



MAGNORA ASA

Magnora ASA First Quarter 2020

May 26 2020



www.magnoraasa.com

CONTENTS

MAIN EVENTS IN THE QUARTER – ELECTRIC FUTURE.....	3
KEY FIGURES	4
OPERATIONAL REVIEW	4
License agreements.....	4
FINANCIAL REVIEW	4
Results for the quarter	4
Cash flow.....	5
Financial position.....	5
RISK AND UNCERTAINTY FACTORS.....	5
OUTLOOK AND STRATEGY	5
SHARE BUYBACK, CAPITAL REDUCTION AND DIVIDENDS.....	6
ABOUT MAGNORA	6
INTERIM FINANCIAL STATEMENTS (IFRS) (QUARTERLY NUMBERS ARE UNAUDITED).....	7
Condensed consolidated income statement	7
Statement of comprehensive income	7
Condensed statement of financial position	8
Condensed statement of changes in equity	9
Condensed statement of cash flow	9
SELECTED NOTES TO THE QUARTERLY FINANCIAL STATEMENTS	10
1 General information and accounting policies.....	10
2 Accounting estimates and judgements.....	10
3 Shareholder structure	11
4 Operating revenue	11
5 Options.....	11
6 Financial assets	12
7 Investment in associates	12

MAIN EVENTS IN THE QUARTER – ELECTRIC FUTURE

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

- This year started off with Magnora entering the renewable market with two investments within the wind project development segment. Magnora's management team worked closely with the board in 2019 to set a new direction for the company within green investments, and our strategy was launched in February this year. Going forward, Magnora will invest and develop companies and projects within the renewable energy space, and the initial focus is on wind projects abroad and some selective sites in Norway where there is demand for wind energy. Our largest shareholders have been very supportive of our initial investments and have all along encouraged a green investment strategy as a new direction for the company going forward. The Company is initially concentrating on mature greenfield to close to ready-to-build projects. Our strategy requires deep industry experience with in-house due diligence, site identification skills, as well as project management, procurement, operations, and exit competence. With the engagement of Haakon Alfstad and Theis Hanang Pedersen at the end of 2019, we have a Magnora executive team that brings decades of experience with proven operating and project execution experience to the company. With our two investments within the wind sector this quarter, we have an expanded team of 8 wind specialists with over 100 years of experience in the wind project development market in Norway, Sweden, Germany, Scotland, England, and the US. Combined, the team has led processes that have resulted well over NOK 50 billion of investment in the sector.
- On March 6, Magnora announced an investment in the "Vindr Group," with a right to further increase our holdings to 50%. Vindr is a company based in Norway and Sweden which focuses on early stage wind opportunities. Vindr is concentrating on small and medium sized wind development projects in the region close to cultivated land. Vindr has made good progress in March and April and is delivering according to the company's business plan. Haakon Alfstad is the company's Executive Chairman and works closely with the Vindr team. Vindr expanded its leadership team in March with the recruitment of Kristian Hauglum, who has been 17 years with Norsk Hydro in wind development, where his responsibilities included strategy development and Power Purchasing Agreements (PPAs). We are very pleased to learn that Kristian Hauglum joined the Vindr team.
- On March 20, Magnora announced an investment in a 500 MW shallow water project in Northern Europe. We are pleased to announce the name of the company today: Kustvind AB. Kustvind has a highly attractive project in the southern part of Sweden. The team of founders have a great track record with development of wind power projects over the last 25 years (over 2.500 MW). The project is already far ahead of our initial plans from the due diligence process. Haakon Alfstad is the company's Executive Chairman and works closely with the Kustvind team. The project's initial feasibility study will be finalised over the next months as opposed to April 2021 as originally planned. The project is located in an area with excellent wind conditions, close to infrastructure, and with attractive electricity prices. In addition, there is specific demand for green electricity from various industries and house builders in that part of Scandinavia. Magnora has a right to acquire up to 50% of the company through a gradual milestone based investment plan.
- On March 16, Magnora made a cash distribution of NOK 0.25 per share, which was authorised by the AGM held on 21 May 2019. The cash distribution was a repayment of paid-in capital in excess of the par value of the Magnora share. After this distribution, the Company has returned NOK 512.8 million (NOK 9.75 per share) to its shareholders since the sale of its business to Sembcorp in Q4 2018.
- Adjusted EBITDA, as defined in note 1, was NOK 6.2 million (NOK 7.0 million), a decrease of NOK 0.8 million versus the previous quarter. The main driver for the decrease was an increase in the operating expenses as set out below.
- Operating cost for the quarter excluding one-off items was NOK 2.7 million, which is an increase of NOK 0.9 million compared to the previous quarter. The increase was mainly due to higher personnel expenses as a result of the additional two executives engaged to assist with building the wind energy business, audit fees related to the annual accounts, and additional legal fees associated with the two acquisitions during the quarter.
- Revenue for the quarter was NOK 8.9 million. Net profit for the quarter was NOK 2.4 million, which is a decrease of NOK 3.9 million compared to the previous quarter. The decrease was mainly due to the increase in operating expenses as explained above, and a net loss in financial items.
- Based on the acceleration of our investments as part of our new strategic direction, we will reduce quarterly return by approximately two thirds to NOK 0.08. The reduction has been encouraged and supported by our largest shareholders. We plan to return with a fine-tuned business plan after we have finalized the review of our current, growing deal-flow and partnerships. We estimate that our next quarterly capital distribution will be in July 2020.

- After the end of the quarter we have further entered into two LOI's in the UK and Northern Scandinavia which we look firming up into concrete projects.

KEY FIGURES

<i>Continued operation (NOK million)</i>	<i>Q1 2020</i>	<i>Q4 2019</i>	<i>Q1 2019</i>	<i>2019</i>
Revenues	8.9	8.8	13.2	41.6
EBITDA	5.1	5.9	9.8	23.1
Net Profit	2.4	6.3	7.9	20.2
EPS (NOK)	0.05	0.12	0.15	0.38
Operating cost excluding one-off items*	-2.7	-1.8	-3.4	-15.9
Adjusted EBITDA*	6.2	7.0	9.8	25.7
Cash	54.8	58.3	103.4	58.3
Equity ratio (%)	84%	93%	93%	93%
Number of shares outstanding	52.6	52.6	52.6	52.6
Number of employees**	2	1.6	4	2

* See definition of Alternative Performance Measures in Note 1.

**Includes the CEO and CFO, but not the additional two executives, as both are engaged on an as needed basis.

OPERATIONAL REVIEW

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

License agreements

After selling its assets, rights, and intellectual property rights of cylinder vessel design to Sembcorp Marine Integrated Yard Pte. Ltd. (SMIY), Magnora retained the financial benefits from the two licensing agreements detailed below.

Magnora is entitled to a license fee of USD 0.50 per barrel produced and offloaded from the Dana FPSO (the "FPSO") for the lifetime of the vessel. The associated license income for the first quarter 2020 was NOK 8.9 million (NOK 8.8 million). The FPSO was completed in 2017 and production started in Q4 2017. The FPSO has a production capacity of 44,000 barrels per day. The FPSO is expected to have a design life of 20 to 25 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 Dana agreement is expected to generate income for Magnora for several years.

Magnora is also entitled to license fees from a license agreement with Shell for the Shell Penguins FPSO. The remaining license income of the Penguins agreement is approximately USD 16 million and subject to milestone achievements. 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: 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 production started, and 3) the successful production, offloading and gas export of 4 million barrels which is estimated to be approximately 6 months after successful start-up. It is anticipated that the construction of the Penguins FPSO will be completed in Asia during mid 2021 with further milestones achieved thereafter.

FINANCIAL REVIEW

Results for the quarter

Operating revenue in the first quarter 2020 was NOK 8.9 million, NOK 0.1 million higher than the previous quarter. EBITDA was NOK 5.1 million (NOK 5.9 million) and net profit was NOK 2.4 million (NOK 6.3 million).

Net profit for the quarter was NOK 2.4 million, which is a decrease of NOK 3.9 million compared to the previous quarter. This decrease was mainly due to an increase in operating expenses and net loss in financial items. The increase in operating expenses was due to higher

personnel expenses as a result of the additional two executives engaged to assist with building the wind energy business, audit fees related to the annual accounts, and additional legal fees associated with the two acquisitions during the quarter.

Cash flow

As of March 31, 2020, cash and cash equivalents amounted to NOK 54.8 million (NOK 58.3 million). The cash flow in the quarter was mainly affected by 1) capital distribution, and 2) purchase and sale of marketable securities for cash management purposes.

Financial position

The equity ratio was 84 percent as of March 31, 2020.

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 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.

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 in China, which would then delay the milestone payments from Shell.

OUTLOOK AND STRATEGY

During the past year Magnora has successfully transitioned into a renewable energy investment company and is within this first phase focusing on investments in the wind energy segment. The initial focus area is development of wind projects in Norway and abroad from early phase greenfield to ready-to-build. Theis Hanang Pedersen, former Country Manager of Vestas Norway, and Haakon Alfstad, former Head of Onshore Wind in Statkraft, have joined the Magnora team to build a portfolio of investments in wind related companies and projects. The Company continues to maintain a lean operating model to keep operating costs low, and the CEO and CFO are now permanently full time employed by the Company to allow for the new long-term strategy of making investments in renewable energy companies and projects.

Within its existing wind portfolio, we expect Vindr to continue to expand its portfolio of wind projects. With the current momentum, it is highly likely that we will initiate the concession process for Kustvind in 2020 as opposed to 2021 as indicated when the investment was announced. We expect our legacy projects with Dana and Shell to continue to provide cash flow for the years to come.

Our largest shareholders have encouraged us to further broaden our portfolio as we are experiencing a growing and highly interesting deal-flow. As a result, we are in an exciting fine-tuning of our strategy, and plan to return with a revised business plan and growth strategy within end of q3.

Although the Company made two investments during this quarter, the management team continues the work of evaluating additional potential investment opportunities that fits within the new focus of the company. Magnora has gained considerable attention in the wind development market and receive new projects for consideration on a weekly basis. As a result, we are considering new wind development projects with various storage opportunities, such as batteries, various green fuels and green raw materials with established industrial companies. The Company also hopes to shortly announce contracts with new landowners and project developers in our core markets, as well as develop at least one project with an energy storage solution. Possible new transactions include potential participation in the Norwegian Offshore process for wind development, in collaboration with industrial partners. In addition, we have also seen a few interesting portfolios of development projects being available making the route to monetisation shorter than our first two investments. As part of its diversification Magnora plans to enter at least one new country in 2020 in order to further grow geographically. In the future, we will also

consider farm-down in our current assets if an industrial partner can add value to our projects or give us access to their own portfolios. The combination of these various deals will further help us reduce risk and broaden our portfolio.

SHARE BUYBACK, CAPITAL REDUCTION AND DIVIDENDS

On 16 January 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 24 April 2019, and the shares were cancelled in accordance with the AGM held on 21 May 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 21 May 2019.

Based on the acceleration of our investments and letter of intents as part of our new strategic direction, we will reduce quarterly return by approximately two thirds to NOK 0.08. We plan to return with a fine-tuned business plan after we have finalized the review of our current, growing deal-flow and partnerships. We estimate that our next quarterly capital distribution will be in July 2020.

ABOUT MAGNORA

After selling its assets, rights, and intellectual property rights of cylinder vessel design to Sembcorp Marine Integrated Yard Pte. Ltd. (SMIY) in 2018, Magnora retained the financial benefits from the Dana license agreement and the Shell Penguins license agreement. The Company is now a renewable energy investment company, and the initial focus area has been set on development of wind projects in Norway and abroad from early phase greenfield to ready-to-build.

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 continuously considers potential investment opportunities with the objective of generating further shareholder value.

Oslo, Norway, May 26, 2020

The Board of Directors of Magnora ASA



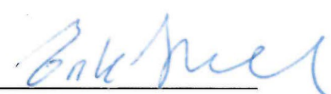
Torstein Sanness
Chairman



Hilde Ådland
Board Member



John Hamilton
Board Member



Erik Sneve
CEO



INTERIM FINANCIAL STATEMENTS (IFRS) (QUARTERLY NUMBERS ARE UNAUDITED)

Condensed consolidated income statement

<i>NOK million</i>	<i>Note</i>	<i>Q1 2020</i>	<i>Q4 2019</i>	<i>Q1 2019</i>	<i>2019</i>
Continued operations					
Operating revenue	4	8.9	8.8	13.2	41.6
Operating expense		-3.8	-2.9	-3.5	-18.5
EBITDA		5.1	5.9	9.8	23.1
Operating Profit/(loss)		5.1	5.9	9.8	23.1
Financial income/(loss)	6	-8.6	-0.4	0.3	1.5
FX gain/(loss)		6.5	-0.6	0.1	-1.4
Net financial items		-2.0	-1.0	0.4	0.0
Profit/(loss) before tax		3.1	4.9	10.1	23.1
Tax income/(expense)		-0.7	1.4	-2.2	-2.9
Net profit/(loss) continued operations		2.4	6.3	7.9	20.2
Net Profit/(loss)		2.4	6.3	7.9	20.2

Statement of comprehensive income

<i>NOK million</i>	<i>Q1 2020</i>	<i>Q4 2019</i>	<i>Q1 2019</i>	<i>2019</i>
Net profit/(loss)	2.4	6.3	7.9	20.2
Foreign currency translation	0.0	0.0	-0.1	0.0
Total comprehensive income	2.4	6.3	7.8	20.2

Condensed statement of financial position

<i>NOK million</i>	<i>Note</i>	<i>31.03.20</i>	<i>31.03.19</i>	<i>31.12.19</i>
Deferred tax assets	2	39.2	40.6	39.9
Investment in associates	7	10.0	0.3	0.0
Loan to associates		0.0	0.6	0.0
Total non-current assets		49.3	41.5	39.9
Trade and other receivables		2.4	9.7	2.5
Other current financial assets	6	7.5	0.0	12.5
Cash and cash equivalents		54.8	103.4	58.3
Total current assets		64.7	113.1	73.3
Total assets		114.0	154.6	113.2
Share capital		25.8	78.4	25.8
Treasury shares		0.0	0.0	0.0
Other equity		70.0	65.1	79.8
Total shareholders' equity		95.8	143.5	105.6
Total equity		95.8	143.5	105.6
Other non-current liabilities		7.0	0.0	0.0
Total non-current liabilities		7.0	0.0	0.0
Current liabilities		11.2	11.1	7.6
Total current liabilities		11.2	11.1	7.6
Total liabilities		18.2	11.1	7.6
Total equity and liabilities		114.0	154.6	113.2

Condensed statement of changes in equity

<i>NOK million</i>	<i>Share capital</i>	<i>Other equity</i>	<i>Total equity</i>
Equity as of 1 January 2020	25.8	79.8	105.6
Total comprehensive income for the period		2.4	2.4
Acquired treasury shares*		0.0	0.0
Share based payments		1.0	1.0
Capital distribution		-13.1	-13.1
Equity as of 31 March 2020	25.8	70.0	95.8
Equity as of 1 January 2019	78.4	57.4	135.8
Total comprehensive income for the period		20.2	20.2
Acquired treasury shares		0.1	0.1
Deletion of treasury shares		-0.1	-0.1
Share based payments		2.3	2.3
Capital reduction and distribution	-52.6		-52.6
Equity as of 31 December 2019	25.8	79.8	105.6

* Through the share buyback program, Magnora owns 864 shares or 0.0002 percent of total shares outstanding

Condensed statement of cash flow

<i>NOK million</i>	<i>Q1 2020</i>	<i>Q4 2019</i>	<i>Q1 2019</i>	<i>2019</i>
Cash flow from operating activities				
Cash from operations	12.9	3.7	3.5	25.5
Taxes paid/repaid	0.0	0.0	0.0	0.0
Net cash generated from operating activities	12.9	3.7	3.5	25.5
Cash flow from investment activities				
Purchase of marketable securities	-3.3	0.0	0.0	-14.1
Loan to Arendal Brygge AS	0.0	0.0	-0.4	-0.9
Net cash from investment activities	-3.3	0.0	-0.4	-15.0
Cash flow from financing activities				
Capital distribution	-13.1	0.0	0.0	0.0
Capital reduction paid out	0.0	0.0	0.0	-52.6
Net cash from financing activities	-13.1	0.0	0.0	-52.6
Net cash flow from the period	-3.5	3.7	3.1	-42.0
Cash balance at beginning of period	58.3	54.6	100.3	100.3
Cash balance at end of period	54.8	58.3	103.4	58.3

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 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 31 December 2019.

The company implemented IFRS 16 as of 1 January 2019 and there has been no changes to the company's financial statements as a result.

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

<i>20 largest shareholder accounts 27 April 2020 (source: VPS)</i>	<i>Number of shares</i>	<i>Percent ownership</i>
DNB Markets Aksjehandel/-analyse*	13,014,774	24.75
HORTULAN AS	2,938,237	5.59
KING KONG INVEST AS	2,343,795	4.46
CARE HOLDING AS	2,300,000	4.37
SUNDT AS	1,972,202	3.75
GINNY INVEST AS	1,946,966	3.70
MP PENSJON PK	1,570,499	2.99
ANDENERGY AS	1,558,140	2.96
PHILIP HOLDING AS	1,500,000	2.85
JPMORGAN CHASE BANK	1,406,277	2.67
BEKKESTUA EIENDOM AS	1,150,019	2.19
DANSKE BANK AS	1,114,689	2.12
AARSKOG, PHILLIP GEORGE	1,000,000	1.90
SVENSKA HANDELSBANKEN AB	1,000,000	1.90
ALTEA PROPERTY DEVELOPMENT AS	951,444	1.81
SIX SIS AG	913,125	1.74
ALDEN AS	867,460	1.65
FINANCIAL FUNDS AS	750,787	1.43
PREDATOR CAPITAL MANAGEMENT AS	702,667	1.34
BAKLIEN, ÅSMUND	700,000	1.33
Total, 20 largest shareholders	39,701,081	75.50
Other shareholder accounts	12,885,617	24.50
Total number of shares	52,586,698	100.00
Foreign ownership	5,216,850	9.92

*Magnora's largest shareholder is Kistefos AS who owns most of the shares held by DNB Markets Aksjehandel/-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>	<i>Q1 2020</i>	<i>Q4 2019</i>	<i>Q1 2019</i>	<i>2019</i>
Continued operations				
License revenue	8.9	8.8	12.6	40.0
Other revenue	0.0	0.0	0.6	1.6
Operating revenue continued operations	8.9	8.8	13.2	41.6

5 Options

An options program was approved at the AGM in 2019, 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 is recorded over the first 12 months following the approval date of 21 May 2019, as the options fully vested on 21 May 2020. The total cost of the options is NOK 4.3 million, mainly non-cash, and NOK 1,085,947 has been recognized for Q1 2020 in accordance with IFRS 2.

6 Financial assets

In accordance with authorisation from the Board of Directors, Magnora ASA both sold and purchased marketable securities during Q1 2020 with a net negative effect of NOK 3.3 million. The total value of other financial assets held on the balance sheet is NOK 15.8 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 investment in Kustvind AB is also included in the balance sheet under Other Financial Assets, as the Company has a 2% ownership. Magnora has invested SEK 500 000 for an initial 2% of Kustvind and has a right to acquire up to 50% of the company in a gradual milestone-based investment plan.

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).

7 Investment in associates

The investment in associates represents the investment in Vindr Group, where the Company has invested NOK 10 million for 25% ownership. As Magnora does not have a controlling share and does not exercise control in Vindr, the investment is accounted for using the equity method. The investment has been allocated with 25% as an asset and 75% allocated to goodwill.