Annual report 2018

Contents

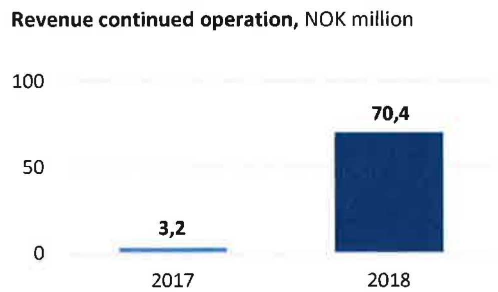
Key figures

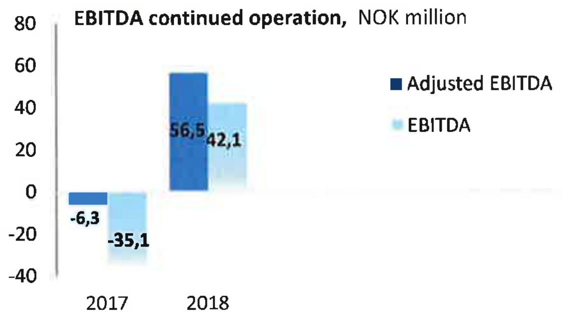
NOK million	2018	2017
Continued operation		
Revenues	70.4	3.2
EBITDA	42.1	-35.1
Net Profit	87.2	5.7
EPS	1.66	0.11
Operating cost, excluding one-off items*	-13.9	-9.5
Adjusted EBITDA *	56.5	-6.3
Continued and discontinued operation		
Revenues	91.2	105.9
EBITDA	25.5	-63.4
Net Profit	398.0	-33.8
EPS	7.6	-0.6
Operating cost, excluding one-off items*	-51.3	-140.4
Adjusted EBITDA *	39.9	-34.5
Cash and cash eq. continued operation**	100.3	195.9
Cash and cash eq. discontinued operation	0.0	1.6
Equity ratio (%)	90 %	83 %
No. of shares outstanding	52.6	52.6
Number of employees***	3	32

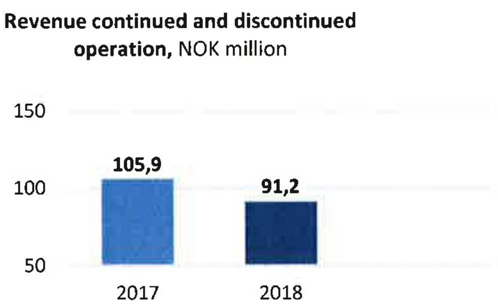
** See definition of Alternative Performance Measures below*

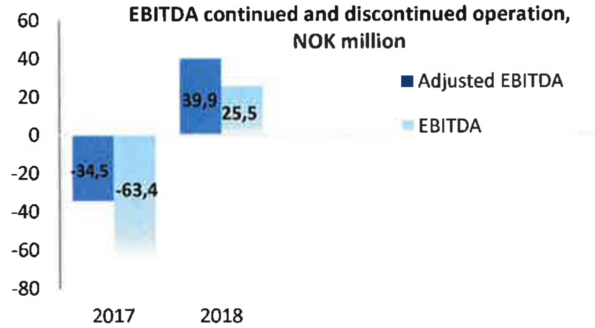
*** Cash and cash equivalents includes NOK 13 million in restricted cash held by Magnora's two Asia subsidiaries; Sevan Asia Pte Ltd and Sevan Shanghai Co Ltd which is expected to be available upon completion of the solvent liquidation process by year end 2019*

**** All three employees are supporting SMIY post the transaction with 50% of their cost covered by SMIY*









- The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. Magnora has defined and explained the purpose of the following APMs:
  - Operating cost, excluding one-off items: Management believes that "Operating cost, excluding one-off items" which excludes cost or cost reductions that arise from circumstances other than operation is a useful measure because it provides an indication of the company's operating cost base for the period without regard to significant historical and non-operational events that are expected to occur less frequently.
  - Adjusted EBITDA: Management believes that "Adjusted EBITDA" which excludes "one-off items" is a useful measure because it provides an indication of the profitability of the company's operating activities for the period without regard to significant historical and non-operational events that are expected to occur less frequently.

Board of Directors' report

Main events in 2018

(Figures for 2017 are presented in brackets)

- On June 07, 2018 Magnora ASA (former Sevan Marine ASA) (the "Company" or "Magnora") entered into an agreement to sell its intellectual property, shares in HiLoad LNG AS and to transfer certain other assets and obligations, including employees, to Sembcorp Marine Integrated Yard Pte Ltd ("SMIY"). The transaction was completed on September 4, 2018, and the Company received the agreed cash consideration of USD 39 million. The Company retains its net cash position, the Dana Western Isles license agreement and the financial benefit of the Shell Penguins FPSO license agreement.

- Following the transaction with SMIY, the shareholders approved at the extraordinary general meeting held on October 12, 2018 to change the Company's name from Sevan Marine ASA to Magnora ASA.

- In accordance with IFRS accounting standards, the remaining Magnora business is reported as continued operations while the disposed business is reported as discontinued operations in this report.

- On July 06, 2018, Teekay and a group of shareholders entered into an agreement whereby Teekay agreed to offer its 43.5 percent shareholding in Magnora to all other shareholders in Magnora on a pro rata basis for a price of NOK 10 per share, subject to adjustment for any distributions from Magnora until completion of the offer (the "Teekay Offer"). The Company agreed with Teekay to defer all distributions to its shareholders until the earlier of (i) 1 December 2018 or (ii) the completion of the Teekay Offer. Upon completion of the Teekay Offer, Magnora has agreed to withdraw the lawsuit against Logitel Offshore Pte Ltd. and the parties have agreed not to bring or pursue any other claims against each other and their affiliates in relation to activities prior to July 06, 2018. The completion of the Teekay Offer was subject to the following key conditions: (i) required corporate approvals; (ii) closing of the SMIY transaction; (iii) the subscription of all Teekay's shares in Magnora; and (iv) regulatory approvals.

- The Teekay Offer was completed on November 12, 2018. Settlement and delivery of the shares was completed on November 19, 2018.

- At the annual general meeting held on May 24, 2018, shareholders approved a share capital reduction and return of NOK 0.50 per share to shareholders. In addition, at the extraordinary general meeting held on July 06, 2018, shareholders approved a further share capital reduction and return of NOK 2 per share to shareholders. At the extraordinary general meeting held on October 12, 2018, Magnora also resolved to pay an interim dividend of NOK 6.0 per share. On November 13, 2018, following agreement with Teekay, the above distributions totalling NOK 447 159 492 or NOK 8.5 per share were paid to shareholders.

- At the extraordinary general meeting held on December 18, 2018, a new board consisting of Mr. Torstein Sanness (Chairman), Hilde Ådland (Board Member) and John Hamilton (Board Member) was appointed.

- At the extraordinary general meeting held on December 18, 2018, an authorisation was also granted to the Board of Directors to initiate a share buyback program. The program was launched on January 16, 2019.

- Following the transaction with SMIY and Teekay Offer, the current main business focus of the Company is managing the Western Isles and Shell Penguins license agreements.

- The Western Isles agreement gives Magnora the right to USD 0.5 per barrel of oil produced and offloaded from the Western Isles FPSO (the "FPSO") during the lifetime of the FPSO. The FPSO is owned and operated by Dana Petroleum and is currently producing at the Western Isles development in the UK sector of the North Sea. First oil was achieved in Q4 2017. The FPSO has a production capacity of 44,000 barrels per day. The related revenue for 2018 was NOK 49.0 million (NOK 3.2 million) which was the equivalent of approximately 33 000 barrels per day on average for 2018.

- The Shell Penguins agreement gives Magnora the right to future license income of approximately USD 16 million from the Shell Penguins FPSO project. The Penguins FPSO is currently under construction in Asia. The payments of USD 16 million in total, are tied to three milestones. These three milestones are: 1) the completion and sail away of the FPSO from the construction yard; 2) the installation of the FPSO at the field and achievement of first oil; and

3) the successful production, offloading and gas export of 4 million barrels which is estimated to be approximately 6 months after successful start-up. It is anticipated that the construction of the Penguins FPSO will be completed in Asia during mid 2021. Achievement of the further milestones will take place subsequently.

- Adjusted EBITDA from continued operations, excluding one-off items, was NOK 56.5 million profit (NOK 6.3 million loss), an improvement of NOK 62.8 million versus 2017. The main driver for the increase was an increase in revenue of NOK 67.2 million driven by license fee income from the Western Isles and Shell Penguins FPSO license agreements.

- Operating costs from continued operation, including one-off items, was NOK 28.3 million (NOK 38.3 million), a decrease of NOK 10.0 million compared to 2017. The main driver for the decrease was a reduction in one-off items of NOK 14.4 million, mainly related to the Logitel arbitration settlement cost in 2017. Excluding one-off items, operating costs increased by NOK 4.4 million to NOK 13.9 million (NOK 9.5 million). The increase was mainly due to employee costs related to bonuses and options following the transaction with SMIY.

- Net profit from continued operations, improved with NOK 81.5 million to NOK 87.2 million (NOK 5.7 million). The improvement was driven by higher revenues, lower operating costs and also by the recognition of a deferred tax asset of NOK 42.8 million in Q4 2018.

Business and strategy

Following the SMIY transaction, the Company´s main business activity is currently focused on managing the license agreements retained by the Company. These license agreements are: The Western Isles agreement and the Shell Penguins FPSO agreement. These agreements have the potential to generate significant cash flow for the Company in the coming years.

License agreements

Magnora is entitled to a variable license fee of USD 0.50 per barrel produced and offloaded from the Dana Western Isles FPSO (the "FPSO"). The associated license income for 2018 was NOK 49.0 million (NOK 3.2 million). which was the equivalent of approximately 33,000 barrels per day on average for 2018.

The newly built FPSO was completed in 2017 and first oil was achieved in Q4 2017. The FPSO is owned and operated by Dana Petroleum and is producing at the Western Isles development in the UK sector of the North Sea. The FPSO has a production capacity of 44,000 barrels per day. The Western Isles development is expected to have a field life of 15 years. The FPSO is expected to have a design life of 20 to 25 years, and thus could produce oil for longer than 15 years. Magnora´s right to payments is tied to the FPSO, irrespective of operating location and field. Any potential oil field tied-back to the FPSO or any redeployment, irrespective of location, will also be subject to the payment obligations under the agreement. The Western Isles agreement is expected to generate income for Magnora in the years to come.

Post the transaction with SMIY, the financial benefit of the Shell Penguins FPSO license agreement remains with Magnora. The final investment decision regarding the Shell Penguins Redevelopment project was taken in January 2018. Magnora received payment for the first milestone of USD 2.625 million (NOK 20.7 million) under the license agreement in Q1 2018. Further payments under the license agreement are subject to three milestones; the completion and sail away of the FPSO from the construction yard, the installation of the FPSO at the field and achievement of first oil, and the successful production, offloading and gas export of 4 million barrels which is estimated to be approximately 6 months after successful start-up. It is anticipated that the construction of the Penguins FPSO will be completed in Asia during mid 2021. Achievement of the further milestones will then take place subsequently.

Financials

(Figures for 2017 are presented in brackets)

Profit and loss

Operating revenue from continued operation for 2018 was NOK 70.4 million, up from NOK 3.2 million in 2017. The increase of NOK 67.2 million was a result of a received payment for the first milestone of USD 2.625 million (NOK 20.7 million) under the Shell Penguins FPSO license agreement in 2018, and also license fees received from the Dana Western Isles project that started production in November 2017. EBITDA from continued operations was positive NOK 42.1 million (NOK 35.1 million negative), and was positively impacted by a reduction in operating cost of NOK 10.0 million, mainly due to a reduction in one-off items related to the Logitel arbitration settlement. Net profit from continued operations was NOK 87.2 million (NOK 5.7 million) and was impacted by the recognition of a deferred tax asset of NOK 42.8 million.

The Group has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Cash Flow

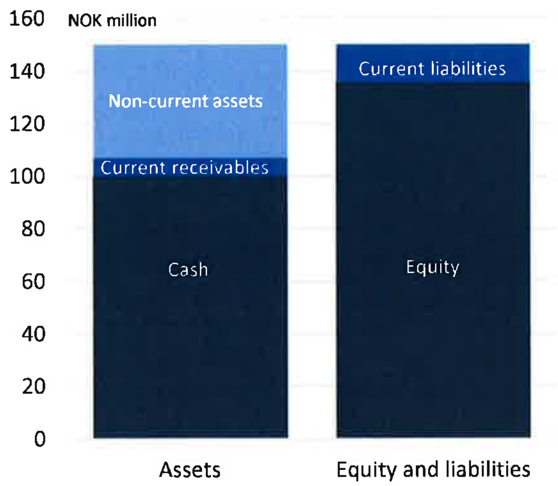
As of December 31, 2018, cash and cash equivalents amounted to NOK 100.3 million for continued operations (NOK 195.9 million). The negative cash flow for the year of NOK 95.6 million was due to the distribution of the share capital reduction of NOK 131.5 million and payment of dividends of NOK 315.6 million.This was partly offset by the received sale proceeds from the transaction with SMIY of NOK 327.2 million and a positive cash flow from operating activities.

A detailed cash flow statement is included in the financial statements.

Financing and financial position

The equity ratio was 90 percent as of December 31, 2018.

Balance sheet composition year end 2018:



As of year-end 2018, total assets amounted to NOK 150.2 million (NOK 221.2 million) whereof cash and cash equivalents amounted to NOK 100.3 million (NOK 197.5 million).

Total equity as of December 31, 2018 amounted to NOK 135.8 million (NOK 184.0 million), and the equity ratio was 90 percent (83 percent).

The Group had no interest bearing debt in 2018 or 2017.

Logitel Offshore

Upon completion of the Teekay Offer, Magnora has withdrawn the lawsuit against Logitel Offshore Pte Ltd. and the parties have agreed not to bring or pursue any other claims against each other and their affiliates in relation to activities prior to July 06, 2018. This has led to a NOK 4.1 million non-cash gain in 2018 as the accrual for payment of Logitel Offshore Pte Ltd.'s legal fees awarded by the Oslo District Court in 2017 has been reversed.

Arendal Brygge

On October 2, 2018, Magnora purchased 15% of the shares in Arendal Brygge AS for NOK 300 000. Following this transaction, Magnora owns 50% of the shares in Arendal Brygge AS. Sparebanken Sør owns the other 50% of the shares. In 2018, Magnora ASA and Sparebanken Sør also agreed to each provide a NOK 150 000 shareholder loan (NOK 300 000 in total) to Arendal Brygge to support the Arendal Brygge's liquidity. On March 19, 2019, Magnora and Sparebanken Sør agreed to provide an additional shareholder loan of NOK 550 000 each (NOK 1 100 000 in total) to Arendal Brygge. The funds will be used to support Arendal Brygge's liquidity needs and to repay the NOK 300 000 loan mentioned above as well as to finance amounts due in June 2019 to both Magnora and Sparebanken Sør of NOK 447 553.

Share buyback, capital reduction and dividends

At the annual general meeting held on May 24, 2018, shareholders approved a share capital reduction and return of NOK 0.50 per share to shareholders. At the extraordinary general meeting held on July 06, 2018, shareholders approved a further share capital reduction and return of NOK 2 per share to shareholders. In addition, at the extraordinary general meeting held on October 12, 2018, the shareholders resolved an extraordinary dividend of NOK 6.0 per share to shareholders. On November 13, 2018, the above distributions totalling NOK 447 159 492 or NOK 8.5 per share were paid to shareholders.

On January 16, 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorization granted by the extraordinary general meeting to the Board of directors on 18 December 2018. Buyback transactions are executed according to the market price on the Oslo Stock Exchange and the maximum consideration to be paid for shares acquired under the buyback program is NOK 7 per share and NOK 5.7 million in aggregate. The maximum number of shares that can be acquired under the program is 1 425 000 shares. The program will be terminated on 24 April 2019. The Company intends to extend the share buyback program subject to approval by shareholders at the annual general meeting to be held on May 21, 2019. Magnora may at any time without further notice close or suspend the program. Shares purchased under the program will be used to reduce the number of outstanding shares. The maximum number of shares which may be purchased in any one day is limited to 50% of the average weighted daily volume of Magnora shares traded in the 20 trading days preceding the day of purchase. The share buyback program is managed and will be executed by Skandinaviska Enskilda Banken on behalf of Magnora. As of the date of this report, Magnora owns 20 301 shares or 0.0004 percent of total shares outstanding.

In addition, the board of Magnora intends to carry-out further distributions of capital to shareholders in 2019, in the form of dividends and/or reductions in share capital. The intention of the Board is to distribute the cash flow generated by the license agreements, in addition to any excess cash held by the Company, to the extent legally permitted, to shareholders. Magnora will at the same time seek to maintain an appropriate cash balance in the Company and will take this into consideration if proposing any dividends and/or distributions of capital. It is currently expected that a cash balance of approximately NOK 25-40 million will be retained by the Company. In order to facilitate further distributions, the board intends to recommend a share capital reduction, including a payout of NOK 1 per share, as well as proposing the granting of an authorization to pay interim quarterly dividends to shareholders at the annual general meeting to be held on May 21, 2019.

Going concern

In accordance with section 3-3(a) of the Norwegian Accounting Act, the Board confirms that the annual accounts have been prepared on a going concern assumption, which the Board believes is appropriate based on the Company's strategic plans and financial prognosis.

Annual results and year-end appropriations

The Board proposes the following appropriation of the annual profit of NOK 377.8 million in the parent company Magnora ASA:

Dividend already distributed to shareholders based on an Interim Balance Sheet September 04, 2018: NOK 315.6 million
Profit transferred to other equity: NOK 62.2 million
Total appropriation: positive NOK 377.8 million

Risk and uncertainty factors

Magnora is exposed to market risk, credit risk, currency risk and liquidity risk. The company's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

Magnora's main counterparties are oil companies and global marine contractors with a strong financial basis, but, as with suppliers and customers in general, there is a risk that unforeseen financial difficulties on the counterparty's side may arise which could have material adverse effects on the financial condition, the cash flows and/or the prospects of Magnora.

The majority of the Company's revenue is in USD. To reduce the currency risk, the Company has hedged a portion of the expected USD income through December 2019.

The company is also subject to field development and reservoir risk in situations where the license fee is tied to the field development and production such as the Dana Western Isles income and Shell Penguins license fee income. Magnora's business activity and income is currently limited to the Dana Western Isles and Shell Penguins license fee income. The fact that the main income of the business is linked to these two contracts is also a risk factor.

Magnora was informed in May 2018 that the Norwegian authority for investigation and prosecution of economic and environmental crime ("ØKOKRIM") concluded its investigation. ØKOKRIM has dismissed the case into potential corruption involving contracts awarded to Magnora in Brazil in the period 2005 to 2008. Magnora has at no stage been charged and has fully cooperated with ØKOKRIM. Despite the dismissal by ØKOKRIM, there remains a risk of potential claims from involved parties and/or authorities in other jurisdictions.

Magnora ASA was informed during the third quarter 2017 that Sembmarine SSP Inc. and Jurong Shipyard Pte Ltd initiated patent infringement proceedings against Magnora ASA as well as Sevan Drilling Ltd and Sevan Drilling North America LLC in the Southern District Court of Texas in relation to the U.S. Patent No. 9,266,587.

With the completion of the SMIY transaction, this lawsuit has been terminated.

Reference is made to note 3 in the Financial Statements for 2018 for further information, as well as to comments made under Going Concern above.

Corporate Governance

The Company aims at maintaining sound corporate governance routines that provide the basis for long term value creation, to the benefit of shareholders, employees, other interested parties and the society at large.

As a guiding basis for its conduct of corporate governance, the Company uses the national Norwegian Code of Practice for Corporate Governance, of October 17, 2018. The status of corporate governance is addressed in a separate section of this Annual Report.

The Board of Directors

In 2018 Magnora had its annual general meeting on May 24th, and the annual general meeting elected the following members to the Board of Directors: Erling Øverland (Chairperson), Torstein Sanness (Director, re-elected), Kathryn M. Baker (Director, re-elected), Hilde Ådland (Director, new), Astrid Jørgenvåg (Director, new), and Bjørn Sund (Director, new). On June 06, 2018, Mr. Bjørn Sund resigned from the Board of Directors for personal reasons. On November 27, 2018, Mr. Erling Øverland and Mrs Astrid Jørgenvåg resigned from the Board of Directors following the successful completion of both the SMIY transaction and Teekay Offer. At an extraordinary general meeting held on December 18, 2018, a new board consisting of Mr. Torstein Sanness (Chairperson), Hilde Ådland (Director, re-elected) and John Hamilton (Director, new) was appointed. All shareholder-elected members were elected by the extraordinary general meeting for a period until the annual general meeting to be held in 2019. Presentations of the Directors are available in a separate chapter in this Annual Report and on the company's website www.magnoraasa.com.

Corporate Social Responsibility

Health, Safety and Environment

Developing sound health, safety and environment (HSE) principles is a critical success factor for the Company.

Sick leave was 6.4% (2017: 1.0%) for the Company for the year. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2018.

There have been no Lost Time Incidents (LTI) during 2018.

The work environment is good. The Board and the management continue to focus on equal opportunities for men and women. One of three Board members at year end was a woman. The Company strives to ensure that there is no discrimination due to gender, ethnicity, national origin, descent, race, religion or functional disability. Currently, the Company has not implemented any specific measures in order to meet the objective of the Discrimination Act and of the Anti-discrimination and Accessibility Act. The need for specific measures in this respect is continuously considered by the Board and the management.

Anti-corruption

The company has implemented formal guidelines, procedures, standards and routines in relation to anti-bribery and corruption. Following the sale of the business activities to SMIY, the Board of Directors has decided that an Ethics Committee is no longer required for the time being.

Human rights

The Company has not implemented formal guidelines, procedures, standards or routines regarding human rights and environment in its business strategies and its operation.

Outlook

Magnora's main business activity is now focused on managing the Dana Western Isles and Shell Penguins FPSO agreements retained by the Company.

Magnora's corporate structure, following the completion of the SMIY transaction, is organized to be as efficient and cost effective as possible. Magnora currently has only 3 part time staff. Given the current structure of the Company, it is expected that total group operating costs will be in the range of NOK 7 to 10 million through 2019.

Magnora is listed on the Oslo Stock Exchange.

Lysaker, April 04, 2019
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Ådland
Board Member

John Hamilton
Board Member

Reese McNeel
CEO

Board of Directors' statement on policy for Corporate Governance

Corporate Governance in Magnora

As a listed company on the Oslo Stock Exchange (Oslo Børs), the Company aims at conducting its business in accordance with the Norwegian Code of Practice for Corporate Governance of October 17, 2018 (the "Code of Practice"). The Company's principles of corporate governance are in addition to the Code of Practice based on the Continuing Obligations of stock exchange listed companies from the Oslo Børs and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice may be found at www.nues.no and the Continuing Obligations of stock exchange listed companies may be found at www.oslobors.no.

The Company operates on the basis of principles aiming at ensuring openness, integrity and equal treatment of its shareholders. By practicing good corporate governance, appropriate division of roles between shareholders, the Board of Directors and the Senior Management will be secured, thereby contributing to reduced business risk and better shareholder value over time. The Board of Directors and the Senior Management annually evaluate the principles on corporate governance and how they are implemented in the Group.

The Company is committed to high ethical standards in its business dealings to ensure that the integrity of its employees and the organization is maintained. Corporate social responsibility for the Company is an extension of the way the Company conducts its business.

In accordance with section 3-3 b of the Norwegian Accounting Act, the Company shall in connection with its annual financial statements provide a statement on how the Company has implemented the principles of, and account for any deviations from, the Code of Practice. Below is an outline on the Company's principles for corporate governance, in accordance with the categories listed in the Code of Practice. At the turn of the year 2019/2018, the Company deviates from the Code of Practice on the following point:

- The Board of Directors has so far chosen not to adopt or publish any explicit guiding principles for how it will act in the event of a takeover bid (Section 14; Takeovers)

Business

The Company's objective, as set out in § 3 of the Company's articles of association (the "Articles"), is "to offer products and services to the energy; offshore and oil services industry, and sectors directly or indirectly related to these, in addition to investments in and acquisitions of businesses, securities, financial instruments and other assets, and participating in other businesses, directly or indirectly linked to these". The Board of Directors is of the opinion that the business objectives laid down in the Articles provide predictability and direction for the Company's business strategy and the activities that it may conduct, acquire or initiate. The Articles are available at the Company's website.

Equity and Dividend

The Company seeks to maintain a healthy financial structure which is adjusted to its business as well as the duration of its contract portfolio. As of December, 31, 2018, the Group had an equity share ratio of 90 percent. The Board of Directors continually reviews the Group's capital situation in light of the Company's targets, strategies and risk profile.

At the annual general meeting held on May 24, 2018, shareholders approved a share capital reduction and return of NOK 0.50 per share to shareholders. At the extraordinary general meeting held on July 06, 2018, shareholders resolved a further share capital reduction and return of NOK 2 per share to shareholders. In addition, at the extraordinary general meeting held on October 12, 2018, the shareholders approved an extraordinary dividend of NOK 6.0 per share to shareholders. On November 13, 2018, the above distributions totalling NOK 447 159 492 or NOK 8.5 per share were paid to shareholders.

On January 16, 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorization granted by the extraordinary general meeting to the Board of directors on 18 December 2018. Buyback transactions are executed according to the market price on the Oslo Stock Exchange and the maximum consideration to be paid for shares acquired under the buyback program is NOK 7 per share and NOK 5.7 million in aggregate. The maximum number of shares that can be acquired under the program is 1 425 000 shares. The program will be terminated on 24 April 2019. The Company intends to extend the share buyback program subject to approval by shareholders at the annual general meeting to be held on May 21, 2019. Magnora may at any time without further notice close or suspend the program. Shares purchased under the program will be used to reduce the number of outstanding shares. The maximum number of shares which may be purchased in any one day is limited to 50% of the average weighted daily volume of Magnora shares traded in the 20 trading days preceding the day of purchase. The share buyback program is managed and will be executed by Skandinaviska Enskilda Banken on behalf of Magnora. As of the date of this report, Magnora holds 20 301 in treasury shares or 0.0004 percent of total shares outstanding.

In addition, the board of Magnora intends to carry-out further distributions of capital to shareholders in 2019, in the form of dividends and/or reductions in share capital. The intention of the Board is to distribute the cash flow generated by the license agreements, in addition to any excess cash held by the Company, to the extent legally permitted, to shareholders. Magnora will at the same time seek to maintain an appropriate cash balance in the Company and will take this into consideration if proposing any dividends and/or distributions of capital. It is currently expected that a cash balance of approximately NOK 25-40 million will be retained by the Company. In order to facilitate further distributions, the board intends to recommend a share capital reduction, including a payout of NOK 1 per share, as well as proposing the granting of an authorization to pay interim quarterly dividends to shareholders at the annual general meeting to be held on May 21, 2019.

At the annual general meeting in 2017, The Board of Directors was granted an authorization to increase the share capital by up to NOK 4,200,000 in connection with the incentive scheme for management and employees. The authorization was valid up to the annual general meeting in 2018, but no longer than June 30, 2018. In addition at the annual general meeting in 2018, The Board of Directors was granted a continued authorization to increase the share capital by up to NOK 7,600,000 in connection with the incentive scheme for management and employees. The authorization is valid up to the annual general meeting in 2019, but no longer than June 30, 2019.

On the basis of the approval by the annual general meeting of May 24, 2017 to authorize the Board of Magnora to issue new shares to employees under a long-term incentive program, the Board resolved on March 02, 2018 to issue options to employees of the Company. A total of 943,505 options for shares of the Company were distributed amongst the management and all employees. As the SMIY transaction constituted a change of control event under the employee share option program, the Board of Directors of the Company resolved to terminate the Company's share incentive program on September 04, 2018 against cash consideration. All 890,072 outstanding options were considered fully vested at a strike price of NOK 10 and a fair value of the shares of NOK 14.50 each. The employees under the share option program received accordingly NOK 4.50 per option, corresponding to total consideration of NOK 4,005,324. Accordingly, no shares will be issued under the authorisation to increase the share capital granted to the Board of Directors.

The Board of Directors has not been granted any further authorizations to issue shares or other financial instruments.

Equal Treatment of Shareholders and Transactions with Close Associates

The Company has one class of shares only and each share entitles the holder to one vote at the Company's annual general meetings. Transactions with close associates shall be on arm's-length basis and always in compliance with the Norwegian Public Limited Liability Companies Act.

The Company has one major shareholder, Kistefos AS, which currently holds in excess of 20 percent of the Company's shares.

The Company may engage in business activities with or in cooperation with its shareholders. Such activities shall be handled at the board level, with a view to securing a foreseeable and consistent practice which prevents potential conflict of interest situations, arm's-length treatment and sound governance.

In the event of transactions which are not insignificant between the Company and its shareholders, Directors or Senior Management, the Board of Directors shall obtain a valuation from an independent third party. Directors, the CEO and members of the Senior Management shall notify the Board of Directors in advance if they have a significant interest in any agreement which may or is to be entered into by the Company.

For more information about transactions with related parties, please refer to note 22 to the consolidated financial statements included in the 2018 Annual Report.

Freely Negotiable Shares

The Company's shares are listed on Oslo Børs and are freely negotiable. There are no restrictions on transferability of shares pursuant to the Articles.

General Meetings

The annual general meeting is the Company's supreme corporate body. The Articles and the Norwegian Public Limited Liability Companies Act set out the authority and mandate of the annual general meeting. Among other things, the annual general meeting approves the Company's annual financial statements, elects the Directors and the auditor, and also functions as a forum for presentation and discussion of other issues of general interest to shareholders. All shareholders of the Company have the right to attend the annual general meetings.

The date of the annual general meeting is published in the Company's financial calendar for the year, which is posted at the Company's website. Notice of annual general meetings, including documentation relating to the items on the agenda and the recommendation of the Company's nomination committee, is in accordance with the Articles published at the Company's website no later than 21 days before the annual general meeting is to be held. Individual shareholders are entitled to have the documents sent to them free of charge, upon request to the Company. The annual general meetings of the Company may be held in Oslo or Bærum.

Attendance forms for the annual general meeting may be sent to the Company up to the day before such annual general meeting in order to enable as many shareholders as possible to attend. Shareholders who are unable to attend in person may attend by proxy, and the Company provides the shareholders with proxy forms which enable the relevant shareholder to instruct its representative on each individual item on the agenda. The shareholders may decide between granting proxy to a representative of their own choice, or to the Chairperson of the Board. The minutes from the annual general meeting are published on the Company's website as soon as possible following the annual general meeting.

Nomination Committee

The Company has a three member Nomination Committee elected by the annual general meeting. At the annual general meeting in 2018, Mimi K. Berdal (chair), Ingvild Sæther and Kristoffer Andenæs were elected as members of the nomination committee. At an extraordinary general meeting held on December 18, 2018, a new Nomination Committee was elected until the annual general meeting to be held in 2019 consisting of Fredrik Sneve (Chair), Tom Olav Holberg and Kristoffer Andenæs.

The Nomination Committee, which works under the mandate and authority of the annual general meeting makes preparations and recommends candidates for the annual general meeting's election of members of the Board of Directors. It also proposes the remuneration to the Directors. The Nomination Committee is governed by a provision in the Articles and Guidelines for the Nomination Committee adopted by the annual general meeting.

The annual general meeting determines the remuneration to the members of the Nomination Committee. Information regarding the composition of the Nomination Committee, which members are up for election and how input and proposals can be submitted to the Nomination Committee, are posted on the Company's website prior to the annual general meeting.

Corporate Assembly and Board of Directors

As of the date hereof, the Company is not required to and does not have a Corporate Assembly.

The Board of Directors shall pursuant to the Articles consist of three to seven members. All members shall be elected by the annual general meeting. The Chairperson is elected by the annual general meeting. The Board of Directors currently consists of three members: Torstein Sanness (Chairperson), John Hamilton and Hilde Ådland. Biographical information on each Director is outlined on page 13 of the 2018 Annual Report and at the Company's website.

The directors are deemed to be independent of the Company's main shareholders and material business contacts.

Information on the Directors' shareholdings in the Company is set out on the Company's website and note 17 of the Consolidated Financial Statements.

The Work of the Board of Directors

The Board of Directors is ultimately responsible for administering the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner. Moreover, the Board of Directors is responsible for establishing supervisory systems and for overseeing that the business is run in accordance with the Company's core values and ethical guidelines.

The Board of Directors prepares an annual plan for its work, with emphasis on objectives, strategies and implementation. Furthermore, the Board of Directors approves the budget for the Group.

The Board of Directors meets minimum six times a year and more frequently if required. The Board of Directors held 16 board meetings in 2018, of which 10 were physical board meetings and 6 were held by telephone conference. The average participation level was 91%.

Compensation Committee

The Board of Directors established a Compensation Committee, which acted as a preparatory and advisory working committee and prepared guidelines for the remuneration of the Senior Management, and handled any matters which arose in this respect. Following the sale of the business activities to SMIY, the Board of Directors has decided that a Compensation Committee is no longer required for the time being.

Audit Committee

The Board of Directors established an Audit Committee in 2010, which acts as a preparatory and advisory working committee with regard to the financials of the Company. The Audit Committee further assists the Board of Directors in various matters relating to the Company's financial statements, financial reporting processes and internal controls, and the qualifications, independence and performance of the external auditor. The members of the Audit Committee receive additional remuneration for duties relating to the committee responsibilities, such remuneration being subject to approval by the annual general meeting. Currently, the members of the audit committee are Torstein Sanness and John Hamilton.

Ethics Committee

The Board of Directors established an Ethics Committee during 2015. The Ethics Committee assisted the Board of Directors in matters regarding the internal authority structure, compliance with the Company's Ethics Policy and general risk management in areas such as corporate governance, anti-bribery compliance, competition, export control, GDPR directive and data protection compliance. Following the sale of the business activities to SMIY, the Board of Directors has decided that an Ethics Committee is no longer required for the time being.

Risk Management and Internal Control

The Board of Directors shall ensure that the Company has good internal control functions and appropriate systems for risk management tailored to its operations and in accordance with the Company's core values, ethical guidelines and social responsibility policy. A review of the Company's most important risk areas and its internal control functions is conducted by the Board of Directors on an annual basis.

The Group is exposed to a variety of risks, including market risks, currency risks, financial risks and operational risks. The Group's overall risk management programme seeks to minimize the potential adverse effects on the Group's financial performance likely to be caused by its exposure to such risk factors, including but not limited to the use of derivative financial instruments and development of sound health, safety and environment (HSE) principles as well as prudent monitoring of activities.

The Company prepares and publishes quarterly and annual financial statements. The Group's consolidated financial statements are prepared in accordance with IFRS and IFRIC interpretations as adopted by the EU.

Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting. The Directors are also reimbursed for travelling, hotel and other expenses incurred by them in attending board meetings or in connection with the business of the Company.

Remuneration of the Board of Directors, as proposed by the Nomination Committee and approved by the annual general meeting, is not linked to the Company's performance. The company has not granted any share options to board members.

Details of the remuneration to the Board of Directors are disclosed in note 17 to the Company's consolidated financial statements, included in the 2018 Annual Report.

Remuneration of the Senior Management

The Board of Directors has established guidelines for the remuneration of the members of the Senior Management. These guidelines are presented to and approved by the annual general meeting and are described in the "Statement Regarding Determination of Salary and Other Benefits for Senior Management" which is disclosed on page 54 of the 2018 Annual Report. The guidelines are clear on which aspects that are advisory and which are binding, allowing for separate voting by the annual general meeting.

The CEO sits on the board of directors in the Company's subsidiaries and does not receive any board remuneration for these assignments.

Information and Communication

The Board of Directors has incorporated guidelines for the Company's reporting of financial and other information based on openness, and taking into account the requirements for equal treatment of all participants in the securities market.

In order to ensure equal treatment of its shareholders, an important objective for the Company is to make sure that the securities market is in possession of correct, clear and timely information about the Company's operations and condition at all times. This is essential for an efficient pricing of the Company's shares and for the market's confidence in the Company.

Initiatives taken to meet this equal treatment objective include timely and comprehensive reporting of the Company's interim results and publication of the annual and quarterly financial reports. In addition, information of significance for assessing the Company's underlying value and prospects is reported through Oslo Børs and are made available at the corporate website. Further details, such as contact details and general updates and news about the Company, are available at the Company's website.

The Company's CEO is responsible for Investor Relations and the Company seeks to provide relevant and updated information to its shareholders, Oslo Børs, analysts and investors in general. The Company seeks to clearly communicate its long-term potential, including its strategy, value drivers and risk factors.

The Company's financial calendar is available at the Company's website. Updated shareholder information is published at the website.

Takeovers

The Board of Directors will handle any possible takeover in accordance with Norwegian corporate law and its fiduciary duties. Neither the Articles of Association nor any underlying steering document prevent or limit the opportunity for investors to acquire shares in the Company, nor do they impose restrictions relative to takeover attempts or authorize measures to be taken by the Board of Directors to interfere. The Board of Directors will not seek to hinder or obstruct an offer for the Company's activities or shares unless there are particular reasons for this. The Board of Directors has so far chosen not to adopt or publish any explicit guiding principles for how it will act in the event of a takeover bid.

Auditor

Ernst & Young AS (EY) was elected the external auditor in 2013. The auditor participates regularly in meetings with the Audit Committee throughout the year. In addition, the Board meets with the auditor, without any member of the Company being present, at least once a year. The auditor annually reports the main features of the plan for the audit to the Audit Committee.

Once a year, the auditor presents a review of the Company's internal control procedures, including identifying weaknesses and proposals for improvement, to the Audit Committee.

In connection with the issue of the auditor's report, the auditor provides the Board of Directors with a declaration of independence and objectivity, and the auditor participates in the board meeting in which the annual financial statements are approved. The proposal for approval of the remuneration of the auditor provides a breakdown of remuneration relating to statutory audit tasks and other assignments, and is reported to the annual general meeting.

Lysaker, April 04, 2019
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Ådland
Board Member

John Hamilton
Board Member

Reese McNeel
CEO

The Board of Directors

Torstein Sanness

Chairman

Mr. Sanness, a Norwegian Citizen residing in Norway, with extensive experience and technical expertise in the oil and gas industry. Mr. Sanness served as Managing Director of Lundin Petroleum Norway from 2004 to April 2015, whereafter he was elected Chairman of the same company until March 2017 when he moved to the board of International Petroleum Corp., another Lundin Group company. Under his leadership Lundin Norway turned into one of the most successful players on the NCS and added net discovered resources of close to a billion boe to its portfolio. Before joining Lundin Norway Mr. Sanness was Managing Director of Det Norske Oljeselskap AS. From 1975 to 2000, Mr. Sanness was at Saga Petroleum until its sale to Norsk Hydro and Statoil, where he held several executive positions in Norway as well as in the US, including being responsible for Saga's international operations and entry into Libya, Angola, Namibia and Indonesia. Mr. Sanness is a graduate of the Norwegian Institute of Technology in Trondheim where he obtained a Master of Engineering (geology, geophysics and mining engineering). Mr. Sanness also serves as a board member for TGS, the world's largest geoscience data company, International Petroleum Corporation, Lundin Petroleum AB and for Panoro Energy ASA.

Hilde Ådland

Board member

Mrs. Ådland holds a Bachelor in Chemical Engineering and a Master in Process Engineering (1991) and has extensive experience from various technical and operational positions in Kværner, Statoil and Gas de France/GDF Suez/Engie/Neptune. Mrs. Ådland is also a board member of Panoro Energy ASA

John Hamilton

Board member

John has considerable experience from various positions in the international oil and gas industry. Most recently, John was Chief Executive Officer of UK AIM listed President Energy PLC, a Latin American focused exploration company, which opened up a new onshore basin in Paraguay. Before joining President, John was Managing Director of Levine Capital Management, an oil and gas investment fund. He was also Chief Financial Officer of UK FTSE 250 listed Imperial Energy PLC, until its sale for over US$ 2 billion in 2008. John also spent 15 years with ABN AMRO Bank in Europe, Africa, and the Middle East. The majority of his time with ABN AMRO was spent in the energy group, with a principal focus on financing upstream oil and gas. John has a BA from Hamilton College in New York, and an MBA from the Rotterdam School of Management and New York University. Today, John holds the position as CEO of Panoro ASA.

Senior Management

Reese McNeel

CEO/CFO

Reese McNeel was appointed CEO and CFO of Magnora ASA (former Sevan Marine) on January 01, 2017. He joined Sevan Marine as CFO in 2015 and was interim CFO in 2011. Prior to Sevan Marine, Mr. McNeel held various management positions working for the global advisory firm AlixPartners. He started his career with PricewaterhouseCoopers in Frankfurt and London. Mr. McNeel holds an MBA from IESE Business School, Barcelona, Spain. Mr. McNeel is a U.S. citizen with residence in Oslo, Norway.

Consolidated statement of financial position

NOK million	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Deferred tax assets	14	42.8	0.0
Intangible assets	6	0.0	4.3
Investment in associates	1	0.3	0.0
Loan	22	0.2	0.0
Other non-current assets	26	0.0	3.3
Total non-current assets		**43.3**	**7.6**
Current assets			
Trade and other receivables	7,8,9,22	6.6	16.1
Cash and cash equivalents	7,8,10	100.3	197.5
Total current assets		**107.0**	**213.6**
TOTAL ASSETS		**150.2**	**221.2**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	78.4	210.4
Other equity		57.4	-26.7
Total shareholders' equity		**135.8**	**183.7**
Non-controlling interest		0.0	0.3
TOTAL EQUITY		**135.8**	**184.0**
LIABILITIES			
Non-current liabilities			
Other non-current liabilities		0.0	2.3
Total non-current liabilities		**0.0**	**2.3**
Current liabilities			
Trade payables	7	1.9	5.3
Provisions	16	8.3	15.0
Other current liabilities	13,27	4.2	14.6
Total current liabilities		**14.4**	**34.9**
Total liabilities		**14.4**	**37.2**
TOTAL EQUITY AND LIABILITIES		**150.2**	**221.2**

Lysaker, April 04, 2019
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Ådland
Board Member

John Hamilton
Board Member

Reese McNeel
CEO

Consolidated statement of profit or loss

NOK million	Note	2018	2017 *
Continued operations			
Operating revenue	23	**70.4**	**3.2**
Operating expense		-0.1	0.0
Employee benefit expense	17	-15.3	-7.5
Other operating expense	25	-12.9	-30.8
Total operating expense		**-28.3**	**-38.3**
Operating profit/(loss)		**42.1**	**-35.1**
Financial income	18	3.1	11.6
Foreign exchange gain/(loss)		-1.1	-3.5
Net financial items		**2.0**	**8.1**
Profit/(loss) before tax		**44.1**	**-27.0**
Tax income/(expense)	14	43.1	32.8
Net profit/(loss) continued operations		**87.2**	**5.7**
Net profit/(loss) discontinued operations	5	310.7	-39.6
Net profit/(loss)		**398.0**	**-33.8**

**Restated due to the transaction with Sembcorp Marine Integrated Yard Pte Ltd ("SMIY"). Business sold to SMIY is classified as discontinued operations.*

NOK million	Note	2018	2017
Net profit/(loss) continued operations		87.2	5.7
Net profit/(loss) discontinued operations		310.7	-30.7
Net profit/(loss) attributable to equity holders		**398.0**	**-24.9**
Net profit/(loss) continued operations		0.0	0.0
Net profit/(loss) discontinued operations		0.0	-8.9
Net profit/(loss) attributable to non-controlling interest		**0.0**	**-8.9**
Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (NOK per share):			
- Basic	19	7.57	-0.47
- Diluted	19	7.57	-0.47
Continued operations			
- Basic	19	1.66	0.11
- Diluted	19	1.66	0.11
Discontinued operations			
- Basic	19	5.91	-0.58
- Diluted	19	5.91	-0.58

Consolidated statement of comprehensive income

NOK million	2018	2017
Net profit/(loss)	398.0	-33.8
Non/controlling interest	-0.3	0.0
Foreign currency translation to be classified to profit or loss in subsequent period	0.7	-1.0
Other changes	0.1	-0.1
Comprehensive income	**398.5**	**-34.9**
Comprehensive income attributable to equity holders	398.8	-26.0
Comprehensive income attributable to non-controlling interest	-0.3	-8.9

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Other equity	CTA	Non-controlling interest	Total equity
January 1, 2018	11	**210.4**	**0.0**	**-25.8**	**-1.0**	**0.3**	**184.0**
Net profit/(loss)				398.0			398.0
Share capital distribution		-132.0		0.5			-131.5
Dividend				-315.6			-315.6
Share-based payments				0.4			0.4
Other comprehensive income				0.1	0.7	-0.3	0.5
Total comprehensive income		**-132.0**	**0.0**	**83.4**	**0.7**	**-0.3**	**-48.2**
December 31, 2018	11	**78.4**	**0.0**	**57.7**	**-0.3**	**0.0**	**135.8**

NOK million		Attributable to equity holders of the Company					
	Note	Share capital	Share premium	Other equity	CTA	Non-controlling interest	Total equity
January 1, 2017 (Restated)	11	**210.4**	**122.9**	**-123.6**	**0.0**	**9.2**	**218.9**
Net profit/(loss)				-24.9		-8.9	-33.8
Other comprehensive income				-0.1	-1.0		-1.1
Total comprehensive income		**0.0**	**0.0**	**-25.0**	**-1.0**	**-8.9**	**-34.9**
Reclassification			-122.9	122.9			0.0
December 31, 2017	11	**210.4**	**0.0**	**-25.8**	**-1.0**	**0.3**	**184.0**

Consolidated cash flow statement

NOK million	Note	2018	2017*
Cash flows from operating activities			
Cash from operations	21	41.4	-30.4
Taxes paid/repaid		0.3	31.7
Net cash generated from continued operating activities		**41.8**	**1.3**
Net cash generated from discontinued operating activities		-20.5	2.6
Net cash generated from operating activities		**21.3**	**3.9**
Cash flows from investment activities			
Net proceeds from Sembcorp transaction	5	327.1	0.0
Purchase of shares in Arendal Brygge AS		-0.3	0.0
Divestment KANFA AS		0.0	0.9
Sale of fixed assets		**326.8**	**0.9**
Net cash from discontinued investment activities		0.0	-36.4
Net cash from investment activities		**326.8**	**-35.5**
Cash flows from financing activities			
Loan to Arendal Brygge AS		-0.2	0.0
Dividends paid		-315.6	0.0
Capital reduction distribution		-131.5	0.0
Interest		2.1	3.2
Net cash from continued financing activities		**-445.3**	**3.2**
Net cash from discontinued financing activities		0.0	0.0
Net cash from financing activities		**-445.3**	**3.2**
Net cash flow for the period - continued activities		**-76.7**	**5.4**
Net cash flow for the period - discontinued activities		**-20.5**	**-33.8**
Cash balance at the beginning of the year		197.5	225.9
Cash balance at the end of the year		**100.3**	**197.5**

** Restated due to the transaction with Sembcorp Marine Integrated Yard Pte Ltd ("SMIY"). Business sold to SMIY is classified as discontinued operations.*

Notes to the consolidated financial statement

Note 1 Corporate information

Following the transaction with SMIY, the shareholders approved at the extraordinary general meeting held on October 12, 2018 to change the Company's name from Sevan Marine ASA to Magnora ASA.

Magnora ASA's objective is to offer products and services to the energy, offshore and oil services industry, and sectors directly or indirectly related to these, in addition to investments in and acquisitions of businesses, securities, financial instruments and other assets, and participating in other businesses, directly or indirectly linked to these.

Following the transaction with SMIY, Magnora retains its net cash position, the Dana Western Isles license agreement and the financial benefit of the Shell Penguins license agreement which is defined as continued operations in this report.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Kittelsbuktveien 5, 4836 Arendal.

The Company's shares are listed on the Oslo Stock Exchange.

These consolidated financial statements were approved by the Board of Directors on April 04, 2019.

Overview of Group structure as of December 31, 2018:

Subsidiaries	Registered office	Share holder	Shareholder interest 01.01.2017	Shareholder interest 31.12.2017	Shareholder interest 31.12.2018	Equity	Profit/(loss) 2018
Sevan Holding V AS	Norway	Magnora ASA	100 %	100 %	100 %	-7.5	-0.1
Sevan Asia Pte Ltd	Singapore	Magnora ASA	100 %	100 %	100 %	13.6	-0.3
Sevan (Shanghai) Co	China	Sevan Asia Pte Ltd	100 %	100 %	100 %	3.6	-0.8
HiLoad LNG AS	Norway	Magnora ASA	95 %	95 %	0 %	-	-
KANFA AS	Norway	Magnora ASA	51 %	0 %	0 %	-	-

Associates	Registered office		Shareholder interest 01.01.2017	Shareholder interest 31.12.2017	Shareholder interest 31.12.2018
Arendal Brygge AS	Norway	Magnora ASA	35 %	35 %	50 %

Amounts in the tables above are prepared in local GAAP and presented in NOK million.

Subsidiaries listed above of which the Group has a shareholder interest per 31.12.2018, are included in Magnora ASA's consolidated financial statements, as the control criteria in IFRS 10 are met.

Magnora ASA sold their 95% share in HiLoad LNG AS on 04 September 2018 to Sembcorp Marine Integrated Yard Pte Ltd, and HiLoad LNG AS was deconsolidated from Magnora Group at the transaction date. The sales price was NOK 21 million (USD 2.5 million). The Group loss was NOK 3.8 million after deconsolidation and the loss is booked in discontinued operations in 2018.

Magnora ASA increased its shareholding in Arendal Brygge AS from 35% to 50% during 2018. At the balance sheet date, the book value of the investment is NOK 0.3 million. Magnora does not exercise control over the activities of Arendal Brygge AS and accounts for its shareholding in Arendal Brygge using the equity method. No profit or loss from Arendal Brygge AS is recognized in the Group's Financial Statement for 2018.

Sevan Asia Pte Ltd (Singapore) and Sevan (Shanghai) Co are both dormant and entered into voluntary liquidation in Singapore and China respectively in 2018. Completion of the voluntary liquidation process is expected by year end 2019.

Magnora's 51% share in KANFA AS was sold June 13, 2017 to Technip Norge AS and the KANFA AS group was deconsolidated from the Group at the transaction date. The sales price was NOK 2 million. The Group loss from the sale was NOK 9.2 million after deconsolidation the the loss was booked in discontinued operations in 2017.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The presentation currency of the Group is NOK which corresponds to the functional currency of the majority of the entities in the Group. All numbers are in NOK million unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union (EU) and valid as of December 31, 2018. The consolidated financial statements have been prepared under the historical cost convention. For information regarding IFRS 9 Financial Instruments, and IFRS 15 Revenue from Contracts with Customers, see note 2.1.1, and for future changes in financial standards, see Note 2.1.2.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Change in accounting policies

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. Implementation of IFRS 15 has not involved any material changes compared to how the Group reported according to previous revenue standards.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted IFRS 9 retrospectly (no hedge accounting). The implementation of IFRS 9 has not involved any material changes compared to how the Group reported according to IAS 39.

2.1.2 Future changes in standards

The consolidated financial statements could be affected by future changes in IFRS. The most important standards that could entail changes are the new IFRS 16 Leases (published in January 2016). Work is also in progress on changes in the IFRS Conceptual Framework and a new standard for Insurance Contracts. We have evaluated the possible impact of the adoption of the future new standards for the continued operations:

IFRS 16 Leases (effective from 1 January 2019). IFRS 16 establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group currently has no lease agreements that will be affected by the adoption of IFRS 16.

2.2 Consolidation

Subsidiaries

Subsidiaries comprise all entities (including special purpose entities) over which the Group has the power to control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting rights of an investee, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

The Group applies the acquisition method to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred assumed at the date of exchange. Acquisition- related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities incurred in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement immediately.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests
The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries
When the group ceases to have control or significant influence, any retained interest in the entity is re measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in NOK, which is the Group's presentation currency. The functional currency for the parent company is NOK.

Transactions and balances
Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions (realized items) and from translation at exchange rates prevailing at balance sheet date of monetary assets and liabilities denominated in foreign currencies (unrealized items) are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Group companies
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

Assets and liabilities are translated at exchange rates prevailing at balance sheet date.

Income and expenses are translated at average exchange rates. All resulting exchange differences are recognized in Other Comprehensive Income.

Upon consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Intangible assets

Technology rights
Acquired technology rights are capitalized on the basis of the cost incurred to acquire. These costs are amortized over their estimated useful lives.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization but are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels at which separate cash flows are identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that has suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period have been disclosed.

2.6 Trade Receivables and other Financial Assets

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables and other financial assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss (e.g trade receivables). 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises 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 provision for impairment of trade receivables is recognized in the income statement as 'other operating expense'. The provision for impairment of other financial assets is recognized in the income statement as 'financial expense'.

Hedge accounting has not been applied in 2018 or 2017.

The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Groups financial assets at amortised cost includes trade receivables and other short-term recaivables. 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 are included in current assets, except for those with maturities greater than 12 months after balance sheet date, in which case they are classified as non-current assets.

2.7 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents includes cash in hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less.

2.8 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares is shown in equity as a deduction, net of tax, from the proceeds. Where any Group company acquires the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable cost (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction cost and income tax, is included in equity attributable to the Company's equity holders.

2.9 Current and deferred income tax

The tax expense for the period comprises current and changes in deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and legislation) that have been enacted or substantially enacted by balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The tax base included in the calculation of deferred income tax is calculated in local currency and translated into NOK at foreign exchange rates prevailing at balance sheet date. Deferred income tax asset and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 Employee Benefits

Pension obligations

As of year-end 2018 the Company operates a defined contribution plan. The plan is funded through payments to insurance companies. Contributions are paid to privately administrated pension insurance plans. The group has no further payment obligation once the contribution has been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Profit-sharing, retention and bonus plans

The Group recognizes a provision where contractually obliged or where there is a constructive obligation. The provision takes into account the incurred portion of the measurement period and shall be based on a 'best estimate' of the expected achievements of the key performance indicators as set out in the actual bonus program.

2.11 Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate that accounts for time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.12 Revenue Recognition

Revenue from contracts with customers is recognised 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.

Revenue is recognized as follows:

- Sale of services: The group sold design and engineering services to oil service companies and oil companies in 2018. These services were provided on a time basis, with contract terms generally ranging from less than one year to three years. The Group recognises revenue from design and engineering services over time, because the customer simultaneously receives and consumes the benefits provided by the Group
- The Group receives royalty in exchange for the license of intellectual property (design fees). The royalty received is recognised at the later of when:
    - the subsequent sale or usage occurs; and
    - the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied

The royalty is based on production and offloading of oil barrels and the revenue is recognised as the offloading occurs.

- For revenue recognised from construction contracts reference is made to Note 2.13 below (applicable for discontinued operations, 2017)
- Dividend income is recognized when the right to receive payment is established.
- Interest income is recognized on a time-proportion basis using the effective interest method

2.13 Construction Contracts (applicable for discontinued operations, 2017)

The group implemented IFRS 15 by using the modified retrospective approach, ref. note 2.1.1. Therefore, revenue from contruction contracts in 2017 are recognised according to IAS 11.

Cost regarding construction contracts is expensed when incurred. When the outcome of a construction contract cannot be estimated reliably, the contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion method is used for calculating the revenue for a certain measurement period.

The Group had no construction contracts in 2018. The Group did have construction contracts in 2017.

2.14 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders.

2.15 Trade Payables

Trade Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Cash Flow Statement

The cash flow statement is prepared in accordance with the indirect method.

2.17 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sales transaction, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Note 3 Financial risk management

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1.1 Market Risk

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets or liabilities, and net investments in foreign operations when such transactions, assets or liabilities are denominated in a currency that is not the entity's functional currency. The majority of the Company's revenue is in USD. To reduce the currency risk, the Company has hedged a portion of the expected USD income through December 2019.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's revenue. Excluding hedging, any annualised increase or decrease in the USD/NOK foreign exchange by 10 percent would have increased or decreased the Group's 2018 profit before tax by NOK 7.0 million.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Development risk
The Group is exposed to commodity price risk. Income is sensitive to oil price developments, fluctuations in production levels, exploration results and general activity within the oil industry.

The Group is subject to specific field development and reservoir risk in situations where the license fee is tied to field development and production such as the Dana Western Isles income and Shell Penguins license fee income. The Group's main income is derived from only two sources, being the Dana Western Isles agreement and the Shell Penguins license fee.

The Group's exposure to production risk relates primarily to the royalty revenue from the production and offloading of oil from the Dana Western Isles FPSO. Any annualised increase or decrease in the production and offloading by 10 percent would have increased or decreased the Group's 2018 profit before tax by NOK 4.9 million. The Shell Penguins license fee income in 2018 was USD 2.625 million (NOK 20.7 million) or 29 percent of total Group revenue for 2018.

3.1.2 Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as loans and credit exposures to customers. The Group has one main banking relationship with a financial institution that is currently rated Aa3.

The Group's major customers are oil companies and global marine contractors with a strong financial basis, but, as with suppliers and customers in general, there is a risk that unforeseen financial difficulties on the counterparty's side may arise which could have material adverse effects on the financial condition, the cash flows and/or the prospects of the Group.

3.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

The Group has implemented routines to continuously update its cash flow forecast with changes to main assumptions relating to payment schedules, license milestone payments etc and to be able to foresee the necessary actions required to rectify any potential adverse effects on its future liquidity position.

Magnora is in a solid liquidity position with a cash balance of NOK 100.3 million at balance sheet date.

3.1.4 Covenant

The Group currently has no outstanding covenants or security arrangements in place.

3.1.5 Capital Management

For the purpose of the Group's capital management, capital means total equity and cash balance. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital through budgeting and cost monitoring.

The Group has exercised a conservative capital and cash management during 2017 and 2018. A sound financial position, with no interest-bearing debt and an asset light balance sheet reduces the capital and cash management risks.

3.2 Fair Value Estimation

Financial assets and liabilities which are measured at fair value or for which fair value are disclosed apply the following measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs that are not based on observable market data (that is, unobservable inputs)

At the balance sheet date the Group has recognized the value of forward contracts related to foreign exchange at fair value based on Level 1 in the measurement hierarchy above. At the balance sheet date the fair value of the financial instruments was a liability of NOK 1.6 million. Reference is made to Note 27.

3.3 Investigation and Litigation

As announced, the Board initiated and received in October 2015 the external investigation report regarding allegations of possible improper conduct related to historical contracts with Petrobras in Brazil from Advokatfirmaet Selmer DA ("Selmer"). Magnora decided to hand the report over to the Norwegian authority for investigation and prosecution of economic and environmental crime ("ØKOKRIM"). Magnora has made no payments and had no interaction with the agent in question or any of his companies since the IPO of drilling activities and restructuring of Magnora ASA in 2011.

Magnora was informed in May 2018 that the Norwegian authority for investigation and prosecution of economic and environmental crime ("ØKOKRIM") concluded its investigation. ØKOKRIM has dismissed the case into potential corruption involving contracts awarded to Magnora in Brazil in the period 2005 to 2008. Magnora has at no stage been charged and has fully cooperated with ØKOKRIM. Despite the dismissal by ØKOKRIM, there remains a risk of potential claims from involved parties and/or authorities in other jurisdictions. Magnora adheres to the strictest of compliance and ethical standards.

Magnora ASA was informed during the third quarter 2017 that Sembmarine SSP Inc. and Jurong Shipyard Pte Ltd initiated patent infringement proceedings against Magnora ASA as well as Sevan Drilling Ltd and Sevan Drilling North America LLC in the Southern District Court of Texas in relation to the U.S. Patent No. 9,266,587. With the completion of the transaction with SMIY this lawsuit has been terminated.

Note 4 Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under current circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Taxes
The Group is subject to income taxes in various jurisdictions. Judgment is required in determining the provision for income taxes. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting for deferred income tax assets relies upon management's judgment of the Group's ability to generate future positive taxable income in each respective jurisdiction. Deferred tax assets are recognised in relation to the carry forward of unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised in the future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

The companies within the Magnora Group have in sum material deductible temporary differences (reference is made to note 14) which, dependent on meeting the recognition requirements according to IAS 12, could result in recognition of deferred tax assets in the balance sheet.

A deferred tax asset has been recognized in 2018. The recognized deferred tax asset is most sensitive to expected future royalty revenue from the production and offloading of the Dana Western Isles FPSO, and the Group's operating cost level going forward. An assumption has been made that the FPSO will produce according to the expected production profile based on field reserves and lifetime estimates, and that the cost level will be in the range of NOK 7 to 10 million based on current structure of the Group. The deferred tax asset recognized is expected to be utilised within the next 5 years based upon on the company's contract portfolio and cost base as of today. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses.

Provisions
The Group uses estimates in calculating provisions. Reference is made to Note 16.

Discontinued operations
The Group sold a major part of the it's business to Sembcorp Marine Integrated Yard Pte Ltd in 2018. The transaction represents a major part of the Group's business, and is therefore defined as discontinued operations in this report.

Note 5 Discontinued operations

Discontinued operations

The disposed group classified as discontinued operations includes two transactions in 2017 and 2018: the sale of Magnora's 51% stake in KANFA AS to Technip Norge AS which was completed in June 2017, and the SMIY transaction which was completed on September 04, 2018.

On June 07, 2018, Magnora ASA entered into an agreement to sell its intellectual property, shares in HiLoad LNG AS and to transfer certain other assets and obligations, including employees, to Sembcorp Marine Integrated Yard Pte Ltd (SMIY). On July 06, 2018, the shareholders of Magnora approved the transaction, and on September 04, 2018 the transaction was completed. As of December 31, 2018 the part of the business sold is classified as discontinued operations.

The result for the disposed group classified as discontinued operations, can be divided between the two transactions as follows:

NOK million	2018	2017
Sale of KANFA AS	0.0	-10.1
Sale to Sembcorp Marine Integrated Yard	310.7	-29.5
Net profit/(loss) discontinued operations	**310.7**	**-39.6**

Specification of discontinued results are presented in the table below:

NOK million	2018	2017
Operating revenue	20.8	102.7
Operating expense	-37.4	-130.9
EBITDA	**-16.6**	**-28.3**
Depreciation, amortization and impairment	-1.1	-2.3
Operating profit/(loss)	**-17.7**	**-30.6**
Financial income/(expense) *	328.6	-8.2
FX gain/(loss)	-0.1	-0.8
Net financial items	**328.5**	**-9.0**
Profit/(loss) before tax	**310.7**	**-39.6**
Tax income/(expense)	0.0	0.0
Net profit/(loss)	**310.7**	**-39.6**

*The Financial income / (expense) in 2018 consists of a group accounting gain of NOK 328.6 million as a result of the SMIY transaction.

Note 6 Intangible assets

NOK million	Technology rights	Total
Year ended December 31, 2018		
Book value January 1	**4.3**	**4.3**
Amortization	-1.1	-1.1
Sale of Technology rights	-3.2	-3.2
Book value December 31	**0.0**	**0.0**
At December 31, 2018		
Cost or valuation	0.0	0.0
Accumulated amortization and impairment	0.0	0.0
Book value December 31	**0.0**	**0.0**

NOK million	Technology rights	Total
Year ended December 31, 2017		
Book value January 1	**5.9**	**5.9**
Amortization	-1.6	-1.6
Book value December 31	**4.3**	**4.3**
At December 31, 2017		
Cost or valuation	8.2	43.7
Accumulated amortization and impairment	-3.9	-39.4
Book value December 31	**4.3**	**4.3**

The technology rights are related to the HiLoad technology. Magnora's ownership in HiLoad LNG AS, the holder of the HiLoad technology rights, was sold to SMIY on 04 September 2018.

Note 7 Financial instruments by category

Accounting principles for financial instruments were applied to the line items below as indicated.

Financial assets

NOK million		2018	2017
Category:	*Asset:*		
Financial assets at amortised cost	Trade receivables	1.6	6.7
Fair value through profit and loss	Cash and cash equivalents	100.3	197.5
Total financial assets		**102.0**	**204.2**

Financial liabilities

NOK million		2018	2017
Category:	*Liabilities:*		
Financial liabilities at amortised cost	Trade payables	1.9	5.3
Total financial liabilities		**1.9**	**5.3**

Note 8 Credit quality of trade receivables and cash

The credit quality of trade receivables and cash that were neither past due nor impaired was assessed by reference to external credit ratings (where available) and by analysis of historical information about counterparty default rates:

Trade receivables

NOK million	2018	2017
Counterparty with external credit rating:		
Aa3	0.0	1.9
Baa1	0.5	1.3
BBB	0.0	0.8
B3	0.0	0.2
Counterparty without external credit rating:		
Group 1 - New customers (less than 6 months)	0.6	1.6
Group 2 - Existing customers (more than 6 months) with no defaults in the past	0.4	0.9
Group 3 - Existing customers (more than 6 months) with some defaults in the past	0.1	0.0
Total trade receivables	**1.6**	**6.7**

Cash and cash equivalents

NOK million	2018	2017
a2	0.0	0.1
Aa3	86.3	0.0
a3	14.0	197.4
Total cash and cash equivalents	**100.3**	**197.5**

Note 9 Trade and other receivables

Specification of trade and other receivables

NOK million	2018	2017
Trade receivables	1.6	8.1
Provision for impairment of receivables	0.0	-1.4
Trade receivables – net	**1.6**	**6.7**
Prepayments	0.4	3.0
Other receivables	0.2	1.8
Accrued income	4.4	4.6
Trade and other receivables	**6.6**	**16.1**

Ageing of trade receivables

NOK million	2018	2017
Not due	1.5	4.7
Up to 3 months after due date	0.1	2.1
Between 3 and 6 months after due date	0.0	-0.1
More than 6 months after due date	0.0	0.0
Total trade receivables	**1.6**	**6.7**

Trade receivables that are less than three months past due are generally not considered for impairment. At balance sheet date, trade receivables of NOK 0.1 million (2017: 2.0) were past due but not impaired. This overdue receivable related to one independent customer with whom the Group has no history of default.

Currency denomination of trade receivables, carrying amounts

NOK million	2018	2017
USD	0.0	1.0
NOK	1.6	5.3
EUR	0.0	0.5
Total trade receivables	**1.6**	**6.7**

Note 10 Cash and cash equivalents

NOK million	2018	2017
Cash at bank and in hand	98.9	190.8
Restricted employees' tax deduction fund	0.5	4.3
Restricted short-term bank deposits	0.9	2.3
Total cash and cash equivalents	**100.3**	**197.5**

Note 11 Share capital

The total authorized number of ordinary shares was 52.6 million (2017: 52.6 million) with a par value of NOK 1.49 per share. All issued shares were fully paid at balance sheet date.

NOK million	Number of shares	Share capital	Share premium	Total
January 1, 2018	**52 606 999**	**210.4**	**0.0**	**210.4**
Share capital reduction	0.0	-132.0	0.0	-132.0
December 31, 2018	**52 606 999**	**78.4**	**0.0**	**78.4**

NOK million	Number of shares	Share capital	Share premium	Total
January 1, 2017	**52 606 999**	**210.4**	**122.9**	**333.3**
Reclassified to other equity	0	0.0	-122.9	-122.9
December 31, 2017	**52 606 999**	**210.4**	**0.0**	**210.4**

20 largest shareholder accounts at December 31, 2018:

Shareholder accounts		Number of shares	Ownership-share (%)
SPAREBANK 1 MARKETS AS		7 719 497	14.67
SKANDINAVISKA ENSKILDA BANKEN AB		6 307 516	11.99
MATHIAS HOLDING AS		3 187 561	6.06
HORTULAN AS		3 129 443	5.95
F2 FUNDS AS		2 561 583	4.87
KING KONG INVEST AS		2 343 795	4.46
SUNDT AS		2 142 202	4.07
MP PENSJON PK		1 570 499	2.99
ANDENERGY AS		1 508 140	2.87
Patineer Management LLC		1 406 277	2.67
INVESCO PERP EURAN SMLER COMPS FD		1 355 842	2.58
BEKKESTUA EIENDOM AS		1 150 019	2.18
CARE HOLDING AS		1 000 000	1.90
ALTEA PROPERTY DEVELOPMENT AS		939 069	1.78
SIX SIS AG		869 178	1.65
INVESCO FUNDS		742 025	1.41
PREDATOR CAPITAL MANAGEMENT AS		702 667	1.34
BAKLIEN		700 000	1.33
BJELLAND		525 010	1.00
SJØLUND		510 400	0.97
Total, 20 largest shareholder accounts		**40 370 723**	**76.74**
Remaining shareholders		12 236 276	23.26
Total shareholders	**(3,940 shareholder accounts)**	**52 606 999**	**100.00**

The Company has one major shareholder, Kistefos AS, which currently holds in excess of 20 percent of the Company's shares.

20 largest shareholder accounts at December 31, 2017:

Shareholder accounts		Number of shares	Ownership-share (%)
TEEKAY SERVICE HOLDINGS COÖPER. UA		22 893 631	43.5
DNB NOR MARKETS, AKS		5 109 784	9.7
SKANDINAVISKA ENSKIL		3 213 975	6.1
MATHIAS HOLDING AS		1 700 000	3.2
KING KONG INVEST AS		1 250 000	2.4
SUNDT AS		1 142 486	2.2
MP PENSJON PK		837 584	1.6
ANDENERGY AS		804 326	1.5
INVESCO PERP EURAN S		765 804	1.5
CITIBANK, N.A.		750 480	1.4
BAKLIEN ÅSMUND		700 000	1.3
HORTULAN AS		685 000	1.3
BEKKESTUA EIENDOM AS		560 000	1.1
ALTEA PROPERTY DEVEL		500 828	1.0
SVENSKA HANDELSBANKE		493 000	0.9
GRANLUND HOLDING AS		427 201	0.8
INVESCO FUNDS		419 109	0.8
SIX SIS AG		413 936	0.8
TIGERSTADEN AS		330 000	0.6
PREDATOR CAPITAL MAN		315 072	0.6
Total, 20 largest shareholder accounts		**43 312 216**	**82.3**
Remaining shareholders		9 294 783	17.7
Total shareholders	**(4,224 shareholder accounts)**	**52 606 999**	**100.0**

As of December 31, 2017, the Company had one major shareholder, Teekay Corporation, which owned 43.5 percent of the Company's shares.

Note 12 Share-based payments

At the balance sheet date 2018 and 2017 there are no remaining options.

On the basis of the approval by the Annual General Meeting of May 24, 2017, to authorize the Board of Magnora to issue new shares to employees under a long-term incentive program, the Board resolved to issue options to employees of the Company. In March 2018, a total of 943,505 options for shares of the Company were distributed amongst the management and all employees.

As the sale to SMIY constituted a change of control event under the employee share option program, the Board of Directors resolved to terminate the Company's share incentive program against cash consideration. All 890,072 outstanding options at the transaction closing date were considered fully vested at a strike price of NOK 10 and with a fair value of the shares of NOK 14.50 each. The employees under the share option program accordingly received NOK 4.50 per option, corresponding to total consideration of NOK 4,005,324. Accordingly, no shares were or will be issued under the authorisation to increase the share capital granted to the Board of Directors.

Note 13 Other current liabilities

NOK million	2018	2017
Employer's contribution tax and other taxes	0.8	2.9
Employee related payables	1.2	8.5
Financial instruments (market value of forward contracts)	1.6	0.0
Other current liabilities	0.7	3.2
Total other current liabilities	**4.2**	**14.6**

Note 14 Taxes

Deferred income tax assets and liabilities are offset when a legally enforceable right to offset current tax assets against current tax liabilities exists. For 2018 a tax rate of 22% has been used when calculating the deferred tax assets and liabilities (2017: 23%).

Specification of booked deferred tax assets/(liabilities)

NOK million	2018	2017
Specification net deferred tax assets/(liabilities):		
– Deferred tax asset to be reversed after more than 12 months	791.9	910.5
– Deferred tax asset/(liability) to be reversed after more than 12 months	0.0	0.0
Net deferred tax assets/(liabilities)	**791.9**	**910.5**
Deferred tax assets not recognized in the balance sheet	-749.1	-910.5
Net deferred tax assets/(liabilities) recognized in the balance sheet	**42.8**	**0.0**
Reconciliation of deferred tax assets/(liabilities), net:		
Book value January 1	**0.0**	**0.0**
Income statement charge relating to deferred tax assets	42.8	0.0
Book value December 31	**42.8**	**0.0**

Specification of deferred tax assets/(liabilities) booked and not booked

NOK million	2018	2017
Deferred tax assets:		
Pension liabilities	0.0	0.5
Investments and receivables	2.9	70.1
Fixed assets	0.9	2.2
Accounting provisions	0.3	0.3
Losses carried forward	787.9	837.6
Deferred tax assets continued operations	**791.9**	**910.5**

Deferred income tax assets are recognized for tax losses carried forward and deductible temporary differences to the extent that the realization of the tax benefit through future taxable profits is probable.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. The recognized deferred tax asset is most sensitive to expected future taxable profits.

At balance sheet date, the recognition criteria in IAS 12 were met. The deferred tax asset recognized is expected to be utilized within the next 5 years based upon on the company's contract portfolio and cost base as of today. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses. Reference is made to Note 4.1 for further information.

Reconciliation of tax payable

NOK million	2018	2017
Book value January 1	0.0	-9.5
Reversal accrual disputed tax and interest, tax claim 2012	0.0	9.5
Book value December 31	**0.0**	**0.0**

Specification of tax income/(expense)

NOK million	2018	2017
Recognition of deferred tax asset	42.8	0
Reversal, disputed tax claim 2012	0.0	39.3
Provision for additional tax 2014	0.0	-6.5
Repayment Skattefunn	0.3	0.0
Net tax income/(expense)	**43.1**	**32.8**

Reconciliation between tax charge based on the nominal statutory and actual tax rate

NOK million	2018	2017
Profit/(loss) before tax	**354.8**	**-56.5**
Tax calculated	-81.6	13.6
Income not subject to tax	0.0	2.6
Expenses not deductible	-1.5	-0.9
Change temporary differences	68.1	-1.7
Tax losses for which no deferred income tax asset was recognized	15.1	-13.7
Tax income/(expense)	**0.0**	**0.0**
Repayment Skattefunn	0.3	0.0
Change in deferred tax assets	42.8	0.0
Reversal, disputed tax claim 2012	0.0	39.3
Provision for additional tax 2014	0.0	-6.5
Net tax income/(expense)	**43.1**	**32.8**

* In 2017 Magnora made a NOK 6.5 million provision to cover an additional tax. There are no changes to this provision in 2018. There is ongoing correspondence with Skatt Sør related to the additional tax decision. The decision is disputed by Magnora.

For 2018 a tax rate of 23% has been used when calculating the tax income / (expense), (2017: 24%)

Note 15 Retirement benefit obligations

The company operates a defined contribution plan.

Pension cost charged to the income statement for the continued operation is NOK 0.2 million (2017: NOK 0.2 million) and is related to the defined contribution plan. Pension cost charged to the income statement for the discontinued operation is NOK 1.1 million (2017: NOK 1.3 million) The defined contribution plan has 3 participants per 31.12.2018 (2017: 33 participants). The Company's pension schemes satisfy the requirements in the Norwegian legislation regarding mandatory occupational pension.

Note 16 Provisions

NOK million	Bonus	Legal fees	Additional tax	Total
January 1, 2018	**4.4**	**4.1**	**6.5**	**15.0**
Arising during the year	1.8	0.0	0.0	1.8
Reversed during the year	-4.4	-4.1	0.0	-8.5
December 31, 2018	**1.8**	**0.0**	**6.5**	**8.3**

NOK million	Bonus	Legal fees	Additional tax	Total
January 1, 2017	**0.0**	**0.0**	**0.0**	**0.0**
Arising during the year	4.4	4.1	6.5	15.0
December 31, 2017	**4.4**	**4.1**	**6.5**	**15.0**

All provisions in 2018 and 2017 are current in nature.

Bonus

Provision for stay-on and retention bonuses to employees.

Legal fees

In 2017 the Oslo District Court ruled against Magnora ASA's subsidiary Sevan Holding V AS in relation to the USD 60 million loan granted to Logitel Offshore Pte Ltd. Magnora was also sentenced to pay Logitel's legal fees of NOK 4.1 million.

Upon completion of the Teekay Offer, Magnora has withdrawn the lawsuit against Logitel Offshore Pte Ltd. and the parties have agreed not to bring or pursue any other claims against each other and their affiliates in relation to activities prior to July 06, 2018. This has led to a NOK 4.1 million non-cash gain in 2018 as the accrual for payment of Logitel Offshore Pte Ltd.'s legal fees awarded by the Oslo District Court has been reversed.

Additional tax

Provision for potential additional tax on adjustment to the 2014 tax assessment. See Note 14.

Note 17 Employee benefit expense

Specification of employee expense:

NOK million	2018	2017
Wages and salaries	6.4	6.4
Employer's contribution tax	1.6	0.5
Pension cost	0.2	0.2
Bonus	2.6	0.4
Option cost	4.4	0.0
Other employee benefit expense	0.0	0.0
Total employee expense, continued operations	**15.3**	**7.5**
No. of man-years continued operations	3	3

2018 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Reese McNeel CEO/CFO	2 223	154	654	72	26
Alf-Roger Skikstein, Head of Operations and Projects*	1 029	277	263	53	8
Otto Skjåstad, CTO *	983	270	241	57	10
Knut Bredahl, Head of Sales and Marketing *	742	255	187	54	10
Total remuneration paid	**4 976**	**955**	**1 345**	**237**	**54**

** Employment with Magnora was terminated on September 04, 2018 following the transaction with SMIY.*

2017 remuneration of Senior Management:

NOK thousand		Salaries	Retirement benefits	Other benefits
Reese McNeel	CEO/CFO	2 442	71	57
Alf-Roger Skikstein	Head of Operation and Projects	1 843	69	23
Otto Skjåstad	Head of Engineering and Technology	1 665	75	35
Knut Bredahl	Head of Business Development	1 162	72	30
Total remuneration paid		**7 112**	**287**	**145**

Senior Management is included in the Group's collective retirement benefit plans. No loans were granted to current Senior Management or any member of the Board of Directors in 2018 or 2017.

At the balance sheet date there are no remaining options held by Senior Management (2017: no remaining options). See note 12 for more information.

Following the SMIY transaction, the CEO was entitled to a transaction bonus of NOK 1.5 million. The transaction bonus was accrued for in 2018 and paid in March 2019. Magnora has further requested the CEO to continue his employment until September 4, 2019, or until an earlier date set by the Company. In accordance with a retention agreement, the CEO is entitled to an additional payment of NOK 0.7 million which will be incurred and paid in 2019. In addition, the CEO will receive 9-12 months' salary upon termination of employment, depending on the circumstances relating to the termination.

Remuneration of the Board of Directors:

NOK thousand	Member from:	Member to:	2018	2017
Torstein Sanness, Chairman **	24 May 2017		265	135
Hilde Ådland	24 May 2018		125	0
John Hamilton	18 Dec 2018		0	0
Erling Øverland **		27 Nov 2018	469	460
Kathryn Moore Baker		18 Dec 2018	280	265
Astrid Jørgenvåg *		27 Nov 2018	0	0
Peter Lytzen		24 May 2018	140	178
Ingvild Sæther *		24 May 2018	0	0
Kjetil Sjursen		24 May 2017	0	150
Ann-Kristin Nielsen Løvland		24 May 2018	21	88
Vidar Andersen		24 May 2018	17	88
Tord Broms Thorsen		12 Sept 2018	19	0
Line Bliksmark		12 Sept 2018	19	0
Total remuneration paid			**1 355**	**1 364**

** The remuneration was paid to the companies where the Board members are employed.*
*** Erling Øverland was the Chairman up to November 27, 2018. Torstein Sanness was the acting Chairman from November 27, 2018 to December 18, 2018. At the Extraordinary General Meeting held on the December 18, 2018, Torstein Sanness was formally elected as the new Chairman.*

Remuneration of the Board of Directors was for the period from November 24, 2017 to November 24, 2018.

2018 Salaries and other benefits to Directors as employees:

NOK thousand	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Tord Broms Thorsen	485	35	120	32	10
Line Bliksmark	376	14	94	21	10
Ann-Kristin Nielsen Løvland	792	32	-	18	8
Vidar Andersen	868	46	-	29	3

**Tord Broms Thorsen and Line Bliksmark entered the Board on May 24, 2018 as employee representatives. They resigned from the Board September 12, 2018 as their employment with Magnora ASA was terminated following the transaction with SMIY. Ann-Kristin Nielsen Løvland and Vidar Andersen resigned from the Board May 24, 2018.*

2017 Salaries and other benefits to Directors as employees:

NOK thousand	Salaries	Retirement benefits	Other benefits
Ann-Kristin Nielsen Løvland	682	36	14
Vidar Andersen	894	60	14

Shares and options owned or controlled by the Board of Directors and Senior Management

As of December 31, 2018, no Board members or Senior Management owned or controlled shares in the Company:

Reference is made to the 'Statement regarding determination of salary and other benefits for Senior Management' for further details of remuneration of Senior Management.

Note 18 Financial income

Financial income

NOK million	2018	2017
Interest income	2.1	1.4
Partial reversal provision Piranema	0.0	6.5
Reversal interest cost tax case 2012	0.0	1.7
Guarantee income	1.0	1.9
Other financial income	0.0	0.1
Total financial income	**3.1**	**11.6**

Note 19 Earnings per share

Basic earnings per share

Basic earnings per share were calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

	2018	2017
Profit/(loss) from continued operations attributable to equity holders of the Company (NOK million)	87.2	5.7
Profit/(loss) from discontinued operations attributable to equity holders of the Company (NOK million)	310.7	-30.7
Weighted average number of ordinary shares on issue (thousands)	52 607	52 607
Basic earnings per share for continued operations (NOK per share)	1.66	0.11
Basic earnings per share for discontinued operations (NOK per share)	5.91	-0.58

Diluted earnings per share

	2018	2017
Profit/(loss) from continued operations used to determine diluted earnings per share (NOK million)	87.2	5.7
Profit/(loss) from discontinued operations used to determine diluted earnings per share (NOK million)	310.7	-30.7
Weighted average number of ordinary shares on issue (thousands)	52 607	52 607
Weighted average number of shares for diluted earnings per share (thousands)	52 607	52 607
Diluted earnings per share for continued operations (NOK per share)	1.66	0.11
Diluted earnings per share for discontinued operations (NOK per share)	5.91	-0.58

Note 20 Dividend and repayment of capital

At the annual general meeting held on May 24, 2018, shareholders approved a share capital reduction and return of NOK 0.50 per share to shareholders. At the extraordinary general meeting held on July 06, 2018, shareholders resolved a further share capital reduction and return of NOK 2 per share to shareholders. In addition, at the extraordinary general meeting held on October 12, 2018, the shareholders approved an extraordinary dividend of NOK 6.0 per share to shareholders. On November 13, 2018, the above distributions totaling NOK 447 159 492 or NOK 8.5 per share were paid to shareholders.

The Board of Directors has decided to propose a capital reduction including a repayment of capital to the shareholders of NOK 1.0 per share to the Annual General Meeting on May 21, 2019.

Note 21 Cash generated from operations

NOK million	2018	2017
Profit/(loss) before tax continued operations	**44.1**	**-27.0**
Adjustments for non-cash items:		
– Impairment current receivables	0.0	11.1
Profit/(loss) from operations before changes in working capital	**44.1**	**-15.9**
Changes in working capital:		
– Trade and other receivables	9.4	-0.7
– Trade and other payables	-3.3	3.3
– Other current liabilities, provisions and charges	-8.8	-17.1
Cash generated from continued operations	**41.4**	**-30.4**

Note 22 Related party transactions

Specification of sale to and purchases from related parties in the period

NOK million	2018	2017
Sales to related parties		
Teekay *	5.0	3.5
Purchases from related parties		
Arendal Brygge AS	3.4	4.8

**Teekay was Magnora's largest shareholder until the completion of the Teekay Offer in November 2018, see Note 11.*

Year-end balances arising from related parties' transactions

NOK million	2018	2017
Receivable from related parties		
Teekay	0.0	0.2
Arendal Brygge	0.3	5.0
Loan to related parties		
Arendal Brygge	0.2	0.0

On October 2, 2018, Magnora ASA purchased 15% of the shares in Arendal Brygge AS for NOK 300 000. Following this transaction, Magnora ASA owns 50% of the shares in Arendal Brygge AS. Sparebanken Sør owns the other 50% of the shares. Magnora ASA and Sparebanken Sør also agreed to each provide a NOK 150 000 shareholder loan (NOK 300 000) to Arendal Brygge to support Arendal Brygge's liquidity needs going forward.

Prior to the transaction with SMIY, Magnora leased its offices in Arendal, Norway from Arendal Brygge AS. The lease obligation was transferred as part of the SMIY transaction.

Note 23 Revenue

Revenue consists of royalty income from the Dana Western Isles FPSO, license income from the Shell Penguins FPSO project and revenue from hiring out of employees. Royalty from the Dana Western Isles FPSO constitutes 70% (100%) of total external customer revenues. License revenue related to the Shell Penguins FPSO project constitutes 29% (0%) of total external customer revenues.

NOK million	2018	2017
License fee	69.7	3.2
Other revenue	0.8	0.0
Total operating revenue	**70.4**	**3.2**

Operating revenue from a geographic perspective

In 2017 and 2018, the Group operated in the global offshore oil and gas market. The revenue split, based on customer location, was as follows:

NOK million	2018	2017
Norway	0.8	0.0
UK	69.7	3.2
Total revenue	**70.4**	**3.2**

Note 24 Operating leases

Operating leases: Group Company as lessee

The Group had several leases and rental agreements for rental of office space. All lease obligations have been transferred as part of the SMIY transaction. The Group has no remaining office rental agreements as of 31 December 2018.

The Group expensed NOK 2.7 million in lease and rental cost for 2018 (2017: NOK 4.9 million).

Note 25 Other operating expense

Specification of other operating expense:

NOK million	2018	2017
Office cost (IT, rental, etc.)	0.9	0.3
Consultancy (audit, tax and legal)	10.0	17.9
Travel expenses	0.3	0.4
Write down receivables	0.0	11.1
Other (patents, stock exchange, etc.)	1.6	1.1
Total other operating expense	**12.9**	**30.8**

Specification of auditor's fee (excl. VAT)

NOK million	2018	2017
Statutory audit	0.7	0.6
Audit related services	0.1	0.3
Total auditor's fee	**0.9**	**1.0**

Note 26 Other non-current assets

NOK million	Note	2018	2017
Rental deposit		0.0	3.3
Total other non-current assets		**0.0**	**3.3**

Note 27 Hedging

The Dana Western Isles royalty income is received in USD. To reduce the currency risk, Magnora has hedged a portion of the expected royalty income through December 2019. For December 2018, with settlement in January 2019, Magnora has hedged a total of USD 0.35 million at an average exchange rate of 7.87 NOK/USD. For the period January to December 2019, Magnora has hedged a total of USD 3.0 million at an average exchange rate of NOK/USD 8.19. The market-to-market value of the instruments recognized in the balance sheet at December 31, 2018 is NOK 1.6 million negative.

Note 28 Events after balance sheet date

Share buyback program

On January 16, 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorization granted by the extraordinary general meeting to the Board of directors on 18 December 2018. Buyback transactions are executed according to the market price on the Oslo Stock Exchange and the maximum consideration to be paid for shares acquired under the buyback program is NOK 7 per share and NOK 5.7 million in aggregate. The maximum number of shares that can be acquired under the program is 1 425 000 shares. The program will be terminated on 24 April 2019. The Company intends to extend the share buyback program subject to approval by shareholders at the annual general meeting to be held on May 21, 2019. Magnora may at any time without further notice close or suspend the program. Shares purchased under the program will be used to reduce the number of outstanding shares. The maximum number of shares which may be purchased in any one day is limited to 50% of the average weighted daily volume of Magnora shares traded in the 20 trading days preceding the day of purchase. The share buyback program is managed and will be executed by Skandinaviska Enskilda Banken on behalf of Magnora. As of the date of this report, Magnora owns 20 301 shares or 0.0004 percent of total shares outstanding.

Retention bonus

Magnora has requested the CEO to continue his employement until September 4, 2019, or until an earlier date set by the Company. In accordance with a retention agreement, the CEO is entitled to an additional payment of NOK 0.7 million. The cost and payment will be incurred in 2019.

Consultant agreement

On March 12, 2019, Magnora engaged Mr. Erik Sneve, who currently holds approximately 0.8 percent of the shares in the Company, for the purpose of identifying and completing potential investment opportunities. Unless otherwise agreed, the Consultant will be employed on a 60 percent basis and will be entitled to an annual compensation of NOK 1 million. In addition to the annual compensation, Mr. Sneve is also entitled to a bonus payment depending on the Company's value-adjusted equity as a result of any projects initiated by the Consultant. The terms of such bonus are pending the entering into of an agreement between the parties.

Loan to related party

On March 19, 2019, Magnora and Sparebanken Sør agreed to provide an additional shareholder loan of NOK 550 000 each (NOK 1 100 000 in total) to Arendal Brygge. The funds will be used to support Arendal Brygge's liquidity needs and to repay the NOK 300 000 loan mentioned in note 22 as well as to finance amounts due in June 2019 to both Magnora and Sparebanken Sør of NOK 447 553.

Magnora ASA – Balance sheet

NOK million	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Deferred income tax assets	2	42.8	0.0
Investment in subsidiaries	4	12.0	37.8
Investment in associates	23	0.3	0.0
Loan to related parties	23	0.2	0.0
Other non-current assets	5, 23	0.0	3.3
Total non-current assets		**55.3**	**41.1**
Current assets			
Trade and other receivables	22	6.3	12.8
Receivables from companies in the Group	4	0.0	2.5
Receivables from related parties	23	0.3	2.1
Cash and cash equivalents	6	86.8	182.2
Total current assets		**93.4**	**199.5**
Total assets		**148.7**	**240.6**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	1,8	78.4	210.4
Other equity	1	62.7	-0.4
Total equity		**141.1**	**210.0**
LIABILITIES			
Non-current liabilities			
Other non-current liabilities		0.0	2.3
Total non-current liabilities		**0.0**	**2.3**
Current liabilities			
Trade payables		1.9	5.3
Provisions	19	1.8	8.5
Other current liabilities	14,20	3.9	14.5
Total current liabilities		**7.6**	**28.3**
Total liabilities		**7.6**	**30.6**
Total equity and liabilities		**148.7**	**240.6**

Lysaker, April 04, 2019
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Ådland
Board Member

John Hamilton
Board Member

Reese McNeel
CEO

Magnora ASA – Income Statement

NOK million	Note	2018	2017
Operating revenue	16,18	92.2	56.6
Operating expense		9.9	17.5
Depreciation, amortization and impairment	3	0.0	0.6
Employee benefit expense	9	35.3	49.5
Other operating expense	11	20.3	41.3
Total operating expense		**65.5**	**108.8**
Operating profit/(loss)		**26.7**	**-52.3**
Financial income	21	310.1	13.6
Financial expense	21	-1.1	-3.4
Foreign exchange gain/ (loss) related to financing		-1.1	-3.5
Net financial profit/(loss)		**308.0**	**6.7**
Profit/(loss) before tax		**334.7**	**-45.6**
Tax income/(expense)	2	43.1	39.3
Annual net profit/(loss)		**377.8**	**-6.3**
Attributable to:			
Equity holders of the Company		377.8	-6.3
Distribution of dividend:			
Dividend already distributed based on an Interim Balance Sheet dated September 04,2018		315.6	0.0
Transfer to/from equity		62.2	-6.3
Annual net profit/(loss)		**377.8**	**-6.3**
Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (USD per share):			
- Basic	13	7.18	-0.12
- Diluted	13	7.18	-0.12

Magnora ASA - Cash flow statement

NOK million	2018	2017
Cash flows from operating activities		
Profit/(loss) before tax	334.7	-45.6
Adjustment for:		
Depreciation/amortization	0.0	0.6
Gain Sembcorp transaction	-307.1	0.0
Write down of investment and receivables in subsidiaries	2.4	3.3
Reversal accrual Logitel claim	-4.1	0.0
Write down non-current assets related parties	0.0	4.3
Change in working capital:		
Receivable and payables relating to companies in the Group	1.1	-1.8
Trade and other receivable	6.5	0.6
Other receivables related parties	1.8	34.8
Trade payables	-3.4	3.4
Other liabilities, provision and charges	-7.1	-45.5
Cash generated from operations	**24.7**	**-45.9**
Cash flows from operating activities		
Cash from operations	24.7	-45.9
Tax repaid during the period	0.3	30.1
Net cash flow from operating activities	**25.0**	**-15.8**
Cash flows from investment activities		
Sale of shares in KANFA AS	0.0	2.0
Net proceeds from Sembcorp transaction	327.2	0.0
Purchase of shares in Arendal Brygge AS	-0.3	0.0
Sale of tangible assets	0.0	0.7
Net cash flow from investment activities	**326.9**	**2.7**
Loan to Arendal Brygge AS	-0.2	0.0
Distribution of capital reduction	-131.5	0.0
Paid dividend	-315.6	0.0
Net cash flow from financing activities	**-447.3**	**0.0**
Net cash flows for the period	**-95.3**	**-13.0**
Cash balance at the beginning of the year	**182.2**	**195.3**
Cash balance at the end of the year	**86.8**	**182.2**

Magnora ASA - Notes to the financial statements

ACCOUNTING POLICIES

Magnora ASA's ('the Company') financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway.

Magnora ASA is the parent company of the Magnora Group ('the Group').

The Company's functional currency is NOK. All numbers in the financial statements are in NOK 1,000,000 unless otherwise stated.

Principal Rule for Evaluation and Classification of Assets and Liabilities

Assets intended for long term ownership or use, are classified as fixed assets. Assets relating to the operating cycle are classified as current assets. Receivables are classified as current assets if they are to be repaid within one year after balance sheet date. Equivalent criteria apply to liabilities.

Current assets are valued at the lower of purchase cost and net realizable value. Current liabilities are reflected in the balance sheet at nominal value at establishment date.

Fixed assets are valued at purchase cost. Fixed assets whose value will decline are depreciated on a straight-line basis over the asset's estimated useful life. Fixed assets are written down to net realizable value if a value reduction occurs that is expected to be permanent. Long-term liabilities are reflected in the balance sheet at nominal value on establishment date.

Trade Receivables and Other Receivables

Trade receivables and other receivables are reflected in the balance sheet at nominal value less provision for estimated losses. Estimated losses are provided for on the basis of an individual assessment of each debtor.

Trade payables

Trade Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate that accounts for time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Tangible Fixed Assets

Fixed assets are reflected in the balance sheet and depreciated over the assets expected useful life on a straight-line basis. Maintenance cost is expensed as incurred. Additions or improvements are added to the asset's cost price and depreciated with the asset. When changes in circumstances indicate that the carrying value of an asset may not be recoverable, an impairment charge is recognized and the asset is written down to recoverable amount (being the highest of net sales value and value in use). Value in use is the net present value of the expected future cash flows generated from the asset.

Shares in Subsidiaries and Associated Companies

In the parent company's accounts, investments in subsidiaries and associated companies are recorded under the cost method. Investments are written down to fair value when a reduction in value is expected to be permanent.

Dividend is recognized as income in the year the provision is made in the subsidiary. If the dividend exceeds retained earnings, the excess represents repayment of invested capital, and dividend is deducted from the book value of the investment in the balance sheet.

Cash and Bank Deposits

Cash and bank deposits include cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

Currency

Cash and bank deposits, current assets, and current liabilities nominated in foreign currencies are converted to exchange rates prevailing at balance sheet date. Realized and unrealized exchange gains and losses on assets and liabilities in foreign currencies are included as financial items in the income statement.

Pension Plans

As of year-end 2018 the Company operated a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Cost associated with the defined contribution plans are expensed as incurred.

Taxes

Deferred income taxes is provided using the liability method on temporary difference at balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purpose. Tax-reducing temporary differences and losses carry forward are offset against tax-increasing temporary differences that are reversed in the same time intervals. Taxes consist of taxes payable (taxes on current year taxable income) and change in net deferred taxes.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Earnings per Share

Earnings per share are calculated by dividing net profit/loss by the weighted average of number of outstanding shares. Shares issued during the year are weighted in relation to the period they have been outstanding.

Cash Flow Statement

The cash flow statement is prepared in accordance with the indirect method.

Revenue Recognition

Revenue comprises the fair value of the consideration receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value-added tax and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured and in accordance with the underlying contracts.

Design fee/license revenue

Design fee/license revenue is recognized in accordance with the underlying contracts.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Sales of services

Service income is recognized in line with the underlying contracts and the amount of work executed.

Operating lease

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The Company does not currently have any outstanding lease agreements.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to use estimates and assumptions that impact the value of assets and liabilities as well as disclosure notes. Such estimates and assumptions may have significant impact on reported revenue and cost for a specific reporting period. Actual amounts may therefore deviate from the estimates.

Contingent losses, which are likely to occur as well as quantifiable, are expensed when incurred.

Note 1 Equity

NOK million	Share capital	Other equity	Total equity
January 1, 2018	**210.4**	**-0.4**	**210.0**
Share-based payments		0.4	0.4
Capital reduction distribution	-132.0	0.5	-131.5
Paid dividend		-315.6	-315.6
Annual net profit/(loss)		377.8	377.8
December 31, 2018	**78.4**	**62.7**	**141.1**

NOK million	Share capital	Share premium	Other equity	Total equity
January 1, 2017	**210.4**	**122.9**	**-116.9**	**216.4**
Reclassification		-122.9	122.9	0.0
Annual net profit/(loss)			-6.3	-6.3
December 31, 2017	**210.4**	**0.0**	**-0.4**	**210.0**

The total authorized number of ordinary shares was 52.6 million (2017: 52.6 million) with a par value of NOK 1.49 per share (2017: NOK 4.00 per share). All issued shares were fully paid at the balance sheet date.

Note 2 Taxes

Specification of booked deferred tax assets/ (liabilities)

NOK million	2018	2017
Spesification net deferred tax assets/(liabilities):		
– Deferred tax asset to be reversed after more than 12 months	228.0	330.4
– Deferred tax asset/(liability) to be reversed after more than 12 months	0.0	0.0
Net deferred tax assets/(liabilities)	**228.0**	**330.4**
Deferred tax assets not recognized in the balance sheet	-185.2	-330.4
Net deferred tax assets/(liabilities) recognized in the balance sheet	**42.8**	**0.0**

Specification of deferred tax assets/ (liabilities)

NOK million	2018	2017
Deferred tax assets:		
Pension liabilities	0.0	0.5
Investments and receivables	2.9	2.9
Fixed assets	0.9	1.3
Accounting provisions	0.3	0.3
Losses carry forward	224.0	325.4
Defferred tax assets	**228.0**	**330.4**

Reconciliation of tax payable

NOK million	2018	2017
Book value January 1	0.0	-9.2
Reversal accrual disputed penalty tax, tax claim 2012	0.0	9.2
Book value December 31	**0.0**	**0.0**

Specification of tax income/ (expense)

NOK million	2018	2017
Recognition of deferred tax asset	42.8	0.0
Repayment Skattefunn	0.3	0.0
Repayment disputed tax claim 2012	0.0	39.3
Net tax income/(expense)	**43.1**	**39.3**

Reconciliation between tax charge based on the nominal statutory and actual tax rate

NOK million	2018	2017
Profit/(loss) before tax	334.7	**-45.6**
Tax calculated (23%)	-77.0	10.9
Income not subject to tax	0.0	2.6
Expenses not deductible	-1.5	-0.8
Change temporary differences	0.8	-1.7
Tax losses for which no deferred income tax asset was recognized	77.7	-11.1
Tax income/(expense)	**0.0**	**0.0**
Tax charge relating to previous years	0.3	39.3
Change in deferred tax assets	42.8	0.0
Net tax income/(expense)	**43.1**	**39.3**

Deferred tax assets are recognized for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised in the future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. The recognized deferred tax asset is most sensitive to expected future taxable profits. The deferred tax asset recognized is expected to be utilised within the next 5 years based upon on the company's contract portfolio and cost base as of today. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses.

Note 3 Fixed and Intangible assets

NOK million	Machinery, fixtures	Total
Year ended December 31, 2018		
Book value January 1	**0.1**	**0.1**
Disposals	0.0	0.0
Depreciation	0.0	0.0
Book value December 31	**0.0**	**0.0**
At December 31, 2018		
Cost or valuation	0.0	0.0
Accumulated depreciation and impairment	0.0	0.0
Book value December 31	**0.0**	**0.0**

NOK million	Machinery, fixtures	Total
Year ended December 31, 2017		
Book value January 1	**1.4**	**1.4**
Additions	0.0	0.0
Disposals	-0.7	-0.7
Depreciation	-0.6	-0.6
Book value December 31	**0.1**	**0.1**
At December 31, 2017		
Cost or valuation	6.2	36.3
Accumulated depreciation and impairment	-6.1	-36.2
Book value December 31	**0.1**	**0.1**

Note 4 Investment in subsidiaries and receivables and liabilities to companies in the Group

Investment in subsidiaries as of 31 December, 2018:

Subsidiaries	Registered office	Cost price	No of shares	Equity	Write-downs	Capital Increase	Book value	Profit/ (loss)	Shareholder interest
Sevan Holding V AS	Norway	2099.8	10 000	-7.5	0.0	0.0	0.0	-0.1	100 %
Sevan Asia Ptd Ltd *	Singapore	25.1	5 100 998	13.6	1.0	0.0	12.0	-0.3	100 %
Total book value		**2125.0**			**1.0**	**0.0**	**12.0**		

**Sevan Asia Pte Ltd is under a solvent liquidation process as per 31.12.2018. The solvent liquidation process is expected to be completed by the end of 2019.*

HiLoad LNG AS was sold to Sembcorp Marine Integrated Yard Pte Ltd at September 04, 2018.

Investment in subsidiaries as of 31 December, 2017:

Subsidiaries	Registered office	Cost price	No of shares	Equity	Write-downs	Capital Increase	Book value	Profit/ (loss)	Shareholder interest
Sevan Holding V AS	Norway	2099.8	10 000	-7.4	0.0	0.0	0.0	-6.6	100 %
Hiload LNG AS	Norway	24.8	24 797 341	5.8	0.0	2.8	24.8	-5.3	95 %
Sevan Asia Ptd Ltd	Singapore	25.1	5 100 998	13.4	3.3	0.0	13.0	-3.8	100 %
Total book value		**2149.8**			**3.3**	**2.8**	**37.8**		

Current receivables from companies in the Group:

NOK million	2018	2017
Sevan Holding V AS	0.0	1.4
Hiload LNG AS	0.0	1.0
Current receivables from companies in the Group	**0.0**	**2.5**

Note 5 Other non-current assets

NOK million	2018	2017
Deposit	0.0	3.2
Total other non-current assets	**0.0**	**3.2**

Note 6 Cash and cash equivalents

NOK million	2018	2017
Cash at bank and in hand	85.4	175.5
Restricted employees' tax deduction fund	0.5	4.3
Restricted bank deposits	0.9	2.3
Total cash and cash equivalents	**86.8**	**182.2**

As of December 31, 2018, the restricted cash of 0.9 million (2017: 2.3) relates to a rental deposit of 0.5 million and pension funds of 0.4 million.

Note 7 Shares and share options owned or controlled by the Board of directors and senior management

As of December 31, 2018, no Board members or Senior Management owned or controlled shares in the Company.

Reference is made to the 'Statement regarding determination of salary and other benefits for Senior Management' for further details of remuneration of Senior Management.

Note 8 Shareholder information

20 largest shareholder accounts at December 31, 2018:

Shareholder accounts		Number of shares	Ownership-share (%)
SPAREBANK 1 MARKETS AS		7 719 497	14.67
SKANDINAVISKA ENSKILDA BANKEN AB		6 307 516	11.99
MATHIAS HOLDING AS		3 187 561	6.06
HORTULAN AS		3 129 443	5.95
F2 FUNDS AS		2 561 583	4.87
KING KONG INVEST AS		2 343 795	4.46
SUNDT AS		2 142 202	4.07
MP PENSJON PK		1 570 499	2.99
ANDENERGY AS		1 508 140	2.87
Patineer Management LLC		1 406 277	2.67
INVESCO PERP EURAN SMLER COMPS FD		1 355 842	2.58
BEKKESTUA EIENDOM AS		1 150 019	2.18
CARE HOLDING AS		1 000 000	1.9
ALTEA PROPERTY DEVELOPMENT AS		939 069	1.78
SIX SIS AG		869 178	1.65
INVESCO FUNDS		742 025	1.41
PREDATOR CAPITAL MANAGEMENT AS		702 667	1.34
BAKLIEN		700 000	1.33
BJELLAND		525 010	1.00
SJØLUND		510 400	0.97
Total, 20 largest shareholder accounts		**40 370 723**	**76.74**
Remaining shareholders		12 236 276	23.26
Total shareholders	**(3,940 shareholder accounts)**	**52 606 999**	**100.00**

The Company has one major shareholder, Kistefos AS, which currently holds in excess of 20 percent of the Company's shares.

20 largest shareholder accounts at December 31, 2017:

Shareholder accounts		Number of shares	Ownership-share (%)
TEEKAY SERVICE HOLDINGS COÖPER. UA		22 893 631	43.5
DNB NOR MARKETS, AKS		5 109 784	9.7
SKANDINAVISKA ENSKIL		3 213 975	6.1
MATHIAS HOLDING AS		1 700 000	3.2
KING KONG INVEST AS		1 250 000	2.4
SUNDT AS		1 142 486	2.2
MP PENSJON PK		837 584	1.6
ANDENERGY AS		804 326	1.5
INVESCO PERP EURAN S		765 804	1.5
CITIBANK, N.A.		750 480	1.4
BAKLIEN ÅSMUND		700 000	1.3
HORTULAN AS		685 000	1.3
BEKKESTUA EIENDOM AS		560 000	1.1
ALTEA PROPERTY DEVEL		500 828	1.0
SVENSKA HANDELSBANKE		493 000	0.9
GRANLUND HOLDING AS		427 201	0.8
INVESCO FUNDS		419 109	0.8
SIX SIS AG		413 936	0.8
TIGERSTADEN AS		330 000	0.6
PREDATOR CAPITAL MAN		315 072	0.6
Total, 20 largest shareholder accounts		**43 312 216**	**82.3**
Remaining shareholders		9 294 783	17.7
Total shareholders	**(4,224 shareholder accounts)**	**52 606 999**	**100.0**

As of December 31, 2017, the Company had one major shareholder, Teekay Corporation, which owned 43.5 percent of the Company's shares.

Note 9 Employee benefit expense

Specification of employee expense:

NOK million	2018	2017
Salaries and vacation pay	20.5	33.9
Employer`s contribution tax	4.5	7.5
Pension costs	1.3	1.5
Bonus	3.4	4.4
Option cost	4.4	0.0
Other employee benefit expense	1.2	2.2
Total employee benefit expense	**35.3**	**49.5**
Average number of man-years	20	33

2018 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Reese McNeel CEO/CFO	2 223	154	654	72	26
Alf-Roger Skikstein, Head of Operation and Projects*	1 029	277	263	53	8
Otto Skjåstad, CTO *	983	270	241	57	10
Knut Bredahl, Head of Sales and Marketing *	742	255	187	54	10
Total remuneration paid	**4 976**	**955**	**1 345**	**237**	**54**

**Employment with Magnora ASA was terminated on September 04, 2018 following the transaction with SMIY.*

2017 remuneration of Senior Management:

NOK thousand	Salaries	Retirement benefits	Other benefits
Reese McNeel CEO/CFO	2 442	71	57
Alf-Roger Skikstein, Head of Operation and Projects	1 843	69	23
Otto Skjåstad, CTO	1 665	75	35
Knut Bredahl, Head of Sales and Marketing	1 162	72	30
Total remuneration paid	**7 112**	**287**	**145**

Senior Management is included in the Group's collective retirement benefit plans. No loans, prepayments or security were granted to current Senior Management or any member of the Board of Directors in 2018 and 2017.

At the balance sheet date there are no remaining options held by Senior Management (2017: no remaining options). See note 15 for more information.

Following the SMIY transaction, the CEO was entitled to a Transaction bonus of NOK 1.5 million. The transaction bonus was accrued for in 2018 and paid in March 2019. Magnora has further requested the CEO to continue his employment until September 4, 2019, or until an earlier date set by the Company. In accordance with a retention agreement, the CEO is entitled to an additional payment of NOK 0.7 million which will be incurred and paid in 2019. In addition, the CEO will receive 9-12 months' salary upon termination of employment, depending on the circumstances relating to the termination

Reference is made to the 'Statement regarding establishment of salary and other benefits for Senior Management' for further details of remuneration of Senior Management.

Remuneration of the Board of Directors:

NOK thousand	Member from:	Member to:	2018	2017
Torstein Sanness, Chairman **	24 May 2017		265	135
Hilde Ådland	24 May 2018		125	0
John Hamilton	18 Dec 2018		0	0
Erling Øverland **		27 Nov 2018	469	460
Kathryn Moore Baker		18 Dec 2018	280	265
Astrid Jørgenvåg *		27 Nov 2018	0	0
Peter Lytzen		24 May 2018	140	178
Ingvild Sæther *		24 May 2018	0	0
Kjetil Sjursen		24 May 2017	0	150
Ann-Kristin Nielsen Løvland		24 May 2018	21	88
Vidar Andersen		24 May 2018	17	88
Tord Broms Thorsen		12 Sept 2018	19	0
Line Bliksmark		12 Sept 2018	19	0
Total remuneration paid			**1 355**	**1 364**

** The remuneration was paid to the companies where the Board members are employed.*
*** Erling Øverland was the Chairman up to November 27, 2018. Torstein Sanness was the acting Chairman from November 27, 2018 to December 18, 2018. At the Extraordinary General Meeting held on the December 18, 2018, Torstein Sanness was formally elected as the new Chairman.*

Remuneration of the Board of Directors was for the period from November 24, 2017 to November 24, 2018.

2018 salaries and other benefits to Directors as employees:

NOK thousand	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Tord Broms Thorsen	485	35	120	32	10
Line Bliksmark	376	14	94	21	10
Ann-Kristin Nielsen Løvland	792	32	-	18	8
Vidar Andersen	868	46	-	29	3

**Tord Broms Thorsen and Line Bliksmark entered the Board on May 24, 2018 as employee representatives. They resigned from the Board September 12, 2018 as their employment with Magnora ASA was terminated following the transaction with SMIY. Ann-Kristin Nielsen Løvland and Vidar Andersen resigned from the Board May 24, 2018.*

2017 salaries and other benefits to Directors as employees:

NOK thousand	Salaries	Retirement benefits	Other benefits
Ann-Kristin Nielsen Løvland	682	36	14
Vidar Andersen	894	60	14

Reference is made to Note 7 for further information about shares owned or controlled by the Board of Directors and Senior Management.

Note 10 Retirement benefit obligations

The company operates a defined contribution plan.

Pension cost charged to the income statement is NOK 1.3 million (2017: NOK 1.5 million). The defined contribution plan has 3 participants per 31.12.2018 (2017: 33 participants). The Company's pension schemes satisfy the requirements in the Norwegian legislation regarding mandatory occupational pension.

Note 11 Other operating expense

NOK million	2018	2017
Cost of hired personnel	0.0	0.2
Office cost (rental etc)	5.9	13.2
Consultancy (audit, tax and legal) *	9.6	19.7
Marketing	0.5	1.3
Travel expenses	0.9	0.8
Other	3.4	6.1
Total other operating expense	**20.3**	**41.3**

*** Specification of auditor's fee (excl. VAT):**

NOK million	2018	2017
Statutory audit	0.5	0.4
Audit related services	0.1	0.3
Total auditor's fees	**0.6**	**0.8**

Note 12 Lease agreements

The Company had several leases and rental agreements for rental of offices. All lease obligations have been transferred as part of the SMIY transaction. The Company has no remaining office rental agreements as of 31 December 2018.

The Company expensed NOK 2.6 million in lease and rental cost for 2018 (2017: 4.8)

Note 13 Earnings per share

Earnings per share

Earnings per share were calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

	2018	2017
Net profit/(loss) (NOK million)	377.8	-6.3
Earnings per share (NOK)	7.18	-0.12
Earnings per share diluted (NOK)	7.18	-0.12
Average no. of outstanding shares (thousands)	52 607	52 607
Weighted avg. no. of ordinary shares for diluted earnings per share (thousands)	52 607	52 607

Note 14 Other current liabilities

NOK million	Note	2018	2017
Payroll liabilities		1.2	6.5
Employer`s contribution tax and other taxes		0.8	2.9
Accrued severance pay		0.0	2.1
Financial instruments (market value of forward contracts)		1.6	0.0
Other payables		0.3	3.0
Total other current liabilities		**3.9**	**14.5**

Note 15 Share-based payments

At balance sheet date there are no remaining options (2017: 0).

On the basis of the approval by the Annual General Meeting of May 24, 2017, to authorize the Board of Magnora to issue new shares to employees under a long-term incentive program, the Board resolved to issue options to employees of the Company. In March 2018 a total of 943,505 options for shares of the Company were distributed amongst the management and all employees.

As the sale to SMIY constituted a change of control event under the employee share option program, the Board of Directors resolved to terminate the Company's share incentive program against cash consideration. All 890,072 outstanding options at the transaction closing date were considered fully vested at a strike price of NOK 10 and with a fair value of the shares of NOK 14.50 each. The employees under the share option program accordingly received NOK 4.50 per option, corresponding to total consideration of NOK 4,005,324. Accordingly, no shares were or will be issued under the authorisation to increase the share capital granted to the Board of Directors.

Note 16 Related party transactions

2018

The operating revenue includes revenue from Group companies amounting to 1.0 million. The Company charged companies within the Group 0.8 million for services relating to management and engineering, and 0.2 million for management fees.

The operating revenue includes revenue from Teekay amounting to 5.0 million for services relating to management and engineering. Teekay was Magnora's largest shareholder until the completion of the Teekay Offer in November 2018.

The Company was charged 3.3 million from Arendal Brygge and St. Ybes for lease of offices in Arendal. The lease is now terminated following the SMIY transaction.

2017

The operating revenue includes revenue from Group companies amounting to 5.9 million. The Company charged companies within the Group 5.3 million for services relating to management, engineering and site supervision, and 0.6 million for management fees.

The Company charged companies within the Group 0.1 million for interest relating to loans during 2017.

The operating revenue includes revenue from Teekay amounting to 3.5 million for services relating to management and engineering.

The Company was charged 4.8 million from Arendal Brygge and St. Ybes for lease of offices in Arendal.

Note 17 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions, recognized assets or liabilities, and net investments in foreign operations when such transactions, assets or liabilities are denominated in a currency that is not the entity's functional currency. The majority of the Company's revenue is in USD. To reduce the currency risk, the Company has hedged a portion of the expected USD income through December 2019.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Company has one main banking relationship with a financial institution that is currently rated Aa3.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Company aims to maintain flexibility in its liquidity by keeping committed credit lines available.

The Company has implemented routines to continuously update its cash flow forecast when changes to main assumptions relating to repayment schedules, milestone payments in relation to construction contracts etc. to be able to foresee the necessary actions to taken to rectify any potential adverse effects on its future liquidity position.

Magnora ASA is in a solid liquidity position with a cash balance of NOK 86.8 million at the balance sheet date.

Note 18 Operating revenue

NOK million	2018	2017
License fee	69.7	3.2
Other revenue	22.6	53.4
Total operating revenue	**92.2**	**56.6**

Note 19 Provisions

NOK million	Bonus	Legal fee	Total
January 1, 2018	**4.4**	**4.1**	**8.5**
Arising during the year	1.8	0.0	1.8
Reversed during the year	-4.4	-4.1	-8.5
December 31, 2018	**1.8**	**0.0**	**1.8**

NOK million	Bonus	Legal fee	Total
January 1, 2017	**0.0**	**0.0**	**0.0**
Arising during the year	4.4	4.1	8.5
Reversed during the year	0.0	0.0	0.0
December 31, 2017	**4.4**	**4.1**	**8.5**

All provisions in 2018 and 2017 are current in nature.

Bonus

Provision for stay-on and retention bonuses to employees.

Legal fees

In 2017 The Oslo District Court ruled against Magnora in relation to the USD 60 million loan granted to Logitel Offshore Pte Ltd. Magnora was sentenced to pay Logitel's legal fees of NOK 4.1 million.

Upon completion of the Teekay Offer in November 2018, Magnora withdrew the lawsuit against Logitel Offshore Pte Ltd. and the parties agreed not to bring or pursue any other claims against each other and their affiliates in relation to activities prior to July 06, 2018. This has led to a NOK 4.1 million non-cash gain in 2018 as the accrual for payment of Logitel Offshore Pte Ltd.'s legal fees awarded by the Oslo District Court has been reversed.

Note 20 Hedging

The Dana Western Isles royalty income is received in USD. To reduce the currency risk, Magnora has hedged a portion of the expected royalty income through December 2019. For December 2018, with settlement in January 2019, Magnora has hedged a total of USD 0.35 million at an average exchange rate of 7.87 NOK/USD. For the period January to December 2019, Magnora has hedged a total of USD 3.0 million at an average exchange rate of NOK/USD 8.19. The market-to-market value of the instruments recognized in the balance sheet at December 31, 2018 is NOK 1.6 million negative.

Note 21 Financial income and financial expense

Currency gains and losses relating to financing activities were presented as separate line item as a financial income/(expense) in the Income Statement.

Financial income:

NOK million	2018	2017
Interest income	1.9	3.1
Other financial income	1.0	1.9
Partial reversal provision Piranema	0.0	6.5
Sale of business to Sembcorp	307.1	0.0
Sale of KANFA AS	0.0	2.0
Financial income from companies within the Group	0.0	0.1
Total financial income	**310.1**	**13.6**

Financial expense:

NOK million	2018	2017
Interest cost	0.1	0.1
Write-down investment in subsidiary	1.0	3.3
Total financial expense	**1.1**	**3.4**

Note 22 Trade and other receivables

NOK million	2018	2017
Trade receivables	1.4	5.3
Accrued income, not invoiced	4.4	4.6
Prepayment	0.6	2.9
Total trade and other current receivables	**6.3**	**12.8**

Note 23 Related party transactions

NOK million	2018	2017
Receivable Teekay	0.0	0.2
Receivable Arendal Brygge	0.3	5.0
Receivables from related parties	**0.3**	**5.3**

NOK million	2018	2017
Loan to Arendal Brygge	0.2	0.0

On October 2, 2018, Magnora ASA purchased 15% of the shares in Arendal Brygge AS for NOK 300 000. Following this transaction, Magnora ASA owns 50% of the shares in Arendal Brygge AS. Sparebanken Sør owns the other 50% of the shares. Magnora ASA and Sparebanken Sør also agreed to each provide a NOK 150 000 shareholder loan (NOK 300 000) to Arendal Brygge to support Arendal Brygge's liquidity needs going forward.

Note 24 Dividend and repayment of capital

Magnora has done a share capital reduction with return to shareholders of a total of NOK 2.50 per share in 2018. In addition there was paid a dividend of NOK 6.0 per share to shareholders. The distribution totalling NOK 447 159 492, or NOK 8.50 per share, were paid to shareholders on November 13, 2018. No dividend or capital reduction was paid by the Company in 2017.

The Board of Directors has decided to propose a capital reduction including a repayment of capital to the shareholders of NOK 1.0 per share to the Annual General Meeting on May 21, 2019.

Note 25 Events after balance sheet date

Share buyback program

On January 16, 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorization granted by the extraordinary general meeting to the Board of directors on 18 December 2018. Buyback transactions are executed according to the market price on the Oslo Stock Exchange and the maximum consideration to be paid for shares acquired under the buyback program is NOK 7 per share and NOK 5.7 million in aggregate. The maximum number of shares that can be acquired under the program is 1 425 000 shares. The program will be terminated on 24 April 2019. The Company intends to extend the share buyback program subject to approval by shareholders at the annual general meeting to be held on May 21, 2019. Magnora may at any time without further notice close or suspend the program. Shares purchased under the program will be used to reduce the number of outstanding shares. The maximum number of shares which may be purchased in any one day is limited to 50% of the average weighted daily volume of Magnora shares traded in the 20 trading days preceding the day of purchase. The share buyback program is managed and will be executed by Skandinaviska Enskilda Banken on behalf of Magnora. As of the date of this report, Magnora owns 20 301 shares or 0.0004 percent of total shares outstanding.

Retention bonus

Magnora has requested the CEO to continue his employement until September 4, 2019, or until an earlier date set by the Company. In accordance with a retention agreement, the CEO is entitled to an additional payment of NOK 0.7 million. The cost and payment will be incurred in 2019.

Consultant agreement

On March 12, 2019, Magnora engaged Mr. Erik Sneve, who currently holds approximately 0.8 percent of the shares in the Company, for the purpose of identifying and completing potential investment opportunities. Unless otherwise agreed, the Consultant will be employed on a 60 percent basis and will be entitled to an annual compensation of NOK 1 million. In addition to the annual compensation, Mr. Sneve is also entitled to a bonus payment depending on the Company's value-adjusted equity as a result of any projects initiated by the Consultant. The terms of such bonus are pending the entering into of an agreement between the parties.

Loan to related party

On March 19, 2019, Magnora and Sparebanken Sør agreed to provide an additional shareholder loan of NOK 550 000 each (NOK 1 100 000 in total) to Arendal Brygge. The funds will be used to support Arendal Brygge's liquidity needs and to repay the NOK 300 000 loan mentioned in note 22 as well as to finance amounts due in June 2019 to both Magnora and Sparebanken Sør of NOK 447 553.

Statement regarding determination of salary and other benefits for senior management

Pursuant to § 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors shall prepare a statement on the determination of salary and other benefits to Senior Management. It is further stated in § 5-6 (3) of the Norwegian Public Limited Liability Companies Act that an advisory vote shall be held at the Annual General Meeting regarding the Board of Directors' guidelines for determination of remuneration to Senior Management for the next accounting year (ref. (ii) below). To the extent the guidelines are linked to share-based incentive schemes, they will also be subject to approval by the General Meeting (ref. (iii) below).

(i) Remuneration and other Benefits to Senior Management for the Previous Accounting Year

The Board of Directors adopts the terms and conditions for the remuneration to the CEO in accordance with the principal resolutions regarding the Group's remuneration policy and benefit schemes for employees.

Information Regarding Senior Management

The current senior management of the Company (the "Senior Management") includes:

Reese McNeel, CEO / CFO

Remuneration of Senior Management for the accounting year 2018 is disclosed in note 17 of the consolidated financial statements.

The CEO will receive 9-12 months' salary upon termination of employment, depending on the circumstances relating to the termination.

Following the SMIY transaction, the CEO was entitled to a transaction bonus of NOK 1.5 million. The transaction bonus was accrued for in 2018 and paid in March 2019. Magnora has further requested the CEO to continue his employment until September 4, 2019, or until an earlier date set by the Company. In accordance with a retention agreement, the CEO is also entitled to an additional payment of NOK 0.7 million which will be incurred and paid in 2019.

The guidelines for determination of remuneration to the Senior Management and any allotment of options were discussed at the Annual General Meeting in May 2018. The Board of Directors has not deviated from these guidelines in relation to the compensation package for Senior Management during the accounting year 2018.

The CEO sits on the board of directors in the Company's subsidiaries and does not receive any board remuneration for these assignments.

(ii) Remuneration and other Benefits to Senior Management for the Next Accounting Year

For advisory vote at the Annual General Meeting in 2019, the Board of Directors presents the following guidelines for determination of remuneration and other compensation to Senior Management for the accounting year 2019 (which, when finally approved and agreed, will be made effective as of January 1, 2019), the principles and details of which in all material respect (except where otherwise stated) are in conformity with last year's guidelines.

Salary and Payment-in-Kind

The main objective of the Company's remuneration policy for the Senior Management is to provide a competitive and realistic framework for remuneration, contribute to the recruitment of senior personnel with the required skills and secure development of relevant expertise. In addition to the base salary, Senior Management may participate in bonus schemes along with other employees. Following the SMIY transaction and transfer of the majority of employees, there is currently no general bonus program for employees or Senior Management in place. The compensation package for the CEO and other members of the Senior Management may also include a company car arrangement, newspapers, mobile phone and refund of expenses for internet subscription, all in accordance with common market practice. Senior Management further participates in the Group's collective pension and insurance schemes along with all employees in the Group. The company operates a defined contribution plan. The defined contribution plan has 3 participants.

The Company's remuneration policy is based on defined roles and responsibilities, clear goals and key performance indicators, combined with evaluation of results and achievements. The total compensation package shall as a guideline be at a level that corresponds to the market median in the different markets and industries in which the Group operates.

The annual wage and base salary adjustment takes place on July 1 each year, and shall be based on the general development of wages in the market and relevant industries, combined with an evaluation of the previous year's achievements and results. Any individual salary adjustment shall be based on the annual performance appraisal.

Bonus Scheme and Performance Incentives

Historically, the Group's financial and non-financial results formed the basis for a collective bonus scheme tied to specific KPI's including individual performance. The collective bonus scheme constituted up to 10% of the base salary. The bonus was paid annually, based on a performance appraisal of results and achievements and subject to approval by the Board of Directors. Following the SMIY transaction and transfer of the majority of employees, there is currently no general bonus program for employees or Senior Management in place.

Consequences for the Company and the Shareholders

The Board of Directors has confidence in the employees and their motivation and ability to contribute to the Company's results. The Board of Directors is of the opinion that the Company's future success to a high degree depends on highly motivated, qualified and competent Senior Management and staff in general. A well-defined compensation program, together with a good and inspiring work environment, enables the Company to recruit and retain good employees, and thereby remain competitive. Remuneration of employees is considered an essential contributor to the strategy of creating shareholder value.

(iii) Particulars on Share-Related Incentive Schemes

The Board of Directors continues to believe that sensible share related incentive schemes, with due regard to the Corporate Governance guidelines' section 12, should form part of the Company's compensation package for employees and Senior Management

On the basis of the approval by the Annual General Meeting in 2017, a share option program for all employees of the company was launched. Details of the share option program and its subsequent termination after the SMIY transaction are disclosed in note 12 of the consolidated financial statements.

Lysaker, April 04, 2019
The Board of Directors of Magnora ASA

Hilde Ådland

Torstein Sanness
Chairman

Hilde Ådland
Board Member

John Hamilton
Board Member

Reese McNeel
CEO

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Magnora ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Magnora ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, statement of profit or loss, statement of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. 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.

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Recognition of deferred tax assets

At 31 December 2018 the recorded amount of net deferred tax assets mainly deriving from tax losses carried forward was NOK 42.8 million for the Group and the parent company. The assessment of whether there will be sufficient tax profits in the future to utilize carried forward tax losses requires management judgment. The management assessment includes estimates of future sales, gross margins, operating costs, and the assumptions inherent in those estimates. Recognition of deferred tax assets is a key audit matter because the assessment process is complex, requires significant judgment and imposes significant estimation uncertainties.

Our audit procedures included identifying and assessing managements procedures for preparing budgets and deferred tax assets recognition. We tested the basis used in the estimation of recognized deferred tax assets and assessed future cash flows based on approved budgets and historical data. Further we evaluated managements assumptions applied in their estimate including value, probability and timing of future cash flows. We also tested the mathematical accuracy of the calculations and performed sensitivity analysis of the assumptions used.

We refer to note 4.1 and 14 in the consolidated financial statements related to deferred tax assets.

Accounting for discontinued operations

As described in Note 1, the company sold its engineering business and the subsidiary Hiload LNG AS in 2018. The sale was completed on 4 September 2018 with the purchaser Sembcorp Marine Intergrated Yard Pte Ltd (Sembcorp). The company accounted for the sale as discontinued operations and this had a significant effect on the company financial statements presentation. Due to the significance and complexity of the transaction this was a key audit matter.

Our audit procedures included an assessment of whether the accounting treatment was consistent with the requirements of IFRS and the sales agreement with Sembcorp. We obtained an understanding of the conditions in the sales agreement, and inquired management of any claims related to the sale. We recalculated the transaction gain, and also evaluated the allocation of results between continuing and discontinued operations for 2018 and 2017. We also reviewed the note disclosures related to the transaction.

We refer to note 5 in the consolidated financial statements related to discontinued operations.

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 4 April 2019

ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2018, have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of Magnora ASA as well as the consolidated group.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

Lysaker, April 04, 2019
The Board of Directors of Magnora ASA

Torstein Sanness

Chairman

Hilde Ådland

Board Member

John Hamilton

Board Member

Reese McNeel

CEO