

# **Magnora ASA**

**Fourth Quarter 2019**

## Main events in 2019

- Magnora ASA has returned NOK 499.7 million to its shareholders over the past 15 months, totalling NOK 9.5 per share following the last distribution of NOK 1 on July 11th, 2019. We expect to continue to generate revenues over the lifetime of the Western Isles FPSO (the “FPSO”), and in addition to the royalty of the Shell Penguins FPSO project. We expect 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. Our 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 we have a dividend capacity of around NOK 1 per share subject to no adverse effects on our 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 finalized 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 8-10 million going forward. Under the new operating model the board and management can focus on value creating activities.

## Main events in the quarter – Growth Opportunities

*(Figures in brackets relate to third quarter 2019. The figures are unaudited.)*

- The company has assessed over 100 investment opportunities in Norway and abroad in various industries during 2019. During second half last year, we 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 we have engaged two advisors with significant experience from the renewable energy industry. Theis Hanang Pedersen is former Country Manager of Vestas Norway and Haakon Alftstad is former Head of Onshore Wind in Statkraft, and will work together closely with the company's Executive Chairman, Torstein Sanness, and CEO, Erik Snee, to review these opportunities. We have a strong focus on asset light business models that can benefit from Magnora's strategic platform.
- The revenue from the Western Isles agreement was NOK 8.8 million (NOK 9.2 million) for Q4. 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 produce 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.
- Adjusted EBITDA, as defined in note 1, was NOK 7.0 million (NOK 7.5 million), a decrease of NOK 0.5 million versus the previous quarter. The main driver for the decrease was a lower revenue from the Dana Western Isles project.
- Operating cost for the quarter excluding one-off items was NOK 1.8 million, which is a decrease of NOK 0.4 million compared to the previous quarter. The decrease was mainly due to lower employee expenses and overhead.
- Net profit for the quarter was NOK 6.3 million, which is an increase of NOK 1.5 million compared to the previous quarter. The increase was mainly due to an annual evaluation and subsequent NOK 2.5 million adjustment of the deferred tax asset.

- 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 10<sup>th</sup> 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.
- Last quarter, the company 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 equity can be a tax advantage for some shareholders depending on local tax rules where the shareholder has residency.

## Key figures

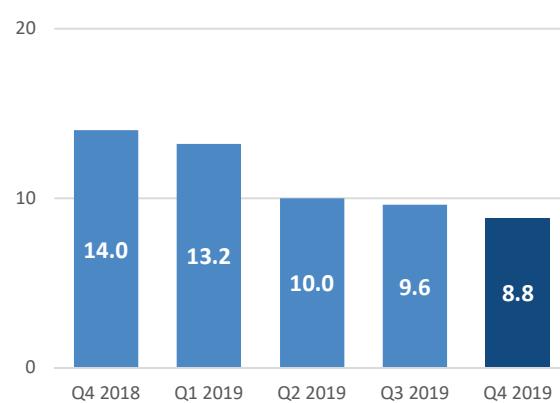
NOK million	Q4 19	Q3 19	2019	Q4 18	2018
<i>Continued operation</i>					
Revenues	8.8	9.6	41.6	14.0	70.4
EBITDA	5.9	6.4	24.2	14.3	42.1
Net Profit	6.3	4.8	21.3	57.5	87.2
EPS (NOK)	0.12	0.09	0.41	1.1	1.66
Operating cost, excluding one-off items *	-1.8	-2.2	-16.3	-3.2	-13.9
Adjusted EBITDA *	7.0	7.5	25.3	10.8	56.6
Cash**	58.3	54.6	58.3	100.3	100.3
Equity ratio (%)	93%	93%	93%	90%	90%
Number of shares outstanding	52.6	52.6	52.6	52.6	52.6
Number of employees ***	1,6	1,6	1,6	3	3

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

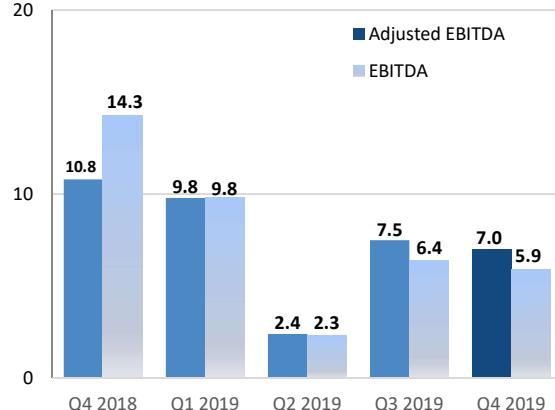
\*\* Cash and cash equivalents includes NOK 4 million in restricted cash held by Magnora's one remaining Asia subsidiary; Sevan Asia Pte Ltd In Singapore. The liquidation of Sevan Shanghai Co Ltd. was finalized with transfer of remaining funds to Sevan Asia Pte Ltd and closing of bank accounts at the end of December, 2019. Sevan Asia Pte Ltd will finalize its liquidation and transfer of the funds from both entities to Magnora ASA within Q1/Q2 2020.

\*\*\* CEO is engaged on a 60-100% capacity depending on work-load, and the CFO is engaged on a consultancy contract also at a 60-100% capacity basis.

Revenue continued operations, NOK million



EBITDA continued operations, NOK million



## Operational review

(Figures in brackets relate to third quarter 2019. The figures are unaudited.)

### License agreements

Magnora is entitled to a variable license fee of USD 0.50 per barrel produced and offloaded from the Dana Western Isles FPSO (the "FPSO"). The associated license income for the fourth quarter 2019 was NOK 8.8 million (NOK 9.2 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.

Post the transaction with SMIY, the financial benefit of the Shell Penguins License agreement remains with Magnora. 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.

## Financial review

### Results for the quarter

Operating revenue in the fourth quarter 2019 was NOK 8.8 million, NOK 0.8 million lower than the previous quarter. EBITDA was NOK 5.9 million (NOK 6.4 million) and net profit was NOK 6.3 million (NOK 4.8 million).

Net profit for the quarter was NOK 6.3 million, which is an increase of NOK 1.5 million compared to the previous quarter. The increase was mainly due to an annual evaluation and subsequent NOK 2.5 million adjustment of the deferred tax asset. Net profit was also positively impacted by a decrease in operating cost of NOK 0.3 million versus Q3, which was mainly driven by a decrease in employee and overhead related expenses.

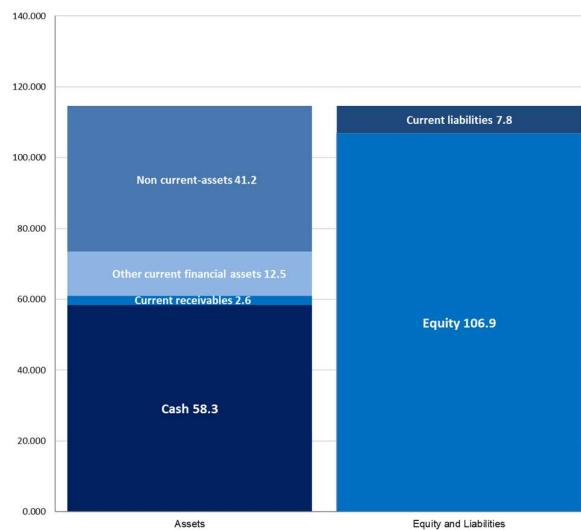
### Cash flow

As of December 31, 2019, cash and cash equivalents amounted to NOK 58.3 million (NOK 54.6 million). The cash flow in the quarter was mainly affected by 1) lower revenue, 2) liquidation and transfer of remaining funds from Shanghai entity, and 3) purchase of marketable securities at cost NOK 4.9 million. 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 Magnora ASA to sell the shares to meet short term working capital needs.

### Financial position

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

Balance sheet composition December 31, 2019 (NOK million):



### Risk and uncertainty factors

Magnora is exposed to market risk, project risk, reservoir 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 remaining customers are two major companies with a strong financial basis, but, as with suppliers and customers in general, there is a risk that unforeseen financial difficulties on the counterparty's side may arise which could have material adverse effects on the financial condition, the cash flows and/or the prospects of Magnora.

The company is also subject to currency, 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 paid in USD. The company also relies heavily on two customers, Dana Petroleum and Shell for most of its revenues over the next three to four years.

## Outlook and strategy

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

Magnora's corporate structure, following the completion of the SMIY transaction, is organized to be as efficient and cost effective as possible. Magnora currently has a staff consisting of 2 persons, as most of the support functions have been outsourced. In addition, we have two M&A advisors assisting with investment evaluations within the renewable energy industry. Operating costs (cash and non-cash) was NOK 17.4 million for the year 2019, and is expected to be in the range of NOK 8-10 million for the year 2020.

The company has initiated a process of evaluating potential investment opportunities with the objective of realizing the strategic potential of the company and to generate further shareholder value. The company has considered numerous companies and potential investments over the past 12 months but has to date not found an opportunity that will generate significant value for the shareholders, which is a strict requirement for the Magnora M&A team.

The company has decided to focus on the renewable industry and companies with solutions for long-term sustainability. There is a solid and increasing deal-flow within the renewable space, and the company has therefore engaged two veterans from the renewable industry to assist the Board and Management as advisors in the evaluations. Theis Hanang Pedersen, former Country Manager of

Vestas Norway, and Haakon Alfstad, former Head of Onshore Wind in Statkraft, are both already working as a part of the business development and M&A team.

## Share buyback, capital reduction and dividends

On January 16, 2019, Magnora initiated a share buyback program. The buyback program was 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. The program was terminated on April 24, 2019, and the shares were cancelled in accordance with the AGM held on May 21, 2019. As of the date of this report, Magnora owns 862 of its own shares. The board of directors has launched a new share buyback program based a new authorization from the Annual General Meeting ("AGM") held on May 21, 2019.

It is currently expected that a cash balance of approximately NOK 25-30 million will be retained by the company for working capital. The intention of the Board is to distribute to shareholders the cash flow in excess of costs and this cash balance cushion, to the extent legally permitted.

The company is planning to return up to NOK 1 per share during 2020, unless an acquisition is pursued or if revenues fail to meet the forecast.

## About Magnora

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

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

The company has decided that the renewable energy industry will be a significant focus area going forward.

At the general meeting held on May 21, 2019, it was approved to amend the objectives of the company as set out in the Articles of Association 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 will consider potential new investment opportunities with the objective of generating further shareholder value.

Oslo, Norway, February 13, 2020  
The Board of Directors of Magnora ASA



Torstein Sanness

Chairman



Hilde Ådland

Board Member



John Hamilton

Board Member



Erik Sneve

CEO

## Interim financial statements (IFRS)

### Condensed consolidated income statement

NOK million	Note	Q4 19	Q3 19	2019	Q4 18	2018
<b><i>Continued operations</i></b>						
Operating revenue	4	8.8	9.6	41.6	14.0	70.4
Operating expense		-2.9	-3.2	-17.4	0.3	-28.3
<b>EBITDA</b>		<b>5.9</b>	<b>6.4</b>	<b>24.2</b>	<b>14.3</b>	<b>42.1</b>
Depreciation, amortization and impairment		0.0	0.0	0.0	0.0	0.0
<b>Operating profit/(loss)</b>		<b>5.9</b>	<b>6.4</b>	<b>24.2</b>	<b>14.3</b>	<b>42.1</b>
Financial income/(expense)	8	-0.4	0.4	1.9	0.6	3.0
FX gain/(loss)	6	-0.6	-0.5	-1.9	-0.6	-1.1
<b>Net financial items</b>		<b>-1.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>1.9</b>
<b>Profit/(loss) before tax</b>		<b>4.9</b>	<b>6.2</b>	<b>24.2</b>	<b>14.4</b>	<b>44.1</b>
Tax income/(expense)		1.4	-1.4	-2.9	43.1	43.1
<b>Net profit/(loss) continued operations</b>		<b>6.3</b>	<b>4.8</b>	<b>21.3</b>	<b>57.5</b>	<b>87.2</b>
<b><i>Discontinued operations</i></b>						
Disposed group classified as held for sale	5	0.0	0.0	0.0	0.0	310.7
<b>Net profit/(loss) discontinued operations</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>310.7</b>
<b>Net profit/(loss)</b>		<b>6.3</b>	<b>4.8</b>	<b>21.3</b>	<b>57.5</b>	<b>398.0</b>

### Statement of comprehensive income

NOK million	Q4 19	Q3 19	2019	Q4 18	2018
Net profit/(loss)	6.3	4.8	21.3	57.5	398.0
Foreign currency translation	0.0	0.3	0.2	0.8	0.7
Other changes	0.0	0.0	0.0	0.0	-0.2
<b>Total comprehensive income</b>	<b>6.3</b>	<b>5.1</b>	<b>21.4</b>	<b>58.3</b>	<b>398.5</b>

## Condensed statement of financial position

NOK million	Note	31.12.19	30.09.19	31.12.18
Deferred tax assets	2	39.9	38.5	42.8
Investment in associates		0.3	0.3	0.3
Loan to associates		1.0	1.0	0.2
<b>Total non-current assets</b>		<b>41.2</b>	<b>39.8</b>	<b>43.3</b>
Trade and other receivables		2.6	3.0	6.6
Other current financial assets	8	12.5	9.8	0.0
Cash and cash equivalents		58.3	54.6	100.3
<b>Total current assets</b>		<b>73.4</b>	<b>67.4</b>	<b>107.0</b>
<b>Total assets</b>		<b>114.6</b>	<b>107.2</b>	<b>150.2</b>
Share capital	3	25.8	25.8	78.4
Treasury shares	3	0.0	0.0	0.0
Other equity	7	81.1	73.7	57.4
<b>Total shareholders' equity</b>		<b>106.9</b>	<b>99.5</b>	<b>135.8</b>
<b>Total equity</b>		<b>106.9</b>	<b>99.5</b>	<b>135.8</b>
<b>Total non current liabilities</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Current liabilities		7.8	7.7	14.4
<b>Total current liabilities</b>		<b>7.8</b>	<b>7.7</b>	<b>14.4</b>
<b>Total liabilities</b>		<b>7.8</b>	<b>7.7</b>	<b>14.4</b>
<b>Total equity and liabilities</b>		<b>114.6</b>	<b>107.2</b>	<b>150.2</b>

## Condensed statement of changes in equity

NOK million	Share capital	Other equity	Treasury shares	Total equity
<b>Equity as of January 1, 2019</b>	<b>78.4</b>	<b>57.4</b>	<b>0.0</b>	<b>135.8</b>
Capital reduction	-52.6			-52.6
Total comprehensive income for the period		21.4		21.4
Repurchase of shares*	0.0		0.0	0.0
Share based payments	2.3			2.3
<b>Equity as of December 31, 2019</b>	<b>25.8</b>	<b>81.1</b>	<b>0.0</b>	<b>106.9</b>

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

## Condensed statement of cash flow

NOK million	Q4 19	Q3 19	2019	Q4 18	2018
<b>Cash flows from operating activities</b>					
Cash from operations	-0.3	4.3	7.4	18.8	43.5
Taxes paid/repaid	0.0	0.0	0.0	0.3	0.3
<b>Net cash generated from continued operating activities</b>					
	<b>-0.3</b>	<b>4.3</b>	<b>7.4</b>	<b>19.2</b>	<b>43.8</b>
Net cash generated from discontinued operating activities	4.0	0.0	4.0	0.0	-20.5
<b>Net cash generated from operating activities</b>	<b>3.6</b>	<b>4.3</b>	<b>11.4</b>	<b>19.2</b>	<b>23.3</b>
<b>Cash flows from investment activities</b>					
Sale of business to Sembcorp	0.0	0.0	0.0	0.0	327.1
Purchase of shares Arendal Brygge AS	0.0	0.0	0.0	-0.3	-0.3
Loan to Arendal Brygge AS	0.0	-0.5	-0.9	-0.2	-0.2
<b>Net cash from continued investment activities</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.9</b>	<b>-0.5</b>	<b>326.6</b>
Net cash from discontinued investment activities	0.0	0.0	0.0	0.0	0.0
<b>Net cash from investment activities</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.9</b>	<b>-0.5</b>	<b>326.6</b>
<b>Cash flows from financing activities</b>					
Dividends paid	0.0	0.0	0.0	-315.6	-315.6
Capital reduction paid out	0.0	-52.6	-52.6	-131.5	-131.5
<b>Net cash from continued financing activities</b>	<b>0.0</b>	<b>-52.6</b>	<b>-52.6</b>	<b>-447.2</b>	<b>-447.2</b>
Net cash from discontinued financing activities	0.0	0.0	0.0	0.0	0.0
<b>Net cash from financing activities</b>	<b>0.0</b>	<b>-52.6</b>	<b>-52.6</b>	<b>-447.2</b>	<b>-447.2</b>
<b>Net cash flow for the period - continued activities</b>	<b>3.6</b>	<b>-48.7</b>	<b>-42.0</b>	<b>-428.4</b>	<b>-76.7</b>
<b>Net cash flow for the period - discontinued activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-20.5</b>
Cash balance at beginning of period	54.6	103.3	100.3	528.8	197.5
<b>Cash balance at end of period</b>	<b>58.3</b>	<b>54.6</b>	<b>58.3</b>	<b>100.3</b>	<b>100.3</b>

## Selected notes to the quarterly financial statements

### 1. General information and accounting policies

Magnora ASA's objective 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.

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

The company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and these financial statements have been prepared in accordance with the International Accounting Standard for Interim Financial Reporting (IAS 34). As the interim financial statements do not include the full information and disclosures as required in the annual financial statements, it should be read in connection with the Annual Financial Statements for 2018.

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. The cost of options granted during 2019 has been classified as a one-off item.

**Adjusted EBITDA:** Management believes that "Adjusted EBITDA" which excludes "one-off items" is a useful measure because it provides an indication of the profitability of the company's operating activities for the period without regard to significant historical and non-operational events that are expected to occur less frequently.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Annual Financial Statements for the year ended December 31, 2018.

The company implemented IFRS 16 as of January 01, 2019 and there has been no changes to the company's financial statements as a result.

#### **Assets and liabilities held for sale and discontinued operations**

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

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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations

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

Additional disclosures are provided in Note 6. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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

## 2. Accounting estimates and judgements

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised in the future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. The recognised deferred tax asset is most sensitive to expected future taxable profits. The deferred tax asset recognized is expected to be utilised within the next 5 years based upon on the 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 of over NOK 3.5 billion.

## 3. Shareholder structure

<b>20 largest shareholder accounts February 02, 2020 (source: VPS)</b>	<b>No. of shares</b>	<b>%-share</b>
DNB Markets Aksjehandel/-analyse	7,580,356	14.42
F2 FUNDS AS	3,727,059	7.09
HORTULAN AS	3,675,598	6.99
SKANDINAViska ENSKILDA BANKEN AB	3,307,516	6.29
PHILIP HOLDING AS	2,350,000	4.47
KING KONG INVEST AS	2,343,795	4.46
CARE HOLDING AS	2,300,000	4.37
SUNDT AS	2,142,202	4.07
GINNY INVEST AS	2,050,000	3.90
PREDATOR CAPITAL MANAGEMENT AS	1,702,667	3.24
MP PENSTON PK	1,570,499	2.99
ANDENERGY AS	1,558,140	2.96
PATINEER MANAGEMENT LLC	1,406,277	2.67
DANSKE BANK AS	1,229,282	2.34
BEKKESTUA EIENDOM AS	1,150,019	2.19
ALTEA PROPERTY DEVELOPMENT AS	950,967	1.81
SIX SIS AG	893,643	1.70
ALDEN AS	867,460	1.65
BAKLIEN, ÅSMUN	700,000	1.33
PETTERSEN, GUNERIUS	526,000	1.00
<b>Total, 20 largest shareholders</b>	<b>42,031,480</b>	<b>79.94</b>
Other shareholder accounts	10,555,218	20.06
<b>Total no of shares</b>	<b>52,586,698</b>	<b>100.00</b>

Foreign ownership 4,225,535 8.04

\*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.

## 4. Operating revenue

<i>NOK million</i>	Q4 19	Q3 19	2019	Q4 18	2018
<b>Continued operations</b>					
License revenue	8.8	9.2	40.1	13.4	69.7
Other revenue	0.0	0.4	1.6	0.6	0.8
<b>Operating revenue continued operations</b>	<b>8.8</b>	<b>9.6</b>	<b>41.7</b>	<b>14.0</b>	<b>70.4</b>

## 5. Discontinued operations

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

The results of the discontinued operations related to the sale to SMIY are presented below:

NOK million	Q4 19	Q3 19	2019	Q4 18	2018
Operating revenue	0.0	0.0	0.0	0.0	20.8
Operating expense	0.0	0.0	0.0	0.0	-37.4
<b>EBITDA</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-16.6</b>
Depreciation, amortization and impairment	0.0	0.0	0.0	0.0	-1.1
<b>Operating profit/(loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-17.7</b>
Financial income/(expense)	0.0	0.0	0.0	0.0	328.6
FX gain/(loss)	0.0	0.0	0.0	0.0	-0.1
<b>Net financial items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>328.5</b>
<b>Profit/(loss) before tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>310.7</b>
Tax income/(expense)	0.0	0.0	0.0	0.0	0.0
<b>Net profit/(loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>310.7</b>

## 6. Hedging

The Dana Western Isles royalty income is received in USD. To reduce the currency risk, Magnora has hedged a portion of the expected royalty income through December 2019. For the period September to December 2019, Magnora has hedged a total of USD 0.8 million at an average exchange rate of NOK/USD 8.44. The mark-to-market value of the instruments in the balance sheet at December 31, 2019 is NOK 0.1 million negative.

## 7. Options

An options program was approved at the AGM, and the Chairman of the Board and the CEO have been granted 400,000 options each, and the two independent directors of the Board have been granted 50,000 options each. 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 total cost of the options is NOK 4.3 million, mainly non-cash, and NOK 1,085,947 has been recognized for Q4 in accordance with IFRS 2.

## 8. Financial assets

In accordance with authorisation from the Board of Directors, Magnora ASA purchased marketable securities worth NOK 4.9 million in Q4 2019. The total value of other financial assets held on the balance sheet is NOK 12.5 million at the end of the quarter. 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 Magnora ASA 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).

## Responsibility statement

We confirm, to the best of our knowledge, that the interim consolidated financial statements for the period January 1 to December 31, 2019 have been prepared in accordance with IAS 34 - Interim Financial Reporting, and give the true and fair view of the Group's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge,

that the Interim Financial Report includes a fair review of important events that have occurred during the year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the financial year, and major related parties transactions.

Oslo, Norway, February 13, 2020  
The Board of Directors of Magnora ASA



Torstein Sanness  
Chairman



Hilde Ådland  
Board Member



John Hamilton  
Board Member



Erik Snee  
CEO