



Annual Report 2019

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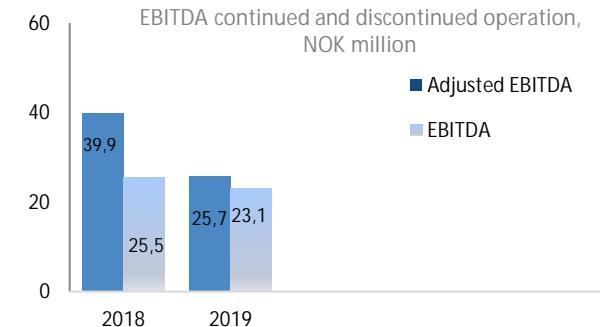
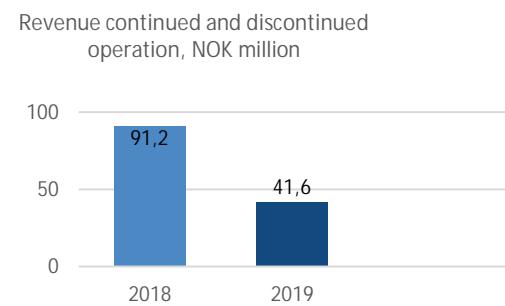
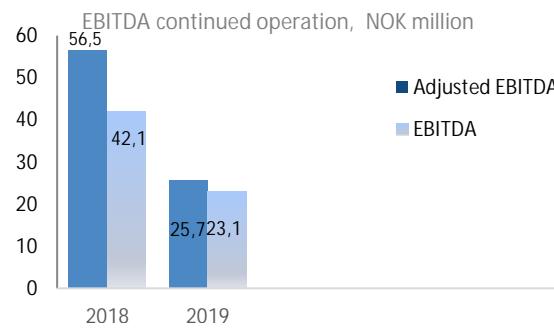
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Key figures

NOK million	2019	2018
<i>Continued operation</i>		
Revenues	41.6	70.4
EBITDA	23.1	42.1
Net Profit	20.2	87.2
EPS	0.38	1.66
Operating cost, excluding one-off items*	-15.9	-13.9
Adjusted EBITDA *	25.7	56.5
<i>Continued and discontinued operation</i>		
Revenues	41.6	91.2
EBITDA	23.1	25.5
Net Profit	20.2	398.0
EPS	0.38	7.6
Operating cost, excluding one-off items*	-15.9	-51.3
Adjusted EBITDA *	25.7	39.9
Cash and cash eq. continued operation	58.3	100.3
Cash and cash eq. discontinued operation	0.0	0.0
Equity ratio (%)	93%	90%
No. of shares outstanding	52.6	52.6
Number of employees**	2	3

* See definition of Alternative Performance Measures below

** All three employees in 2018 column were supporting Sembcorp Marine Integrated Yard Pte Ltd (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 2019 and after year-end

(Figures for 2018 are presented in brackets)

- The Company has assessed over 100 investment opportunities in Norway and abroad in various industries during 2019. During the second half of 2019, it was decided to focus on the renewable energy industry and companies with solutions for long term sustainability. This focus has yielded a solid deal-flow within the renewable energy space, and the Company has engaged two advisors with significant experience from the renewable energy industry. Theis Hanang Pedersen is former Country Manager of Vestas Norway and Haakon Alfstad is former Head of Onshore Wind in Statkraft, and will work together closely with the Company's Chairman, Torstein Sanness, and CEO, Erik Snev, to review these opportunities. Magnora is focusing on asset light business models that can benefit from the Company's strategic platform.
- In early March 2020, Magnora announced its first investment in Vindr, a Norwegian/Swedish wind project development company focusing on small and medium sized wind projects. Magnora also published a renewed strategy , "The Future is Electric". Later the same month, Magnora entered its first shallow water wind development project. The offshore project plans to develop a 500MW - 2TWh annual production wind development project in Northern Europe. The project can potentially supply 250,000 homes with green energy. Both teams in the wind development portfolio companies have built several thousand of MWs and been involved in over a dozen projects in various positions as entrepreneurs, investors or managers in companies such as Hydro, Vestas, Ørsted, Multiconsult and PA Consulting.
- In March 2020, the Company announced a quarterly dividend/return of paid-in capital policy. Magnora ASA has returned NOK 512.8 million to its shareholders over the past 17 months, totalling NOK 9.75 per share following the last distribution of NOK 0.25 on March 13th, 2020. The Company expects to continue to generate revenues over the lifetime of the Western Isles FPSO (the "FPSO"), and in addition there will be three milestone royalty payments from the Shell Penguins FPSO project. The Company expects to hold a cash balance of NOK 25-30 million, and pay out all remaining cash generated by the agreements to the extent legally permitted. The return of capital/dividend is expected to be significant in the coming years, supported by the Western Isles FPSO contract and significant payments expected from the Penguins FPSO contract when completed, installed and starts to produce. These income streams are likely to provide for significant dividends in 2020, 2021, 2022 and beyond based on the existing contracts. For 2020 the dividend/return of paid-in capital capacity is approximately NOK 1 per share subject to no adverse effects on operations, underlying contracts, or making any acquisitions.
- At the Annual General Meeting ("AGM") held on May 21, 2019, an authorisation was granted to the Board of Directors to initiate a new share buyback program. As of the date of this report, Magnora owns 862 shares and can therefore still purchase up to NOK 2.57 million worth of shares under the program until the next AGM in 2020 or latest 30 June 2020.
- The Company finalised an initial restructuring following the Sembcorp transaction to ensure infrastructure and resources are adjusted to the current profile and future activities in the Company. Q4 2019 marked the first full quarter with a new cost efficient operating model for Magnora ASA with new offices in Kjønslyst Alle 2, Oslo, Norway and an outsourced accounting function. Annualised fixed operating costs, including non-cash costs, are expected to be NOK 9-10 million going forward. Under the new operating model the board and management can focus on value creating activities.
- The revenue from the Western Isles agreement was for 2019 NOK 40 million (NOK 49 million). The agreement gives Magnora the right to USD 0.5 per barrel produced and offloaded from the Western Isles FPSO (the "FPSO") during the lifetime of the FPSO. 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 for longer than 15 years. Magnora's right to payments is tied to the FPSO, irrespective of operating location and field. Any potential 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. 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. Production started in Q4 2017. The FPSO has a production capacity of 44,000 barrels per day. From start of production, the Western Isles FPSO has produced over 20 million barrels. At first investment decision (FID) the operator estimated the field to have 45 million barrels economically recoverable. Typically fields in the North Sea produces much longer and more than anticipated at FID.
- 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 Penguins FPSO from the construction yard 2) the installation of the Penguins FPSO at the field and achievement of first production, and 3) the successful production, offloading and 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.
- The Board and management currently believe 2020 revenues from Magnora's contracts will be close to 2019 revenues based on current operational and foreign exchange assumptions. IHS Petrodata (IHS), a market intelligence company within the oil and gas

industry, reported on February 10th that Dana Petroleum in late December, 2019, engaged Stena Spey (owned by Stena Drilling), a semi-submersible offshore drilling unit later this year for a drilling campaign on the Western Isles and Bittern fields. IHS further states that Dana's base case scenario is likely to be another well on Western Isles in 2021. Increased drilling should be very positive for production going forward. The situation with the Corona virus may cause events beyond the Company's control. To date, the Company is not aware of anything that might impact production or delay the vessel being built by Shell.

- The Company has performed a comprehensive review of the paid-in capital made since the establishment of the Company. The review concludes that approximately NOK 8.4 billion (NOK 159 per share) of capital paid in to Magnora is available for distribution of equity back to the shareholders. Distribution of paid-in capital may for some shareholders provide tax advantages depending on local tax rules where the shareholder has residency..
- Adjusted EBITDA from continued operations, excluding one-off items, was NOK 25.7 million (NOK 56.5 million), a decrease of NOK 30.8 million versus 2018. The main driver for the decrease was that the Company received lower license fees from the Dana Western Isles agreement, and a first milestone payment from the Shell Penguins license agreement in 2018 and had no milestones from that contract in 2019.
- Operating costs from continued operation, including one-off items, was NOK 18.5 million (NOK 28.3 million), a decrease of NOK 9.8 million versus 2018. The main driver for the decrease was a reduction in legal and other consultancy services, and employee related expenses and overhead.
- Net profit from continued operations was NOK 20.2 million (NOK 87.2 million), which is a decrease of NOK 67 million compared to 2018. The decrease was mainly due to the higher license fees and a gain recorded from an adjustment of the deferred tax asset in 2018.

Business and strategy

Magnora's main business activity is now focused on developing a portfolio of mainly wind development projects to the point where all legal permits are obtained before partly or entirely selling the projects to financial, utilities, industrial or green investors. In addition, the Company manages the Dana Western Isles and Shell Penguins agreements retained by the Company after the sale to Sembcorp in 2018.

Magnora's corporate structure, following the completion of the technology sale in 2018, is organized to be as efficient and cost effective as possible. Magnora currently has a staff consisting of 2 persons as most of the support functions have been outsourced. In addition, the Company has engaged advisors Haakon Alfstad and Theis Hanang Pedersen to assist with evaluation of investment opportunities and managing the wind portfolio investments. Haakon Alfstad is Chairman in Vindr and in the offshore wind development project. Operating costs (cash and non-cash) was NOK 18.5 million for the year 2019, and is expected to be in the range of NOK 9-10 million for the year 2020. Increased M&A activity and active ownership services within the renewable space will increase the cost base slightly. There is also a milestone based bonus model for the new investments that may affect variable cost.

License agreements

Magnora is entitled to a license fee of USD 0.50 per barrel produced and offloaded from the Dana Western Isles FPSO (the "FPSO"). The associated license income for 2019 was NOK 40.0 million (NOK 49.0 million).

The FPSO was completed in 2017 and production was started 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 for longer than 15 years. Magnora's right to payments is tied to the FPSO, irrespective of operating location and field. Any potential 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.

The Penguins agreement gives Magnora the right to future license income of approximately USD 16 million from the Shell Penguins FPSO project. 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 Penguins FPSO from the construction yard, the installation of the Penguins FPSO at the field and production started, 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 with further milestones achieved thereafter.

Financials

(Figures for 2018 are presented in brackets)

Profit and loss

Operating revenue from continued operation for 2019 was NOK 41.6 million, down from NOK 70.4 million in 2018. The decrease of NOK 28.8 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, as well as higher license fees from the Dana Western Isles project in 2018. EBITDA from continued operations was positive NOK 23.1 million (NOK 42.1 million positive), and the decrease was mainly due to the reduction in income. Net profit from continued operations was NOK 20.2 million (NOK 87.2 million), and the decrease from 2018 is mainly due to lower license revenues, and the recognition of a deferred tax asset of NOK 42.8 million in 2018. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses of over NOK 3.5 billion.

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

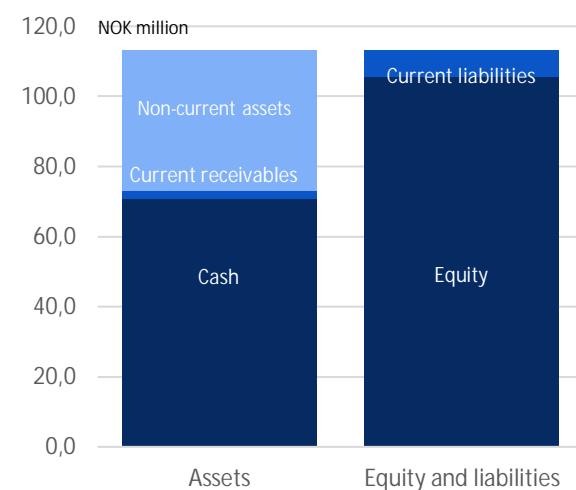
Cash Flow

As of December 31, 2019, cash and cash equivalents amounted to NOK 58.3 million for continued operations (NOK 100.3 million). The negative cash flow for the year of NOK 42.0 million was due to the distribution of the share capital reduction of NOK 52.6 million.

Financing and financial position

The equity ratio was 93 percent as of December 31, 2019.

Balance sheet composition year end 2019:



As of year-end 2019, total assets amounted to NOK 113.2 million (NOK 150.2 million) whereof cash and cash equivalents amounted to NOK 58.3 million (NOK 100.3 million). Total equity as of December 31, 2019 amounted to NOK 105.6 million (NOK 135.8 million), and the equity ratio was 93 percent (90 percent).

The Group had no interest bearing debt in 2019 or 2018.

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. An additional NOK 850 000 was provided from each shareholder in 2019 to support Arendal Brygge's liquidity needs. Arendal Brygge AS is the company that owns Magnora's former headquarters and surrounding buildings. The real estate and building have a prime location along the pier very centrally in Arendal. The real estate has development and value creation potential under certain circumstances. Magnora does not exercise control over the activities of Arendal Brygge AS and accounts for its shareholding in Arendal Brygge using the equity method.

Share buyback, capital reduction and dividends

At the annual general meeting held on May 21, 2019, shareholders approved a share capital reduction and return of NOK 1.0 per share 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. Extension of the share buyback program was approved by shareholders at the annual general meeting 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 864 shares or 0.002 percent of total shares outstanding.

Distribution of quarterly dividends to shareholders was approved at the annual general meeting held on May 21, 2019, and the first distribution of capital was performed on March 13 2020.

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 20.2 million in the parent company Magnora ASA:

Transfer to other equity at end of year Balance Sheet December 31, 2019: NOK 20.2 million

Total appropriation: positive NOK 20.2 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 hedged a portion of the expected USD income through December 2019. The Company currently has no active hedging programs but is constantly considering hedging opportunities.

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. Historically, wind development projects have been very profitable for project owners.

There is no certainty that the future will reward green investments within the wind development to the extent that has been possible historically. There is also a risk that the portfolio companies miss out on opportunities due to local risks (municipality, environment, navy, army, grid etc).

SUSTAINABILITY

Magnora believes sustainable businesses that contribute in a circular economy will provide compelling investment opportunities. Globally and within EU and Norway, there are a number of initiatives and policies that targets making the economy greener and sustainable. The EU has a goal of a carbon neutral economy by 2050. EU also has a mid term target stating that 32% of all energy consumed within the region shall be derived from green and sustainable resources by 2030. In addition, the recent virus outbreak has placed additional focus on reducing air emissions as they seem to influence the respiratory system more negatively than previously assumed by the general public.

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 2019 Magnora had its annual general meeting on May 21st, and the annual general meeting elected the following members to the Board of Directors: Torstein Sanness (Chairperson, re-elected), John Hamilton (Director, re-elected), Hilde Ådland (Director, re-elected). 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 0% (2018: 6.4%) for the Company for the year. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2019.

There have been no Lost Time Incidents (LTI) during 2019.

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 in Magnora and its portfolio companies.

Human rights

The Company has not implemented formal guidelines, procedures, standards or routines regarding human rights.

Outlook

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

The Company's focus will be to look for wind development projects that represents investment opportunities that can create value for the Company and its shareholders. The Board is of the opinion that the market for renewable and green electricity production will outgrow the general economy over the next decade.

Magnora's corporate structure is organized to be as efficient and cost effective as possible. Magnora currently has a staff of 2. Given the current structure of the Company, it is expected that the fixed operating costs will be in the range of NOK 9 to 10 million through 2020, excluding the additional activities related to wind investments.

Magnora is listed on the main list of Oslo Stock Exchange, and has 3 815 shareholders as of the end of 2019.

Oslo, March 30, 2020
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



Hilde Ådland

Board Member



John Hamilton

Board Member



Erik Snee

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 2020/2019, 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 "the conduct of industry, trade and business associated with energy, IT and commodities, 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, 2019, the Group had an equity share ratio of 93 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 21, 2019, shareholders approved a share capital reduction and return of NOK 1.00 per share to shareholders. The distribution totaling NOK 52.6 million was performed on July 11, 2019.

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. Extension of the share buyback program was approved by shareholders at the annual general meeting 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 864 shares or 0.002 percent of total shares outstanding.

The board was authorised to resolve distribution of dividends based on the Company's annual accounts for 2018 at the annual general meeting held on May 21, 2019, and the first distribution of capital was performed on March 13 2020.

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 2019 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 Nomination Committee elected was not re-elected by the annual general meeting, as it was decided it is not needed at time being.

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 Åland. Presentations of the Directors are available in a separate chapter in this Annual Report and on 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 9 board meetings in 2019, of which 7 were physical board meetings and 2 were held by telephone conference. The average participation level was 97%.

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.

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. In accordance with approval by the Annual General Meeting of May 21, 2019, the Board of Magnora issued on May 21, 2019, 900,000 options to provide long-term incentives to the Board and the CEO. The details regarding these awards are described in note 12 to the Company's consolidated financial statements.

Details of the remuneration to the Board of Directors are disclosed in note 17 to the Company's consolidated financial statements, included in the 2019 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 51 of the 2019 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.

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.

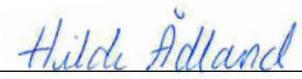
In connection with the issue of the auditor's report, the auditor provides the Board of Directors with a declaration of independence and objectivity, and the auditor participates in the board meeting in which the annual financial statements are approved. The proposal for approval of the remuneration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

Oslo, March 30, 2020
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



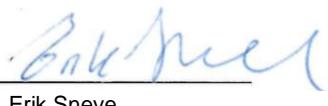
Hilde Ådland

Board Member



John Hamilton

Board Member



Erik Snee

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-NOPEC, large 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 currently working in Vår Energi as Maintenance & Logistics Manager. Mrs. Ådland is also a board member of Panoro Energy ASA.

John Hamilton



Board member

Mr. Hamilton 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

Erik Sneve

CEO

Mr. Sneve has considerable experience from various positions in the investment industry and renewable industry in Norway and abroad. Mr. Sneve has worked 23 years with investments in the VC industry and the stock market in various positions and support services. He has experience from working as an analyst, consultant and investment director in EY, DnB Markets, Energy Future Invest (EFI – a Statkraft, Hafslund and Eidsiva Energi joint-venture) and for Torstein Tvenge. He has worked internationally in the US, Sweden, Germany and opened offices in the UK and Sri Lanka. He was also responsible for the Solibro AB (a Swedish solar technology company) development and sale to Q-cells AG, a Euro 84 million exit as an Investment Director in EFI.

Mr. Sneve has also worked as a COO in an early stage 3D software company building an international organization working within the mobile telephony and health care industries. Mr. Sneve holds a B.Sc. in Finance from Arizona State University with Summa Cum Laude.

Bård Olsen

CFO

Mr. Olsen holds a B.S. in Finance and MBA from Arizona State University, and has considerable experience from various controller, external auditor, and internal auditor positions in the US. Before joining Magnora, Mr. Olsen was Vice President of Global Compliance in MHWirth, a drilling equipment company within the Aker Group, and held over 9 years various positions within the group, including Head of Internal Audit at Aker Solutions.

Mr. Olsen has also worked at EY in the risk and internal control advisory role for banks and financial institutions in Oslo, Norway.

Consolidated statement of financial position

NOK million	Note	12/31/2019	12/31/2018
ASSETS			
Non-current assets			
Deferred tax assets	14	39.9	42.8
Investment in associates	1	0.0	0.3
Loan	22	0.0	0.2
Total non-current assets		39.9	43.3
Current assets			
Trade and other receivables	7,8,9,22	2.5	6.6
Other current financial assets	26	12.5	0.0
Cash and cash equivalents	7,8,10	58.3	100.3
Total current assets		73.3	107.0
TOTAL ASSETS		113.2	150.2
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	25.8	78.4
Other equity		79.8	57.4
Total shareholders' equity		105.6	135.8
TOTAL EQUITY		105.6	135.8
LIABILITIES			
Non-current liabilities			
Total non-current liabilities		0.0	0.0
Current liabilities			
Trade payables	7	0.1	1.9
Provisions	16	6.8	8.3
Other current liabilities	13,27	0.7	4.2
Total current liabilities		7.6	14.4
Total liabilities		7.6	14.4
TOTAL EQUITY AND LIABILITIES		113.2	150.2

Oslo, March 30, 2020
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



Hilde Ådland

Board Member



John Hamilton

Board Member

Erik Snee

CEO

Consolidated statement of profit or loss

NOK million	Note	2019	2018
<i>Continued operations</i>			
Operating revenue	23	41.6	70.4
Operating expense		0.0	-0.1
Employee benefit expense	17	-12.6	-15.3
Profit/Loss from associates	22	-1.3	0.0
Other operating expense	24, 25	-4.6	-12.9
Total operating expense		-18.5	-28.3
Operating profit/(loss)		23.1	42.1
Financial income	18	1.5	3.1
Financial expense	18	0.0	0.0
Foreign exchange gain/(loss)	18	-1.4	-1.1
Net financial items		0.0	2.0
Profit/(loss) before tax		23.1	44.1
Tax income/(expense)	14	-2.9	43.1
Net profit/(loss) continued operations		20.2	87.2
Net profit/(loss) discontinued operations	5	0.0	310.7
Net profit/(loss)		20.2	398.0

NOK million	Note	2019	2018
Net profit/(loss) continued operations		20.2	87.2
Net profit/(loss) discontinued operations		0.0	310.7
Net profit/(loss) attributable to equity holders		20.2	398.0
Net profit/(loss) continued operations			
Net profit/(loss) discontinued operations		0.0	0.0
Net profit/(loss) attributable to non-controlling interest		0.0	0.0
Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (NOK per share):			
- Basic	19	0.38	7.57
- Diluted	19	0.38	7.57
<i>Continued operations</i>			
- Basic	19	0.38	1.66
- Diluted	19	0.38	1.66
<i>Discontinued operations</i>			
- Basic	19	0.00	5.91
- Diluted	19	0.00	5.91

Consolidated statement of comprehensive income

NOK million	2019	2018
Net profit/(loss)	20.2	398.0
Non-controlling interest	0.0	-0.3
Foreign currency translation to be classified to profit or loss in subsequent period	0.0	0.7
Other changes	0.0	0.1
Comprehensive income	20.2	398.5
Comprehensive income attributable to equity holders	20.2	398.8
Comprehensive income attributable to non-controlling interest	0.0	-0.3

Consolidated statement of changes in equity

NOK million	Note	Attributable to equity holders of the Company			Total equity
		Share capital	Share premium	Other equity	
January 1, 2019	11	78.4		57.4	135.8
Net profit/(loss)				20.2	20.2
Capital reduction distribution		-52.6			-52.6
Repurchase of shares*				0.1	0.1
Deletion of shares				-0.1	-0.1
Share-based payments				2.3	2.3
Total		-52.6		22.4	-30.2
December 31, 2019	11	25.8		79.8	105.6

* As of December 31, 2019, Magnora owned 864 shares or 0.002 percent of total shares outstanding through the share repurchase program.

NOK million	Note	Attributable to equity holders of the Company					Total equity
		Share capital	Share premium	Other equity	CTA	Non-controlling interest	
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

Consolidated cash flow statement

NOK million	Note	2019	2018
Cash flows from operating activities			
Cash from operations	21	25.5	41.4
Taxes paid/repaid		0.0	0.3
Net cash generated from continued operating activities		25.5	41.8
Net cash generated from discontinued operating activities		0.0	-20.5
Net cash generated from operating activities		25.5	21.3
Cash flows from investment activities			
Net proceeds from Sembcorp transaction	5	0.0	327.1
Purchase of marketable securities	26	-14.1	0.0
Purchase of shares in Arendal Brygge AS		0.0	-0.3
Net cash from investment activities		-14.1	326.8
Cash flows from financing activities			
Loan to Arendal Brygge AS		-0.9	-0.2
Dividends paid		0.0	-315.6
Capital reduction distribution		-52.6	-131.5
Interest received		0.0	2.1
Net cash from continued financing activities		-53.5	-445.3
Net cash from financing activities		-53.5	-445.3
Net cash flow for the period - continued activities		-42.0	-76.7
Net cash flow for the period - discontinued activities		0.0	-20.5
Cash balance at the beginning of the year		100.3	197.5
Cash balance at the end of the year		58.3	100.3

Notes to the consolidated financial statement

Note 1 Corporate information

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 retains its net cash position, the Dana Western Isles license agreement and the financial benefit of the Shell Penguins license agreement. At the general meeting held on May 21, 2019, amendment of the objectives as set out in the Articles of Association was approved to reflect that the objective of the Company is the conduct of industry, trade and business associated with energy, IT and commodities, 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 Company has decided that the renewable energy industry will be a significant focus area going forward, and will continue considering investment opportunities with the objective of generating further shareholder value.

The Company is a public limited liability company incorporated and domiciled in Norway and with its shares listed on the Oslo Stock Exchange. The address of its registered office is Karenlyst Allé 2, 0277 Oslo.

These consolidated financial statements were approved by the Board of Directors on March 30, 2020.

Overview of Group structure as of December 31, 2019:

Subsidiaries	Registered office	Share holder	Shareholder interest 01.01.2018	Shareholder interest 31.12.2018	Shareholder interest 31.12.2019	Equity	Profit/(loss) 2019
Sevan Holding V AS	Norway	Magnora ASA	100%	100%	100%	-7.5	-0.1
Sevan Asia Pte Ltd*	Singapore	Magnora ASA	100%	100%	100%	4.8	0.0

* Sevan Asia Ptd Ltd is under liquidation per 31.12.2019.

Note that the liquidation of Sevan (Shanghai) Co was completed during 2019.

Associates	Registered office	Share holder	Shareholder interest 01.01.2018	Shareholder interest 31.12.2018	Shareholder interest 31.12.2019	Equity	Profit/(loss) 2019
Arendal Brygge AS	Norway	Magnora ASA	35%	50%	50%	0.0	-1.3

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 31.12.2019, are included in Magnora ASA's consolidated financial statements, as the control criteria in IFRS 10 are met.

Magnora ASA increased its shareholding in Arendal Brygge AS from 35% to 50% during 2018. See note 22 for further information.

Sevan Asia Pte Ltd (Singapore) is dormant as it entered into voluntary liquidation in 2018. The voluntary liquidation process was completed for Sevan (Shanghai) Co in December, 2019, with the last funds transferred to Sevan Asia Pte Ltd (Singapore), the company deregistered, and bank accounts closed. Sevan Asia Pte Ltd (Singapore) was still a registered company at the 31/12/2019. The liquidation process is expected to be finalized within the first half of 2020.

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. Some totals may appear inconsistent due to rounding.

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, 2019. 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 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 one office rent agreement with a term less than 12 months, and therefore no lease agreements that will be affected by the adoption of IFRS 16.

2.1.2 Future changes in standards

The Company is not aware of any future IFRS changes that could affect the consolidated financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries comprise all 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 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 transaction price according to IFRS 15 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 2019 or 2018.

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 receivables. 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.

Financial assets also includes marketable securities classified as other current financial assets. All securities acquired are sufficiently liquid shares to allow trading on short notice in case additional funds are needed for working capital. Furthermore, all securities are shares traded on the Oslo, Stockholm, or other major international stock exchanges, and as such, subject to market risks in addition to the specific risks relevant for the company each security represents. Risks related to marketable securities are managed by daily monitoring, weekly update of the portfolio overview, and through trading shares not meeting the risk tolerance set by the Company.

As further detailed in note 26 below, these items are adjusted to reflect the current market value of each security at the reporting date. Purchases and sales of marketable securities are accounted for at trade date. Marketable securities are accounted for at fair value and reflected in the Income Statement as financial gain or loss.

2.5 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.

2.6 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.

2.7 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.

2.8 Employee Benefits

Pension obligations

The Company did not have a pension plan as of year-end 2019, as the CEO and CFO initially were both retained on a part-time basis. The contract with the CEO was renewed in December 2019, and pension plans have been put in place retroactively effective from the dates the CEO and CFO were first hired.

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.

2.9 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.

2.10 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:

- 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.

- 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

2.11 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.

2.12 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.

2.13 Cash Flow Statement

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

2.14 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 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 2019 profit before tax by NOK 2.7 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 2019 profit before tax by NOK 4 million.

The recent Covid-19 virus could potentially affect revenues for a short period if the FPSO crew is dismissed due to infection risk or similar. Magnora would be without revenues during a period the FPSO is not producing, but the revenues from production and offloading would only be deferred and not lost.

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, 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.

At the balance sheet date, the Group has no borrowings, and both Trade receivable and payable mature within a normal 30-day cycle.

Magnora is in a solid liquidity position with a cash balance of NOK 58.3 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 2018 and 2019. 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 0.3 million. Reference is made to Note 27.

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

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.

The deferred tax asset has been updated as of December 31, 2019, based on the expected revenues and expenses for the next five years. 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 9 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.

Note 5 Discontinued operations

Discontinued operations

Discontinued operations includes 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.

Discontinued operations includes the following:

NOK million	2019	2018
Sale to Sembcorp Marine Integrated Yard	0	310.7
Net profit/(loss) discontinued operations	0	310.7

Specification of discontinued results are presented below:

NOK million	2019	2018
Operating revenue	0.0	20.8
Operating expense	0.0	-37.4
EBITDA	0.0	-16.6
Depreciation, amortization and impairment	0.0	-1.1
Operating profit/(loss)	0.0	-17.7
Financial income/(expense) *	0.0	328.6
FX gain/(loss)	0.0	-0.1
Net financial items	0.0	328.5
Profit/(loss) before tax	0.0	310.7
Tax income/(expense)	0.0	0.0
Net profit/(loss)	0.0	310.7

*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

There were no intangible assets in 2019.

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

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		2019	2018
<u>Category:</u>	<u>Asset:</u>		
Financial assets at amortised cost	Trade receivables	2.5	1.6
Financial assets at fair value through profit/loss	Other current financial assets	12.5	0.0
Fair value through profit and loss	Cash and cash equivalents	58.3	100.3
Total financial assets		73.3	102.0

Financial liabilities

NOK million		2019	2018
<u>Category:</u>	<u>Liabilities:</u>		
Financial liabilities at fair value through profit/loss	Other current liabilities	0.3	1.6
Financial liabilities at amortised cost	Trade payables	0.1	1.9
Total financial liabilities		0.4	3.5

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	2019	2018
Baa1	0.0	0.5
BB+	2.5	0.0
Group 1 - New customers (less than 6 months)	0.0	0.6
Group 2 - Existing customers (more than 6 months) with no defaults in the past	0.0	0.4
Group 3 - Existing customers (more than 6 months) with some defaults in the past	0.0	0.1
Total trade receivables	2.5	1.6

Cash and cash equivalents

NOK million	2019	2018
Aa3	58.3	86.3
a3	0.0	14.0
Total cash and cash equivalents	58.3	100.3

Note 9 Trade and other receivables

Specification of trade and other receivables

NOK million	2019	2018
Trade receivables	2.5	1.6
Trade receivables – net	2.5	1.6
Prepayments	0.0	0.4
Other receivables	0.0	0.2
Accrued income	0.0	4.4
Trade and other receivables	2.5	6.6

Aging of trade receivables

NOK million	2019	2018
Not due	2.5	1.5
Up to 3 months after due date	0.0	0.1
Between 3 and 6 months after due date	0.0	0.0
More than 6 months after due date	0.0	0.0
Total trade receivables	2.5	1.6

Trade receivables that are less than three months past due are generally not considered for impairment. At balance sheet date, no trade receivables (2018: NOK 0.1 million) were past due. The overdue receivable from 2018 was collected.

Currency denomination of trade receivables, carrying amounts

	2019	2018
USD	2.5	0.0
NOK	0.0	1.6
Total trade receivables	2.5	1.6

Note 10 Cash and cash equivalents

	2019	2018
Cash at bank and in hand	58.1	98.9
Restricted employees' tax deduction fund	0.0	0.5
Restricted short-term bank deposits	0.2	0.9
Total cash and cash equivalents	58.3	100.3

Note 11 Share capital

The total authorized number of ordinary shares was 52.6 million (2018: 52.6 million) with a par value of NOK 0.49 (2018: 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, 2019	52,606,999	78.4	0.0	78.4
Share capital reduction	0.0	-52.6	0.0	-52.6
Magnora shares deleted	-20,301	0.0	0.0	0.0
December 31, 2019	52,586,698	25.8	0.0	25.8

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

20 largest shareholder accounts at December 31, 2019:

Shareholder accounts	Number of shares	Ownership-share (%)
DNB NOR MARKETS*	7,669,664	14.59
F2 FUNDS AS	3,699,975	7.04
HORTULAN AS	3,675,598	6.99
SKANDINAViska ENSKILDA BANKEN AB*	3,307,516	6.29
KING KONG INVEST AS	2,343,795	4.46
CARE HOLDING AS	2,300,000	4.37
SUNDT AS	2,142,202	4.07
PHILIP HOLDING AS	2,110,300	4.01
GINNY INVEST AS	2,000,000	3.8
PREDATOR CAPITAL MANAGEMENT AS	1,702,667	3.24
MP PENSJON PK	1,570,499	2.99
ANDENERGY AS	1,558,140	2.96
PATINEER MANAGEMENT LLC	1,406,277	2.67
DANSKE BANK AS	1,230,700	2.34
BEKKESTUA EIENDOM AS	1,150,019	2.19
ALTEA PROPERTY DEVELOPMENT AS	950,967	1.81
SIX SIS AG	893,646	1.7
ALDEN AS	867,460	1.65
BAKLIEN	700,000	1.33
PETTERSEN	521,000	0.99
Total, 20 largest shareholder accounts	41,800,425	79.49
Remaining shareholders	10,786,273	20.51
Total shareholders (3,815 shareholder accounts)	52,586,698	100.00

*Magnora's largest shareholder is Kistefos AS who owns most of the shares held by DNB Markets Askjehandel/-analyse and Skandinaviske. In total, Kistefos AS holds 10,887,872 shares in the Company equal to 20.71% of shares outstanding.

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.

Note 12 Share-based payments

In accordance with approval by the Annual General Meeting of May 21, 2019, the Board of Magnora issued on May 21, 2019, 900,000 options to provide long-term incentives to the Board and the CEO. The options were awarded as follows:

Torstein Sannes, Chairman (400 000 options)
 Erik Snee, CEO (400 000)
 John Hamilton, Board Member (50 000)
 Hilde Aadland, Board Member (50 000)

The following facts and terms are identical for all 900 000 options:

Grant date: 21.05.2019
 Vesting date: 21.05.2020
 Expiry date: 21.05.2024
 Strike price: NOK 6.5

This is an equity-settled share based payment, and in accordance with IFRS 2, the value is determined as of the grant date. At balance sheet date there are 900,000 options (2018: 0). The cost of the options program will be recorded over the first 12 months following the approval date May 21, 2019, as the options are fully vested on May 21, 2020.

The employee or board member receiving the options must stay in his or her position until vesting date to exercise the options. The options are expected to have limited value at the time they become vested, and therefore more likely to be exercised towards the end of the period exercisable. The Black-Scholes model is therefore used to calculate the value of the options. The risk free rate of 1.44% was used for the calculation, as this was the rate of five year treasury bonds at the time of calculation, and this matches the full length of the options. Volatility of 58.44% is used for the calculation, derived from the daily share prices during Q1 and Q2 2019, and then annualized. Share prices from prior periods are considered irrelevant, as the Company significantly changed in Q4 2018 with the sale of its main business to Sembcorp. There are limited uncertainties left in the Company after the transaction with Sembcorp, as revenues derives from two license agreements with Dana Petroleum and Shell. The significant variables are considered to be limited to rig down time and currency fluctuations between USD and NOK.

	2019	
	Exercise price (NOK per share)	No. Of options
January 1	0	0
Granted	6.5	900,000
Exercisable	0	0
Exercised	0	0
Lapsed/forfeited	0	0
December 31	900,000	

See note 17 for more information.

Note 13 Other current liabilities

NOK million	2019	2018
Employer's contribution tax and other taxes	0.3	0.8
Employee related payables	0.1	1.2
Financial instruments (market value of forward contracts)	0.3	1.6
Other current liabilities	0.0	0.7
Total other current liabilities	0.7	4.2

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 2019 a tax rate of 22% has been used when calculating the deferred tax assets and liabilities (2018: 22%).

Specification of booked deferred tax assets/(liabilities)

NOK million	2019	2018
Specification net deferred tax assets/(liabilities):		
– Deferred tax asset to be reversed after more than 12 months	786.4	791.9
Net deferred tax assets/(liabilities)	786.4	791.9
Deferred tax assets not recognized in the balance sheet	-746.5	-749.1
Net deferred tax assets/(liabilities) recognized in the balance sheet	39.9	42.8
Reconciliation of deferred tax assets/(liabilities), net:		
Book value January 1	42.8	0.0
Income statement charge relating to deferred tax assets	-2.9	42.8
Book value December 31	39.9	42.8

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

NOK million	2019	2018
Deferred tax assets:		
Investments and receivables	2.9	2.9
Fixed assets	0.7	0.9
Accounting provisions	0.3	0.3
Losses carried forward	782.6	787.9
Deferred tax assets continued operations	786.5	791.9

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

<i>NOK million</i>	2019	2018
Book value January 1	0.0	0.0
Tax payable	0.0	0.0
Book value December 31	0.0	0.0

Specification of tax income/(expense)

<i>NOK million</i>	2019	2018
Recognition of deferred tax asset	-2.9	42.8
Repayment Skattefunn	0.0	0.3
Net tax income/(expense)	-2.9	43.1

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

<i>NOK million</i>	2019	2018
Profit/(loss) before tax	23.1	354.8
Tax calculated	-5.1	-81.6
Expenses not deductible	-0.2	-1.5
Change temporary differences	0.0	68.1
Recognition of previously unrecognized tax losses	2.4	15.1
Tax income/(expense)	-2.9	0.0

Repayment Skattefunn	0.0	0.3
Change in deferred tax assets	-2.9	42.8
Net tax income/(expense)	-2.9	43.1

In 2017 Magnora made a NOK 6.5 million provision to cover an additional tax. There are no changes to this provision in 2018 and 2019.

There is ongoing correspondence with Skatt Sør related to the additional tax decision. The decision is disputed by Magnora.

For 2019 a tax rate of 22% has been used when calculating the tax income / (expense), (2018: 23%).

Note 15 Retirement benefit obligations

Pension cost charged to the income statement in 2019 was NOK 0.4 million (2018: NOK 1.3 million). The defined contribution plan had no participants at 31.12.2019 (2018: 3 participants). Pension plan has been established in Q1 2020 with retroactive effect back to the dates the CEO and CFO were hired in 2019.

Note 16 Provisions

<i>NOK million</i>	Bonus	Legal fees	Additional tax	Total
January 1, 2019	1.8	0.0	6.5	8.3
Arising during the year	2.7	0.0	0.0	2.7
Reversed during the year	-4.2	0.0	0.0	-4.2
December 31, 2019	0.3	0.0	6.5	6.8

<i>NOK million</i>	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

All provisions in 2019 and 2018 are current in nature.

Bonus

Provision for 2018 is for stay-on and retention bonuses to employees, and for 2019 the provision is for employment tax (AGA) for the options issued during the year.

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:

<i>NOK million</i>	2019	2018
Wages and salaries	6.4	6.4
Employer's contribution tax	1.5	1.6
Pension cost	0.4	0.2
Bonus	1.9	2.6
Option cost	2.3	4.4
Other employee benefit expense	0.1	0.0
Total employee expense, continued operations	12.6	15.3
No. of man-years continued operations	2	3

2019 remuneration of Senior Management:

<i>NOK thousand</i>	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Reese McNeel, former CEO/CFO*	1,536	3,396	0	50	17
Erik Sneve, CEO**	1,295	0	0	0	0
Bård Olsen, CFO***	381	0	0	0	0
Total remuneration paid	3,212	3,396	0	50	17

*The employment with Magnora ASA was terminated 31 August 2019 following the hand-over period with the new management team.

**Employment with Magnora ASA started 2 January 2019 as a consultant, and assumed CEO role 16 April 2019.

***Employment with Magnora ASA started 22 May 2019 with a three month transition period with the former CFO and the two employees in the Finance Department that also were leaving the Company 31 August 2019.

2018 remuneration of Senior Management:

<i>NOK thousand</i>	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.

The Company did not have a pension plan as of 31 December, 2019. Senior Management was included in the Group's collective retirement benefit plans until it was ended when the former management team left the Company on 31 August 2019. No loans, prepayments or security were granted to current Senior Management or any member of the Board of Directors in 2019 and 2018. See note 15 for more information.

At the balance sheet date there were 900 000 options held by the Board of Directors and Senior Management (2018: no 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 requested the former CEO to continue his employment until September 4, 2019, and in accordance with the retention agreement, the CEO was paid an additional NOK 0.7 million in 2019. In addition, the CEO received 7 months' salary upon termination of employment.

Remuneration of the Board of Directors:

NOK thousand	Member from:	Member to:	2019	2018
Torstein Sanness, Chairman **	24 May 2017		926	265
Hilde Ådland	24 May 2018		250	125
John Hamilton	18 Dec 2018		280	0
Erling Øverland **	27 Nov 2018		0	469
Kathryn Moore Baker	18 Dec 2018		0	280
Peter Lytzen	24 May 2018		0	140
Ann-Kristin Nielsen Løvland	24 May 2018		0	21
Vidar Andersen	24 May 2018		0	17
Tord Broms Thorsen	12 Sept 2018		0	19
Line Bliksmark	12 Sept 2018		0	19
Total remuneration paid			1,456	1,490

* The remuneration was paid to the companies where the Board members were 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.

2019 Salaries and other benefits to Directors as employees:

There were no Magnora employees on the Board of Directors in 2019.

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.

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

As of December 31, 2019 the Board members and Senior Management owned or controlled the following shares in the Company:

NOK thousand	Options owned or controlled	Shares owned or controlled
Torstein Sanness, Chairman	400,000	0
Hilde Ådland, Board member	50,000	0
John Hamilton, Board member	50,000	0
Erik Snee, CEO	400,000	534,919
Bård Olsen, CFO	0	0
Total remuneration paid	900,000	534,919

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	2019	2018
Interest income	1.5	2.1
Guarantee income	0.0	1.0
Total financial income, continued operation	1.5	3.1

NOK million	Note	2019	2018
Interest expense		0.0	0.0
Other financial expenses		-1.4	0.0
Total financial expense, continued operation		-1.4	0.0

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.

	2019	2018
Profit/(loss) from continued operation attributable to equity holders of the Company (NOK million)	20.1	87.2
Profit/(loss) from discontinued operation attributable to equity holders of the Company (NOK million)	0.0	310.7
Weighted average number of ordinary shares on issue (thousands)	52,587	52,607
Basic earnings per share for continued operation (NOK per share)	0.38	1.66
Basic earnings per share for discontinued operation (NOK per share)	0.00	5.91

Diluted earnings per share

	2019	2018
Profit/(loss) from continued operation used to determine diluted earnings per share (NOK million)	20.1	87.2
Profit/(loss) from discontinued operation used to determine diluted earnings per share (NOK million)	0.0	310.7
Weighted average number of ordinary shares on issue (thousands)	52,587	52,607
Weighted average number of shares for diluted earnings per share (thousands)	52,587	52,607
Diluted earnings per share for continued operation (NOK per share)	0.38	1.66
Diluted earnings per share for discontinued operation (NOK per share)	0.00	5.91

Note 20 Dividend and repayment of capital

At the annual general meeting held on May 21, 2019, shareholders approved a share capital reduction and return of NOK 1.00 per share to shareholders, which was performed in July 2019. The Company also made distributions to the shareholders in 2018 with a NOK 2.50 per share capital reduction and a dividend of NOK 6.0 per share.

Note 21 Cash generated from operations

NOK million	2019	2018
Profit/(loss) before tax continued operations	23.1	44.1
<i>Adjustments for non-cash items:</i>		
– Impairment current receivables	0.0	0.0
Profit/(loss) from operations before changes in working capital	23.1	44.1
<i>Changes in working capital:</i>		
– Trade and other receivables	4.1	9.4
– Trade and other payables	-1.8	-3.3
– Other current liabilities, provisions and charges	0.1	-8.8
Cash generated from continued operations	25.5	41.4

Note 22 Related party transactions

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

NOK million	2019	2018
Sales to related parties		
Teekay *	0.0	5.0
Purchases from related parties		
Arendal Brygge AS	0.0	3.4

* 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	2019	2018
Receivable from related parties		
Arendal Brygge	0.0	0.3
Loan to related parties		
Arendal Brygge	0.0	0.2

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 have in total each provided NOK 1 million in shareholder loan to Arendal Brygge to support Arendal Brygge's liquidity needs going forward. Magnora does not exercise control over the activities of Arendal Brygge AS and accounts for its shareholding in Arendal Brygge using the equity method. At the balance sheet date, the book value of the investment has been written down to zero due to large losses incurred by Arendal Brygge AS, and the negative share of the operating results is reflected in the operating expenses as Profit/Loss from associates. The losses in Arendal Brygge relates to write-down of property development costs that were originally capitalized and no longer considered to represent a value for a future property development project.

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 100% (70%) of total external customer revenues. License revenue related to the Shell Penguins FPSO project constitutes 0% (29%) of total external customer revenues.

NOK million	2019	2018
License fee	40.0	69.7
Other revenue	1.6	0.8
Total operating revenue, continued operation	41.6	70.4

Operating revenue from a geographic perspective

In 2018 and 2019, the Group operated in the global offshore oil and gas market. The revenue split, based on customer location, was as follows:

NOK million	2019	2018
Norway	1.6	0.8
UK	40.0	69.7
Total revenue	41.6	70.4

Note 24 Operating leases**Operating leases: Group Company as lessee**

All lease obligations were transferred as part of the SMIY transaction. The Company only has one office rental agreement as of 31 December 2019, which can be terminated at any time with one month's termination notice period.

The Group expensed NOK 0.05 million in lease and rental cost for 2019 (2018: NOK 2.7 million).

Note 25 Other operating expense**Specification of other operating expense:**

NOK million	2019	2018
Office cost (IT, rental, etc.)	0.4	0.9
Consultancy (audit, tax and legal)	2.9	10.0
Marketing	0.0	0.0
Travel expenses	0.3	0.3
Other (patents, stock exchange, etc.)	1.0	1.6
Total other operating expense	4.6	12.9

Specification of auditor's fee (excl. VAT)

<i>NOK million</i>	2019	2018
Statutory audit	0.5	0.7
Audit related services	0.1	0.1
Total auditor's fee	0.6	0.9

Note 26 Marketable securities

In accordance with authorisation from the Board of Directors, Magnora purchased marketable securities worth NOK 12.5 million in 2019. The Company holds marketable securities as part of an effort to carefully increase the return on cash holdings. The shares are considered sufficiently liquid to allow the Company to sell the shares to meet short term working capital needs.

Company	2019	2018
Marketable securities	12.5	-
Total value	12.5	-

Fair value of these marketable securities are determined by the market price on relevant stock exchange for the security. Carrying amount of the marketable securities is the same as the fair market value of each security, updated quarterly with the change in value to reflect the updated value as of the reporting date.

The portfolio of marketable securities are reviewed by the Board each quarter as part of the quarterly review, and the Board monitors and approves the limits of the holdings. Only liquid shares are purchased to ensure they can be traded on short notice if needed. The volatility of the portfolio of securities is managed through diversification of shares selected. Furthermore, the portfolio is monitored daily to ensure appropriate actions can be taken when needed.

The financial assets are recognised in the Balance Sheet at fair value. Unrealised fair value changes are recognised in the profit and loss as financial income/(expense).

As of December 31, 2019, the shares held were as follows:

Company	Number of shares	Ownership %	Closing values	Total Value
Africa Oil (AOI)	1,000,000	0.29	7.955	7,955,000
Akastor (AKA)	60,839	0.02	9.94	604,740
Bonheur (BON)	20,000	0.05	199	3,980,000
Total value				12,539,740

Note 27 Hedging

The Dana Western Isles royalty income is received in USD. To reduce the currency risk, Magnora hedged a portion of the expected royalty income through December 2019. For the period January to December 2019, Magnora 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, 2019 was NOK 0.3 million negative, and related to the hedge for December 2019 with settlement in January 2020.

Note 28 Events after balance sheet date**Capital distribution**

On March 13, 2020, Magnora distributed NOK 0.25 per share in capital distribution to the share holders.

Acquisition of 25% stake in Vindr Group

On March 6, 2020, Magnora acquired 25% of the Vindr Group for NOK 10 million. Vindr is a wind power company established for the purpose of developing a portfolio of land based wind power projects in Norway and Sweden on cultivated land in order to create a portfolio of small to medium sized wind power plants. Magnora has the option to invest an additional NOK 10 million to increase its ownership to 50% of Vindr. The Chairman of the board will be appointed by the Company, two of the three founders will be members, and two independent individuals will be recruited as board members. The Company will therefore not have control when the additional 25% investment is made, and the investment will therefore be treated as an affiliated entity and not consolidated into the balance sheet of Magnora.

Acquisition of 2% stake in offshore wind development project

On March 20, 2020, Magnora acquired 2% of a 500 MW shallow water offshore wind development project in Northern Europe for SEK 0.5 million. The Company has an option to increase its stake in the development project up to 50%.

Covid-19

The recent Covid-19 virus could potentially affect revenues for a short period if the FPSO crew is dismissed due to infection risk or similar. Magnora could experience a period without revenues as a result of the Dana FPSO halting production due to the Covid-19 virus. The revenues from production and offloading would in this scenario only be deferred and not lost. Furthermore, the virus could also delay the construction and commissioning of the Shell Penguins vessel currently being built at a yard in China, which would then delay the milestone payments from Shell.

Market turbulence

The recent OPEC crisis and subsequent turbulence in the oil and gas market has caused the oil price to decrease significantly. This could have an effect on the Penguin project, as the last milestones are tied to getting the FPSO into operation. The risks of this situation impacting Magnora is considered to be relatively small, as the customer has already made significant investments to be recovered by revenues as quickly as possible.

Magnora ASA – Balance sheet

NOK million	Note	12/31/2019	12/31/2018
ASSETS			
Non-current assets			
Deferred income tax assets	2	39.9	42.8
Investment in subsidiaries	4	3.3	12.0
Investment in associates	24	0.0	0.3
Loan to related parties	24	0.0	0.2
Total non-current assets		43.2	55.3
Current assets			
Trade and other receivables	22	2.5	6.3
Other current financial assets	7	12.5	0.0
Receivables from related parties	24	0.0	0.3
Cash and cash equivalents	6	54.0	86.8
Total current assets		69.0	93.4
Total assets		112.2	148.7
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	1,8	25.8	78.4
Other equity	1	85.3	62.7
Total equity		111.1	141.1
LIABILITIES			
Non-current liabilities			
Total non-current liabilities		0.0	0.0
Current liabilities			
Trade payables		0.1	1.9
Provisions	19	0.3	1.8
Payable tax	2	0.0	0.0
Other current liabilities	14	0.7	3.9
Total current liabilities		1.1	7.6
Total liabilities		1.1	7.6
Total equity and liabilities		112.2	148.7

Oslo, March 30, 2020
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



Hilde Ådland

Board Member



John Hamilton

Board Member



Erik Snee

CEO

Magnora ASA – Income Statement

NOK million	Note	2019	2018
Operating revenue	18	41.6	92.2
Operating expense		0.0	9.9
Employee benefit expense	9	12.6	35.3
Other operating expense	11	5.5	20.3
Total operating expense		18.1	65.5
Operating profit/(loss)		23.5	26.7
Financial income	21	1.5	310.1
Financial expense	21	-0.3	-1.1
Foreign exchange gain/ (loss) related to financing	21	-1.4	-1.1
Net financial profit/(loss)		-0.3	308.0
Profit/(loss) before tax		23.1	334.7
Tax income/(expense)	2	2.9	43.1
Annual net profit/(loss)		20.2	377.8
<i>Attributable to:</i>			
Equity holders of the Company		20.2	377.8
<i>Distribution of dividend:</i>			
Dividend already distributed based on an Interim Balance Sheet dated September 04,2018		0.0	315.6
Share capital decrease and distribution to the shareholders July 4, 2019		52.6	0
Transfer to/from equity		-32.3	62.2
Annual net profit/(loss)		20.2	377.8
<i>Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (NOK per share):</i>			
- Basic	13	0.39	7.18
- Diluted	13	0.39	7.18

Magnora ASA - Cash flow statement

NOK million	2019	2018
Cash flows from operating activities		
Profit/(loss) before tax	23.1	334.7
<i>Adjustment for:</i>		
Gain Sembcorp transaction	0.0	-307.1
Write down of investment and receivables in subsidiaries	0.0	2.4
Reversal accrual Logitel claim	0.0	-4.1
<i>Change in working capital:</i>		
Receivable and payables relating to companies in the Group	0.0	1.1
Trade and other receivable	3.8	6.5
Other receivables related parties	0.3	1.8
Trade payables	-1.8	-3.4
Other liabilities, provision and charges	9.3	-7.1
Cash generated from operations	34.7	24.7
Cash flows from operating activities		
Cash from operations	34.7	24.7
Tax repaid during the period	0.0	0.3
Net cash flow from operating activities	34.7	25.0
Cash flows from investment activities		
Purchase of marketable securities	-14.1	0.0
Net proceeds from Sembcorp transaction	0.0	327.2
Purchase of shares in Arendal Brygge AS	0.0	-0.3
Net cash flow from investment activities	-14.1	326.9
Loan to Arendal Brygge AS	-0.9	-0.2
Distribution of capital reduction	-52.6	-131.5
Paid dividend	0.0	-315.6
Net cash flow from financing activities	-53.4	-447.3
Net cash flows for the period	-32.8	-95.3
Cash balance at the beginning of the year	86.8	182.2
Cash balance at the end of the year	54.0	86.8

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.

Financial Assets

Financial assets also includes marketable securities classified as other current financial assets. All securities acquired are sufficiently liquid shares to allow trading on short notice in case additional funds are needed for working capital. Furthermore, all securities are shares traded on the Oslo, Stockholm, or other major international stock exchanges, and as such, subject to market risks in addition to the specific risks relevant for the Company each security represents. Risks related to marketable securities are managed by daily monitoring, weekly update of the portfolio overview, and through trading shares not meeting the risk tolerance set by the Company. Purchases and sales of marketable securities are accounted for at trade date, and the assets are adjusted to reflect the current market value of each security at the reporting date. Marketable securities are accounted for at fair value and reflected in the Income Statement as financial gain or loss.

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 2019 the Company did not have a pension plan. The last employees left the Company on August 31st, 2019, and the hired-in CEO and CFO did not yet have their roles fully defined until the end of 2019. The contract with the CEO was renewed in December 2019, and pension plans have been put in place retroactively effective from the dates the CEO and CFO were first hired in accordance with relevant Norwegian employment laws. Cost associated with the defined contribution plans for the former employees were expensed as incurred during 2019.

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.

License revenue

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, 2019	78.4	62.7	141.1
Share-based payments		2.3	2.3
Capital reduction distribution	-52.6		-52.6
Repurchase of shares*		0.1	0.1
Deletion of shares		-0.1	-0.1
Annual net profit/(loss)	25.8	20.3	20.3
December 31, 2019	25.8	85.3	111.1

* As of December 31, 2019, Magnora owned 864 shares or 0.002 percent of total shares outstanding through the share repurchase program.

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)	78.4	377.8	377.8
December 31, 2018	78.4	62.7	141.1

The total authorized number of ordinary shares was 52.6 million (2018: 52.6 million) with a par value of NOK 0.49 per share (2018: NOK 1.49 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	2019	2018
Specification net deferred tax assets/(liabilities):		
– Deferred tax asset to be reversed after more than 12 months	222.5	228.0
– Deferred tax asset/(liability) to be reversed after more than 12 months	0.0	0.0
Net deferred tax assets/(liabilities)		
Deferred tax assets not recognized in the balance sheet	-182.6	-185.2
Net deferred tax assets/(liabilities) recognized in the balance sheet	39.9	42.8

Specification of deferred tax assets/ (liabilities)

NOK million	2019	2018
Deferred tax assets:		
Pension liabilities	0.0	0.0
Investments and receivables	2.9	2.9
Fixed assets	0.7	0.9
Accounting provisions	0.5	0.3
Losses carry forward	218.7	224.0
Deferred tax assets	222.7	228.0

Reconciliation of tax payable

NOK million	2019	2018
Book value January 1	0.0	0.0
Tax payable	0.0	0.0
Book value December 31	0.0	0.0

Specification of tax income/ (expense)

NOK million	2019	2018
Recognition of deferred tax asset	-2.9	42.8
Repayment Skattefunn	0.0	0.3
Net tax income/(expense)	-2.9	43.1

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

NOK million	2019	2018
Profit/(loss) before tax	23.2	334.7
Tax calculated (22%)	-5.1	-77.0
Income not subject to tax	0.0	0.0
Expenses not deductible	-0.2	-1.5
Change temporary differences	0.0	0.8
Tax losses for which no deferred income tax asset was recognized	2.4	77.7
Tax income/(expense)	-2.9	0.0
 Tax charge relating to previous years	0.0	0.3
Change in deferred tax assets	-2.9	42.8
Net tax income/(expense)	-2.9	43.1

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

There were no fixed and intangible assets in 2019.

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

Note 4 Investment in subsidiaries and receivables and liabilities to companies in the Group**Investment in subsidiaries as of 31 December, 2019:**

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	4.8	0.0	0.0	3.3	0.0	100%
Total book value		2099.8			0.0	0.0	3.3		

* Sevan Asia Ptd Ltd is under liquidation per 31.12.2019, and process is expected to be finalized within the first half of 2020. Note that the liquidation of Sevan (Shanghai) Co was completed during 2019.

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 Pte 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 liquidation per 31.12.2018.

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

Sevan Asia Pte Ltd (Singapore) is dormant as it entered into voluntary liquidation in 2018. The voluntary liquidation process was completed for Sevan (Shanghai) Co in December, 2019, with the last funds transferred to Sevan Asia Pte Ltd (Singapore), the company deregistered, and bank accounts closed. Sevan Asia Pte Ltd (Singapore) was still a registered company at the 31/12/2019. The liquidation process is expected to be finalized within the first half of 2020.

Current receivables from companies in the Group:

NOK million	2019	2018
Sevan Holding V AS	0.0	0.0
Current receivables from companies in the Group	0.0	0.0

Note 5 Other non-current assets

NOK million	2019	2018
Deposit	0.0	0.0
Total other non-current assets	0.0	0.0

Note 6 Cash and cash equivalents

NOK million	2019	2018
Cash at bank and in hand	53.8	85.4
Restricted employees' tax deduction fund	0.0	0.5
Restricted bank deposits	0.2	0.9
Total cash and cash equivalents	54.0	86.8

As of December 31, 2019, there is NOK 0.2 million restricted cash (2018: 0.9).

Note 7 Financial Assets

In accordance with authorisation from the Board of Directors, Magnora purchased marketable securities worth NOK 12.5 million in 2019. The Company holds marketable securities as part of an effort to carefully increase the return on cash holdings. The shares are considered sufficiently liquid to allow the Company to sell the shares to meet short term working capital needs.

The financial assets are recognised in the Balance Sheet at fair value. Unrealised fair value changes are recognised in the profit and loss as financial income/(expense).

As of December 31, 2019, the shares held were as follows:

Company	Number of shares	Ownership %	Closing values	Total Value
Africa Oil (AOI)	1,000,000	0.29	7.955	7,955,000
Akastor (AKA)	60,839	0.02	9.94	604,740
Bonheur (BON)	20,000	0.05	199	3,980,000
Total value				12,539,740

Note 8 Shareholder information

20 largest shareholder accounts at December 31, 2019:

Shareholder accounts	Number of shares	Ownership-share (%)
DNB NOR MARKETS	7,669,664	14.59
F2 FUNDS AS	3,699,975	7.04
HORTULAN AS	3,675,598	6.99
SKANDINAViska ENSKILDA BANKEN AB	3,307,516	6.29
KING KONG INVEST AS	2,343,795	4.46
CARE HOLDING AS	2,300,000	4.37
SUNDT AS	2,142,202	4.07
PHILIP HOLDING AS	2,110,300	4.01
GINNY INVEST AS	2,000,000	3.8
PREDATOR CAPITAL MANAGEMENT AS	1,702,667	3.24
MP PENSJON PK	1,570,499	2.99
ANDENERGY AS	1,558,140	2.96
PATINEER MANAGEMENT LLC	1,406,277	2.67
DANSKE BANK AS	1,230,700	2.34
BEKKESTUA EIENDOM AS	1,150,019	2.19
ALTEA PROPERTY DEVELOPMENT AS	950,967	1.81
SIX SIS AG	893,646	1.7
ALDEN AS	867,460	1.65
BAKLIEN	700,000	1.33
PETTERSEN	521,000	0.99
Total, 20 largest shareholder accounts	41,800,425	79.49
Remaining shareholders	10,786,273	20.51
Total shareholders	(3,815 shareholder accounts)	52,586,698
		100.00

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.

Note 9 Employee benefit expense

Specification of employee expense:

NOK million	2019	2018
Salaries and vacation pay	6.4	20.5
Employer's contribution tax	1.5	4.5
Pension costs	0.4	1.3
Bonus	1.9	3.4
Option cost	2.3	4.4
Other employee benefit expense	0.1	1.2
Total employee benefit expense	12.6	35.3
Average number of man-years	3	33

2019 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Reese McNeil, former CEO/CFO*	1,536	3,396	0	50	17
Erik Snevæ, CEO**	1,295	0	0	0	0
Bård Olsen, CFO***	381	0	0	0	0
Total remuneration paid	3,212	3,396	0	50	17

*The employment with Magnora ASA was terminated 31 August 2019 following the hand-over period with the new management team.

**Employment with Magnora ASA started 2 January 2019 as a consultant, and assumed CEO role 16 April 2019.

***Employment with Magnora ASA started 22 May 2019 with a three month transition period with the former CFO and the two employees in the Finance Department that also were leaving the Company 31 August 2019.

2018 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Cash out options	Retirement benefits	Other benefits
Reese McNeil 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.

Senior Management was included in the Group's collective retirement benefit plans until it was ended when the former management team left the Company on 31 August 2019. No loans, prepayments or security were granted to current Senior Management or any member of the Board of Directors in 2019 and 2018.

At the balance sheet date there were 900 000 options held by the Board of Directors and Senior Management (2018: no 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 requested the former 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 was paid an additional NOK 0.7 million in 2019. In addition, the CEO received 7 months' salary upon termination of employment, totaling NOK 1.2 million.

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:	2019	2018
Torstein Sanness, Chairman **	24 May 2017		926	400
Hilde Ådland	24 May 2018		250	125
John Hamilton	18 Dec 2018		280	0
Erling Øverland **	27 Nov 2018		0	469
Kathryn Moore Baker	18 Dec 2018		0	280
Astrid Jørgenvåg *	27 Nov 2018		0	0
Peter Lytzen	24 May 2018		0	140
Ingvild Sæther *	24 May 2018		0	0
Ann-Kristin Nielsen Løvland	24 May 2018		0	21
Vidar Andersen	24 May 2018		0	17
Tord Broms Thorsen	12 Sept 2018		0	19
Line Bliksmark	12 Sept 2018		0	19
Total remuneration paid			1,456	1,490

* 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 in the 2018 column above was for the period from November 24, 2017 to November 24, 2018.

2019 salaries and other benefits to Directors as employees:

There were no employee representatives in the Board of Directors in 2019, as the Company was restructuring and only had a temporary finance team while a new management team was retained.

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.

Note 10 Retirement benefit obligations

Pension cost charged to the income statement in 2019 was NOK 0.4 million (2018: NOK 1.3 million). The defined contribution plan had no participants at 31.12.2019 (2018: 3 participants). Pension plan has been established in Q1 2020 with retroactive effect back to the dates the CEO and CFO were hired in 2019.

Note 11 Other operating expense

NOK million	2019	2018
Office cost (rental etc)	0.4	5.9
Consultancy (audit, tax and legal) *	2.9	9.6
Marketing	0.0	0.5
Travel expenses	0.3	0.9
Other	1.0	3.4
Total other operating expense	4.6	20.3

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

NOK million	2019	2018
Statutory audit	0.5	0.5
Audit related services	0.1	0.1
Total auditor's fees	0.6	0.6

Note 12 Lease agreements

The Company has an office rental agreement for its office in Oslo as of 31 December 2019.

The Company expensed NOK 0.05 million in lease and rental cost for 2019 (2018: 2.6)

Note 13 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.

	2019	2018
Net profit/(loss) (NOK million)	20.2	377.8
Earnings per share (NOK)	0.39	7.18
Earnings per share diluted (NOK)	0.39	7.18
Average no. of outstanding shares (thousands)	52,587	52,607
Weighted avg. no. of ordinary shares for diluted earnings per share (thousands)	52,587	52,607

Note 14 Other current liabilities

NOK million	Note	2019	2018
Payroll liabilities		0.1	1.2
Employer's contribution tax and other taxes		0.3	0.8
Financial instruments (market value of foreign exchange)		0.3	1.6
Other payables		0.0	0.3
Total other current liabilities		0.7	3.9

Note 15 Share-based payments

At balance sheet date there are 900,000 options (2018: 0).

In accordance with approval by the Annual General Meeting of May 21, 2019, the Board of Magnora issued on May 21, 2019, 900,000 options to provide long-term incentives to the Board and the CEO.

Note 16 Transactions with subsidiaries

Transactions in 2019:

The operating revenue does not include revenue from Group companies, but includes revenue of 1.6 million from Sevan SSP for services relating to sharing the finance staff.

Transactions in 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.

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 hedged a portion of the expected USD income through December 2019, and is currently implementing hedging transactions to cover the USD exposure for 2020.

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, and the ability to close out market positions.

The Company has implemented routines to continuously update its cash flow forecast, and the forecast is distributed and reviewed by the Board and Senior Management at minimum monthly to be able to foresee potential adverse effects on the liquidity and implement necessary actions to rectify the situation.

Magnora ASA is in a solid liquidity position with a cash balance of NOK 54 million at the balance sheet date.

Note 18 Operating revenue

NOK million	2019	2018
License fee	40.0	69.7
Other revenue	1.6	22.6
Total operating revenue	41.6	92.2

Note 19 Provisions

NOK million	Bonus	Legal fee	Total
January 1, 2019	1.8	0.0	1.8
Arising during the year	2.7	0.0	2.7
Reversed during the year	-4.2	0.0	-4.2
December 31, 2019	0.3	0.0	0.3

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

All provisions in 2019 and 2018 are current in nature.

Bonus

Provision for 2018 is for stay-on and retention bonuses to employees, and for 2019 the provision is for employment tax (AGA) for the options issued during the year.

Note 20 Hedging

The Dana Western Isles royalty income is received in USD. To reduce the currency risk, Magnora hedged a portion of the expected royalty income through December 2019. For the period January to December 2019, Magnora 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, 2019 was NOK 0.3 million negative, and related to the hedge for December 2019 with settlement in January 2020.

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	2019	2018
Interest income	1.5	1.9
Other financial income	0.0	1.0
Sale of business to Sembcorp	0.0	307.1
Total financial income	1.5	310.1

Financial expense:

NOK million	2019	2018
Interest cost	0.0	0.1
Write-down investment in subsidiary	0.0	1.0
Write-down investment in associate	-0.3	0.0
Other financial expenses	-1.5	0.0
Total financial expense	-1.8	1.1

Note 22 Trade and other receivables

NOK million	2019	2018
Trade receivables	2.1	1.4
Accrued income, not invoiced	0.0	4.4
Prepayment	0.4	0.6
Total trade and other current receivables	2.5	6.3

Note 23 Shares and share options owned or controlled by the Board of directors and senior management

Board members and Senior Management ownership in the Company as of December 31, 2019:

NOK thousand	Options owned or controlled	Shares owned or controlled
Torstein Sanness, Chairman	400,000	0
Hilde Ådland, Board member	50,000	0
John Hamilton, Board member	50,000	0
Erik Snevæ, CEO	400,000	534,919
Bård Olsen, CFO	0	0
Total remuneration paid	900,000	534,919

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 24 Transactions with associates

NOK million	2019	2018
Receivable Arendal Brygge	0.0	0.3
Receivables from related parties	0.0	0.3
NOK million	2019	2018
Loan to Arendal Brygge	0.0	0.2

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 have each provided NOK 1 million in shareholder loan to Arendal Brygge to support Arendal Brygge's liquidity needs related to needed investments and working cash. At the balance sheet date, the book value of the investment has been written down to zero due to large losses incurred by Arendal Brygge AS. The losses in Arendal Brygge relates to write-down of property development costs that were originally capitalized and no longer considered to represent a value for a future property development project. Furthermore, a provision for the loan to Arendal Brygge has also been made due to the uncertainties regarding the financial health of Arendal Brygge.

Magnora does not exercise control over the activities of Arendal Brygge AS and accounts for its shareholding in Arendal Brygge using the equity method.

Note 25 Dividend and repayment of capital

Magnora has done a share capital reduction with return to shareholders of a total of NOK 1 per share in 2019. The Company also made distributions to the shareholders in 2018 with a NOK 2.50 per share capital reduction and a dividend of NOK 6.0 per share.

Note 26 Subsequent events

Capital distribution

On March 13, 2020, Magnora distributed NOK 0.25 per share in capital distribution to the share holders.

Acquisition of 25% stake in Vindr Group

On March 6, 2020, Magnora acquired 25% of the Vindr Group for NOK 10 million. Vindr is a wind power company established for the purpose of developing a portfolio of land based wind power projects in Norway and Sweden on cultivated land in order to create a portfolio of small to medium sized wind power plants. Magnora has the option to invest an additional NOK 10 million to increase its ownership to 50% of Vindr. The Chairman of the board will be appointed by the Company, two of the three founders will be members, and two independent individuals will be recruited as board members. The Company will therefore not have control when the additional 25% investment is made, and the investment will therefore be treated as an affiliated entity and not consolidated into the balance sheet of Magnora.

Acquisition of 2% stake in offshore wind development project

On March 20, 2020, Magnora acquired 2% of a 500 MW shallow water offshore wind development project in Northern Europe for SEK 0.5 million. The Company has an option to increase its stake in the development project up to 50%.

Covid-19

The recent Covid-19 virus could potentially affect revenues for a short period if the FPSO crew is dismissed due to infection risk or similar. Magnora could experience a period without revenues as a result of the Dana FPSO halting production due to the Covid-19 virus. The revenues from production and offloading would in this scenario only be deferred and not lost. Furthermore, the virus could also delay the construction and commissioning of the Shell Penguins vessel currently being built at a yard in China, which would then delay the milestone payments from Shell.

Market turbulence

The recent OPEC crisis and subsequent turbulence in the oil and gas market has caused the oil price to decrease significantly. This could have an effect on the Penguin project, as the last milestones are tied to getting the FPSO into operation. The risks of this situation impacting Magnora is considered to be relatively small, as the customer has already made significant investments to be recovered by revenues as quickly as possible.

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). Parts (i) and (ii) below of this statement are for information purposes only. Part (iii) below, which relates to share-based incentive schemes is subject to approval by the General Meeting.

(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:

Erik Snee, CEO
Bård Olsen, CFO

Remuneration of Senior Management for the accounting year 2019 is disclosed in note 17 of the consolidated financial statements.

Reese McNeil, the former CEO, received 7 months' salary when his employment was terminated. Following the SMIY transaction, the former CEO was also entitled to a transaction bonus of NOK 1.5 million. The transaction bonus was accrued for in 2018 and paid in March 2019. Magnora requested the former CEO to continue his employment until August 31, 2019, and in accordance with the retention agreement, the former CEO was also paid NOK 0.7 million to support Senior Management during the transitioning period.

The guidelines for determination of remuneration to the Senior Management and any allotment of options were discussed at the Annual General Meeting in May 2019. The Board of Directors has not deviated from these guidelines in relation to the compensation package for Senior Management during the accounting year 2019.

If the CEO sits on the board of directors in the Company's subsidiaries, he will not receive any board remuneration for these assignments.

(ii) Remuneration, other benefits and cash incentive schemes to Senior Management for the Next Accounting Year

For advisory vote at the Annual General Meeting in 2020, the Board of Directors presents the following guidelines for determination of

remuneration and other compensation to Senior Management for the accounting year 2020, 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. For existing achievements, the Board of Directors has approved a bonus for the CEO of 1.75 times his annual base salary (full-time equivalent/FTE). The bonus will be paid in tranches equal to 1x in Q2 2020, and 0.25x in each of Q3 and Q4 2020 and Q1 2021, subject to continued employment. If there are changes to the company's business strategy and ownership structure, the remaining bonus shall be paid out immediately. The Board of Directors has also approved a cash bonus for the CFO of NOK 250,000 to be paid in similar tranches and with similar condition. Going forward and for the period ending in March 2021, the Board of Directors has approved a cash bonus program for the CEO amounting to maximum 1.25x his annual base salary, such bonus to be computed and determined based on several operational, strategic and financial performance targets. The compensation package for Senior Management may also include home office arrangements, newspapers, mobile phone and refund of expenses for internet subscription, all in accordance with common market practice. The Company did not have pension and insurance schemes for Senior Management at December 31, 2019, but is currently in the process of implementing such schemes which the Board of Directors believes will be on market terms.

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. The CEO has waived protection against termination against a severance compensation equal to 12 months base salary.

(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 on May 21, 2019, a total of 400,000 share options were issued in 2019 to the CEO. Details of the share options are disclosed in note 12 of the consolidated financial statements. All options granted after the 2019 Annual General Meeting have been on terms in accordance with the approved program. The program expires at the 2020 Annual General Meeting.

Oslo, March 30, 2020
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



Hilde Ådland

Board Member



John Hamilton

Board Member



Erik Snee

CEO



Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of 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 2019, the income statement and statement 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 2019, statement of profit and loss, statements of 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



Recognition of deferred tax assets

At December 31, 2019 the recorded amount of net deferred tax assets mainly deriving from tax losses carried forward was NOK 39.9 million for the Group and the parent company. The assessment of whether there will be sufficient tax profits 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, among others, an evaluation of the applied period for taxable profits by considering the characteristics of the market and the position of the Group within this market. Further we evaluated the probability of future taxable profits within the applied period, by considering the assumptions for revenue projected by management. We compared operating expenditures to approved budgets and historical data and considered the growth applied by the Group. We also tested the mathematical accuracy of the model 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.

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 on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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



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

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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



Opinion on registration and documentation

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

Oslo, 30 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorised Public Accountant (Norway)

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Asbjørn Rødal

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5999-4-4255051

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Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2019, 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.

Oslo, March 30, 2020
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



Hilde Ådland

Board Member



John Hamilton

Board Member


Erik Snee

CEO