# Magnora ASA

# Fourth Quarter 2018

# Main events in the quarter

*(Figures in brackets relate to third quarter 2018. The figures are unaudited.)*

- 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 retained its net cash position, the Dana Western Isles license agreement and the financial benefit of the Shell Penguins license agreement.

- 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 agreed 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.

- 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”). Upon completion of the Teekay Offer, Magnora 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 Teekay Offer expired on November 9, 2018 and the Teekay Offer was completed on 12 November 2018. Settlement and delivery of the shares was completed on November 19, 2018.

- 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 Q4 2018 was NOK 13.4 million (NOK 13.8 million) which was the equivalent of approximately 33 550 barrels per day on average for Q4 2018 compared with 36 500 on average for Q3 2018.

- The 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, excluding one-off items, was NOK 10.8 million (NOK 9.6 million), an increase of NOK 1.3 million versus the third quarter. The driver for the increase was a reduction in the operating cost of NOK 1.3 million, mainly due to reduced cost in Magnora’s two Asia subsidiaries, Sevan Asia Pte Ltd and Sevan Shanghai Co Ltd, which entered solvent liquidation in Q3 combined with lower overhead cost in Magnora ASA. The liquidation process expected to be completed by year end 2019.

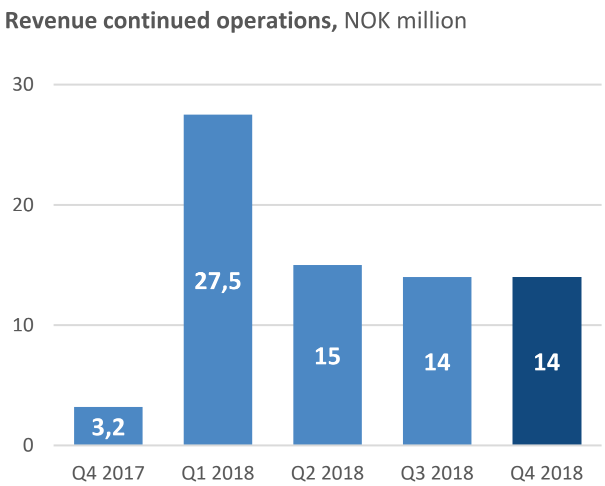
- Operating costs, including one-off items, decreased by NOK 12.8 million compared to the third quarter 2018 to income of NOK 0.3 million (NOK 12.5 million cost). The main driver for the decrease was a reduction in one-off costs in total of NOK 11.6 million mainly due to the reversal of accrued Logitel related legal fees (NOK 4.1 million) and reduced transaction cost as the SMIY transaction was completed in Q3. Excluding one-off items, operating costs in the quarter decreased by NOK 1.3 million to NOK 3.2 million (NOK 4.5 million).

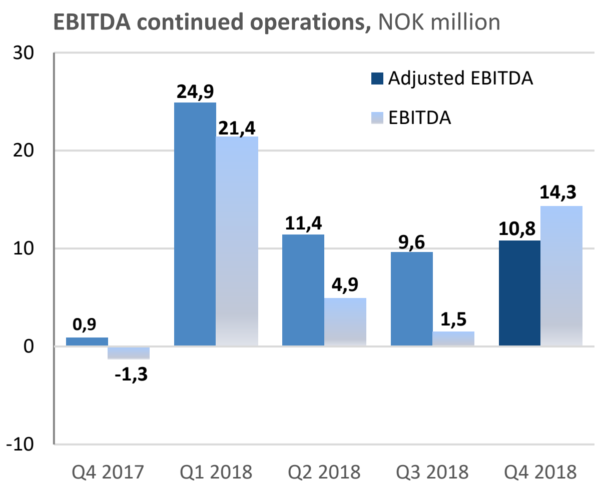
- Net profit increased to MNOK 57.5 driven largely by the recognition of a deferred tax asset of NOK 42.8 million in the quarter. The deferred tax asset is based on the current tax rate in Norway and estimated taxable income the next 5 years. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses.

# Key figures

| *NOK million* | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|
| *Continued operation* | | | | | |
| Revenues | 14.0 | 14.0 | 70.4 | 3.2 | 3.2 |
| EBITDA | 14.3 | 1.5 | 42.1 | -1.3 | -35.1 |
| Net Profit | 57.5 | 1.8 | 87.2 | -3.1 | 5.7 |
| EPS (NOK) | 1.1 | 0.0 | 1.66 | -0.06 | 0.11 |
| | | | | | |
| Operating cost, excluding one-off items * | -3.2 | -4.5 | -13.9 | -2.4 | -9.5 |
| Adjusted EBITDA * | 10.8 | 9.6 | 56.6 | 0.9 | -6.3 |
| | | | | | |
| Cash and cash eq. continued operation** | 100.3 | 528.8 | 100.3 | 197.5 | 197.5 |
| Equity ratio (%) | 90 % | 94 % | 90 % | 83 % | 83 % |
| | | | | | |
| Number of shares outstanding | 52.6 | 52.6 | 52.6 | 52.6 | 52.6 |
| Number of employees *** | 3 | 3 | 3 | 32 | 32 |

* See definition of Alternative Performance Measures in Note 1.
** 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



# Operational review

## 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 the fourth quarter 2018 was NOK 13.4 million (NOK 13.8 million). which was the equivalent of approximately 33,550 barrels per day on average for Q4 2018 compared with 36 500 on average for Q3 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 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.

# Financial review

## Results for the quarter

Operating revenue in the fourth quarter 2018 was NOK 14.0 million, unchanged from the previous quarter. EBITDA was positive NOK 14.3 million (positive NOK 1.5 million) and net profit was NOK 57.5 million (profit of NOK 1.8 million).

The increase in profit was mainly due to recognition of a deferred tax asset of NOK 42.8 million in the quarter (see Note 2 for futher information). The net profit was also positively impacted by a reduction in operating cost of NOK 12.8 million. The decrease in operating cost was driven mainly by one-off items such as the reversal of the Logitel legal cost accrual of NOK 4.1 million, a reduction in transaction related costs of NOK 6.2 million and reduction in other one-off costs of NOK 1.2 million versus Q3 2018. Net profit was negatively impacted by currency exchange effects of NOK 0.6 million mainly related to hedging of the USD license income from the Dana Western Isles project.

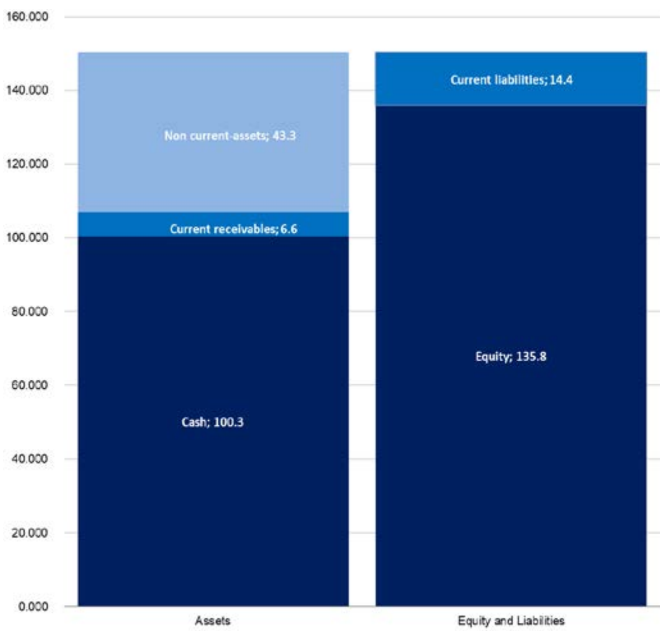
## Cash flow

As of December 31, 2018, cash and cash equivalents amounted to NOK 100.3 million (NOK 528.8 million). The negative cash flow in the quarter of NOK 428.4 million was due to 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 a positive cash flow from operating activities.

## Financial position

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

Balance sheet composition December 31, 2018 (MNOK):




# 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 Q4 2018 as the accrual for payment of Logitel Offshore Pte Ltd.’s legal fees awarded by the Oslo District Court has been reversed.

# 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 major customers today 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 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.

# Outlook

Magnora's main business activity is now focused on managing the Dana Western Isles and Penguins 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 remains listed on the Oslo Stock Exchange.

# 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 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 will be 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 will be 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 at the latest. 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.

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 ("AGM") to be held on May 09, 2019.

# About Magnora

With the sale to SMIY completed on September 04, 2018, Magnora has sold its intellectual property, shares in HiLoad LNG AS and certain other assets and obligations to SMIY.

Magnora retain its net cash position, the Dana Western Isles license agreement and the financial benefit of the Shell Penguins license agreement.

At the extraordinary general meeting held on December 18, 2018, the objectives of the Company as set out in the Articles of Association were amended to reflect a broader business universe, including the opening for investments in financial instruments and other assets. The Company will consider potential new investment opportunities with the objective of generating further shareholder value.

As per the amended Articles of Association, the objective of the Company 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.

**Oslo, February 14, 2019**
**The Board of Directors of Magnora ASA**

| | | |
|---|---|---|
| Torstein Sanness | Hilde Ådland | John Hamilton |
| Chairman | Board Member | Board Member |

Reese McNeel

CEO

# Interim financial statements (IFRS)

## Condensed consolidated income statement

| *NOK million* | Note | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|---|
| ***Continued operations*** | | | | | | |
| Operating revenue | 5 | 14.0 | 14.0 | 70.4 | 3.2 | 3.2 |
| Operating expense | | 0.3 | -12.5 | -28.3 | -4.6 | -38.3 |
| **EBITDA** | | **14.3** | **1.5** | **42.1** | **-1.3** | **-35.1** |
| Depreciation, amortization and impairment | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Operating profit/(loss)** | | **14.3** | **1.5** | **42.1** | **-1.3** | **-35.1** |
| Financial income/(expense) | | 0.6 | 0.7 | 3.0 | 0.8 | 11.6 |
| FX gain/(loss) | 7 | -0.6 | -0.4 | -1.1 | 3.9 | -3.5 |
| **Net financial items** | | **0.1** | **0.3** | **1.9** | **4.7** | **8.1** |
| **Profit/(loss) before tax** | | **14.4** | **1.8** | **44.1** | **3.4** | **-27.0** |
| Tax income/(expense) | | 43.1 | 0.0 | 43.1 | -6.5 | 32.8 |
| **Net profit/(loss) continued operations** | | **57.5** | **1.8** | **87.2** | **-3.1** | **5.7** |
| ***Discontinued operations*** | | | | | | |
| **Net profit/(loss) discontinued operations** | | **0.0** | **327.2** | **310.7** | **-5.4** | **-39.6** |
| **Net profit/(loss)** | | **57.5** | **329.0** | **398.0** | **-8.5** | **-33.8** |

## Statement of comprehensive income

| *NOK million* | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|
| Net profit/(loss) | 57.5 | 329.0 | 398.0 | -8.5 | -33.8 |
| Foreign currency translation | 0.8 | 0.2 | 0.7 | -1.0 | -1.0 |
| Other changes | 0.0 | 0.0 | -0.2 | -0.1 | -0.1 |
| **Total comprehensive income** | **58.3** | **329.1** | **398.5** | **-9.6** | **-34.9** |

## Condensed statement of financial position

| *NOK million* | Note | 31.12.18 | 30.09.18 | 31.12.17 |
|---|---|---|---|---|
| Fixed assets | | 0.0 | 0.0 | 0.1 |
| Intangible assets | | 0.0 | 0.0 | 4.3 |
| Deferred tax assets | 2 | 42.8 | 0.0 | 0.0 |
| Investment in associates | | 0.3 | 0.0 | 0.0 |
| Loan to associates | | 0.2 | 0.0 | 0.0 |
| Other non-current assets | | 0.0 | 0.0 | 3.2 |
| **Total non-current assets** | | **43.3** | **0.0** | **7.6** |
| Trade and other receivables | 4 | 6.6 | 31.6 | 16.1 |
| Cash and cash equivalents | | 100.3 | 528.8 | 197.5 |
| **Total current assets** | | **107.0** | **560.3** | **213.6** |
| Assets held for sale | | | | |
| **Total assets** | | **150.2** | **560.4** | **221.2** |
| Share capital | 3 | 78.4 | 210.4 | 210.4 |
| Other equity | | 57.4 | 314.3 | -26.7 |
| **Total shareholders' equity** | | **135.8** | **524.7** | **183.7** |
| Non-controlling interest | | 0.0 | 0.0 | 0.3 |
| **Total equity** | | **135.8** | **524.7** | **184.0** |
| Other non-current liabilities | | 0.0 | 0.0 | 2.3 |
| **Total non current liabilities** | | **0.0** | **0.0** | **2.3** |
| Current liabilities | | 14.4 | 35.7 | 34.9 |
| **Total current liabilities** | | **14.4** | **35.7** | **34.9** |
| **Total liabilities** | | **14.4** | **35.7** | **37.1** |
| Liabilities held for sale | | | | |
| **Total equity and liabilities** | | **150.2** | **560.4** | **221.2** |

## Condensed statement of changes in equity

| *NOK million* | Share capital | Other equity | Non-controlling interest | Total equity |
|---|---|---|---|---|
| **Equity as of January 1, 2018** | **210.4** | **-26.7** | **0.3** | **184.0** |
| Share-based payments | | 0.4 | | 0.4 |
| Total comprehensive income for the period | | 398.8 | -0.3 | 398.5 |
| Capital reduction and distribution | -132.0 | 0.5 | | -131.5 |
| Paid dividend | | -315.6 | | -315.6 |
| **Equity as of December 31, 2018** | **78.4** | **57.4** | **0.0** | **135.8** |

| *NOK million* | Share capital | Share premium | Other equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| **Equity as of January 1, 2017** | **210.4** | **122.9** | **-123.6** | **9.2** | **218.9** |
| Total comprehensive income for the period | | | -26.0 | -9.0 | -34.9 |
| **Equity as of December 31, 2017** | **210.4** | **0.0** | **-26.7** | **0.3** | **184.0** |

## Condensed statement of cash flow

| *NOK million* | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash from operations | 18.8 | -1.4 | 43.5 | 30.7 | -27.2 |
| Taxes paid/repaid | 0.3 | 0.0 | 0.3 | 0.0 | 31.7 |
| **Net cash generated from continued operating activities** | **19.2** | **-1.4** | **43.8** | **30.7** | **4.5** |
| Net cash generated from discontinued operating activities | 0.0 | -2.8 | -20.5 | 5.1 | 2.6 |
| **Net cash generated from operating activities** | **19.2** | **-4.2** | **23.3** | **35.8** | **7.1** |
| **Cash flows from investment activities** | | | | | |
| Sale of shares KANFA AS | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 |
| Sale of business to Sembcorp | 0.0 | 327.1 | 327.1 | 0.0 | 0.0 |
| Purchase of shares Arendal Brygge AS | -0.3 | 0.0 | -0.3 | 0.0 | 0.0 |
| Loan to Arendal Brygge AS | -0.2 | 0.0 | -0.2 | 0.0 | 0.0 |
| **Net cash from continued investment activities** | **-0.5** | **327.1** | **326.6** | **0.0** | **0.9** |
| Net cash from discontinued investment activities * | 0.0 | 0.0 | 0.0 | 0.1 | -36.4 |
| **Net cash from investment activities** | **-0.5** | **327.1** | **326.6** | **0.1** | **-35.5** |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | -315.6 | 0.0 | -315.6 | 0.0 | 0.0 |
| Cpaital reduction paid out | -131.5 | 0.0 | -131.5 | 0.0 | 0.0 |
| **Net cash from continued financing activities** | **-447.2** | **0.0** | **-447.2** | **0.0** | **0.0** |
| Net cash from discontinued financing activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net cash from financing activities** | **-447.2** | **0.0** | **-447.2** | **0.0** | **0.0** |
| **Net cash flow for the period - continued activities** | **-428.4** | **325.7** | **-76.7** | **30.7** | **5.4** |
| **Net cash flow for the period - discontinued activities** | **0.0** | **-2.8** | **-20.5** | **5.2** | **-33.8** |
| Cash balance at beginning of period | 528.8 | 205.9 | 197.5 | 161.6 | 225.9 |
| **Cash balance at end of period** | **100.3** | **528.8** | **100.3** | **197.5** | **197.5** |

* Reflects the cash position in KANFA Group before deconsolidation.

# Selected notes to the quarterly financial statements

## 1. General information and accounting policies

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.

Magnora ASA is a public limited company, incorporated and domiciled in Norway. The condensed consolidated interim financial statements consist of the company and the company's interests in associated companies.

The company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and these financial statements have been prepared in accordance with the International Accounting Standard for Interim Financial Reporting (IAS 34). As the interim financial statements do not include the full information and disclosures as required in the annual financial statements, it should be read in connection with the Annual Financial Statements for 2017.

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.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Annual Financial Statements for the year ended December 31, 2017.

The Company has implemented IFRS 9 and 15 as of January 01, 2018. There have been no significant changes to the Company's financial statements as a result of these new accounting standards. Implementation of IFRS 16 as of January 01, 2019 is expected to have no changes to the Company's financial statements.

**Assets and liabilities held for sale and discontinued operations**
The Group classifies assets and liabilities as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or liability is available for immediate sale in its present condition.

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

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.

In June 2017 Magnora ASA sold the remaining shares in KANFA AS to Technip Norge AS. The KANFA AS Group was the remaining part of Magnora's Topside and Process Technology segment presented as discontinued operations. As Magnora is left with only one segment, Floating Production, the segment note is no longer part of the quarterly reporting.

On June 07, 2018 Magnora entered into an agreement to sell its intellectual property, employees, shares in HiLoad LNG AS and certain other assets and liabilities to SCM. On September 04, 2018 the transaction was completed. The associated income and costs are reported as discontinued operations. Magnora will retain its net cash position, the Dana Western Isles license agreement and the financial benefit of the Shell Penguins license agreement which is now reported as continued operations.

## 2. Accounting estimates and judgements

Deferred tax assets are recognised 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 recognised, based upon the likely timing and the level of future taxable profits. The recognised 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 companys 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.

## 3. Shareholder structure

| 20 largest shareholder accounts February 12, 2019 (source: VPS) | No. of shares | %-share |
|---|---|---|
| DnB NOR MARKETS, AKSJEHAND/ANALYSE | 8 066 156 | 15.33 |
| SKANDINAVISKA ENSKILDA BANKEN AB | 6 307 516 | 11.99 |
| MATHIAS HOLDING AS | 3 187 561 | 6.06 |
| HORTULAN AS | 3 129 443 | 5.95 |
| KING KONG INVEST AS | 2 343 795 | 4.46 |
| CARE HOLDING AS | 2 150 000 | 4.09 |
| SUNDT AS | 2 142 202 | 4.07 |
| MP PENSJON PK | 1 570 499 | 2.99 |
| ANDENERGY AS | 1 558 140 | 2.96 |
| Patineer Management LLC | 1 406 277 | 2.67 |
| Invesco European Smaller Compan Fd | 1 355 842 | 2.58 |
| F2 FUNDS AS | 1 253 745 | 2.38 |
| BEKKESTUA EIENDOM AS | 1 150 019 | 2.19 |
| DANSKE BANK AS | 1 136 952 | 2.16 |
| ALTEA PROPERTY DEVELOPMENT AS | 939 069 | 1.79 |
| 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 |
| SJØLUND | 510 400 | 0.97 |
| **Total, 20 largest shareholders** | **41 221 486** | **78.36** |
| | | |
| Other shareholder accounts | 11 385 513 | 21.64 |
| **Total no of shares** | **52 606 999** | **100** |
| | | |
| Foreign ownership | 6 664 645 | 12.67 |

## 4. Transactions with related parties

| *NOK million* | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|
| ***Purchase from related parties*** | | | | | |
| Purchase from Arendal Brygge | 0.0 | 1.2 | 3.8 | 1.2 | 8.5 |
| ***Receivable from related parties*** | | | | | |
| Receivable from Arendal Brygge | 0.3 | 0.6 | 0.3 | 5.0 | 5.0 |
| ***Loan to related parties*** | | | | | |
| Loan to related parties | 0.2 | 0.0 | 0.0 | 0.0 | 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.

## 5. Operating revenue

| NOK million | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|
| ***Continued operations*** | | | | | |
| License revenue | 13.4 | 13.8 | 69.7 | 3.2 | 3.2 |
| Other revenue | 0.6 | 0.2 | 0.8 | 0.0 | 0.0 |
| **Operating revenue continued operations** | **14.0** | **14.0** | **70.4** | **3.2** | **3.2** |

## 6. Discontinued operations

Disposed group classified as discontinued operations includes two transactions in 2017: the sale of Sevan Marine'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 4, 2018.

On 8 June, 2018, Sevan Marine publicly announced the decision of its Board of Directors to enter into an agreement to divest a substantial part of its business to SMIY. On 6 July 2018, the shareholders of Sevan Marine approved the transaction, and on September. 04, 2018, the transaction was completed. As of September 30, 2018 the part of the business sold is classified as discontinued operation.

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

| NOK million | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017 |
|---|---|---|---|---|---|
| Sale of KANFA AS | 0.0 | 0.0 | 0.0 | 0.0 | -10.1 |
| Sale to SembCorp Marine | 0.0 | 327.2 | 310.7 | -5.4 | -29.5 |
| **Net profit/(loss) discontinued operation** | **0.0** | **327.2** | **310.7** | **-5.4** | **-39.6** |

The results of the discontinued operation related to the sale to SembCorp Marine are presented below:

| NOK million | Q4 18 | Q3 18 | 2018 | Q4 17 | 2017* |
|---|---|---|---|---|---|
| Operating revenue | 0.0 | 9.5 | 20.8 | 13.1 | 51.1 |
| Operating expense | 0.0 | -10.7 | -37.4 | -18.0 | -78.3 |
| **EBITDA** | **0.0** | **-1.2** | **-16.6** | **-4.9** | **-27.2** |
| Depreciation, amortization and impairment | 0.0 | -0.3 | -1.1 | -0.5 | -2.2 |
| **Operating profit/(loss)** | **0.0** | **-1.4** | **-17.7** | **-5.4** | **-29.5** |
| Financial income/(expense) | 0.0 | 328.6 | 328.6 | 0.0 | -0.1 |
| FX gain/(loss) | 0.0 | 0.0 | -0.1 | 0.0 | 0.1 |
| **Net financial items** | **0.0** | **328.6** | **328.5** | **0.0** | **0.0** |
| **Profit/(loss) before tax** | **0.0** | **327.2** | **310.7** | **-5.4** | **-29.5** |
| Tax income/(expense) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net profit/(loss)** | **0.0** | **327.2** | **310.7** | **-5.4** | **-29.5** |

## 7. 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.

## 8. Subsequent events

On January 16, 2019, Magnora initiated a share buyback program. The buyback program will be 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 will be 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 at the latest. 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.

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 will be incurred in 2019.