



MAGNORA ASA

Magnora ASA Second quarter and half-year 2020 report

25 August 2020



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KEY HIGHLIGHTS FROM SECOND QUARTER

- Solid financial performance in the second quarter largely driven by gains from investments, delivering a net profit of NOK 12.1 million, up from NOK 2.4 million in the previous quarter
- Good progress on the 500 MW “Sydkustens Vind” project offshore Sweden, including completion of numerous studies that have validated the commercial and technical feasibility of the project
- Signed a letter of intent to invest in a potential 50 MW UK onshore wind development project which is close to existing infrastructure and has good wind conditions
- Entered into a letter of intent to invest in a potential 60 MW onshore wind development project company in Scandinavia
- The Vindr team continues development of its technology and methodology in an impressive way. The company has expanded its project pipeline and engaged an additional specialist to its team
- Magnora is in discussions with potential industrial partners, project developers and renewable companies to explore partnership opportunities that enable growth within and outside our core market
- Strengthened the company’s management team:
 - Theis Hanang Pedersen appointed head of business development and strategy
 - Haakon Alfstad appointed investment director
 - Bjørn Sund appointed as director of industrial projects and offshore
 - Engaged two senior consultants enabling us to strengthen our offering offshore and outside Norway and Sweden

EVENTS SUBSEQUENT TO THE QUARTER

- On 3 July 2020, Magnora and Kustvind AB announced plans to accelerate development of the 500 MW shallow water offshore wind project in southern Sweden. The project has now entered its concession process. Compared to the original schedule, the project has been accelerated by ten months based on our plans in Q1 when we made our first investment in Kustvind AB
- Board of directors approved cash distribution of NOK 0.08 per share on 16 July 2020

KEY FIGURES

<i>Continued operation (NOK million)</i>	<i>Q2 2020</i>	<i>Q1 2020</i>	<i>YTD 2020</i>	<i>Q2 2019</i>	<i>YTD 2019</i>	<i>2019</i>
Revenues	5.9	8.9	14.8	10.0	23.2	41.6
EBITDA	-2.3	5.1	2.8	2.3	12.1	23.1
Net Profit	12.1	2.4	14.5	2.3	10.2	20.2
EPS (NOK)	0.23	0.05	0.28	0.04	0.19	0.38
Operating cost excluding one-off items*	-2.7	-2.7	-5.4	-7.5	-10.9	-15.9
Adjusted EBITDA*	3.2	6.2	9.4	2.4	12.2	25.7
Cash	45.7	54.8	45.7	103.3	103.3	58.3
Equity ratio (%)	93%	84%	93%	91%	91%	93%
Number of shares outstanding	52.6	52.6	52.6	52.6	52.6	52.6

* See definition of Alternative Performance Measures in Note 1.

OPERATIONAL REVIEW

(Figures in brackets relate to first quarter 2020. The figures are unaudited.)

Magnora (or “the Company”) started the quarter with formalising the management team, with Theis Hanang Pedersen as the head of business development and strategy, and Haakon Alfstad as investment director. Both Erik Sneve and Bård Olsen continue in their roles as CEO and CFO, respectively, in a permanent capacity. All four members of the management team received options as part of the Magnora options programme to ensure long-term commitment and focus. In May, Magnora appointed Bjørn Sund as director of industrial projects and offshore to complement the Company’s existing wind development team with Mr. Sund’s experience in hydrogen and ammonia plants as well as large offshore projects. Combined with the teams in Kustvind and Vindr, Magnora has an expanded team of 11 professionals with considerable experience from the wind project development market in Norway, Sweden, Germany, Scotland, England, Wales and the US.

Portfolio companies

Magnora acquired part of Vindr during Q1 2020, and the company was integrated with Magnora during the second quarter. Vindr is a company focusing on early stage wind opportunities in Norway and Sweden, and the company has made good progress during the quarter and is delivering according to the company’s business plan. Haakon Alfstad, Magnora’s investment director, is the company’s executive chairman and works closely with the Vindr team. Magnora invested NOK 10 million with its initial acquisition in Vindr last quarter.

The Company also acquired part of Kustvind during Q1 2020. Kustvind is a 500 MW shallow water offshore project in the southern part of Sweden. The project is located approximately 8 km offshore the southern coast of Sweden and has a 500-megawatt (MW) potential and production capacity of 2 TWh annually. The project can potentially serve 250.000 homes with electricity. Haakon Alfstad is also executive chairman of Kustvind AB and works closely with the project team. The company has made good progress during the quarter and is already ahead of the original schedule. The project now enters the concession process. Compared to the original schedule, the project was started ten months earlier than anticipated by Magnora at the time of the investment. Magnora has increased its investment in Kustvind by NOK 1.9 million during the second quarter.

Magnora signed a letter of intent to invest in a UK onshore wind development project during the quarter. The feasibility study is scheduled to conclude at the end of September 2020. The project site is close to infrastructure and has good wind conditions.

In the second quarter, the Company also signed a letter of intent to invest in a potential 60 MW onshore wind development project in the northern part of Scandinavia. Magnora will make a final investment decision following a four-month feasibility study period which is scheduled to end late August 2020.

License agreements

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 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 second quarter 2020 was NOK 5.9 million (NOK 8.9 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. The vessel’s production depends on weather, maintenance, decline, timing of production drilling, discoveries and more.

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. The Penguins field is currently producing and is hooked up to the last of the remaining Brent platforms.

FINANCIAL REVIEW

Results for the quarter

Operating revenue in the second quarter 2020 was NOK 5.9 million, NOK 3.0 million lower than the previous quarter.

EBITDA was negative NOK 2.3 million (NOK 5.1 million) due to the lower operating revenue and increased operating costs for the quarter. The decrease in operating revenue was due to lower offloading and therefore lower license revenues from the Dana contract. The higher operating costs were driven by a higher activity level with more external costs, additional legal fees related to new investments and due diligence of new investments considered, higher personnel expenses as a result of a bonus paid to management and the chairman, and external consultants assisting with the new strategy. Core operating costs were NOK 2.7 million and adjusted EBITDA of NOK 3.2 million. The core costs exclude costs associated with the Company's growth plans, annual bonus payments and certain one-off costs that are expected to occur less frequently.

Net profit for the quarter was NOK 12.1 million, an increase of NOK 9.7 million compared to the previous quarter (NOK 2.4 million). This increase was mainly due to a net gain in financial items, and a favourable decision from the tax authorities regarding a potential tax liability that was reserved for in Magnora Holding AS. The net gain in financial items was mainly from an increase in the value of marketable securities held or settled during the quarter.

Half-year results 2020

For the first half of 2020, operating revenues ended at NOK 14.8 million, down from NOK 23.2 million in the same period of last year, due to lower revenues from Dana. Revenue streams from Dana will depend on timing of production drilling, currency rates, maintenance, uptime and more.

For the first six months of 2020, EBITDA ended at NOK 2.8 million, versus NOK 12.1 million last year. The adjusted EBITDA ended at NOK 9.4 million, versus NOK 12.2 million last year. This year's EBITDA result has been negatively affected by higher operating costs from a higher activity level with more external costs, higher personnel expenses, higher legal fees related to new investments, and external consultants assisting with the new strategy.

Net profit for the first half of 2020 was NOK 14.5 million, a 42% improvement on the corresponding period last year.

Earnings per share was NOK 0.28 in the first half of 2020, versus NOK 0.19 in the same period in 2019.

Cash flow

As of 30 June 2020, cash and cash equivalents amounted to NOK 45.7 million (NOK 54.8 million). The cash flow in the quarter was mainly affected by 1) payments for investments in Kustvind and Vindr, 2) higher operating expenses, and 3) purchase and sale of marketable securities for cash management purposes.

Financial position

The equity ratio was 93 percent as of 30 June 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 programme focuses on the uncertainty of financial markets and seeks to minimize potential adverse effects on its 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.

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

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 Scandinavia and abroad from early phase greenfield to ready-to-build. 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 during the fall of this year.

As of the date of this report, Covid-19 has caused a few minor delays on individual processes and income but has overall not impacted the Company significantly. The demand for renewable energy is increasing and creating opportunities through new projects. Although the Company made two investments during the first quarter this year, plus signed two letters of intent in the second quarter, the management team continues to evaluate additional potential investment opportunities that fit within the Company's new focus. 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 various green fuels and green raw materials with established industrial companies. The Company also hopes to announce contracts with new landowners and project developers in our core markets, as well as to develop at least one project with an energy storage solution during the autumn. Possible new transactions include potential participation in various onshore and offshore licensing rounds for wind development, in collaboration with industrial partners. In addition, we have identified some interesting project development portfolios available to make 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

The board of directors launched a new share buyback programme based on an authorisation from the annual general meeting ("AGM") held on 21 May 2019, and as of the date of this report, Magnora owns 76,175 of its own shares. The authorisation was renewed by the AGM held on 26 May 2020.

Based on the acceleration of our investments and letters of intent as part of our new strategic direction, we reduced the quarterly return to NOK 0.08, which was distributed to shareholders on 23 July 2020. The reduction has been encouraged and supported by our largest shareholders to enable the acceleration of our investments and new strategic direction.

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 Europe from early phase greenfield to ready-to-build.

At the general meeting held on 21 May 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, 25 August 2020
The Board of Directors of Magnora ASA



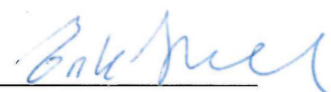
Torstein Sanness
Chairman



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>Q2 2020</i>	<i>Q1 2020</i>	<i>YTD 2020</i>	<i>Q2 2019</i>	<i>YTD 2019</i>	<i>2019</i>
Continued operations							
Operating revenue	4	5.9	8.9	14.8	10.0	23.2	41.6
Operating expense		-8.2	-3.8	-12.0	-7.7	-11.2	-18.5
EBITDA		-2.3	5.1	2.8	2.3	12.0	23.1
Operating Profit/(loss)		-2.3	5.1	2.8	2.3	12.0	23.1
Financial income/(loss)	6	14.1	-8.6	5.6	0.6	0.9	1.5
FX gain/(loss)		0.5	6.5	7.0	0.1	0.2	-1.5
Net financial items		14.6	-2.0	12.6	0.7	1.1	0.0
Profit/(loss) before tax		12.3	3.0	15.4	3.0	13.1	23.1
Tax income/(expense)		-0.2	-0.7	-0.8	-0.7	-2.9	-2.9
Net profit/(loss) continued operations		12.1	2.4	14.5	2.3	10.2	20.2
Net Profit/(loss)		12.1	2.4	14.5	2.3	10.2	20.2

Statement of comprehensive income

<i>NOK million</i>	<i>Q2 2020</i>	<i>Q1 2020</i>	<i>YTD 2020</i>	<i>Q2 2019</i>	<i>YTD 2019</i>	<i>2019</i>
Net profit/(loss)	12.1	2.4	14.5	2.3	10.2	20.2
Foreign currency translation	0.0	0.0	0.0	0.1	0.0	0.0
Total comprehensive income	12.1	2.4	14.5	2.4	10.2	20.2

Condensed statement of financial position

<i>NOK million</i>	<i>Note</i>	<i>30.06.20</i>	<i>31.03.20</i>	<i>31.12.19</i>
Deferred tax assets	2	35.8	39.2	39.9
Investment in associates	7	10.0	10.0	0.0
Total non-current assets		45.8	49.3	39.9
Trade and other receivables		1.7	2.4	2.5
Other current financial assets	6	22.4	7.5	12.5
Cash and cash equivalents		45.7	54.8	58.3
Total current assets		69.8	64.7	73.3
Total assets		115.6	114.0	113.2
Share capital		25.8	25.8	25.8
Treasury shares		-0.6	0.0	0.0
Other equity		82.8	70.0	79.8
Total shareholders' equity		108.0	95.8	105.6
Total equity		108.0	95.8	105.6
Other non-current liabilities		3.8	7.0	0.0
Total non-current liabilities		3.8	7.0	0.0
Current liabilities		3.8	11.2	7.6
Total current liabilities		3.8	11.2	7.6
Total liabilities		7.6	18.2	7.6
Total equity and liabilities		115.6	114.0	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		14.5	14.5
Acquired treasury shares*		-0.6	-0.6
Share based payments		1.6	1.6
Capital distribution		-13.1	-13.1
Equity as of 30 June 2020	25.8	82.2	108.0
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 76,175 shares or 0.15 percent of total shares outstanding

Condensed statement of cash flow

<i>NOK million</i>	<i>Q2 2020</i>	<i>Q1 2020</i>	<i>YTD 2020</i>	<i>Q2 2019</i>	<i>YTD 2019</i>	<i>2019</i>
Cash flow from operating activities						
Cash from operations	-1.6	12.9	11.3	-0.1	3.4	25.5
Taxes paid/repaid	0.0	0.0	0.0	0.0	0.0	0.0
Net cash generated from operating activities	-1.6	12.9	11.3	-0.1	3.4	25.5
Cash flow from investment activities						
Net purchase of marketable securities	-7.4	-3.3	-10.7	0.0	0.0	-14.1
Loan to Arendal Brygge AS	0.0	0.0	0.0	0.0	-0.4	-0.9
Net cash from investment activities	-7.4	-3.3	-10.7	0.0	-0.4	-15.0
Cash flow from financing activities						
Capital distribution	0.0	-13.1	-13.1	0.0	0.0	0.0
Capital reduction paid out	0.0	0.0	0.0	0.0	0.0	-52.6
Net cash from financing activities	0.0	-13.1	-13.1	0.0	0.0	-52.6
Net cash flow from the period	-9.1	-3.5	-12.6	-0.1	3.0	-42.0
Cash balance at beginning of period	54.8	58.3	58.3	103.4	100.3	100.3
Cash balance at end of period	45.7	54.8	45.7	103.3	103.3	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 2019.

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 core "Operating cost, excluding one-off items" which excludes costs associated with the Company's growth plans is a useful measure because it provides an indication of the company's operating cost base for the period without regard to the growth related expenses. It also excludes significant historical, non-operational, or other events that are expected to occur less frequently. The cost of options, bonus payments to the management and board, and payments to outside personnel for ad hoc assistance with strategy and M&A activities are deducted to provide a consistent measure of the company's cost base.

Adjusted EBITDA: Management believes that "Adjusted EBITDA" which excludes "one-off items" and the expenses excluded from operating cost as defined above, 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 4 August 2020 (source: VPS)</i>	<i>Number of shares</i>	<i>Percent ownership</i>
DNB Markets Aksjehandel/-analyse*	10,843,049	20.62
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	1,971,966	3.75
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	1,430,156	2.72
HORTULAN AS	1,298,438	2.47
DANSKE BANK AS	1,207,634	2.30
BEKKESTUA EIENDOM AS	1,150,019	2.19
ALTEA PROPERTY DEVELOPMENT AS	1,004,944	1.91
AARSKOG, PHILLIP GEORGE	1,000,000	1.90
FINANCIAL FUNDS AS	996,000	1.89
SVENSKA HANDELSBANKEN AB	925,000	1.76
SIX SIS AG	915,116	1.74
ALDEN AS	867,460	1.65
BAKLIEN, ÅSMUND	700,000	1.33
F2 FUNDS AS	625,500	1.19
Total, 20 largest shareholders	36,179,918	68.80
Other shareholder accounts	16,406,780	31.20
Total number of shares	52,586,698	100.00
Foreign ownership	5,196,527	9.88

*Magnora's largest shareholder is Kistefos AS who owns shares held by DNB Markets Aksjehandel/-analyse and Skandinaviske. In total, Kistefos AS holds 10,942,314 shares in the company equal to 20.8% of shares outstanding.

4 Operating revenue

<i>NOK million</i>	<i>Q2 2020</i>	<i>Q1 2020</i>	<i>YTD 2020</i>	<i>Q2 2019</i>	<i>YTD 2019</i>	<i>2019</i>
Continued operations						
License revenue	5.9	8.9	14.8	9.4	22.0	40.0
Other revenue	0.0	0.0	0.0	0.6	1.2	1.6
Operating revenue continued operations	5.9	8.9	14.8	10.0	23.2	41.6

5 Options

An options programme was approved at the AGM in 2019, and the chairman of the Board of Directors and the CEO were granted 400,000 options each, and the two independent directors of the Board were granted 50,000 options each. The cost of the options programme has been recorded over the first 12 months following the approval date of 21 May 2019, as the options were fully vested on 21 May 2020. The total cost of the options is NOK 4.3 million, mainly non-cash, and NOK 603,304 has been recognized for Q2 2020 in accordance with IFRS 2.

Additional awards of options were made during Q2 2020 in accordance with the options programme approved by the AGM in 2019. The CEO and the investment director were granted 50,000 options each. The CFO and the head of business development and strategy were both granted 25,000 options each. Additional options were also awarded to the board by the AGM held on 26 May 2020. The chairman of the Board of Directors was granted 50,000 options, the Audit Committee chair was granted 20,000 options, and the remaining independent director was granted 5,000 options. The cost of the options is recorded over the first 36 months following the grant date of 1 April 2020 for most of the options, as they will be fully vested on 1 April 2023. The total cost of the options is NOK 1.3 million, mainly non-cash, and NOK 104,616 has been recognized for Q2 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 Q2 2020 with a net gain of NOK 14.1 million. The total value of other financial assets held on the balance sheet is NOK 22.4 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. After investing an additional NOK 1.9 million in Kustvind during this quarter, Magnora now has approximately 5% ownership in Kustvind. Magnora has invested a total of NOK 2.4 million in 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.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the interim consolidated financial statements for the period 1 January to 30 June 2020 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 first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, Norway, 25 August 2020

The Board of Directors of Magnora ASA



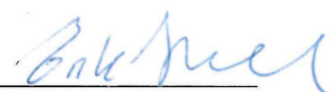
Torstein Sanness
Chairman



Hilde Ådland
Board member



John Hamilton
Board member



Erik Sneve
CEO