwill impairment testing in 2023. See [note 26](#) for the Group’s equity-accounted investment in Hexagon Purus and impairment assessments made for this investment specifically.

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 2023. 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.

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 and Hexagon Digital Wave 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)	2023	2022
Interest swaps ¹	20 174	25 431
Loans to associated companies ²	100 102	48 270
Other investments in shares	5 391	389
Equity investments at fair value ³	-	67 339
Total other non-current financial assets	125 667	141 429

¹ On 16 May 2022, Hexagon Composites ASA entered into three float-to-fix interest rate swaps, a USD 10 million swap with a 10 year maturity, a USD 10 million swap with a 7 year maturity, and a USD 33 million swap with a 5 year maturity. The swaps principal value represents approximately 40 per cent of the Company’s term loan (NOK 1 100 million) and revolving credit facility (NOK 350 million).

² Loans to associated companies relates to loans granted to Cryoshelter Bio-LNG, where the Group holds a 40 per cent minority interest.

³ Relates to Hexagon Purus’ investment in Norwegian Hydrogen AS, which as of 27 August 2022, was subject to a fair value adjustment following reclassification from an associated company to an equity investment on the same date. See also [note 26](#) for further information and gain related to the reclassification.

Note 13 Inventories

(NOK 1 000)	2023	2022
Raw materials and consumables	894 530	1 143 340
Work in progress	54 576	176 940
Finished goods	161 299	226 217
Total inventories	1 110 406	1 546 497
Provision for obsolete inventory in balance sheet	(59 456)	(77 530)
Carrying amount of holdings used as pledged assets	-	-

Note 14 Trade receivables

(NOK 1 000)	2023	2022
Trade receivables	559 809	878 568
Provisions for expected credit loss	(8 454)	(13 165)
Trade receivables after provision for losses	551 356	865 403
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 2023	-	1.5%	0.2%	0.8%	1.3%	1.7%	40.2%
Estimated total gross carrying amount at default 2023	-	559 809	425 056	106 069	7 769	4 867	16 048
Expected credit loss 2023	-	8 454	1 000	822	103	81	6 448
Expected credit loss rate 2022	-	1.5%	0.4%	0.2%	4.5%	16.7%	12.3%
Estimated total gross carrying amount at default 2022	9 488	878 568	540 017	222 194	55 274	11 861	49 222
Expected credit loss 2022	-	13 165	2 126	528	2 494	1 977	6 039

Changes in the provision for losses are as follows

	2023	2022
Opening balance 1 January	13 165	10 915
Provision for losses for the year	(2 409)	1 897
Actual losses during the year	(777)	(358)
Derecognition from deconsolidation of subsidiary (Hexagon Purus)	(2 174)	-
Translation differences	649	712
Closing balance 31 December	8 454	13 165

Credit risk and currency risk regarding trade receivables are described in more detail in [note 25](#).

Note 15 Other current assets

(NOK 1 000)	2023	2022
Prepaid expenses	27 991	80 757
Prepayment to suppliers	-	61 188
VAT refund	7 504	6 956
Prepaid tax overseas	30 343	1 992
Other receivables to associates	29 123	-
Other ¹	45 799	37 878
Total other current assets	140 760	188 772

¹ Other include receivables from the Skattefunn tax incentive scheme and other grants of NOK 3 500 thousand (4 820 thousand).

Note 16 Bank deposits, cash and cash equivalents

(NOK 1 000)	2023	2022
Cash at bank and in hand	154 350	713 547
Bank deposits, cash and cash equivalents	154 350	713 547
Cash & cash equivalents in the cash flow analysis	154 350	713 547
Undrawn Group overdraft facility	238 745	135 769
Undrawn loan facilities	350 000	225 000
Restricted funds included in cash & cash equivalents ¹	9 802	9 283

¹ Restricted tax withholdings.

Note 17 Share capital, shareholder information and dividend

(NOK 1 000)	2023	2022
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)	
	2023	2022	2023	2022	2023	2022
Ordinary shares						
Issued and paid 1 January	201 619 712	201 619 712	20 162	20 162	2 075 999	2 075 999
Issued new share capital	-	-	-	-	-	-
Transaction cost					-	-
Dividend in kind					(1 369 455)	-
Issued and paid 31 December	201 619 712	201 619 712	20 162	20 162	706 544	2 075 999
Treasury shares						
1 January	650 418	847 292	65	85		
Change during period	729 435	(196 874)	73	(20)		
31 December	1 379 853	650 418	138	65		

As of 31 December 2023 the Company had 1 379 853 treasury shares (650 418). The cost of acquisition of NOK 50 358 thousand (NOK 18 789 thousand) is entered as a reduction in equity. The shares are held as “treasury shares”, and the Company is entitled to sell them in the future.

20 Largest shareholders as of 31 December 2023	Number of shares	Shareholding
MITSUI & CO LTD	45 833 321	22.73%
CLEARSTREAM BANKING S.A.	17 337 750	8.60%
FLAKK COMPOSITES AS ¹	15 213 217	7.55%
MP PENSJON PK	12 073 762	5.99%
BROWN BROTHERS HARRIMAN & CO	5 584 136	2.77%
BRØDR. BØCKMANN AS	5 430 745	2.69%
KTF FINANS AS ¹	5 000 000	2.48%
FOLKETRYGDFONDET	4 033 463	2.00%
NØDINGEN AS	3 992 956	1.98%
STATE STREET BANK AND TRUST COMPANY	3 278 311	1.63%
RBC INVESTOR SERVICES TRUST	3 023 977	1.50%
JPMORGAN CHASE BANK, N.A., LONDON	2 516 427	1.25%
THE NORTHERN TRUST COMPANY, LONDON	2 096 540	1.04%
VERDIPAPIRFONDET STOREBRAND NORGE	2 077 342	1.03%
J.P. MORGAN SE	2 027 430	1.01%
UBS SWITZERLAND AG	1 848 335	0.92%
FLAKK GRUPPEN AS ¹	1 690 504	0.84%
SKANDINAVISKA ENSKILDA BANKEN AB	1 559 478	0.77%
RBC INVESTOR SERVICES TRUST	1 545 168	0.77%
THE BANK OF NEW YORK MELLON SA/NV	1 459 308	0.72%
Total 20 largest shareholders	137 622 170	68.26%
Remainder	63 997 542	31.74%
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 2023 was 5 298 of whom 435 were foreign shareholders. The number of shares held by foreign shareholders was 120 841 131 or 60.0 per cent.

Dividend in kind NOK 1 369 million represents fair value of 69 164 402 shares in Hexagon Purus ASA distributed 29 June 2023 (see [note 5](#)). The Board proposes to the general assembly that there will be no further dividend to be paid for the fiscal year 2023.

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

The Board 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 and requires an unanimous Board resolution.

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. Plans in other jurisdictions follows local requirements and agreements. 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)	2023	2022
Defined contribution pension plan	40 660	39 830
Defined benefit pension plan	1 188	(1 482)
Multi-employer pension plan in Norway (new AFP)	2 333	2 172
Total	44 181	40 520

Defined contribution 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 0 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 2023 the Norwegian defined contribution pension plans had 167 (177) members.

Our subsidiaries in the US and Canada offer defined contribution plans subject to US and Canadian 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 2023, 811 (814) members were covered by the plan. There are no defined contribution pension plan in Germany.

The table below provides a split of expenses in the defined contribution plans:

(NOK 1 000)	2023	2022
Defined contribution pension plans - Norway	9 873	12 856
Defined contribution pension plans - USA / Canada	30 787	26 974
Total	40 660	39 830

Defined benefit plans in the Group:

There are historical defined benefit plans in Norway and Germany with a very limited participation. The obligation for the defined benefit pension plans is calculated on a straight-line basis. Unrealized gains and losses resulting from changes in actuarial assumptions are recognized in other comprehensive income. There are 6 active and 9 retired in the pension plans. The pension liabilities and assets are calculated by actuaries and presented below. Based on the limited participation, assets and liabilities, the plans are considered of low materiality and significance.

(NOK 1 000)	2023	2022
Pension assets	-	402
Pension liabilities	1 591	2 321

Multi-employer pension plan in Norway

128 (126) 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 2022) 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 was NOK 2 333 thousand in 2023 and NOK 2 172 thousand in 2022. Expected premium for 2024 is NOK 2 414 thousand.

Note 19 Provisions

Non-current provisions

(NOK 1 000)	2023	2022
Other non-current provisions	8 594	6 133
Total non-current provisions	8 594	6 133

Warranty provisions (current)

(NOK 1 000)	2023	2022
Balance 1 January	102 557	66 747
Derecognition from deconsolidation of subsidiary (Hexagon Purus)	(49 447)	-
Provisions for year	54 793	53 713
Translation differences	5 903	6 708
Provisions used during year	(45 795)	(24 611)
Balance 31 December	68 011	102 557

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 contracts. The provision can thereby be expected to be related to activity and new contracts.

Note 20 Interest-bearing liabilities

(NOK 1 000)	Interest rate conditions	Currency	Maturity	2023	2022		
				Facility size	Carrying amount	Facility size	Carrying amount
Secured							
Term loan DNB and Danske Bank (bullet)	Nibor 3 month + margin	NOK	9 Dec 2024	1 100 000	1 100 000	1 100 000	1 100 000
Revolving credit facility DNB and Danske Bank (bullet)	Nibor 3 month + margin	NOK	9 Dec 2024	350 000	-	350 000	350 000
Accordion facility DNB and Danske Bank (bullet)	Nibor 3 month + margin	NOK	31 Mar 2024	-	-	325 000	100 000
Overdraft facility DNB and Danske Bank	Nibor 3 month + margin	NOK	9 Dec 2024	250 000	11 255	250 000	130 002
Total DNB and Danske Bank¹				1 700 000	1 111 255	2 025 000	1 680 002
Bank loan Volksbank an der Niers AG	1.55%	EUR	30 Sep 2036	N/A	-	N/A	7 356
Bank loan Deutsche Bank AG	1.96%	EUR	30 Mar 2037	N/A	-	N/A	16 881
Bank loan Deutsche Bank AG	2.88%	EUR	30 Jun 2033	N/A	-	N/A	14 524
Bank loan Deutsche Bank AG	1.79%	EUR	30 Nov 2025	N/A	-	N/A	5 586
Overdraft facility Deutsche Bank	Euribor 3 month + margin	EUR		N/A	-	15 771	-
Total Deutsche Bank and Volkesbank²				-	-	15 771	44 347
Total secured interest-bearing liabilities				1 700 000	1 111 255	2 040 771	1 724 348
Amortized transaction costs					(2 787)		(7 534)
Total interest-bearing liabilities					1 108 468		1 716 815
hereof current:							
Overdraft facility					11 255		130 002
Current interest bearing liabilities					1 097 213		100 000
1 st year's instalments, classified as current					-		4 673
Total current interest-bearing liabilities					1 108 468		234 674
Total non-current interest bearing liabilities					-		1 482 140

Estimated repayment structure for non-current liabilities (NOK 1 000) as of 31 December 2023						
2024	2025	2026	2027	2028	Thereafter	
1 111 255	-	-	-	-	-	

¹ On 9 December 2021, Hexagon Composites ASA entered into a Senior Secured bilateral loan facility with DNB and Danske Bank. The overall size of the committed facility was NOK 1 700 million, comprising a term loan of NOK 1 100 million, a multi-currency revolving credit facility (RCF) of NOK 350 million and an overdraft facility of NOK 250 million. The size of the uncommitted credit facility amounted to a maximum of NOK 400 million, where NOK 325 was called upon and became committed as of 30 September 2022. As of 31 December 2022 the total commitment under the facilities was NOK 2 025 million. During 2023, the accordion facility was released in full and is the committed amount as of 31 December 2023 is zero. The NOK 1 100 million term loan with DNB and Danske Bank matures in December 2024, and has thus been classified and presented as current interest bearing liabilities as of 31 December 2023. On the date of signing of these financial statements, Hexagon are in advanced discussions with its banking partners related to a refinancing of its debt facilities and aims to refinance its debt facilities well in advance of December 2024.

² The bank loans towards Volksbank and Deutsche Bank as of 31 December 2022 was related to Hexagon Purus' wholly owned subsidiary, Wystrach, which as of 31 December 2023 is no longer a component of Hexagon's group accounts following the deconsolidation of Hexagon Purus on 29 June 2023.

Covenants

As of 31 December 2023, financial covenants, related to equity ratio and leverage (NIBD/EBITDA) were in compliance with comfortable headrooms.

Reconciliation for liabilities arising from financing activities

(NOK 1 000)	Non-current interest-bearing liabilities	Non-current convertible bond loan	Current interest-bearing liabilities	Lease liabilities	Total
Liabilities as of 1 January 2022	1 166 057	-	13 635	292 732	1 472 424
Financing activities with cash settlement					
Repayment of non-current liabilities	-	-	(4 560)	-	(4 560)
New interest bearing liabilities	318 268	-	221 039	-	539 307
Repayment of lease liabilities	-	-	-	(74 025)	(74 025)
Repayment of current liabilities	-	-	-	-	-
Financing activities without cash settlement					
New lease liabilities	-	-	-	307 333	307 333
Reclassification 1 st year's instalments	(4 673)	-	4 673	-	-
Exchange differences	2 089	-	(113)	25 551	27 528
Other transactions without cash settlement	399	-	-	-	399
Liabilities as of 31 December 2022	1 482 140	-	234 674	551 592	2 268 406

(NOK 1 000)	Non-current interest-bearing liabilities	Non-current convertible bond loan	Current interest-bearing liabilities	Lease liabilities	Total
Liabilities as of 1 January 2023	1 482 140	-	234 674	551 592	2 268 406
Financing activities with cash settlement					
Repayment of non-current liabilities	(365 398)	-	-	-	(365 398)
New interest bearing liabilities	-	800 000	-	-	800 000
Transaction costs	-	(23 091)	-	-	(23 091)
Repayment of lease liabilities	-	-	-	(71 375)	(71 375)
Repayment of current liabilities	-	-	(222 437)	-	(222 437)
Financing activities without cash settlement					
New lease liabilities	-	-	-	108 189	108 189
Reclassifications non-current to current ¹	(1 097 213)	-	1 097 213	-	-
Exchange differences	5 421	-	-	24 528	29 949
Equity component of convertible bond less transaction costs	-	(270 318)	-	-	(270 318)
Other transactions without cash settlement	5 604	21 024	-	-	26 628
Derecognition from deconsolidation of subsidiary	(30 554)	(527 615)	(982)	(163 807)	(722 959)
Liabilities as of 31 December 2023	-	-	1 108 468	449 127	1 557 595

¹ The NOK 800 million convertible bond issuance in 2023 relates to Hexagon Purus ASA, which was derecognized as a subsidiary on 29 June 2023. A total of NOK 723 million of interest bearing financial liabilities were derecognized from Hexagon's group accounts following the deconsolidation of Hexagon Purus.

Note 21 Financial liabilities

(NOK 1 000)	2023	2022
Cross-currency swap (fair value) ¹	-	216 885
Contingent consideration from business combination	-	39 789
Total non-current financial liabilities	-	256 675
Cross-currency swap (fair value) ¹	252 299	-
Other current financial liabilities (total return swap) ²	124 609	-
Deferred payment from business combination ³	-	45 776
Contingent considerations from business combination ³	-	29 275
Total current financial liabilities	376 909	75 051

¹ In 2019 the company entered into a cross-currency swap of USD 120.3 to effectively convert its NOK 1 100 million term loan from NOK to USD. 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 term loan. The value of the swap as of 31 December 2023 was NOK -252.3 million and has been presented as current due its concurrent maturity with the term loan on 9 December 2024.

² On 29 June 2023, Hexagon Composites entered into a total return swap (TRS) with financial exposure to 13 839 872 shares (representing 5 per cent of the total outstanding shares) in Hexagon Purus ASA. The total return swap gives Hexagon Composites financial exposure to any change in the fair value of the underlying 13 839 872 shares from the initial amount of NOK 19.80 per share. Hexagon has no right or obligation to acquire the underlying shares at maturity. Due to the structure and the relevant facts pertaining to the agreement, the TRS has been classified as a financial derivative with changes in fair value through profit or loss (FVTPL). As of 31 December 2023, the fair value of the TRS was NOK -124.6 million. The TRS agreement matures on 2 July 2024.

³ Deferred payment from business combinations and contingent considerations from business combinations relate to Hexagon Purus' acquisition of Wystrach GmbH in 2021. Following the deconsolidation of Hexagon Purus on 29 June 2023, all liabilities related to Hexagon Purus were effectively derecognized from Hexagon's group accounts.

Note 22 Current interest-bearing liabilities

(NOK 1 000)	2023	2022
Current interest-bearing liabilities – overdraft facility	11 255	130 002
Current interest-bearing liabilities – term loan	1 097 213	100 000
1 st year's instalments on non-current interest-bearing liabilities	-	4 673
Total current interest-bearing liabilities	1 108 468	234 674
1 st year's instalments, lease liabilities	61 867	70 574
Total	1 170 335	305 248

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 related to the provision of the facilities.

The NOK 1 100 million term loan with DNB and Danske Bank matures in December 2024, and has thus been classified and presented as current interest bearing liabilities as of 31 December 2023. On the date of signing of these financial statements, Hexagon are in advanced discussions with its banking partners related to a refinancing of its debt facilities and aims to refinance its debt facilities well in advance of December 2024.

Note 23 Other current liabilities

(NOK 1 000)	2023	2022
Public duties payable	27 561	26 949
Unpaid salaries, bonuses, holiday pay	132 634	111 892
Accrued expenses and other current liabilities	127 645	204 313
Total	287 840	343 154

Note 24 Leases

Right of use assets (NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	2023 Total
At cost				
Cost of acquisition 1 January	592 722	83 951	9 102	685 775
Additions continuing operations	98 052	-	6 878	104 930
Additions discontinued operations	6 384	1 497	1 388	9 270
Expirations at maturity continuing operations	(12 603)	-	(958)	(13 560)
Expirations at maturity discontinued operations	(35 296)	(304)	(782)	(36 382)
Derecognition from deconsolidation of subsidiary	(175 106)	(24 447)	(6 956)	(206 508)
Translation differences	23 704	6 176	486	30 366
Cost of acquisition 31 December	497 858	66 873	9 159	573 890
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 January	158 230	49 208	5 105	212 542
Depreciations continuing operations	59 098	8 880	1 333	69 311
Depreciations discontinued operations	10 694	2 464	723	13 881
Expirations at maturity continuing operations	(8 522)	-	(958)	(9 479)
Expirations at maturity discontinued operations	(35 296)	(304)	(782)	(36 383)
Derecognition from deconsolidation of subsidiary	(35 029)	(8 472)	(3 715)	(47 216)
Translation differences	1 944	3 370	296	5 610
Accumulated depreciation and impairment	151 119	55 145	2 002	208 266
Carrying amount as of 31 December	346 739	11 728	7 157	365 624
Useful life	3–17 years	3–7 years	2–5 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

Discontinued operations

On 29 June 2023, Hexagon Purus was effectively deconsolidated from the group accounts of Hexagon Composites, see also [note 5](#). Due this, Hexagon Purus' figures up to and including 29 June 2023, have been presented separately as discontinued operations

Right of use assets (NOK 1 000)	Land and buildings	Plant and equipment	Fixtures & fittings, vehicles	2022 Total
At cost				
Cost of acquisition 1 January	373 042	78 270	5 537	456 849
Additions continuing operations	122 154	-	1 366	123 520
Additions discontinued operations	118 929	1 505	2 038	122 472
Expirations at maturity continuing operations	(52 166)	-	(262)	(52 428)
Expirations at maturity discontinued operations	-	-	-	-
Translation differences	30 763	4 175	424	35 362
Cost of acquisition 31 December	592 722	83 951	9 102	685 775
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 January	136 613	34 391	3 536	174 540
Depreciations continuing operations	48 486	7 838	547	56 871
Depreciations discontinued operations	18 387	4 937	1 079	24 404
Expirations at maturity continuing operations	(52 166)	-	(262)	(52 428)
Expirations at maturity discontinued operations	-	-	-	-
Translation differences	6 909	2 041	205	9 156
Accumulated depreciation and impairment	158 230	49 208	5 105	212 542
Carrying amount as of 31 December	434 492	34 743	3 998	473 233
Useful life	3–17 years	3–7 years	2–5 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

Sale- and leaseback transactions

On 31 December 2022, Agility North Carolina LLC, a wholly owned subsidiary of Hexagon within the Hexagon Agility segment, affected a sale- and leaseback transaction of its facility in Salisbury, North Carolina. The facility consists of approximately 19 000 square metres for production and assembly of fuel systems, as well as approximately 144 000 square metres of land. The consideration received for the facility amounted to NOK 161 million, which resulted in an accounting gain of NOK 8 million net of transaction costs. The gain is presented as other operating income in the income statement.

The lease agreement has a lease term of 16 years with options to extend for two 10 year periods. Initial recognition of lease liability per 31 December was NOK 135 million. Extension options are, due to uncertainty of exercising, not included in the lease liability calculation. Recognized right of use asset amounted to NOK 72 million representing a 84 per cent proportionate share (derived by the ration of the recognized lease liability over the of the facility's fair market value), pre-sale book value of NOK 86 million.

In addition to the affected sale-and leaseback transaction of the existing facility in Salisbury, North Carolina, the buyer also acquired the right to develop Agility's planned NOK 136 million expansion of the Salisbury facility. The expansion is estimated to commence in January 2025, where a separate lease agreement will be entered into with the buyer. Both the sale-and leaseback agreement and the outsourcing of the expansion project is affected according to Hexagon's preference of renting instead of owning its facilities.

Lease liabilities

(NOK 1 000)	2023 Total	2022 Total
Undiscounted lease liabilities and maturity of cash outflows		
Less than 1 year	85 525	100 831
1–2 years	70 894	102 808
2–3 years	61 947	79 016
3–4 years	54 503	67 828
4–5 years	42 449	59 817
More than 5 years	289 485	345 007
Total undiscounted lease liabilities at 31 December	604 802	755 305

Summary of the lease liabilities

(NOK 1 000)	2023 Total	2022 Total
At initial application 1 January	551 592	292 732
Additions from continuing operations	98 919	184 861
Additions from discontinued operations	9 270	122 472
Cash payments for the principal portion of the lease liability continuing operations	(57 486)	(50 369)
Cash payments for the principal portion of the lease liability discontinued operations	(13 889)	(23 656)
Cash payments for the interest portion of the lease liability continuing operations	(22 850)	(7 067)
Cash payments for the interest portion of the lease liability discontinued operations	(6 828)	(2 471)
Interest expense on lease liabilities continuing operations	22 850	7 067
Interest expense on lease liabilities discontinued operations	6 828	2 471
Derecognition from deconsolidation of subsidiary	(163 807)	-
Currency exchange differences	24 528	25 551
Total lease liabilities at 31 December	449 127	551 592
Current lease liabilities	61 867	70 574
Non-current lease liabilities	387 260	481 018

Summary of cash outflows leases

(NOK 1 000)	2023 Total	2022 Total
Cash payments for leases continuing operations	80 335	57 438
Variable payments continuing operations	13 975	12 055
Cash payments related to short-term leases and leases of low value continuing operations	1 524	333
Total cash outflows for leases continuing operations	95 835	69 827
Cash payments for leases discontinued operations	20 791	26 127
Variable payments discontinued operations	12 055	8 508
Cash payments related to short-term leases and leases of low value discontinued operations	333	259
Total cash outflows for leases discontinued operations	33 179	34 894

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 sufficiently high 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 as a lessor

The Group does not have any significant lease agreements where Hexagon Composites is the lessor.

Note 25 Market risk

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 operations. The Group's principal financial assets include trade receivables, cash and cash equivalents that derive directly from its operations. The Group use some financial derivatives for hedging purposes.

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

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

The Group has the following financial assets and liabilities divided into different categories for accounting treatment and reconciled against the balance sheet items 31 December 2023

(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	20 174		5 391	100 102	125 667
Trade receivables				551 356	551 356
Bank deposits, cash and cash equivalents				154 350	154 350
Total financial assets	20 174	-	5 391	805 808	831 373
Liabilities					
Non-current lease liabilities				387 260	387 260
Current lease liabilities				61 867	61 867
Current interest-bearing liabilities				1 108 468	1 108 468
Other current financial liabilities	376 909		-	-	376 909
Trade payables				384 015	384 015
Total financial liabilities	376 909	-	-	1 941 610	2 318 518

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 2022

(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	25 431		67 727	48 270	141 429
Trade receivables				865 403	865 403
Bank deposits, cash and cash equivalents				713 547	713 547
Total financial assets	25 431	-	67 727	1 627 220	1 720 378
Liabilities					
Non-current interest-bearing liabilities				1 482 140	1 482 140
Other non-current financial liabilities	216 885		39 789	-	256 675
Non-current lease liabilities				481 018	481 018
Current lease liabilities				70 574	70 574
Current interest-bearing liabilities				234 674	234 674
Other current financial liabilities			29 275	45 776	75 051
Trade payables				572 569	572 569
Total financial liabilities	216 885	-	69 064	2 886 751	3 172 701

(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 and Hexagon Agility GmbH applies credit insurance to cover parts of the companies' receivables.

Trade receivables amounted to NOK 560 million (NOK 879 million). Except of parts in Hexagon Ragasco AS and Hexagon Agility GmbH these do not have credit insurance. However, these 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](#)).

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. The principal bank loan facility in the parent company has been drawn in Euro, NOK and USD, with EURIBOR/NIBOR/SOFR base rates. As part of the NOK 1.1 billion financing of the acquisition of Hexagon Agility in 2019, a cross-currency hedge was established where the Group receives a variable rate equal to NIBOR + margin and pays a variable rate equal to SOFR + margin. In addition to the cross currency swap, Hexagon Composites ASA entered into three float-to-fix interest rate swaps in May 2022 with a maturity of 5, 7 and 10 years for a total principal amount of USD 33 million, USD 10 million and USD 10 million respectively. These interest rate swaps effectively hedges approximately 40 per cent of the Group's 1.1 billion term loan at base rates (excluding margins) of 2.90 per cent, 2.93 per cent and 3.00 per cent for the 5, 7, and 10 year swaps respectively.

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 other comprehensive income before tax (NOK 1 000)
2023	+100	(5 721)	-
	(100)	5 721	-
2022	+100	(11 944)	-
	(100)	11 944	-

Based on the interest bearing liabilities which existed as of 31 December 2023, an interest rate increase of 1% would reduce profit after tax by NOK 4 462 thousand (9 316 thousand).

The average effective interest rate on financial liabilities was as follows:

	2023	2022
Bank overdrafts	3.8–6.7%	1.4–5.7%
Bank loan	6.1–8.2%	1.5–7.4%
Lease liabilities	1–8.0%	1–10.5%

(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 disclosed 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 2023 Remaining period	Less than 1 month	1–3 Months	3–12 Months	1–5 Years	More than 5 years	Total
(NOK 1 000)						
Repayment of interest-bearing liabilities	-	-	1 111 255	-	-	1 111 255
Interest on interest-bearing liabilities	6 151	12 413	55 029	-	-	73 593
Current financial liabilities	-	-	376 909	-	-	376 909
Repayment of leases	5 218	10 491	46 158	160 556	226 704	449 127
Interest on leases	2 072	4 089	17 495	69 252	62 769	155 675
Trade payables	345 613	38 401				384 015
Total	359 054	65 394	1 606 845	229 807	289 473	2 550 574

The Group’s interest-bearing debt facilities matures in December 2024, and has thus been classified and presented as current liabilities. Hexagon management is however in advanced discussions with its banking partners, DNB and Danske Bank, to refinance its debt facilities, which is expected to be finalized well in advance of December 2024. See also [note 20](#).

Current financial liabilities consist of a negative fair value on the group cross currency swap of NOK 252 million and a negative fair value of a total return swap with Hexagon Purus shares as underlying of NOK 125 million. The TRS matures in June 2024 while the cross currency swap matures in December 2024 concurrent with the maturity of the debt facility. The liquidity risk of these swaps are however fluctative by nature and is dependent upon the fair value of the swaps on maturity. The cross currency is expected to be roll forwarded without a liquidity effect in relation to the mentioned debt refinancing.

31 December 2022 Remaining period

(NOK 1 000)	Less than 1 month	1–3 Months	3–12 Months	1–5 Years	More than 5 years	Total
Bank overdrafts				-		-
Repayment of interest-bearing liabilities	389	101 168	133 117	1 466 430	23 244	1 724 348
Interest on interest-bearing liabilities	9 595	19 578	79 903	82 107	1 962	193 144
Non-current financial liabilities	-	-	-	256 675	-	256 675
Other current financial liabilities	-	75 051	-	-	-	75 051
Repayment of leases	5 900	11 715	52 959	224 637	256 381	551 592
Interest on leases	2 626	5 196	22 481	90 978	82 432	203 713
Trade payables	475 232	97 337				572 569
Total	493 743	310 044	288 461	2 120 826	364 019	3 577 092

(iv) Foreign exchange risk

As the Group has production and sales in different countries with different functional currencies, the Group may from time to time use forward contracts to reduce its currency risk from cash flows denominated in foreign currencies. Currency risk is calculated for each currency and takes into consideration assets and liabilities, off-balance sheet obligations and highly probable purchases and sales in the relevant currency. The Group also has a cross currency interest rate swap which effectively converts its NOK 1.1 billion term loan to a USD 132.7 million USD loan (see also [note 21](#)). This financial instrument gives rise to foreign exchange effect in the profit/loss of the parent company, Hexagon Composites ASA. However, the parent company also has significant interest bearing loan receivable not designated as net investment hedges towards its US subsidiary Hexagon USA Holdings Inc. denominated in USD. The said portion of the receivable is subject to currency re-evaluations through the profit/loss which largely neutralizes the foreign exchange risk related to the mentioned cross currency swap.

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 currency effects from USD-denominated loan receivables not designated as net investment hedge through OCI, and currency effects of the cross currency swap.

The OCI effect is caused by currency effects of USD-denominated loan receivables designated as net investments in foreign operations. In Hexagon Composites ASA, an intercompany interest-bearing loan of USD 5.2 million (MNOK 52.8) at 31 December 2023 (USD 105.2 million (MNOK 1 035.9) at 31 December 2022) has been designated as net investments in the US-based subsidiary, Hexagon USA Holdings Inc. The reduction in the

designated amount from 2022 to 2023 is related to a debt-to-equity conversion of USD 99.9 million in Hexagon USA Holdings Inc. in July 2023. The remaining balance 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.

	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)
2023	+10% (10%)	(23 262) 23 262	(5 280) 5 280
2022	+10% (10%)	(18 735) 18 735	(103 591) 103 591

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 2023, the Group does not have any forward contracts.

As of 31 December 2022, 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 2022
Forward contracts to hedge expected future sale	EUR/NOK	100/1 050	2023	10.50–10.50	-
Total					-

The group does not apply hedge accounting for any of its derivatives

(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

(NOK 1 000)	Level	2023		2022	
		Book value	Fair value	Book value	Fair value
Financial assets					
Interest rate swaps	2	20 174	20 174	25 431	25 431
Investments in shares	3	5 391	5 391	67 727	67 727
Loans to associated companies	2	100 102	100 102	48 270	48 270
Financial liabilities					
Non-current interest-bearing liabilities	2	-	-	1 482 140	1 489 674
Non-current contingent considerations	3	-	-	39 789	39 789
Non-current financial liabilities	3	-	-	216 885	216 885
Current interest-bearing liabilities	2	1 108 468	1 111 255	234 674	234 674
Current contingent considerations	3	-	-	29 275	29 275
Deferred payment from business combination	3	-	-	45 776	45 776
Cross-currency swap	2	252 299	252 299	-	-
Total return swap	2	124 609	124 609	-	-

The fair values of the Group’s interest-bearing bank loans 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-perfor-
mance risk as at 31 December 2023 and 31 December 2022 was assessed to be insignificant.

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

Financial instruments appraised at fair value with gains and losses in the income statement

(NOK 1 000)	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Level 1: Based on prices in an active market		-	-	-
Level 2: Observable market data ¹	20 174	376 909	25 431	216 885
Level 3: Other than observable market data ²	5 391	-	67 727	69 064
Total financial instruments at fair value	25 565	376 909	93 158	285 950

¹ Level 2 relates to interest rate swap shown in [note 12](#) and a cross currency swap and total return swap shown in note 21. Level 2 is estimated based on calculating the net present value of future cash flows, using interest rate curves, exchange rates and currency spreads as of the balance sheet date.

² Level 3 instruments in 2022 relates largely to contingent considerations and unlisted equity investments in Hexagon Purus, which were derecognized on 29 June 2023. In 2023, the Group has only minor unlisted equity investments measured at fair value.

Financial instruments appraised at fair value with gains and losses over other income and expenses in total comprehensive income

(NOK 1 000)	2023	2022
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 2022 or 2023.

Note 26 Investments in associated companies

Companies	Country	Business segment	Ownership 31 December 2022	Ownership 31 December 2023	Accounting method
Hexagon Purus ASA ¹	Norway	Other	73.0%	38.4%	Equity method
Cryoshelter BioLNG GmbH ²	Austria	Hexagon Agility	40.0%	40.0%	Equity method

¹ Hexagon Purus ASA classified as an associated company as of 29.06.23 following loss of control and deconsolidation effective on the same date. See also [note 5](#) for further information.

² Acquired on 01.08.2022 and classified as an associated companies effective from the same date

Income statement reconciliation (NOK 1000)	Hexagon Purus ASA		Cryoshelter BioLNG GmbH		Total	
	2023	2022	2023	2022	2023	2022
Share of profit after tax	(143 520)	-	(17 949)	(2 579)	(161 469)	(2 579)
PPA amortizations associated companies	(12 448)	-	(2 657)	(992)	(15 105)	(992)
Impairment	(702 000)	-	-	-	(702 000)	-
Gain on loss of significant influence	-	-	-	-	-	-
Total profit/loss from investments in associated companies as per 31 December	(857 968)	-	(20 606)	(3 571)	(878 574)	(3 571)

Balance sheet reconciliation

(NOK 1000)

	Hexagon Purus ASA		Cryoshelter BioLNG GmbH		Other associates ¹		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Carrying value as at 1 January	-	-	20 243	-	33 029	7 024	53 272	7 024
Share of profit after tax incl. PPA amortizations	(155 968)	-	(20 606)	(3 571)	-	-	(176 574)	(3 571)
Share of other comprehensive income	(21 590)	-	-	-	-	-	(21 590)	-
Share of profit after tax incl. PPA amortizations from discontinued operations	-	-	-	-	(4 402)	(11 271)	(4 402)	(11 271)
Purchase of shares	-	-	-	23 898	-	33 738	-	57 636
Share capital contribution	-	-	-	-	29 305	7 743	29 305	7 743
Initial recognition at fair value following deconsolidation as subsidiary	2 378 695	-	-	-	-	-	2 378 695	-
Sale of shares	(274 029)	-	-	-	-	-	(274 029)	-
Derecognition - loss of significant influence	-	-	-	-	-	(4 179)	-	(4 179)
Derecognition of associates following deconsolidation of subsidiary	-	-	-	-	(57 804)	-	(57 804)	-
Impairment	(702 000)	-	-	-	-	-	(702 000)	-
Currency translation effects	-	-	363	(84)	(128)	(25)	235	(110)
Carrying value as per 31 December	1 225 107	-	-	20 243	-	33 029	1 225 107	53 272

¹ Other associates relate to associated companies of Hexagon Purus. As a result of the deconsolidation of Hexagon Purus effective 29 June 2023, these associated companies were derecognized from the group accounts of Hexagon Composites. The total carrying amount derecognized amounted to NOK 57.8 million.

The following table sets forth summarized financial information for the Group's material associate, Hexagon Purus.

Companies (NOK 1000)	Hexagon Purus ASA	
	2023 (Full year)	2023 (29 June to 31 Dec)
Interest held as per 31 December		38.40%
Income statement and statement of comprehensive income of the associate		
Revenues	1 319 614	746 070
EBITDA	(445 473)	(244 442)
EBIT	(595 258)	(335 471)
Profit/loss before taxes	(691 310)	(386 726)
Profit/loss after taxes	(683 517)	(381 918)
- hereof attributable to equity holders of the parent	(672 703)	(373 750)
Other comprehensive income	44 157	(61 936)
- hereof attributable to equity holders of the parent	49 813	(56 224)
Total comprehensive income	(639 360)	(443 854)
- hereof attributable to equity holders of the parent	(622 890)	(429 974)
Hexagon's share of profit/loss of the associate		(143 520)
Hexagon's share of other comprehensive income of the associate		(21 590)
Hexagon's share of total comprehensive income of the associate		(165 110)

Hexagon Purus ASA - initial recognition as associated company in Q2 2023

Following loss of control and deconsolidation of Hexagon Purus as a subsidiary effective from 29 June 2023, Hexagon Composites' investment in Hexagon Purus is being accounted for as an associated company applying the equity method. On 29 June 2023, following the dividend-in-kind decision, Hexagon Composites' ownership in Hexagon Purus was effectively reduced to 43.4 per cent. The initial recognition and measurement of Hexagon Purus under the equity method amounted to NOK 2 379 million, representing 43.4 per cent of the fair market value of Hexagon Purus on 29 June. Furthermore, on 29 June, Hexagon Composites sold 13.8 million Hexagon Purus shares and simultaneously entered into a total return swap (TRS) representing 5 per cent of the total outstanding shares in Hexagon Purus. The transaction was closed at NOK 19.80 per share for a total consideration of

Companies (NOK 1000)	Hexagon Purus ASA	
	2023 (Full year)	2023 (29 June to 31 Dec)
Other effects related to the associate		
PPA amortizations relates to implicit intangible assets of the associate		(12 448)
Impairment loss on the associate		(702 000)
Total effect in Hexagon's comprehensive income related to the associate		(879 558)
Balance sheet as per 31 December		
Non-current assets	2 467 210	2 467 210
Current assets	1 305 797	1 305 797
Non-current liabilities	1 154 847	1 154 847
Current liabilities	699 032	699 032
Net assets / equity	1 919 128	1 919 128
Hexagon's share of net assets		736 945
Intangible assets		286 106
Goodwill		904 056
Impairment		(702 000)
Carrying value as per 31 December		1 225 107
Fair value (if there is a quoted market) as per 31 December		1 184 171

NOK 274 million. Based on the substance of the agreements and the circumstances for the sale, the sale of shares associated with the TRS agreements was accounted for as a reduction in ownership of an associate. Since the sale of shares under the TRS agreement was made subsequently on the same date as the loss-of-control event, the sale represented a zero-gain transaction. From 29 June and onwards, Hexagon Composites has accounted for 38.4 per cent of the profits/losses in Hexagon Purus via the equity method in addition to amortizations of fair value/PPA-adjustments. See also [note 5](#) for further information related to the deconsolidation of Hexagon Purus. The table below shows the purchase price allocation of Hexagon Purus as of 29 June 2023.

Purchase price allocation Hexagon Purus as of 29 June 2023 (NOK 1000)	Hexagon Purus 100% basis	Hexagon Composites share
Ownership share		38.4%
Number of shares	276 797 456	106 296 223
Share price (NOK / share)	19.80	19.80
Market value of equity as of 29 June 2023	5 480 590	2 104 665
Book values as of recognition date / acquisition date		
Non-current assets	1 917 324	736 294
Current assets	1 900 183	729 712
Non-current liabilities	738 189	283 481
Current liabilities	731 115	280 764
Book value of equity as of 29 June 2023	2 348 204	901 761
Fair value / PPA adjustments	3 132 386	1 202 904
- hereof intangible assets	778 206	298 848
- hereof goodwill	2 354 180	904 056

Hexagon Purus ASA - impairment testing in Q4 2024

During the second half of 2023, Hexagon Purus experienced a significant decline in its market value and closed at NOK 11.14/share as of 31 December 2023, translating to a fair value of Hexagon’s shares in Hexagon Purus of NOK 1 184 million. Compared to the share price as of the date of Hexagon’s initial fair value recognition of Hexagon Purus as an associated company of NOK 19.80/share, this represents a 44 per cent decline in fair value. Comparable peer companies within the hydrogen and battery sector experienced similar share price developments in the same period. The significant decline in the fair value of Hexagon Purus and peers caused Hexagon to perform an impairment test of its investment, which resulted in an impairment of NOK 702 million and an adjusted carrying value of NOK 1 225 million as per 31 December 2023.

The key assumptions for calculating value in use are related to estimates for revenues, EBITDA margins, discount rates and growth rates beyond the forecast period. A 7-year forecast period until 2030 with an extrapolation towards 2033 (total of 10 years) has been used, concurrent with the forecast period used in the determination of intangible assets and goodwill in the purchase price allocation of Hexagon Purus as of 29 June 2023. Hexagon Purus’ business plan projections imply significant growth. However, as a reflection of the overall equity market’s increased implicit risk towards Hexagon Purus during the second half of 2023, Hexagon has for impairment test

purposes per 31 December 2023 incorporated somewhat higher risk factors to Hexagon Purus’ revenue growth rates towards 2030 both within the hydrogen and the battery electric mobility sector, as well as somewhat lower profit margins in the same forecast period. For subsequent periods beyond the 7-year forecast horizon, the Group has prudently phased in a declining growth rate towards an expected average growth rate for the economy in general. A weighted average cost of capital (post-tax) of 10.8 per cent has been used as discount rate of free cash flows.

Although the Company expects to break-even at EBITDA level during 2025, free cash flows are still expected to be negative a couple of years beyond 2025 due to capital expenditures and working capital requirements. As such, a significant portion of the estimated value-in-use amount lies in the terminal value which is dependent upon the size of the company and its free cash flow generation at the end of the forecast period. Despite future cash flows are inherently uncertain, Hexagon management expects Hexagon Purus will capitalize and deliver on its business plan, and that a value-in-use of NOK 1 225 million represents the best estimate based on known economic conditions that will exist in the period including prudent risk adjustments.

Cryoshelter BioLNG GmbH

On 1 August 2022, Hexagon Composites made a EUR 2.4 (NOK 24) million investment and acquired 40 per cent of the shares in Cryoshelter Bio-LNG GmbH, with options to acquire the remaining shares over the next 3-10 years. As of 31 December 2023, the carrying value of Group’s investment in Cryoshelter BioLNG is zero. Furthermore, Hexagon has a convertible loan investment in Cryoshelter of NOK 100.1 million classified as other non-current financial assets. See also [note 12](#).

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 December 2023, total 72 employees were included in the PSUs programs and 91 employees in the RSUs programs.

Performance share units programs (PSUs)

All PSUs are non-transferable and will vest subject to satisfaction of the applicable vesting conditions. The vesting conditions under the active programs are based on the following metrics:

- 2021 PSU program: Group revenue and EBITDA targets
- 2022 PSU program: Group revenue and EBIT targets
- 2023 PSU program: Group revenue, EBIT and total shareholder return (TSR) targets

The actual number of PSUs vested will depend on performance and vary from minimum zero to the maximum awarded PSUs in each program. 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.

Reference is also made to the remuneration report for 2023 for more details on the Group’s PSU programs.

Restricted share units programs (RSUs)

The RSUs are subject to continued employment three years after date of grant, and each participant will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated to them.

Overview of share units with equity settlement

	RSUs 2023	PSUs 2023	RSUs 2022	PSUs 2022
Outstanding options 1 January	334 500	5 028 864	212 852	6 243 552
Options granted	149 000	3 293 502	200 000	2 660 082
Adjustment due to dividend in kind	169 291	2 396 086	-	-
Options exercised	(85 058)	(905 887)	(42 852)	(1 078 628)
Options lapsed/cancelled	(43 206)	(1 336 128)	(35 500)	(2 796 142)
Share options outstanding 31 December	524 527	8 476 437	334 500	5 028 864
Exercisable at 31 December	-	-	-	-
Weighted average exercised price (NOK)	29.92	33.30	23.08	28

The following table list the input to the model used for the plan for year ended 31 December

	RSUs Awarded 2023	PSUs Awarded 2023	RSUs Awarded 2022	PSUs Awarded 2022
Weighted average fair values at the measurement date per share (NOK)	28.04	35.69	28.05	35.12
Dividend yield (%)	-	-	-	-
Expected volatility (%)	-	-	-	-
Risk-free interest rate (%)	-	-	-	-
Expected lifetime (years)	3	3	3	3
Weighted average share price (NOK)	-	-	-	-
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

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 49.3 (34.4) million YTD 31 December. The fair value of all outstanding PSUs (8 476 437) and RSUs (524 527) is estimated to NOK 79.2 (52.4) million per 31 December 2023.

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 -5.8 (5.0) million in 2023 and a remaining unamortized accrual estimated to NOK 0.5 (8.0) million as of 31 December 2023.

Share-based payment in Hexagon Purus ASA

For share-based payment in Hexagon Purus ASA, which was a part of the profit and loss of Hexagon Composites up until 30.06.2023, see quarterly financials at hexagonpurus.com.

Note 28 Transactions with related parties

The Group’s related parties consist of associates, main shareholders, members of the Board and management.

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)	2023	2022
Sales revenue	455 132	289 036
Cost of materials	34 791	44 391
Other operating expenses	2 318	9 817
Finance expenses	51	117

The balance sheet includes the following amounts resulting from transactions with related parties

(NOK 1 000)	2023	2022
Trade receivables	64 572	-
Other current assets	29 579	-
Trade payables	40 741	473

As Hexagon Purus Group was fully consolidated in 2022 and as such – intercompany balances with Hexagon Purus Group was fully eliminated in the reported balance sheet 31 December 2022.

Remuneration of the Board and Executive management 2023

(NOK 1 000)	Salaries and fees	Bonuses ¹	Benefits in kind	Pension premium	Value of share options ²	Total remuneration 2023
Executive management	28 107	21 762	1 155	1 826	15 383	68 233
Board of Directors	2 563	-	-	-	-	2 563
Total remuneration	30 670	21 762	1 155	1 826	15 383	70 796

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 2022

(NOK 1 000)	Salaries and fees	Bonuses ¹	Benefits in kind	Pension premium	Value of share options ²	Total remuneration 2022
Executive management	25 969	12 636	630	1 717	11 939	52 891
Board of Directors	2 153	-	-	-	-	2 153
Total remuneration	28 122	12 636	630	1 717	11 939	55 044

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

Group management participates in the Company’s general pension arrangements, which are described in [note 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 27](#), Share-based Payment. As of 31 December 2023 the Group President has 316 thousand (164 thousand) provisional performance share units (PSUs performance adjusted) outstanding. In addition he has 573 thousand cash settlement options (573 thousand). The CFO has 211 thousand (109 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

(NOK 1 000)	2023	2022
Knut Flakk, (Chairman) ¹	22 568 314	27 868 314
Kristine Landmark (Deputy chair) ²	10 000	10 000
Katsunori Mori (Board member) ³	45 833 321	45 833 321

¹ Of the shares owned by Knut Flakk, 164 593 are privately owned, 500 000 are owned by his wife and 21 903 721 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

(NOK 1 000)	2023	2022
Jon Erik Engeset, Group President & CEO ¹	404 861	378 216
David Bandele, Group Chief Financial Officer	155 654	152 654

¹ The shares owned by Jon Erik Engeset, 145 413 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)	2023 Continuing operations	2022 Continuing operations	2022 discontinued operations
Statutory audit and auditing-related services	9 984	5 856	3 674
Other attestation services	862	663	781
Tax advice	4 234	3 065	1 180
Other non-auditing services	45	302	168
Total	15 125	9 886	5 803

Total expensed auditor fees in 2022 including Hexagon Purus Group (deconsolidated 29 June 2023) were NOK 15.7 million.

Note 29 Purchasing commitments

The Group has the following commitments resulting from purchasing materials

(NOK 1 000)	2023	2022
2023	-	599 243
2024	450 170	-
Thereafter	-	-
Total	450 170	599 243

The Group has the following commitments resulting from contracts for investments in production facilities/machines

(NOK 1 000)	2023	2022
2023	-	204 112
2024	108 131	-
Thereafter	-	-
Total	108 131	204 112

All contracts relate to investments in production facilities/machines.

Note 30 List of subsidiaries and associates

The following companies are included in the consolidated financial statements

Company	Home Country	Registered office	Business segment	Owner-ship	Votes	Company	Home Country	Registered office	Business segment	Owner-ship	Votes
Subsidiaries											
Hexagon Ragasco AS	Norway	Raufoss	Hexagon Ragasco	100%	100%	Hexagon Mobile Pipeline GmbH	Germany	Kassel	Hexagon Agility	100%	100%
Hexagon Ragasco NA Inc.	USA	Lincoln, NE	Hexagon Ragasco	100%	100%	Hexagon Agility GmbH	Germany	Kassel	Hexagon Agility	100%	100%
Composite Scandinavia AB	Sweden	Piteå	Hexagon Ragasco	100%	100%	Hexagon Operations GmbH	Germany	Kassel	Hexagon Agility	100%	100%
Hexagon Composites India Pvt. Ltd.	India	Bangalore	Hexagon Ragasco	100%	100%	Hexagon Raufoss AS	Norway	Raufoss	Unallocated	100%	100%
Hexagon Composites Russia LLC	Russia	Nizhny Novgorod	Hexagon Ragasco	100%	100%	Hexagon Technology AS	Norway	Aalesund	Unallocated	100%	100%
Hexagon USA Holdings Inc.	USA	Lincoln, NE	Unallocated	100%	100%	Hexagon Cylinders India Pvt. Ltd.	India		Unallocated	100%	100%
Hexagon Digital Wave LLC	USA	Centennial, CO	Digital Wave	100%	100%	Associates owned by Hexagon Composites ASA					
Hexagon R&D Services LLC	USA	Lincoln, NE	Hexagon Agility	100%	100%	Hexagon Purus ASA	Norway	Aalesund	Hexagon Purus	38%	38%
Hexagon Agility Inc.	USA	Costa Mesa, CA	Hexagon Agility	100%	100%	Cryoshelter BioLNG GmbH	Austria		Hexagon Agility	40%	40%
Agility Fuel Solutions LLC	USA	Costa Mesa, CA	Hexagon Agility	100%	100%						
Agility Fuel Systems LLC	USA	Costa Mesa, CA	Hexagon Agility	100%	100%						
Agility California LLC	USA	Costa Mesa, CA	Hexagon Agility	100%	100%						
Agility Canada ULC	Canada	Kelowna, BC	Hexagon Agility	100%	100%						
Agility Fuel Solutions UK Ltd	UK	London	Hexagon Agility	100%	100%						
Agility North Carolina LLC	USA	Salisbury, NC	Hexagon Agility	100%	100%						
AFS Salisbury LLC	USA	Costa Mesa, CA	Hexagon Agility	100%	100%						
Agility Cylinders, LLC	USA	Lincoln, NE	Hexagon Agility	100%	100%						
Agility Powertrain Systems, LLC	USA	Costa Mesa, CA	Hexagon Agility	100%	100%						
Agility India Private Ltd	India	Bangalore	Hexagon Agility	100%	100%						
Agility Fuel Solutions Norway AS	Norway	Raufoss	Hexagon Agility	100%	100%						
Hexagon Lincoln LLC	USA	Lincoln, NE	Hexagon Agility	100%	100%						
Hexagon Technical Services LLC	USA	Lincoln, NE	Hexagon Agility	100%	100%						

Note 31 Exchange rates

	Exchange rate 1 Jan 2023	Average exchange rate 2023	Exchange rate 31 Dec 2023
USD	9.8573	10.5635	10.1724
CAD	7.2810	7.8262	7.6769
EUR	10.5138	11.4242	11.2405
GBP	11.8541	13.1361	12.9342
RUB	13.6700	12.4041	11.4000
SEK	94.5300	99.604	101.3000
HKD	1.2642	1.349	1.3023
CNY	142.8900	149.202	143.1700

Note 32 Climate risk

Climate change is among the most important meg-atrends affecting businesses 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. The transition to a low-carbon economy will continue to entail extensive policy, legal, technology, and market changes, with a potential to have significant impact on Hexagon’s revenues. The Group has experienced an increasing demand for its near-zero- and zero emission energy solutions in the last couple of years due to an increased global focus on climate change and -mitigation. Hexagon expects this focus to continue and expects strong sustainability-driven demand in all its businesses in the years ahead. This climate-related opportunity has impacted the Company’s goodwill impairment tests by being an important driver for future revenue- and activity growth in the financial planning in these tests. In addition, the climate-related opportunities also positively impact the Company’s assessment of future economic benefits expected to materialize from capitalized development projects.

Climate change also represents some level of physical risk to the Group in terms of severe climate events that could damage business facilities or disrupt supply chains. As a part of the Group’s work with the EU Taxonomy, a physical climate risk and vulnerability assessment has been performed for all operational sites. Based on the assessment, Hexagon has identified extreme wind and tornados in the US as events that may cause significant damage or disruptions. More specifically, Hexagon Agility’s cylinder production

facilities in Lincoln, Nebraska is one of the most tornado-prone areas in the US, and a direct hit from a major tornado could be a catastrophic event. Although tornados are common in Nebraska, any particular square km of the state will be hit by a tornado less than once every 1 000 years. As such, the likelihood of a direct hit is considered rare. Extreme wind, particularly from tropical typhones in the Eastern US is also a regularly occurring natural hazard. Hexagon Agility’s facilities in Salisbury, North Carolina, is located in this area and could potentially be exposed to extreme wind or hurricanes with potentially severe physical damages to the facilities and thus production capacity.

Despite the fact that the above-mentioned natural hazards could potentially represent significant financial effects for the Group, Hexagon has not identified material assets expected to have a significantly shorter life due to these climate-related risks. It is also noted that Hexagon has insurance coverage for both physical damages as well as for business interruptions.

Hexagon strives to maximize the positive climate impact of its technologies by enabling the avoidance of greenhouse gas emissions from both material production and waste management in the application of those technologies. The most significant contributors to 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. More information on climate and environmental risks and how these are managed can be found in the Sustainability Report.

Note 33 Events after the balance sheet date

Hexagon Agility – Significant Mobile Pipeline order

In January 2024, Hexagon Agility received a new order of USD 19 million from REV LNG for delivery of Mobile Pipeline ® TITAN 53 modules.

Hexagon Purus – NOK 1 000 million convertible bond private placement fully paid-in in February 2024

In February, Hexagon Purus received gross proceeds of NOK 1 000 million from its successful convertible bond private placement announced in December 2023 and as approved by the annual general meeting in January 2024. Hexagon Composites ASA subscribed for NOK 200 million in the private placement.

Hexagon Purus share price development

Hexagon Purus has in the period since year-end 2023 and until signing of these financial statements experienced a significant negative share price development. As described in [note 26](#), the Group has, based on a value in use calculation related to its investment in the associated company Hexagon Purus, recorded an impairment loss of NOK 702 million in the statement of income in 2023. The impairment represented an adjusted carrying amount of the associate of NOK 1 225 million, equating to an adjusted carrying amount per share of NOK 11.52 in Hexagon Purus. Although the quoted share price of Hexagon Purus upon signing of these financial statements are significantly lower than the adjusted carrying amount per share, the assumptions and estimates used in the value in use calculation still stands upon the signing date of the financial statements of the Group.

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

Statement of income – Parent Company

HEXAGON COMPOSITES ASA

(NOK 1 000)	Note	2023	2022
Other revenue	2	120 560	113 115
Total operating income		120 560	113 115
Payroll & social security expenses	3 , 4 , 5	93 409	75 171
Depreciation and impairment	9	437	435
Other operating expenses	2 , 6	79 133	47 643
Operating profit		(52 420)	(10 132)
Income from investment in subsidiaries	10	6 958	-
Finance income	2 , 7 , 12 , 17 , 18	1 221 276	432 508
Finance expense	7 , 12 , 17 , 18	351 903	250 834
Profit before tax		823 912	171 542
Tax on profit	8	10 943	45 260
Profit/loss for the year		812 969	126 282
Transferred equity	14	812 969	126 282
Total transferred		812 969	126 282

Statement of financial position – Parent Company

HEXAGON COMPOSITES ASA

(NOK 1 000)	Note	2023	2022
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets	8	17 176	-
Total intangible assets		17 176	-
Property, plant and equipment			
Land, buildings and other real estate	9	6 326	6 471
Fixtures/fittings, equipment and tools	9	889	1 083
Total property, plant & equipment		7 216	7 554
Financial assets			
Shares in subsidiaries	10	1 348 312	1 934 359
Shares in associates	11	916 684	23 898
Loans to subsidiaries	2, 12	1 416 725	2 635 727
Loans to associates	2, 11	100 102	35 729
Non-current financial assets	12, 18	20 336	25 431
Investments in other shares		5 301	301
Total financial assets		3 807 460	4 655 445
Total non-current assets		3 831 852	4 662 999

(NOK 1 000)	Note	2023	2022
Current assets			
Receivables			
Trade receivables		-	18
Other receivables	2	23 009	71 970
Total receivables		23 009	71 988
Bank deposits, cash and cash equivalents			
	13	1 989	1 376
Total current assets		24 998	73 364
Total assets		3 856 850	4 736 363

(NOK 1 000)	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	14, 15	20 162	20 162
Treasury shares	14	(138)	(65)
Share premium	14	706 544	2 075 999
Other capital reserves	14	180 674	132 346
Total paid-in capital		907 242	2 228 442
Other equity	14	1 217 343	468 023
Total other equity		1 217 343	468 023
Total equity		2 124 585	2 696 465
Liabilities			
Other non-current liabilities			
Non-current interest-bearing liabilities	16	-	1 442 466
Non-current financial liabilities	17, 18	-	216 885
Deferred tax liabilities	8	-	12 487
Total other non-current liabilities		-	1 671 839
Current liabilities			
Current interest-bearing liabilities	16	1 264 914	300 943
Trade payables		12 063	1 614
Income tax payable	8	39 668	23 151
Public duties payable		8 395	5 917
Current financial liabilities	17, 18	376 909	-
Other current liabilities	2	30 316	36 434
Total current liabilities		1 732 265	368 059
Total liabilities		1 732 265	2 039 898
Total equity and liabilities		3 856 850	4 736 363

Oslo, 20 March 2024
The Board of directors of Hexagon Composites ASA


Knut Flakk
Chair


Kristine Landmark
Deputy chair


Katsunori Mori
Board member


Liv Astri Hovem
Board member


Liv Dingsør
Board member


Sam Gabbita
Board member


Joachim Magnusson
Board member


Jon Erik Engeset
Group President & CEO

Cash flow statement – Parent Company

HEXAGON COMPOSITES ASA

(NOK 1 000)	Note	2023	2022
Cash flow from operating activities			
Profit before tax		823 912	171 542
Tax paid for the period	8	(23 151)	(31 776)
Depreciation and impairment	9	437	435
Gain on divestment of shares in Hexagon Purus ASA		(944 537)	-
Share-based payment expenses	4, 14	48 328	34 120
Recognized group contribution and dividend		(6 958)	-
Changes in trade payables		10 449	189
Changes in unrealized derivatives		171 677	137 719
Changes in other accrual accounting entries		140 194	(321 888)
Net cash flow from operating activities		220 351	(9 661)
Cash flow from investment activities			
Purchase of property, plant and equipment	9	(98)	(19)
Sale of shares in associates	11	274 029	-
Investment in subsidiaries and associates	10	-	(463 656)
Other investments		(5 000)	-
Net payments on loans to/from subsidiaries and associates	10, 11	58 295	(97 606)
Net cash flow from investing activities		327 226	(561 281)

(NOK 1 000)	Note	2023	2022
Cash flow from financing activities			
New non-current liabilities	16	-	318 268
Repayment of non-current liabilities	16	(350 000)	-
New current liabilities	16	-	283 400
Repayment of current liabilities	16	(133 242)	-
Dividend payments		-	-
Purchase of treasury shares	14	(63 722)	(30 495)
Net cash flow from financing activities		(546 963)	571 172
Net change in cash & cash equivalents		613	231
Cash & cash equivalents at beginning of period		1 376	1 145
Cash & cash equivalents at end of period	13	1 989	1 376
Undrawn group overdraft facility	16	82 299	119 998
Undrawn credit facility	16	350 000	225 000

Notes – Parent Company

HEXAGON COMPOSITES ASA

Note 1 Accounting principles

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

Sales revenue

Revenue from services is recognized as services are rendered.

Classification and valuation of balance sheet items

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

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

Non-current assets are measured at the cost of acquisition but are written down to fair value if impairment is identified which is not considered to be of a temporary nature. Non-current liabilities are recognized at nominal value on the date of

commencement. Costs associated with non-current liabilities are amortized over the duration of the loan using the effective interest method.

Receivables

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

Assets and liabilities in foreign currency

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

Property, plant and equipment

Property, plant and equipment is recognized and depreciated over the asset's expected useful life. Direct maintenance of property, plant and equipment is recognized under operating expenses as it is incurred, while overheads or improvement costs are added to the cost price of the asset and

depreciated in pace with the asset's own depreciation. If the recoverable amount of the asset is lower than its carrying amount, this is written down to its recoverable amount. The recoverable amount is the higher of net realizable value and value in use. Value in use is the present value of future cash flows the asset will generate.

Financial instruments

In addition to traditional financial instruments such as trade receivables, trade payables and interest-bearing liabilities, the Company also uses currency swaps 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 financial instruments are valued at fair value and converted to the exchange rate specified on the balance sheet date.

In the event that underlying shares sold in a total return swap agreement (TRS agreement) qualifies as a true sale. The TRS is valued as fair value through profit and loss.

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 2 Intra-group transactions and balances

(NOK 1 000)	2023	2022
Revenue		
Management and administrative services to subsidiaries and associates	120 252	112 008
Total	120 252	112 008
Expenses		
Management and administrative services from subsidiaries and associates	23 536	19 226
Total	23 536	19 226
Finance income		
Interest income from subsidiaries	178 430	161 906
Interest income from associates (Cryoshelter BioLNG GmbH)	3 861	681
Dividends from group companies	6 958	-
Total	189 250	162 587
Receivables		
Non-current loans to subsidiaries	1 416 725	2 635 727
Non-current loans to associates (Cryoshelter BioLNG GmbH)	100 102	35 729
Other current receivables to subsidiaries	16 370	70 554
Total	1 533 197	2 742 010
Liabilities		
Current liabilities to subsidiaries	1 864	7 831
Total	1 864	7 831

Management and administrative services to subsidiaries and associates

Hexagon Composites ASA has centralized provision of certain management services across the Group in order to exploit benefits of scale, save costs and provide for consistency across the services offered. Provision of management services, including functions like group management work, accounting, finance, HR, Communications and IT.

Note 3 Salaries and social security expenses, number of employees and remuneration

Payroll and social security expenses		
(NOK 1 000)	2023	2022
Wages/salaries and fees	38 528	28 082
Employer's contribution	8 920	5 175
Pension expense	2 101	2 175
Other contributions	43 860	39 739
Total payroll and social security expenses	93 409	75 171

There were 15 (15) employees in the Company during the financial year.

Remuneration of the Board and Executive management 2023

(NOK 1 000)	Salaries and fees	Bonuses ¹	Benefits in kind	Pension premium	Value of share options ²	Total remuneration
Executive management	13 175	9 527	52	875	7 677	31 306
Board of Directors	2 563	-	-	-	-	2 563
Total remuneration	15 738	9 527	52	875	7 677	33 869

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

Group management participate in the Company’s general pension arrangements, which are described in [note 5](#), 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 4](#), Share-based Payment. As of 31 December 2023 the Group President has 316 thousand (164 thousand) provisional performance share units (PSUs performance adjusted) outstanding. In addition he has 573 thousand cash settlement options (573 thousand). The CFO has 211 thousand (109 thousand) provisional performance share units (PSUs performance adjusted) outstanding.

Shares owned by Board Members

	2023	2022
Knut Flakk, (Chair) ¹	22 568 314	27 868 314
Kristine Landmark (Deputy chair) ²	10 000	10 000
Katsunori Mori (Board member) ³	45 833 321	45 833 321

¹ Of the shares owned by Knut Flakk, 164 593 are privately owned, 500 000 are owned by his wife and 21 903 721 are owned through limited liability companies.
² The shares are owned by Kristine Landmarks husband.
³ Shares owned by Mitsui & Co., Ltd., represented in the Board by Katsunori Mori.

Shares held by key management personnel

	2023	2022
Jon Erik Engeset, Group President ¹	404 861	378 216
David Bandele, Group Chief Financial Officer	155 654	152 654

¹ The shares owned by Jon Erik Engeset, 145 413 are privately owned and 259 448 are owned by related limited liability companies.

Expensed auditor’s fees and comprised of the following services (not including VAT)

(NOK 1 000)	2023	2022
Statutory audit and auditing-related services	1 849	1 679
Other attestation services	614	663
Tax advice	776	810
Total	3 239	3 152

Note 4 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 December 2023, total 72 employees were included in the PSUs programs and 91 employees in the RSUs programs.

Performance share units programs (PSUs)

All PSUs are non-transferable and will vest subject to satisfaction of the applicable vesting conditions. The vesting conditions under the active programs are based on the following metrics:

- 2021 PSU program: Group revenue and EBITDA targets
- 2022 PSU program: Group revenue and EBIT targets
- 2023 PSU program: Group revenue, EBIT and total shareholder return (TSR) targets

The actual number of PSUs vested will depend on performance and vary from minimum zero to the maximum awarded PSUs in each program. 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.

Reference is also made to the remuneration report for 2023 for more details on the Group’s PSU programs.

Restricted share units programs (RSUs)

The RSUs are subject to continued employment three years after date of grant, and each participant will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated to them.

Overview of share units with equity settlement

	RSUs 2023	PSUs 2023	RSUs 2022	PSUs 2022
Outstanding 1 January	334 500	5 028 864	212 852	6 243 552
Granted	149 000	3 296 502	200 000	2 660 082
Adjustment due to dividend in kind	169 291	2 396 086	-	-
Exercised	(85 058)	(905 887)	(42 852)	(1 078 628)
Lapsed/Cancelled	(43 206)	(1 336 128)	(35 500)	(2 796 142)
Share options outstanding 31 December	524 527	8 476 437	334 500	5 028 864
Exercisable at 31. December	-	-	-	-
Weighted average exercised price (NOK)	29.92	33.3	23.08	28.11

The following table list the input to the model used for the plan for year ended 31 December

	RSUs Awarded 2023	PSUs Awarded 2023	RSUs Awarded 2022	PSUs Awarded 2022
Weighted average fair values at the measurement date per share (NOK)	28.05	35.12	28.05	35.12
Dividend yield (%)	-	-	-	-
Expected volatility (%)	-	-	-	-
Risk-free interest rate (%)	-	-	-	-
Expected life of share options (years)	3	3	3	3
Weighted average share price (NOK)	-	-	-	-
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

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 49.3 (34.4) million YTD 31 December. The fair value of all outstanding PSUs (8 476 437) and RSUs (524 527) is estimated to NOK 79.2 (52.4) million per 31 December 2023.

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 -5.8 (5.0) million in 2023 and a remaining unamortized accrual estimated to NOK 0.5 (8.0) million as of 31 December 2023.

Note 5 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 2 101 thousand (2 175), excluding employer’s contributions.

Note 6 Leases

Ordinary lease payments for 2023 were NOK 4 836 thousand (5 652).

Future minimum lease payments relating to fixed term leases fall due as follows:

Not later than 1 year	3 747
1 to 5 years	6 276
Later than 5 years	5 032
Total	15 055

Note 7 Net financial items

Finance income

(NOK 1 000)	2023	2022
Interest income from group companies	178 430	161 906
Interest income from associates	3 861	681
Other interest income	5 487	5 555
Foreign exchange items	88 961	264 366
Gain on divestment of shares in Hexagon Purus ASA	944 537	-
Total finance income	1 221 276	432 508

Finance expense

(NOK 1 000)	2023	2022
Interest expenses	146 658	80 220
Arrangement fees and other commissions	8 744	5 510
Loss on exchange items	23 653	26 080
Unrealized loss on cross currency interest swap and interest rate swap	47 068	137 719
Unrealized loss on total return swap (TRS)	124 609	-
Other finance expense	1 169	1 305
Total finance expense	351 903	250 834

Note 8 Tax

Tax expense for the year consists of

(NOK 1 000)	2023	2022
Income tax payable	39 668	23 685
Withholding tax	939	-
Change in deferred tax	(29 664)	21 575
Total tax expense	10 943	45 260
Income tax payable in the balance sheet	39 668	23 151
Effect on tax payable of group contributions	-	534
Total income tax payable in the income statement	39 668	23 685

Calculation of tax base for the year

(NOK 1 000)	2023	2022
Profit before tax	823 912	171 542
Permanent differences	(778 437)	34 186
Change in temporary differences	134 834	(98 070)
Tax base for the year	180 309	107 658

Overview of temporary differences

(NOK 1 000)	2023	2022
Financial assets and instruments	163 343	263 339
Non-current assets	182	104
Provisions	(241 600)	(206 683)
Total	(78 075)	56 759
Deferred tax 22%	(17 176)	12 487

Why tax expense for the year does not amount to 22% of profit before tax

(NOK 1 000)	2023	2022
22% of profit before tax	181 261	37 739
Permanent differences 22%	(171 256)	7 521
Withholding tax	939	-
Calculated tax expense	10 943	45 260
Effective tax rate ¹	1.3%	26.4%

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 2023 and 2022. Deferred tax assets and liability were calculated using a tax rate of 22 per cent.

Note 9 Property, plant & equipment

(NOK 1 000)	Land/buildings and other property	Fixtures/fittings, equipment and similar	Total
Cost of acquisition as of 1 January 2023	9 034	4 691	13 725
Additions of property, plant & equipment	-	98	98
Cost of acquisition 31 December 2023	9 034	4 790	13 824
Accumulated depreciation and impairment 1 January 2023	2 563	3 608	6 171
Depreciation for the year	145	292	437
Accumulated depreciation and impairment 31 December 2023	2 708	3 900	6 608
Carrying amount at 31 December 2023	6 326	889	7 216
Useful life	20 years – perpetual	4–10 years – perpetual	

Note 10 Investment in subsidiaries

Subsidiaries (NOK 1 000)	Registered office	Ownership share	Voting share	Carrying amount 2023	Carrying amount 2022
Hexagon Ragasco AS	Raufoss, Norway	100%	100%	64 905	64 905
Hexagon Raufoss AS	Raufoss, Norway	100%	100%	9 450	9 450
Hexagon Technology AS	Ålesund, Norway	100%	100%	14 174	14 174
Hexagon Purus ASA ¹	Oslo, Norway	NA	NA	-	1 589 942
Hexagon USA Holdings Inc. ²	Delaware, USA	100%	100%	1 036 508	32 614
Hexagon Mobile Pipeline GmbH	Kassel, Germany	100%	100%	77 934	77 934
Hexagon Composites GmbH	Kassel, Germany	100%	100%	127 846	127 846
Hexagon Operations GmbH	Kassel, Germany	100%	100%	8 245	8 245
Hexagon Composites Russia LLC	Nizhny Novgorod, Russia	100%	100%	1	1
Hexagon SGT India	India	100%	100%	9 249	9 249
Total investment in subsidiaries				1 348 312	1 934 359

¹ **Loss of control**
On 29 June 2023, the Board of Hexagon Composites ASA decided to distribute 69.2 million shares in Hexagon Purus ASA as dividend in kind to its shareholders. Following the mention events, the investment in Hexagon Purus ASA is classified as investment in associates. See [note 7](#) and [11](#) for further information.

² **Capital increase**
On 21 July 2023, Hexagon Composites ASA converted USD 99.9 million (NOK 1 004 million) from debt to equity in its wholly owned subsidiary Hexagon USA Holdings Inc.

Equity and profit/loss as reported in most recent annual accounts of subsidiaries (company)

(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	9 450	14 174	1 036 508	77 934	1
Equity at 31 Dec 2023	210 496	10 116	99 919	1 608 684	64 340	10 250
Profit 2023	77 195	349	27 242	(109 948)	(4 202)	(1 540)

(NOK 1 000)	Hexagon Composites GmbH	Hexagon Operations GmbH	Hexagon SGT India
Carrying amount	127 846	8 245	9 249
Equity at 31 Dec 2023	(12 881)	(11 680)	-
Profit 2023	17 467	3 305	-

Note 11 Investment in associates

Associates (NOK 1 000)	Registered office	Ownership share	Voting share	Carrying amount 2023	Carrying amount 2022
Hexagon Purus ASA	Oslo, Norway	38%	38%	892 786	-
Cryoshelter BioLNG GmbH	Dobl-Zwaring, Austria	40%	40%	23 898	23 898
Total investment in associates				916 684	23 898

Equity and profit/loss as reported in most recent annual accounts of associates (company)

(NOK 1 000)	Hexagon Purus Group	Cryoshelter Bio LNG GmbH
Carrying amount	892 786	23 898
Equity at 31 Dec 2023	1 919 127	(72 442)
Profit 2023	(683 517)	(39 893)

Loss of control of Hexagon Purus ASA on 29 June 2023

On 29 June 2023, the Board of Hexagon Composites decided to use its mandate from the extraordinary general meeting on 28 June, to distribute 69.2 million shares in Hexagon Purus ASA (“Hexagon Purus”) as dividend in kind to its shareholders. The distribution represented 25 per cent of the total outstanding shares in Hexagon Purus and effectively reduced Hexagon’s ownership in Hexagon Purus from 68.4 per cent to 43.4 per cent. On the same day and subsequent of the Board meeting, Hexagon sold, and entered into a total return swap (TRS) agreements with its Nordic Banking Partners, representing 5 per cent of the total outstanding shares in Hexagon Purus, or 13.8 million shares. Since 29 June, Hexagon has held 38.4 per cent of the voting rights (106.3 million shares) in Hexagon Purus and a total return swap of 5 per cent (13.8 million shares).

Following the above-mentioned events, Hexagon management made a reassessment of its control consideration in Hexagon Purus, and after considering all relevant facts and circumstances, management concluded that control was lost as of 29 June 2023. Key factors pertaining to this conclusion were the reduced voting right in itself coupled with an irrevocable public statement from the Board of Hexagon Composites which effectively limits

Hexagon’s Board influence and power in the Board of Purus to a non-controlling party for the foreseeable future. See the full statement from the Board of Hexagon Composites in the stock exchange announcement from 29 June, <https://newsweb.oslobors.no/message/594467>

After the loss of control the investment in Hexagon Purus ASA is classified as investment in associates.

The distribution and sale of shares is recognized at fair value as of 29 June 2023. The table below shows derivation the one-off accounting gain resulting from the 25 per cent dividend in kind and 5 per cent total return swap of the shares (TRS) in Hexagon Purus ASA on 29 June 2023.

Accounting gain as a result from 25 per cent dividend in kind of Hexagon Purus ASA shares

(NOK 1 000)	Number of shares distributed	Fair value of shares	Cost price per share	Values (NOK)
Fair value of shares distributed	69 164 402	19.80		1 369 455
Book value of shares distributed	69 164 402		8.40	580 914
Gain on 25% dividend in kind				788 541

Accounting gain as a result from 5 per cent total return swap agreement of Hexagon Purus ASA shares

(NOK 1 000)	Number of shares	Fair value of shares	Cost price per share	Values (NOK)
Fair value of shares	13 839 872	19.80		274 029
Book value of shares	13 839 872		8.40	116 242
Gain on sale of shares (TRS) of Hexagon Purus ASA				157 788

Total gain on divestment of Hexagon Purus ASA recognized in 2023

(NOK 1 000)	Values (NOK)
Gain on 25% dividend in kind of Hexagon Purus ASA shares	788 541
Gain on 5% total return swap agreement of Hexagon Purus ASA shares	157 788
Transaction cost	(1 792)
Gain on divestment of shares in Hexagon Purus ASA	944 537

Investment in Cryoshelter BioLNG in 2022

On 1 August 2022, Hexagon Composites ASA made a EUR 2.4 (NOK 23.9) million investment and acquired 40 per cent of the shares in Cryoshelter BioLNG GmbH, with options to acquire the remaining shares over the next 3–10 years.

Note 12 Non-current and current financial assets

Other non-current financial assets

(NOK 1 000)	2023	2022
Non-current financial assets ¹	20 336	25 431
Loans to subsidiaries	1 416 725	2 635 727
Loans to associates	100 102	35 729
Total	1 537 163	2 696 887

¹ On 16 May 2022, Hexagon Composites ASA entered into three float-to-fix interest rate swaps, a USD 10 million swap with a 10 year maturity, a USD 10 million swap with a 7 year maturity, and a USD 33 million swap with a 5 year maturity. The swaps principal value represents approximately 40% of the Company's term loan (NOK 1 100 million) and revolving credit facility (NOK 350 million).

Note 13 Bank Deposits

(NOK 1 000)	2023	2022
Restricted tax withholdings	1 701	1 264

The Group’s liquidity is organised in a Group overdraft facility. This means that the 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 14 Equity

	Share capital	Treasury shares	Share premium	Other capital reserves	Other equity	Total equity
Equity as of 1 January 2023	20 162	(65)	2 075 999	132 346	468 023	2 696 465
Profit/loss for the year			-		812 969	812 969
Share-based payment			-	48 328	-	48 328
Distributed dividend Hexagon Purus ASA			(1 369 455)		-	(1 369 455)
Movement in treasury shares		(73)			(63 649)	(63 722)
Equity at 31 December 2023	20 162	(138)	706 544	180 674	1 217 343	2 124 585

Note 15 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-in.

20 Largest shareholders as of 31 December 2023	Number of shares	Shareholding
MITSUI & CO LTD	45 833 321	22.73%
CLEARSTREAM BANKING S.A.	17 337 750	8.60%
FLAKK COMPOSITES A ¹	15 213 217	7.55%
MP PENSJON PK	12 073 762	5.99%
BROWN BROTHERS HARRIMAN & CO	5 584 136	2.77%
BRØDR. BØCKMANN AS	5 430 745	2.69%
KTF FINANS AS ¹	5 000 000	2.48%
FOLKETRYGDFONDET	4 033 463	2.00%
NØDINGEN AS	3 992 956	1.98%
STATE STREET BANK AND TRUST COMPANY	3 278 311	1.63%
RBC INVESTOR SERVICES TRUST	3 023 977	1.50%
JPMORGAN CHASE BANK, N.A., LONDON	2 516 427	1.25%
THE NORTHERN TRUST COMPANY, LONDON	2 096 540	1.04%
VERDIPAPIRFONDET STOREBRAND NORGE	2 077 342	1.03%
J.P. MORGAN SE	2 027 430	1.01%
UBS SWITZERLAND AG	1 848 335	0.92%
FLAKK GRUPPEN AS ¹	1 690 504	0.84%
SKANDINAVISKA ENSKILDA BANKEN AB	1 559 478	0.77%
RBC INVESTOR SERVICES TRUST	1 545 168	0.77%
THE BANK OF NEW YORK MELLON SA/NV	1 459 308	0.72%
Total 20 largest shareholders	137 622 170	68.26%
Remainder	63 997 542	31.74%
Total	201 619 712	100.00%

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

As of 31 December 2023 the Company had 1 379 853 treasury shares (650 418). The cost of acquisition of NOK 50.4 million (NOK 18.8 million) is entered as a deduction in equity. The shares are held as “treasury shares”, and the Company is entitled to sell them in the future.

Ownership structure

The total number of shareholders as of 31 December 2023 was 5 298 of whom 435 were foreign shareholders. The number of shares held by foreign shareholders was 120 841 131 or 60.0 per cent.

Dividend in kind NOK 1 369 million represents fair value of 69 164 402 shares in Hexagon Purus ASA distributed 29 June 2023 (see [note 11](#)). The Board proposes to the general assembly that there will be no further dividend to be paid for the fiscal year 2023.

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 16 Interest-bearing liabilities

Long-term financing

	Interest rate conditions	Currency	Maturity	Facility size 2023	Carrying amount 2023	Facility size 2022	Carrying amount 2022
Secured							
Term loan DNB and Danske Bank (bullet)	Nibor 3 month + margin	NOK	9 Dec 2024	1 100 000	1 100 000	1 100 000	1 100 000
Revolving credit facility DNB and Danske Bank (bullet)	Nibor 3 month + margin	NOK	9 Dec 2024	350 000	-	350 000	350 000
Accordion facility DNB and Danske Bank (bullet)	Nibor 3 month + margin	NOK	31 Mar 2024	-	-	325 000	100 000
Overdraft facility DNB and Danske Bank	Nibor 3 month + margin	NOK	9 Dec 2024	250 000	167 701	250 000	200 943
Total secured interest-bearing liabilities¹				1 700 000	1 267 701	2 025 000	1 750 943
Amortized transaction costs loans ²					(2 787)		(7 534)
Total interest-bearing liabilities					1 264 914		1 743 409
hereof current:							
Overdraft facility					167 701		200 943
Current interest bearing liabilities					1 097 213		100 000
Total current interest-bearing liabilities					1 264 914		300 943
Total non-current interest bearing liabilities					-		1 442 466

¹ On 9 December 2021, Hexagon Composites ASA entered into a Senior Secured bilateral loan facility with DNB and Danske Bank. The overall size of the committed facility was NOK 1 700 million, comprising a term loan of NOK 1 100 million, a multi-currency revolving credit facility (RCF) of NOK 350 million and an overdraft facility of NOK 250 million. The size of the uncommitted credit facility amounted to a maximum of NOK 400 million, where NOK 325 was called upon and became committed as of 30 September 2022. As of 31 December 2022 the total commitment under the facilities was NOK 2 025 million. During 2023, the accordion facility was released in full and is the committed amount as of 31 December 2023

is zero. The NOK 1 100 million term loan with DNB and Danske Bank matures in December 2024, and has thus been classified and presented as current interest bearing liabilities as of 31 December 2023. On the date of signing of these financial statements, Hexagon are in advanced discussions with its banking partners related to a refinancing of its debt facilities and aims to refinance its debt facilities well in advance of December 2024.

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

As of 31 December 2023, financial covenants, related to equity ratio and leverage (NIBD/EBITDA) were in compliance with comfortable headrooms.

Note 17 Financial liabilities

Other non-current financial liabilities

(NOK 1 000)	2023	2022
Cross-currency swap (fair value) ¹	-	216 885
Total non-current financial liabilities	-	216 885
Cross-currency swap (fair value) ¹	252 299	-
Other current financial liabilities (total return swap) ²	124 609	-
Total current financial liabilities	376 909	-

¹ In 2019 the company entered into a cross-currency swap of USD 120.3 to effectively convert its NOK 1 100 million term loan from NOK to USD. 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 term loan. The value of the swap as of 31 December 2023 was NOK -252.3 million and has been presented as current due its concurrent maturity with the term loan on 9 December 2024.

² On 29 June 2023, Hexagon Composites entered into a total return swap (TRS) with financial exposure to 13 839 872 shares (representing 5 per cent of the total outstanding shares) in Hexagon Purus ASA. The total return swap gives Hexagon Composites financial exposure to any change in the fair value of the underlying 13 839 872 shares from the initial amount of NOK 19.80 per share. Hexagon has no right or obligation to acquire the underlying shares at maturity. Due to the structure and the relevant facts pertaining to the agreement, the TRS has been classified as a financial derivative with changes in fair value through profit or loss (FVTPL). As of 31 December 2023, the fair value of the TRS was NOK -124.6 million. The TRS agreement matures on 2 July 2024.

Note 18 Financial market risk

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

Interest rate risk

Interest rate risk arises in the short and medium term from the Company’s floating rate liabilities. The Company uses interest rate swaps to minimize the risk.

Currency risk

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

Note 19 Events after the balance sheet date

Hexagon Agility – Significant Mobile Pipeline order

In January 2024, Hexagon Agility received a new order of USD 19 million from REV LNG for delivery of Mobile Pipeline ® TITAN 53 modules.

Hexagon Purus – NOK 1 000 million convertible bond private placement fully paid-in in February 2024

In February, Hexagon Purus received gross proceeds of NOK 1 000 million from its sucessful convertible bond private placement announced in December 2023 and as approved by the annual general meeting in January 2024. Hexagon Composites ASA subscribed for NOK 200 million in the private placement.

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



Statsautoriserte revisorer
Ernst & Young AS

Langelandsvegen 1, DaaeGården
6010 Ålesund

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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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 statement of financial position as at 31 December 2023 and the statement of income 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 consolidated statement of financial position as at 31 December 2023, the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information.

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 2023 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 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

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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.

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 24 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 2023. 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.

Associated company – initial fair value recognition

Basis for the key audit matter

On 29 June 2023, the company effectively reduced its ownership in Hexagon Purus ASA from 68.4 % to 38.4 %.

The investment in Hexagon Purus ASA was derecognized resulting in a full gain recognition of NOK 2 351 million in the consolidated financial statements of the group. Initial recognition was at fair value of NOK 19.80 per share, with a total estimated consideration of NOK 3 748 million. Remaining shares in Hexagon Purus ASA is classified as an investment in associated company.

Our audit response

We assessed the application of the accounting principles and discussed the choice of method for determining the value of technology, customer relationships, goodwill and share of equity of the associated company with the company's management.

We evaluated the report from the expert and considered management's assumptions related to the valuation of the associated company upon initial recognition recognized at fair value.

Independent auditor's report - Hexagon Composites ASA 2023

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The company, with assistance of an expert, has recognized and measured the identifiable assets and liabilities in the valuation of the retained investment as an associate on the date of the loss of control. Management allocated NOK 234 million to technology, NOK 65 million to customer relationships, NOK 904 million to goodwill and NOK 1 175 million as the share of equity. The total amount of NOK 2 378 million was the new book value of the investment in associated company as of 29 June 2023. Based on the materiality of the measurement and the significant degree of management judgment involved in the purchase price allocation, we have determined this to be a key audit matter.

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 Discontinued operations and changes in the Group's structure and note 26 Investments in associated companies in the financial statements.

Associated company - Impairment assessment

Basis for the key audit matter

During the second half of 2023, there has been a significant decline in the market value of the shares in Hexagon Purus ASA.

This significant decline in fair value of the shares in Hexagon Purus ASA and peers caused management in Hexagon Composites ASA to perform an impairment test of its investment in Hexagon Purus ASA as of 31 December 2023.

The estimated value in use in the impairment test resulted in an impairment of NOK 702 million, and a new book value of the associated company of NOK 1 225 million as of 31 December 2023.

The value in use calculation of the related cash generating unit involves significant estimation uncertainty and requires management's judgement of future revenues, gross margins, operating costs, terminal value growth rates, capital expenditures and discount rate. It is therefore a key audit matter.

Our audit response

We involved valuation specialists in our team to evaluate the assumptions and methods used by management in Hexagon Composites ASA.

We compared future cash flows with the Hexagon Purus ASA's business plan projections, and we considered underlying adjusted assumptions used by the management in Hexagon Composites ASA.

Furthermore, we tested the input of the discount rate against comparable market data. We also tested the mathematical accuracy of the impairment model.

We also assessed the disclosures in note 26 Investments in associated companies in the financial statements.

Independent auditor's report - Hexagon Composites ASA 2023

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Goodwill - Impairment assessment

Basis for the key audit matter

As at 31 December 2023, Hexagon Composites ASA Group reported goodwill of NOK 1 232 million. The goodwill consists mainly of the cash flow generating unit Hexagon Agility of NOK 1 162 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 involved valuation specialists in our team to evaluate the assumptions and methods used by management.

We compared future cash flows against board approved plan for the years 2024-2028 and considered underlying assumptions for expected growth rates and the related cash flows.

Furthermore, we tested the input of the discount rate against comparable market data. We also tested the mathematical accuracy of the impairment model and performed sensitivity analysis of the assumptions used.

We refer to the disclosures in note 11 Intangible assets and goodwill 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 & 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, the statement on corporate governance or the statement on corporate social responsibility, 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.

Independent auditor's report - Hexagon Composites ASA 2023

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Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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.

Independent auditor's report - Hexagon Composites ASA 2023

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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 the audit of the financial statements of Hexagon Composites ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Hexagoncompositesasa-2023-12-31-en.zip, have 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 pursuant to 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.

Management’s responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Independent auditor's report - Hexagon Composites ASA 2023

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Auditor's responsibilities

Our responsibility, based on audit evidence obtained, 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. We conduct our work 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 about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include 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.

Ålesund, 21 March 2024
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

APPENDIX 1

Methodology – summary description

The data we used to calculate the greenhouse gas (GHG) account comes from internal and external sources and is calculated with the help of sustainability experts from SpareBank 1 Regnskapshuset SMN AS. Reported metric tons of CO₂ equivalents (tCO₂e) are calculated per the Greenhouse Gas Protocol, its standards, recommendations, and guiding documents.

To report a complete scope 1-3 GHG account, we use two methodological approaches. The first approach is the physical data collection method, which involves collecting and analyzing all inputs of raw materials and energy carriers that go into the manufacture of Hexagon’s products. This approach highlighted the most significant contributors to the GHG account. For these key flows, comprising 53% of our GHG account, life-cycle assessment-based GHG intensities were collected.

The second approach is the spend-based approach, which attributes a carbon emission intensity to all activities included in our financial reporting. Here, environmentally extended input-output analysis (EE-IOA) data is used to derive GHG intensities per monetary unit spent. This method helps to fill the data gaps for the remaining 47% of our GHG emissions, which covers the purchase of all other raw materials, facility management services, investments in capital equipment, and so forth.

The combination of these approaches allows us to report with a high degree of completeness while ensuring that specific carbon emissions are reported for key raw materials and energy carriers. This further enables us to set a baseline for carbon mitigation strategies aligned with our ongoing commitment to the Science Based Targets initiative.

APPENDIX 2

Stakeholder engagement

Key topics	How we engage/arena for dialogue	Direct/indirect impact on Hexagon
Employees and potential employees		
<ul style="list-style-type: none">• Workforce development• Occupational health and safety• Diversity and inclusion• Local community relations	<ul style="list-style-type: none">• Emails• Townhalls• Strategy updates• Departmental meetings• Employee engagement surveys• Workplace and intranet• Trainings	Hexagon’s employees are essential for the company to achieve its goals and ambitions regarding sustainability. Hexagon has a direct impact on employees through our its policies and agreements, and can indirectly affect employee engagement through active dialogue and day-to-day interaction.
Customers		
<ul style="list-style-type: none">• Low carbon technology solutions for our customers• Climate action• Responsible procurement• Product lifetime• Governance• Human rights in our supply chain	<ul style="list-style-type: none">• Emails and meetings• Site visits and audits• Conferences and industry events• Websites• Reports and presentations• Press releases• Customer satisfaction surveys/scorecards	Hexagon’s customers directly impact the company through their purchasing behavior. Enabling our customers to meet their sustainability targets is part of what drives Hexagon’s business forward.

Key topics	How we engage/arena for dialogue	Direct/indirect impact on Hexagon
Owners, analysts, investors and financial community		
<ul style="list-style-type: none">• EU taxonomy• External ESG Ratings• Responsible procurement• Anti-corruption and integrity• Corporate Governance and compliance	<ul style="list-style-type: none">• Financial presentations & stock exchange releases• Annual General Meeting• Meetings and roadshows• Individual meetings• Sustainability and annual report• Website	Investors and owners have a direct impact on the company through its control functions.
Partners and suppliers		
<ul style="list-style-type: none">• Responsible procurement• Human rights in our supply chain• Anti-corruption and integrity	<ul style="list-style-type: none">• Email• Supplier questionnaires• Social media• Website• Meetings and industry events• Press releases• Supplier visits/audits	Hexagon's suppliers are economically affected by the company and their responsibility is indirectly affected by Hexagon's focus on responsible business practices and the expectations placed on them by the company.
National/international regulators, NGOs and governments		
<ul style="list-style-type: none">• Responsible procurement• Anti-corruption and integrity• Human rights in our supply chain• Diversity and inclusion• Local community relations• Climate action	<ul style="list-style-type: none">• Partnerships• Conferences• Community and industry events• Public forums• Committees and industry advisory boards	Regulations and local governments can directly affect Hexagon's business operations and strategy through regulations and legislations. NGO's can indirectly impact Hexagon by influencing regulations and frameworks.

APPENDIX 3

Hexagon Composites data

Greenhouse gas emissions avoided

Metric tons	2023	2022	2021
Mobility and infrastructure solutions	1 460 000	1 300 000	1 100 000
LPG cylinders	46 030	50 690	51 680
Total emissions avoided	1 506 030	1 350 690	1 151 680

Employees per region and gender¹

	Female	Male	Total	Female per country %
Norway	32	133	165	19%
Germany	13	159	172	8%
USA	176	603	779	23%
Canada	8	23	31	26%

¹ Full-time equivalents per 31.12.2023

APPENDIX 4

Hexagon Purus data 1 January - 30 June 2023

Waste data

Metric tons	01.01-30.06.23
Carbon fiber recycled	0
Cardboard Recycled	0
Paper Recycled	16
Metal recycled	242
Plastic Recycled	3
Paint recycled	0
Wood Recycled	20
Mixed Waste recycled	62
Food waste recycled	0
Solid waste to energy	0
Solid waste to landfill	41
Non-hazardous waste	384
Hazardous waste	0.5
Total amount of waste generated	384.5

Energy consumption

GJ	01.01-30.06.23
Non-renewable fuel consumption	3 246
Electricity consumption	9 674
Heating consumption	71

Emissions scope – greenhouse gas emissions ¹

Tons of CO ₂ equivalent	01.01-30.06.23
Scope 1 (direct emissions)	103.5
Scope 2 (location based)	820
Scope 2 (market-based)	189.5
Scope 3	13 879
Total 3 ²	14 803

¹ Assumed 50/50 ration from Hexagon Purus ASA's full year numbers for 2023

² Total does not include market-based

Scope 3 emissions

Tons of CO ₂	01.01-30.06.23
Purchased goods and services	7 279
Capital goods	5 991
Fuel- and energy-related activities (not included in scope 1 or scope 2)	280
Upstream transportation and distribution	Not reported
Waste generated in operations	26
Business travel	303
Employee commuting	Not reported
Upstream leased assets	Not reported
Sum Scope 3 upstream	13 879

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. Also referred to as biomethane or renewable natural gas
BEV	Battery Electric Vehicle
CNG	Compressed Natural Gas
CO ₂	Carbon Dioxide
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
CODE OF CONDUCT	An outline of the norms, rules, and responsibilities or proper practices of an individual party or an organization
EBIT	Earnings before interests and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EV	Electric Vehicle
FCEV	Fuel Cell Electric Vehicle

FLEET OWNER	Company that owns and operates groups of motor vehicles owned or leased by a business, government agency or other organization
GHG	Greenhouse Gas
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
LDV	Light-Duty Vehicle
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas (propane gas)
MOBILE PIPELINE®	Gas distribution products
MAE TECHNOLOGY	Modal Acoustic Emission Technology. Testing method used by placing transducers on the surface of a structure under test, applying stress to the structure and recording any ultrasonic stress waves caused by material fracture

NO _x	Nitrogen oxides (NO _x). A generic term for toxic gas molecules that are chemical compounds between nitrogen and oxygen, a significant component of air pollution
NGO	Non-Governmental Organization
OEM	Original Equipment Manufacturer
OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES	Recommendations from the Organisation for Economic Co-operation and Development (OECD) on responsible business conduct addressed by governments to multinational enterprises
PARTICULATE MATTER	Generic term to classify air pollutants comprising of suspended particles in air, varying in composition and size
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
R&D	Research & Development, activities that companies undertake to innovate and introduce new products and services

SCIENCE BASED TARGETS (SBTs)	Net-zero targets set by companies committed to the Science Based Targets Initiative (SBTi) to promote emission reductions in line with climate science and the Paris Agreement
SCOPE 1	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	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
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
WHISTLEBLOWING	Reporting information about an activity within a private or public organization that is deemed illegal, immoral, illicit, unsafe or fraudulent

Financial calendar 2024

Annual General Meeting

17 April 2024

1st quarter 2024

8 May 2024

2nd quarter and half year report 2024

15 August 2024

3rd quarter 2024

7 November 2024

4th quarter 2024

13 February 2025

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