



MAGNORA ASA

# ANNUAL REPORT 2020

15 March 2021





# ELECTRIC FUTURE

We are investing in companies and projects to be a part of the development of the renewable energy solutions that will deliver clean energy to industries and consumers. Our aim is to be an international developer of renewable energy.





# MAGNORA ASA

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# CEO AND CHAIRMAN'S STATEMENT

## An Electric and Bright Future

Renewable investors are facing decades of growth opportunities as we are transitioning to a carbon neutral society. In the Nordpool and surrounding areas alone, analysts anticipate USD 120 billion to be invested in new renewable power production over the next two decades, as part of the green transition.

We see significant growth potential on the demand side in the Nordics from green steel, hydrogen, ammonia, fertilizer, battery factories, data centers and transportation. This is in addition to electrification of offshore oil and gas production facilities in the North Sea. With lower power prices in the Nordics than continental Europe, we see vast opportunities for new power intensive industries, and changes in existing ones such as the steel industry in Sweden. This supports a further development of renewable energy production in the Nordics.

After selling our oil and gas related business in 2018, Magnora has in just two years managed to transition into a renewable energy development company. We have succeeded in attracting a team of thought leaders and industry experts. We have also made a few key investments we believe will shape the future of Magnora in the years to come. Initial focus was wind power development, but solar PV is already a significant part of our business model.

We are proud to have a leading team of renewable industry experts, who have previously been instrumental in building up some of Europe's most successful renewables and offshore companies. The experience and professional relationships of our team has allowed us a privileged seat at the table with many of the majors of our industry. We are

now in a unique position, with recurring income from legacy business, funding parts of our new business model. We conducted a private placement in February that confirmed the support we have from our investors and the market, as it was oversubscribed several times.

Magnora's business model is to identify and develop renewable energy projects from greenfield to the ready-to-build phase. At the point of construction and operations we prefer to farm-down and cooperate with professional investors who will finance and operate the projects over the duration of the license periods. With our entry into solar PV and wind, we expect to generate revenues beyond our legacy business in the years to come. However, farm-down, trade-sale and IPO of certain business prior to projects being fully developed is also an opportunity to generate revenues at an earlier stage.

During recent years, early phase renewable project development has been rewarded with high returns, but the rewards do not come without risks. High returns require an industrialised approach and a large portfolio of projects. Diversification coupled with a professional team allows us to quickly choose the best project opportunities.

The technological development is happening at a lightning pace. Two years ago, the largest onshore wind turbines being installed were 4 MW, and this year close to 6 MW turbines will be installed. In comparison, it took over 15 years to grow from 2 to 4 MW turbines. In offshore wind, the largest turbines being installed are 8-10 MW, while 14-16 MW turbines are announced for production in 2024-25. It is expected that 20 MW turbines will be offered soon. Battery and hydrogen technologies are becoming increasingly competitive and are expected to reduce the

challenges with intermittent energy production from wind and solar energy plants.

Similarly, the cost development of solar PV is even more astonishing, and capex has fallen 90 percent since 2010. Annually, capex drops 15 percent and new technology such as trackers, bifacial modules and potentially Perovskite will drive unit costs further down and output up. Magnora is closely following the market development and has during the start of 2021 invested in solar PV project rights in South Africa, as well as in project developers in southern Sweden and South Africa. We are continuously looking for great teams with compelling projects and look forward to developing more projects.

The future is bright and green.



**Torstein Sanness**  
Executive chairman  
&



**Erik Sneve**  
CEO

# KEY FIGURES

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REVENUES

**28.4** MILLION (NOK)

41.6 PREVIOUS YEAR (2019)



EBITDA

**6.1** MILLION (NOK)

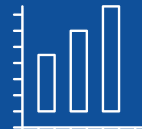
23.1 PREVIOUS YEAR (2019)



NET PROFIT

**28.5** MILLION (NOK)

20.2 PREVIOUS YEAR (2019)



EPS

**0.54** MILLION (NOK)

0.38 PREVIOUS YEAR (2019)



CASH

**44.8** MILLION (NOK)

58.3 PREVIOUS YEAR (2019)



EQUITY RATIO %

**95%**

93% PREVIOUS YEAR (2019)



NUMBER OF SHARES  
OUTSTANDING\*

**52.6**

52.6 PREVIOUS YEAR (2019)

\* After the private placement in February 2021, the Company has 57,072,679 shares outstanding.

# BOARD OF DIRECTORS' REPORT

## MAIN EVENTS IN 2020

(Figures for 2019 are presented in brackets)

The Company continued to have a significant deal flow through 2020 and made three investments during the year:

- » In March 2020, Magnora acquired 25 percent of Vindr through a share issue. Vindr has since the acquisition progressed according to its business plan and has built an early phase pipeline of several hundred MW. Vindr is a developer of small and medium sized onshore wind projects in areas with already cultivated land. Along with building the pipeline, emphasis has been put on further developing the company's methodology and tools to enable effective site identification and development. Vindr's concept and business development is now also ready to be tested outside its core focus areas in Scandinavia, and in February 2021, Vindr merged with a South African wind and solar PV consultancy and project developer. Magnora has increased its ownership and holds 50 percent of the merged Vindr Group.
- » In March 2020, Magnora entered into an agreement to acquire up to 50 percent of Kustvind AB, which is a 500 MW shallow water offshore wind project company on the southern coast of Sweden. The project is located in an area with very attractive wind conditions approximately 8 km offshore the southern coast of Sweden. The wind farm will have a potential 2 TWh annual electricity production and can potentially serve 250.000 homes with electricity. The project is close to relevant infrastructure and an area of Sweden that has had very attractive electricity prices both historically and recently. The impact assessment is progressing as planned, a preliminary energy yield report has been completed and park

layout adjusted accordingly. Cooperation has started with E.ON regarding grid connection concession process.

- » In November 2020, Magnora acquired 28.44 percent of Evolar AB through a share issue. Magnora has options to increase its ownership in Evolar to 63.5 percent. Evolar is developing a unique perovskite-based PV power booster technology that can add power to conventional silicon-based solar panels at a very low cost. Silicon based solar technology's performance has stagnated over the last decade. The company is based on the campus of the University of Uppsala in Sweden. The founding team consists of five scientists with 20-40 years of experience with thin film solar cell development. The founders and Magnora are the only owners of Evolar. Evolar has recruited five persons since November last year. The investment in Evolar gives Magnora instant access to a premium product in a growing solar cell market that is ripe for efficiency innovation. The Evolar team has achieved several world records within its niche such as a CIGS -solar cell with an efficiency of 24 percent and a thin film module record of 21 percent efficiency. The company has unique industrial size R&D prototype line equipment, which is fully operational in Evolar's R&D facilities. Evolar's prototyping equipment allows its team to quickly scale and test solar cells and modules and thereby shorten time-to-market compared to most other players in the market. The Evolar team also plans to cooperate with several leading players to test and scale up the technology to rapidly capitalise on the multi-billion-dollar solar cell market.

The Company delivered solid financial results in 2020 with the revenue from the Western Isles agreement and gains from financial income:

- » Profit before tax was NOK 34.1 million, which is a 48 percent improvement from 2019.
- » Decrease in operating revenue combined with a slight increase in operating expenses gave an EBITDA of NOK 6.1 million (NOK 23.1 million). The main driver for the increase in operating expenses was an increase in legal and other consultancy services, as well as increase in employee related expenses and overhead.
- » Net profit was NOK 28.5 million (NOK 20.2 million), which is an increase of NOK 8.3 million compared to 2019. The increase was mainly driven by the gains from financial income.

The Company returned NOK 0.33 per share as part of its dividend strategy during 2020. Capital distribution has been halted as the Company now wants to retain the funds to take advantage of investment opportunities and to further develop the Company.

Theis Hanang Pedersen, formerly country manager of Vestas, and Haakon Alfstad, formerly head of onshore wind at Statkraft, were retained at the end of 2019, and have been instrumental in shaping the Company into today's form together with executive chairman Torstein Sanness. Theis Hanang Pedersen sadly passed away in January 2021 and will be deeply missed by the Magnora team. Espen Erdal from DNV GL has been appointed as asset manager, and Peter Nygren, formerly co-founder and CEO of Arise, has been appointed EVP Operations. Kristin Gjertsen, formerly VP at Aker Energy, and Bjørn Sund, formerly Lundin Energy and Aker Energy, are heading Magnora's offshore licensing processes.



## SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

On 2 February 2021, Magnora participated in a share issue acquiring 25% of Helios Nordic Energy AB (Helios), a greenfield developer of large-scale PV projects in the Nordics. The company has developed a project portfolio by signing options for land leases in well suited locations in southern Sweden and has land lease agreements for 14 projects with a total of approximately 400 MW potential installed capacity. Magnora has an option of acquiring an additional 15% of Helios by mid-September 2021.

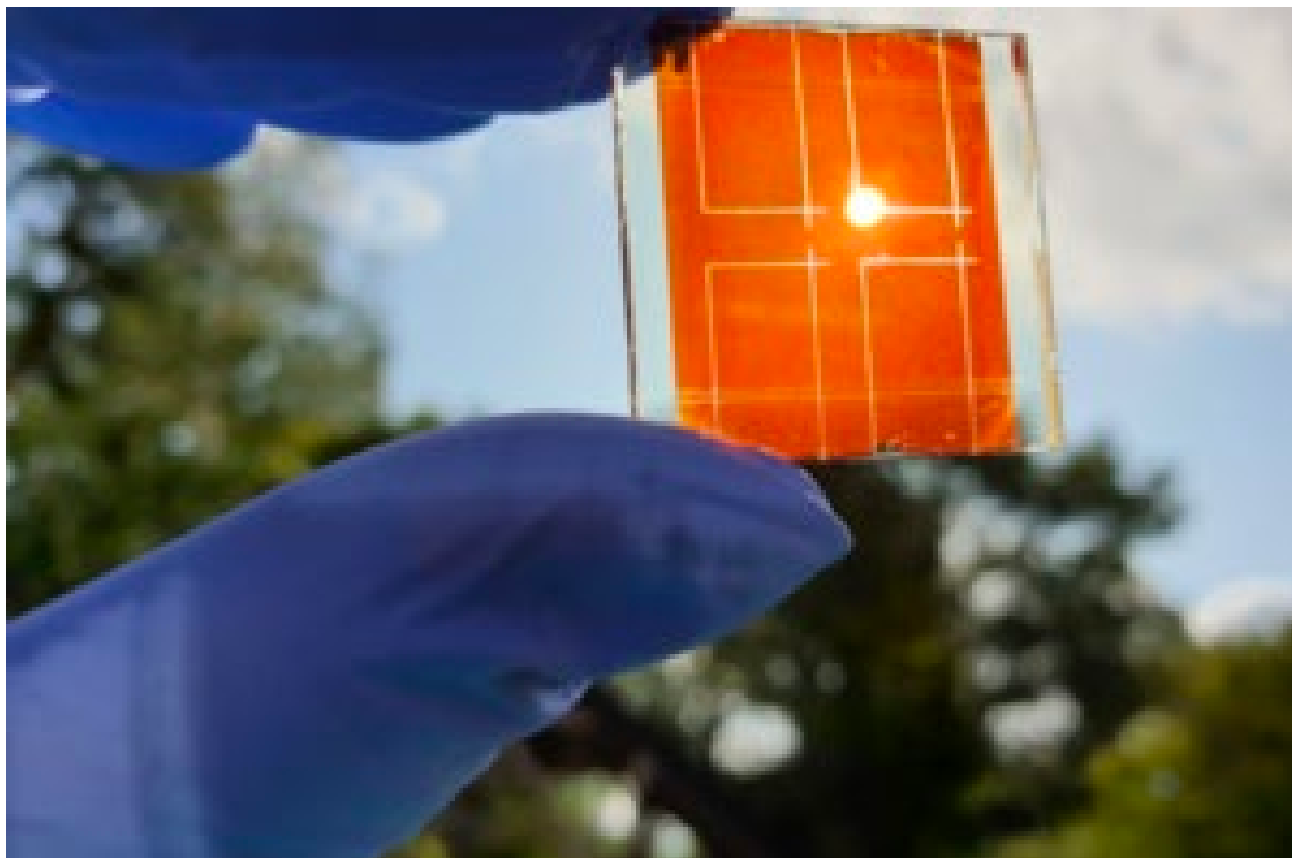
On 3 February 2021, Magnora closed an equity private placement of 4,485,981 new shares with a subscription price per share of NOK 26.75 and a total offer size of NOK 120 million. The private placement was conducted through an accelerated book-building process and was over-subscribed multiple times. The additional funding was pursued as part of the Company's strategy to capitalise on additional investment opportunities. Following issue of the new shares, the registered share capital of the Company is NOK 27,965,613, divided into 57,072,679 shares.

Magnora has signed an agreement with an undisclosed global offshore energy technology and service company to establish a joint floating wind company called Magnora Offshore Wind. Magnora Offshore Wind is being established but has already commenced its operations and started work on the application for the ScotWind licensing round in Scotland, UK. In addition, the company will participate in the first offshore wind application round in Norway, which will open in 2021. Magnora Offshore Wind will also consider entering other markets.

Magnora has signed an option agreement with RWE Renewables with the intention of investing in Oddeheia and Bjelkeberg wind farm in Birkenes municipality in Agder county in Norway. The project will have an installed capacity of approximately 98 MW when completed, of which Magnora will own a 34 percent share. The project owner has applied to the Ministry of Petroleum and Energy for postponed completion of the project until 31 December 2022. A decision on the matter is expected during 2021. Realising the project will mean local value creation to increase tax revenues and local synergies- such as employment. Magnora's share in the project will be approximately 33 MW, and the project is expected to be in the ready-to-build stage during 2021 pending consent by the Ministry.

On 22 February 2021, Magnora entered into agreements to acquire 100 percent of the shares in a South African company with a 775 MW greenfield renewable development portfolio consisting of approximately 50% wind and 50% solar PV. Magnora will be working with Vindr's subsidiary in South Africa to develop the renewable projects in this company.

# BOARD OF DIRECTORS' REPORT CONTINUED



## BUSINESS AND STRATEGY

Magnora has successfully transitioned into a renewable energy development company, and its initial investments in the wind energy segment are progressing according to plan. The initial focus area was set on development of wind projects in Scandinavia and abroad from early phase greenfield to ready-to-build, however, the Company is looking at various growth opportunities within the wind and solar space. Although significant focus has been set on the wind segment, the Company has during 2020 considered several alternative renewable segments and made its first investment in the solar segment during the fourth quarter with the investment

in Evolar, and its second with the investment in Helios in February 2021. Additionally, the Company has acquired a South African company to develop onshore wind and solar PV energy plants.

All companies Magnora has invested in are progressing according to plan. In addition to the investments made in renewable companies, the Company has after the end of the year entered into two agreements, as described above, that are expected to be a key part of the Company's onshore and offshore wind strategy.

The Company has a close dialogue with its largest shareholders and based on on-going discussions and progress with implementation of the new strategy, the company's

strategy and investment approach has been fine-tuned and updated. The private placement that took place on 3 February 2021, was oversubscribed several times, which confirms Management's alignment with the shareholders. The additional funding will be used to continue pursuing good investment opportunities that meet our investment criteria. The Company continues to evaluate and investigate a significant volume of deals introduced, where Magnora can help develop companies' business case through a combination of experience, skills, and finance.



## 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 Western Isles FPSO (the "FPSO"), owned by Dana Petroleum, for the lifetime of the vessel. The associated license income for the year 2020 was NOK 27.1 million (NOK 40 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 company's 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 spring 2021 with further milestones achieved thereafter. The Penguins field is currently producing and is hooked up to the last of the remaining Brent platforms in the British sector of the North Sea.



# BOARD OF DIRECTORS' REPORT CONTINUED



## PORTFOLIO COMPANIES

Magnora invested NOK 15.4 million acquiring 28.44 percent of the shares in Evolar AB (Evolar) through a share issue in the fourth quarter 2020. The acquisition was fully financed by Magnora's existing cash holdings, and Magnora has options to increase its ownership in Evolar to 63.5 percent. Evolar is developing a unique perovskite-based PV power booster technology that can add power to conventional silicon-based solar panels at a very low cost. The company is based in Uppsala in Sweden and currently consists of five founding scientists with 20-40 years of experience with thin film solar cell development. The investment in Evolar gives Magnora instant access to a premium product in a growing solar cell market that is ripe for efficiency innovation. The Evolar team has achieved several world records within its niche such as a CIGS -solar cell with an efficiency of 24 percent and a thin film module record of 21 percent efficiency. The company has unique industrial size R&D prototype line equipment, which is fully operational in Evolar's manufacturing facilities. This allows the team to quickly scale and test solar cells and modules and thereby shorten time-to-market. The Evolar team also plans to

cooperate with several leading players to test and scale up the technology to rapidly capitalise on the USD multi-billion solar cell market.

Since Magnora acquired 25 percent of Vindr in March 2020, the company has progressed according to its business plan, and has built an early phase pipeline of several hundred MW. Vindr is a developer of small and medium sized onshore wind projects in areas with already cultivated land and is experiencing high interest for its business model. Along with building the pipeline, emphasis has been put on further developing the company's methodology and tools to enable effective site identification and development. Vindr's concept and business development is now ready to be tested outside its core focus areas in Scandinavia and the team is advancing market analysis regarding entry into new markets.

Magnora also acquired part of Kustvind AB in 2020. Kustvind is a 500 MW shallow water offshore wind project located in an area with very attractive wind conditions approximately 8 km offshore the southern coast of Sweden. The wind park will have a potential 2 TWh annual electricity production and can potentially serve 250.000 homes with electricity. The project

is close to relevant infrastructure and an area of Sweden that has had very attractive electricity prices both historically and recently. The project continues to progress according to plan and has entered the concession phase with significant studies and assessments required for the concession application. The impact assessment is progressing as planned, a preliminary energy yield report has been completed and park layout adjusted accordingly, and cooperation started with E.ON regarding grid connection concession process.

Magnora owns 50% of the shares in Arendal Brygge AS, and the regional bank Sparebanken Sør owns the other 50% of the shares. Arendal Brygge AS is the property management 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, Norway. The real estate has development and value creation potential under certain circumstances, which the Company is exploring together with Sparebanken Sør. Arendal Brygge is the last remaining assets from Magnora's legacy business.



## FINANCIALS

(Figures for 2019 are presented in brackets)

### Profit and loss

Operating revenue in 2020 was NOK 28.4 million, down from NOK 41.6 million in 2019. The decrease in revenue was due to lower license fees from the Dana Western Isles project in 2020 than in 2019. EBITDA was NOK 6.1 million (NOK 23.1 million) due to the reduction in revenues combined with higher operating expenses in 2020 than in 2019. Although EBITDA was lower in 2020 than in 2019, net profit for 2020 was NOK 28.5 million (NOK 20.2 million) due to significant financial income in 2020. Profit before tax was NOK 34.1 million (NOK 23.1 million). The Company has accumulated tax losses of over NOK 3.5 billion.

### Cash flow

As of 31 December 2020, cash and cash equivalents amounted to NOK 44.8 million (NOK 58.3 million). The negative cash flow for the year of NOK 13.5 million was mainly due to the capital distribution to shareholders, purchase of marketable securities, and investments in portfolio companies.

### Financing and financial position

As of year-end 2020, total assets amounted to NOK 124.1 million (NOK 113.2 million) whereof cash and cash equivalents amounted to NOK 44.8 million (NOK 58.3 million). Total equity as of 31 December 2020 amounted to NOK 118.1 million (NOK 105.6 million), and the equity ratio was 95 percent (93 percent).

The Group had no interest-bearing debt in 2020 or 2019.

### Share buyback and dividends

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

Distribution of quarterly dividends to shareholders was approved at the annual general meeting held on 26 May 2020, and distribution of capital was performed again in July 2020.

Magnora has approximately NOK 8.4 billion (NOK 159 per share) of paid-in capital in excess of par value available for distribution of equity back to its shareholders.

On 16 January 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorisation 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 21 May 2019, and again on 26 May 2020. Magnora may at any time without further notice close or suspend the program. The maximum number of shares which may be purchased in any one day is limited to 50 percent of the average weighted daily volume of Magnora shares traded in the 20 trading days preceding the day of purchase. As of the date of this report, Magnora owns 76,175 shares or 0.15 percent of total shares outstanding.

### 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 28.5 million in the parent company Magnora ASA:

- » Transfer to other equity at end of year Balance Sheet 31 December 2020: NOK 28.5 million
- » Total appropriation: positive NOK 28.5 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 programme focuses on identified uncertainties and seeks to minimise potential adverse effects on its financial performance.

Magnora's legacy royalty contracts are with 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.



# BOARD OF DIRECTORS' REPORT CONTINUED

The project development process for wind and solar parks is also exposed to risks. The process for obtaining concession from relevant authorities can vary in different countries, but most countries require local acceptance, and in some countries the local municipality has veto rights. The public opinion has in some countries caused changes to the political process determining the regulatory framework for obtaining concession for building and operating wind parks. These uncertainties can cause delays and rejection of the concession

applications, and it can cause the economics of the projects to be worsened as the approved size of turbines may not be sufficient for an optimised wind park. The price of electricity and electricity certificates can be affected by a number of factors ranging from economic climate, price of raw materials and CO2 prices to the structural supply and demand scenario. These factors could also influence opportunities for a potential investor, in one of our projects, to access equity and raising debt.

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 because 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.



## 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. More information about Magnora's sustainable development goals can be found in Magnora's 2020 ESG report which will be released soon.

## 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 stakeholders and 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 17 October 2018. The status of corporate governance is addressed on page 12.

### The Board of Directors

Magnora had its annual general meeting on 26 May 2020, 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](http://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% (2019: 0%) for the Company for the year. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2020. There were no Lost Time Incidents (LTI) during 2020.

The work environment is positive, and the Board and management continue to focus on equal opportunities for men and women. One of three Board members at year-end was female. 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 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 focused on managing the portfolio companies, developing renewable projects, and identifying new renewable development projects that represents good 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 decades.

Magnora's corporate structure is organised to be as efficient and cost effective as possible. The number of employees and external resources is expected to grow in 2021 with the steadily increasing activity level.

Magnora is listed on the main list of Oslo Stock Exchange, and has 7 206 shareholders as of the end of 2020.

Oslo, Norway, 15 March 2021  
The Board of Directors of Magnora ASA



Torstein Sanness  
Chairman



Hilde Ådland  
Board member



John Hamilton  
Board member



Erik Sneve  
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 17 October 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](http://www.nues.no) and the Continuing Obligations of stock exchange listed companies may be found at [www.euronext.com/en/markets/oslo](http://www.euronext.com/en/markets/oslo).

The Company operates based on 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 Senior Management will be secured, thereby contributing to reduced business risk and better shareholder value over time. The Board of Directors and 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 organisation 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 2021/2020, 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 31 December 2020, the Group had an equity share ratio of 95 percent. The Board of Directors continually reviews the Company's capital situation considering the Company's targets, strategies, and risk profile.

At the annual general meeting held on 26 May 2020, shareholders approved a share capital distribution to shareholders. Two distributions totaling NOK 17.4 million were performed in 2020. Capital distribution has been halted as the Company now wants to retain the funds to take advantage of investment opportunities and to further develop the Company's portfolio of green energy projects.

On 16 January 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorisation 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 21 May 2019, and again on 26 May 2020. Magnora may at any time without further notice close or suspend the program. The maximum number of shares which may be purchased in any one day is limited to 50 percent of the average weighted daily volume of Magnora shares traded in the 20 trading days preceding the day of purchase. As of the date of this report, Magnora owns 76,175 shares or 0.15 percent of total shares outstanding.



## **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 may engage in business activities with or in cooperation with its shareholders. Such activities shall be handled at the board level, with a view of 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 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 21 of the consolidated financial statements of this 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 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, Norway.

Attendance forms for the annual general meeting may be sent to the Company up to the day before such annual general meeting 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 is elected by the general meeting and currently consists of three members.

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 of 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.

# BOARD OF DIRECTORS' STATEMENT ON POLICY FOR CORPORATE GOVERNANCE CONTINUED

## 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 Ådland. 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 16 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 organised 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 12 board meetings in 2020, of which 1

was physical board meeting and the rest were held online due to Covid-19. The average participation level was 100%.

## AUDIT COMMITTEE

The Board of Directors established an Audit Committee in 2010, which acts as a preparatory and advisory working committee regarding 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 minimise 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 26 May 2020, the Board of Magnora issued 325,000 options during 2020 to provide long-term incentives to the Board and the Management team. The details regarding these awards are described in note 11 to the Company's consolidated financial statements.

Details of the remuneration to the Board of Directors are disclosed in note 16 to the Company's consolidated financial statements, included in the 2020 Annual Report.

## REMUNERATION OF THE SENIOR MANAGEMENT

The Board of Directors has established guidelines for the remuneration of the members of 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 63 of the 2020 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 considering 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 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 authorise 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 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, Norway, 15 March 2021  
The Board of Directors of Magnora ASA



Torstein Sanness  
Chairman



Hilde Ådland  
Board member



John Hamilton  
Board member



Erik Sneve  
CEO



# BOARD OF DIRECTORS



**Torstein Sanness**

## Executive 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 Norwegian Continental Shelf 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, large geoscience data company, International Petroleum Corporation, Lundin Petroleum AB and Panoro Energy ASA.



**Hilde Ådland**

## Board member

Mrs. Ådland holds a bachelor's in chemical engineering and a Master's in Process Engineering 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 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. Most 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 24 years with investments in the VC industry, industrially and the stock market in various positions and support services. His experience from working as an analyst, consultant, and investment director is from 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 (Dean's List).

## Bård Olsen | CFO

Bård Olsen has several years of experience from various controller positions in the US. He has also worked as an external auditor at Henry & Horne, and internal auditor and responsible for regional SOX compliance at the NYSE listed dealership group Auto Nation. Mr. Olsen has also worked at EY in a risk and internal control advisory role for banks and financial institutions in Oslo, Norway. Before joining Magnora, Mr. Olsen was Vice President of Global Compliance at MHWirth, a drilling equipment company within the Aker Group, and held various positions within the group during the nine years there, including Head of Internal Audit at Aker Solutions corporate.

Mr. Olsen holds a B.S. in Finance and MBA from Arizona State University.

## Peter Nygren | Executive Vice President Operations

Peter Nygren joined Magnora on 3 February 2021 and has a long and broad experience of financing, construction, and operation of energy assets of various kind. He is co-founder and was previously CEO of the listed wind power company Arise where over 500 MW on-shore wind was developed and built. Mr. Nygren was also head of energy on corporate level at SCA with global responsibility for purchase of energy to the company's papermills and production facilities. At the civil construction company NCC, Mr. Nygren was Vice President Project Financing.

Mr. Nygren holds a Degree in Mechanical Engineering and an MBA from Uppsala University.

## Haakon Alfstad | Executive Vice President Projects

Haakon Alfstad has broad experience as Senior Vice President in Statkraft AS and as leader in Naturkraft and in Statkraft Engineering AS. Mr. Alfstad has gained leadership- and project experience in Statkraft since 1987. He has also served as Chairman and Board Member on several Boards.

Mr. Alfstad was responsible for development, engineering, and construction of Statkraft's energy related portfolios within hydropower, wind power and gas fired power over a period of 17 years. He was responsible for several large projects within wind-power onshore and offshore. He has participated in the entire value chain within wind power development from early greenfield to completed projects based on organic growth and M&As.

Mr. Alfstad holds a master's degree in mechanical engineering from The Norwegian Institute of Technology (NTH) in Trondheim and Business Candidate from Norwegian School of Management, Oslo (BI).

## Espen Erdal | Asset Manager

Espen Erdal joined Magnora on 1 January 2021 and has his experience from consultancy, with the last 5 years solely within the wind and renewable industry. Before joining Magnora, Mr. Erdal was a consultant at DNV GL within Renewables Advisory in Oslo and specialised within due diligence and business development of wind farm developments in the Nordic and Baltic countries.

Mr. Erdal has also followed up several projects from design and through construction globally. Before DNV GL, Espen was 4 years at Dr. Ing. A. Aas-Jakobsen, one of the major structural engineering consultants in Norway, where he focused on design and analysis.

Mr. Erdal holds a Master of Science degree from Norwegian University of Science and Technology (NTNU) with a combination of the fields of structural engineering and renewable energy. As part of this degree, he spent one year at the University of California, Berkeley.

# MAGNORA GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS

NOK million	Note	2020	2019
Operating revenue	22	27.1	40.0
Other operating revenue	22	1.3	1.6
<b>Total operating revenue</b>		<b>28.4</b>	<b>41.6</b>
Employee benefit expense	14,16	-13.2	-12.6
Profit/Loss from associated companies	5	-0.9	-1.3
Other operating expense	23,24	-8.2	-4.6
<b>Total operating expense</b>		<b>-22.3</b>	<b>-18.5</b>
<b>Operating Profit/(loss)</b>		<b>6.1</b>	<b>23.1</b>
Financial income	17	25.1	1.5
Financial expense	17	-4.9	0.0
Foreign exchange gain/(loss)		7.8	-1.4
<b>Net financial profit/(loss)</b>		<b>28.0</b>	<b>0.0</b>
<b>Profit/(loss) before tax</b>		<b>34.1</b>	<b>23.1</b>
Tax income/(expense)	13	-5.6	-2.9
<b>Annual net Profit/(loss)</b>		<b>28.5</b>	<b>20.2</b>

NOK million	Note	2020	2019
Net profit/(loss) continued operations		28.5	20.2
<b>Net profit/(loss) attributable to equity holders</b>		<b>28.5</b>	<b>20.2</b>

Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (NOK per share):

Basic	18	0.54	0.38
Diluted	18	0.54	0.38

# MAGNORA GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	2020	2019
Net profit/(loss)	28.5	20.2
<b>Comprehensive income</b>	<b>28.5</b>	<b>20.2</b>
Comprehensive income attributable to equity holders	28.5	20.2
Comprehensive income attributable to non-controlling interest	0.0	0.0



# MAGNORA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	Note	31.12.20	31.12.19
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax assets	13	31.1	39.9
Investment in associated companies	5	24.5	0.0
<b>Total non-current assets</b>		<b>55.6</b>	<b>39.9</b>
<b>Current assets</b>			
Trade and other receivables	6,7,8,21	4.0	2.5
Other current financial assets	6,25,26	19.6	12.5
Cash and cash equivalents	6,7,9	44.8	58.3
<b>Total current assets</b>		<b>68.4</b>	<b>73.3</b>
<b>Total assets</b>		<b>124.1</b>	<b>113.2</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	10	25.8	25.8
Treasury shares		-0.1	0.0
Other equity		92.4	79.8
<b>Total equity</b>		<b>118.1</b>	<b>105.6</b>
<b>LIABILITIES</b>			
Non-current liabilities		0.0	0.0
<b>Total non-current liabilities</b>		<b>0.0</b>	<b>0.0</b>
<b>Current liabilities</b>			
Trade payables	6	0.8	0.1
Provisions	15	3.9	6.8
Other current liabilities	12,23	1.3	0.7
<b>Total current liabilities</b>		<b>6.0</b>	<b>7.6</b>
<b>Total liabilities</b>		<b>6.0</b>	<b>7.6</b>
<b>Total equity and liabilities</b>		<b>124.1</b>	<b>113.2</b>

Oslo, Norway, 15 March 2021  
The Board of Directors of Magnora ASA

**Torstein Sanness**  
Chairman

**Hilde Adland**  
Board member

**John Hamilton**  
Board member

**Erik Sneve**  
CEO

# MAGNORA GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK million	Share capital	Treasury Shares	Other equity	Total equity
Equity as of 1 January 2020	25.8	0.0	79.8	105.6
Total comprehensive income for the period			28.5	28.5
Acquired treasury shares*		-0.1	-0.5	-0.6
Share based payments (Note 11)			1.9	1.9
Capital distribution			-17.4	-17.4
<b>Total</b>		<b>-0.1</b>	<b>12.6</b>	<b>12.5</b>
Equity as of 31 December 2020	25.8	-0.1	92.4	118.1

\* As of 31 December 2020, Magnora owned 76,175 shares or 0.15 percent of total shares outstanding through the share buyback program.

NOK million	Share capital	Treasury Shares	Other equity	Total equity
Equity as of 1 January 2019	78.4	0.0	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 (Note 11)			2.3	2.3
Capital reduction and distribution	-52.6			-52.6
<b>Total</b>	<b>-52.6</b>	<b>0.0</b>	<b>22.4</b>	<b>-30.2</b>
Equity as of 31 December 2019	25.8	0.0	79.8	105.6

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

# MAGNORA GROUP CONSOLIDATED CASH FLOW STATEMENT

NOK million		2020	2019
<b>Cash flow from operating activities</b>			
Cash from operations	20	29.9	25.5
<b>Net cash generated from operating activities</b>		<b>29.9</b>	<b>25.5</b>
<b>Cash flows from investment activities</b>			
Purchase of associated companies		-25.4	-14.1
<b>Net cash from investment activities</b>		<b>-25.4</b>	<b>-14.1</b>
<b>Cash flow from financing activities</b>			
Capital distribution		-17.4	0.0
Treasury shares		-0.6	0.0
Capital reduction distribution		0.0	-52.6
Loan to Arendal Brygge AS		0.0	-0.9
<b>Net cash from financing activities</b>		<b>-18.0</b>	<b>-53.5</b>
<b>Net cash flow from the period</b>		<b>-13.5</b>	<b>-42.0</b>
Cash balance at beginning of period		58.3	100.3
<b>Cash balance at end of period*</b>		<b>44.8</b>	<b>58.3</b>

\* Restricted cash is NOK 0.4 million on 31 December 2020.



# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. CORPORATE INFORMATION

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 development company, and the initial focus area has been set on development of wind and Solar PV projects 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 organic growth and 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 Karenslyst Allé 2, 0277 Oslo.

These consolidated financial statements were approved by the Board of Directors on 15 March 2021

### Overview of Group structure as of 31 December 2020:

Subsidiaries	Registered office	Shareholder	Shareholder interest 01.01.2019	Shareholder interest 31.12.2019	Shareholder interest 31.12.2020	Equity	Profit/ (loss)
Magnora Holding AS	Norway	Magnora ASA	100%	100%	100%	-4.3	3.2

Amounts in the table above are prepared in local GAAP and presented in NOK million.

Subsidiaries listed above of which the Group has a shareholder interest per 31.12.2020, are included in Magnora ASA's consolidated financial statements, as the control criteria in IFRS 10 are met.

## 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. 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 31 December 2020. 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 2.4, 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

The group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2020. The group has not chosen to adopt early any standards, interpretations or amendments that have been issued but are not yet effective.

#### 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 can 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 it controls an investee and 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 recognises 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 recognised 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 recognised in the income statement immediately.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated. Unrealised 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 recognised 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 recognised 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 recognised in other comprehensive income are reclassified to profit or loss.

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## CONTINUED

### 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 (realised items) and from translation at exchange rates prevailing at balance sheet date of monetary assets and liabilities denominated in foreign currencies (unrealised items) are recognised 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 recognised 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 recognised 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 recognised initially at transaction price according to IFRS 15 and subsequently measured at amortised 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 recognised in the income statement as 'other operating expense'. The provision for impairment of other financial assets is recognised in the income statement as 'financial expense'.

Hedge accounting has not been applied in 2020 or 2019.

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 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 Group's 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 include 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 25 below, these items are in accordance with IFRS 9 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 recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated based on 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 based on 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 realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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.

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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### 2.8. Employee Benefits

#### Pension obligations

As of year-end 2020 the Company operates a defined contribution plan. The plan is funded through payments to the pension company, and the Company has no further payment obligations once the contribution is paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### Profit-sharing, retention and bonus plans

The Group recognises a provision where contractually obliged or where there is a constructive obligation. The provision considers 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 recognised in the balance sheet when the Group has a legal or constructive obligation because 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 recognised for future operating losses. Where there are several 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 recognised 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 recognised 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 recognised 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 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 recognised when the right to receive payment is established.
- » Interest income is recognised on a time-proportion basis using the effective interest method

### 2.11. Dividend Distribution

Dividend distribution to the Company's shareholders is recognised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.13. Cash Flow Statement

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

## 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 minimise 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, recognised 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. Most of the Company's revenue is in USD. To reduce the currency risk, the Company has sold bulks of USD during 2020.

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 2020 profit before tax by NOK 2.6 million.

##### 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 2020 profit before tax by NOK 2.7 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.

Similarly, the Group is exposed to development risk in its portfolio companies, as the portfolio companies also can be affected by inadequate access to key personnel with specific competency, lack of willingness from landowners to sign land lease agreements due to changes in regulatory and market conditions. General uncertainty caused by Covid-19 can also cause some of these effects.

#### 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.

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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### 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 44.8 million at balance sheet date and has subsequently raised an additional net NOK 115.4 million through a private share issue.

### 3.1.4. Covenant

The Group currently has no outstanding covenants or security arrangements in place.

### 3.1.5. Capital Management

For 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 2019 and 2020. A sound financial position, with no interest-bearing debt and an asset light balance sheet reduces the capital and cash management risks.

## NOTE 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the outcome of these matters is different from the amounts initially recognised, 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 note 13) 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, 2020, based on the expected revenues and expenses for the next five years. The recognised 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 approximately NOK 14 million based on current structure and activities of the Group. The deferred tax asset recognised 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. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses of over NOK 3.5 billion.

## 4.2. Judgements - Investment in associated companies

Magnora invested in Vindr AS in March 2020 and owns 25 percent as of 31 December 2020. Vindr is a developer of small and medium sized onshore wind projects in areas with already cultivated land, and as of the end of the end of 2020, the company was established in Norway and Sweden with a staff of two in each country. Magnora has two out of five board members and does not exercise control over the activities of Vindr AS and accounts for its shareholding in Vindr using the equity method

Magnora invested in Evolar AB in November 2020 and owns 28.44 percent of the company as of 31 December 2020. Magnora has two out of five board members and does not exercise control over the activities of Evolar AB and accounts for its shareholding in Evolar using the equity method.

## NOTE 5. ASSOCIATED COMPANY

Associated company	Registered office	Shareholder	Shareholder interest 01.01.2019	Shareholder interest 31.12.2019	Shareholder interest 31.12.2020
Arendal Brygge AS	Norway	Magnora ASA	50%	50%	50%
Vindr AS	Norway	Magnora ASA	0%	0%	25%
Evolar AB	Sweden	Magnora ASA	0%	0%	28.44%

Amounts in the tables above are prepared in local GAAP and presented in NOK million.

Magnora owns 50% of the shares in Arendal Brygge AS, and the regional bank Sparebanken Sør owns the other 50% of the shares. Arendal Brygge is classified as an associated company as Magnora does not exercise control over the activities of Arendal Brygge AS and therefore accounts for its shareholding in Arendal Brygge using the equity method. The book value of the investment has been written down to zero due to large losses incurred by Arendal Brygge AS, and the operating results of Arendal Brygge is therefore not accounted for. Arendal Brygge is part of Magnora's legacy business. Arendal Brygge was the Company's headquarter until it sold its previous business to Sembcorp Marine. Sparebanken Sør and Arendal Brygge is investigating possibilities for developing the Arendal Brygge waterfront property

Magnora invested in Vindr AS in March 2020 and owns 25 percent as of 31 December 2020. Vindr is a developer of small and medium sized onshore wind projects in areas with already cultivated land, and as of the end of the end of 2020, the company was established in Norway and Sweden with a staff of two in each country. The following table illustrates the summarised financial information for Magnora's investment in Vindr AS:

NOK million	2020
Current assets	6.3
Non-current assets	0.0
Current liabilities	0.5
Non-current liabilities	0.0
<b>Equity</b>	<b>5.8</b>
Magnora's share in equity	1.5
Goodwill	7.5
Magnora's carrying amount of investment	9.0
Profit/(loss) before tax	-4.1
Total comprehensive income for the year	-4.1
Magnora's share of profit/(loss) for the year	-1.0

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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Magnora invested in Evolar AB in November 2020 and owns 28.44 percent of the company as of 31 December 2020. The following table illustrates the summarised financial information for Magnora's investment in Evolar AB:

NOK million	2020
Current assets	11.5
Non-current assets	4.5
Current liabilities	0.5
Non-current liabilities	0.8
<b>Equity</b>	<b>14.9</b>
Magnora's share in equity	4.3
Goodwill	11.1
Magnora's carrying amount of investment	15.4
Profit/(loss) before tax	0.4
Total comprehensive income for the year	0.4
Magnora's share of profit/(loss) for the year	0.1

See note 3.1 above regarding development risks of the portfolio companies.

Impairment of associated companies is evaluated annually after year-end, and for financial year 2020 no impairment was deemed necessary as a result of both associated companies being in an early phase of their development, and both investments being recently performed.

## NOTE 6. FINANCIAL INSTRUMENTS BY CATEGORY

Accounting principles for financial instruments were applied to the line items below as indicated

### Financial assets

NOK million		2020	2019
<b>Category:</b>	<b>Asset:</b>		
Financial assets at amortised cost	Trade receivables	4.0	2.5
Financial assets at fair value through profit/loss	Listed equity investments	13.8	12.5
Financial assets at fair value through profit/loss	Non-listed equity investments	5.8	0.0
Fair value through profit and loss	Cash and cash equivalents	44.8	58.3
<b>Total financial assets</b>		<b>68.4</b>	<b>73.3</b>

### Financial liabilities

NOK million		2020	2019
<b>Category:</b>	<b>Asset:</b>		
Financial liabilities at fair value through profit/loss	Other current liabilities	0.0	0.3
Financial liabilities at amortised cost	Trade payables	0.8	0.1
<b>Total financial liabilities</b>		<b>0.8</b>	<b>0.4</b>

Set out below is a comparison, by class, of the carrying amounts and fair values of Magnora's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Financial assets	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-listed equity investments	5.5	5.5	0.0	0.0
Listed equity investments	13.8	13.8	12.5	12.5

### Fair Value Estimation

Management has determined that the fair values of cash, short-term deposits, trade receivables, trade payables, bank overdrafts, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- » There is an active market for the Group's listed equity investments
- » The fair values of the non-listed equity investments have been set equal to the cost of the investments. These investments are currently in a early stage development phase. The cost is evaluated to reflect the development of the projects and companies up until they reach certain milestones that demonstrates value creation. Once investments are in operational phase, they will be valued using a DCF model if Magnora still has ownership in the company or project.

### NOTE 7. 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	2020	2019
BB+	0.0	2.5
Ba3	2.5	0.0
<b>Total trade receivable</b>	<b>2.5</b>	<b>2.5</b>

#### Cash and cash equivalents

NOK million	2020	2019
Aa3	44.8	58.3
<b>Total cash and cash equivalents</b>	<b>44.8</b>	<b>58.3</b>

### NOTE 8. TRADE AND OTHER RECEIVABLES

#### Specification of trade and other receivables

NOK million	2020	2019
Trade receivables	2.5	2.5
Other receivables	1.5	0.0
<b>Trade receivables – net</b>	<b>4.0</b>	<b>2.5</b>
<b>Trade and other receivables</b>	<b>4.0</b>	<b>2.5</b>

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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### Aging of trade receivables

NOK million	2020	2019
Not Due	2.5	2.5
<b>Total trade receivables</b>	<b>2.5</b>	<b>2.5</b>

At balance sheet date, no trade receivables were past due in 2020 and 2019.

### Currency denomination of trade receivables, carrying amounts

NOK million	2020	2019
USD	2.5	2.5
<b>Total trade receivables</b>	<b>2.5</b>	<b>2.5</b>

## NOTE 9. CASH AND CASH EQUIVALENTS

### Specification of trade and other receivables

NOK million	2020	2019
Cash at bank and in hand	44.4	58.1
Restricted short-term bank deposits	0.4	0.2
<b>Total cash and cash equivalents</b>	<b>44.8</b>	<b>58.3</b>

## NOTE 10. SHARE CAPITAL

The total authorised number of ordinary shares was 52.6 million (2019: 52.6 million) with a par value of NOK 0.49 (2019: NOK 0.49) per share. All issued shares were fully paid at balance sheet date.

NOK million	Number of shares	Share capital	Share premium	Total
1 January 2020	52,586,698	25.8	0.0	25.8
31 December 2020	52,586,698	25.8	0.0	25.8

NOK million	Number of shares	Share capital	Share premium	Total
1 January 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
31 December 2019	52,586,698	25.8	0.0	25.8



20 largest shareholder accounts 31 December 2020 (source: VPS)	Number of shares	Percent ownership
DNB MARKETS AKSJEHANDEL/-ANALYSE*	10,899,818	20.73
KING KONG INVEST AS	2,343,795	4.46
GINNY INVEST AS	2,198,312	4.18
CARE HOLDING AS	2,100,000	3.99
PHILIP HOLDING AS	1,620,000	3.08
ANDENERGY AS	1,558,140	2.96
MP PENSJON PK	1,502,638	2.86
INTERACTIVE BROKERS LLC	1,406,307	2.67
ALDEN AS	1,363,529	2.59
DANSKE BANK AS	1,230,243	2.34
BEKKESTUA EIENDOM AS	1,159,595	2.21
FINANCIAL FUNDS AS	1,087,000	2.07
ALTEA PROPERTY DEVELOPMENT AS	1,004,944	1.91
AARSKOG, PHILLIP GEORGE	1,000,000	1.90
F2 FUNDS AS	761,000	1.45
BAKLIEN, ÅSMUND	700,000	1.33
HANDELSBANKEN CAPITAL MARKETS DMA MARKET-MAKING	588,261	1.12
SJØLUND, STIAN	531,000	1.01
BILL INVEST AS	450,056	0.86
LANDGRAFF, ESPEN SAGVOLDEN	442,620	0.84
<b>Total, 20 largest shareholders</b>	<b>33,947,258</b>	<b>64.55</b>
Other shareholder accounts	18,639,440	35.45
<b>Total shareholders (7,206 shareholder accounts)</b>	<b>52,586,698</b>	<b>100.00</b>

\* Magnora's largest shareholder is Kistefos AS who owns shares held by DNB Markets Aksjehandel/-analyse and SB1 Markets. As of 31 December 2020, Kistefos AS held in total 10,942,314 shares in the company, which was equal to 20.8% of shares outstanding

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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### NOTE 11. SHARE-BASED PAYMENTS

In accordance with approval by the Annual General Meeting of 21 May 2019 and 26 May 2020, the Board of Magnora issued 325,000 options during 2020 to provide long-term incentives to the Board and Senior Management. The options were awarded as follows:

	Options awarded
Torstein Sanness, Executive Chairman	50,000
Hilde Ådland, Board member	5,000
John Hamilton, Board member	20,000
Erik Sneve, CEO	50,000
Bård Olsen, CFO	50,000
Haakon Alfstad, Executive Vice President Projects *	100,000
Theis Hanang Pedersen, Head of BD and Strategy *	50,000
<b>Total options awarded</b>	<b>325,000</b>

\* Not an employee, but hired in on a permanent basis and part of the Company's Senior Management team

All 325,000 options have a three-year vesting period and must be exercised within five years after vested.

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 1,225,000 options (2019: 900,000). The cost of the options is recorded over the 36 months following the grant date to spread the expense evenly during the vesting (service) period.

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 used to calculate the value of the options. The risk-free rate is set from the rate of five-year treasury bonds at the time of grant date, and this matches the full length of the options once vested. Volatility rate is derived from the daily share prices from 1 January 2019, and then annualised. 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.

	Exercise price (NOK/Share) 2020	Number of options 2020	Exercise price (NOK/Share) 2019	Number of options 2019
<b>1 January</b>				
Granted	8	225,000	6.5	900,000
Granted	9.65	75,000	0	0
Granted	11.53	25,000	0	0
Exercisable	6.5	900,000	0	0
Exercised	0	0	0	0
Lapsed/forfeited	0	0	0	0
<b>Outstanding 31 December</b>		<b>1,225,000</b>		<b>900,000</b>
<b>Exercisable 31 December</b>		<b>900,000</b>		<b>0</b>

The weighted average remaining contractual life for the share options outstanding as of 31 December 2020 was 7 years (2019: 5 years). The weighted average fair value of options granted during the year was NOK 6.14 (2019: NOK 4.23). The range of exercise prices for options outstanding at the end of the year was NOK 8 to NOK 11.53 (2019: NOK 6.5).

The following table lists the inputs to the models used for the plans for the years ended 31 December 2020 and 2019, respectively:

NOK million	2020	2019
Weighted average fair values at the measurement date	6.14	4.23
Risk free interest	0.70% / 0.65%	1.44%
Volatility	62% / 67%	58%
Exercise price	8 / 9.65 / 11.53	6.5
Model for estimation of fair value	Black-Scholes model	Black-Scholes model

## NOTE 12. OTHER CURRENT LIABILITIES

NOK million	2020	2019
Payroll liabilities	1.0	0.1
Employer`s contribution tax and other taxes	0.2	0.3
Financial instruments (market value of foreign exchange)	0.0	0.3
Other payables	0.1	0.0
<b>Total other current liabilities</b>	<b>1.3</b>	<b>0.7</b>

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## CONTINUED

### NOTE 13. 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 2020 a tax rate of 22% has been used when calculating the deferred tax assets and liabilities (2019: 22%).

#### Specification of booked deferred tax assets/ (liabilities)

(NOK million)	2020	2019
<b>Specification net deferred tax assets/(liabilities):</b>		
Deferred tax asset to be reversed after more than 12 months	779.9	786.4
<b>Net deferred tax asset/(liabilities)</b>	<b>779.4</b>	<b>786.4</b>
Deferred tax assets not recognised in the balance sheet	-748.8	-746.5
<b>Net deferred tax assets/(liabilities) recognised in the balance sheet</b>	<b>31.1</b>	<b>39.9</b>
<b>Reconciliation of deferred tax assets/(liabilities), net:</b>		
Book value 1 January	39.9	42.8
Income statement charge relating to deferred tax assets	-8.8	-2.9
<b>Book value 31 December</b>	<b>31.1</b>	<b>39.9</b>

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

(NOK million)	2020	2019
<b>Deferred tax assets:</b>		
Investments and receivables	2.9	2.9
Fixed assets	0.6	0.7
Accounting provisions	0.5	0.3
Losses carry forward	776.0	782.6
<b>Deferred tax assets</b>	<b>779.4</b>	<b>786.5</b>

Deferred income tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that the realisation 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 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.

At balance sheet date, the recognition criteria in IAS 12 were met. The deferred tax asset recognised 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. Reference is made to Note 4.1 for further information.



### Reconciliation of tax payable

(NOK million)	2020	2019
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)	2020	2019
Recognition of deferred tax asset	-8.8	-2.9
Reversal penalty tax	3.2	0.0
Net tax income/(expense)	-5.6	-2.9

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

(NOK million)	2020	2019
Profit/(loss) before tax:	34.1	23.1
Tax calculated (22%)	-7.5	-5.1
Income not subject to tax	2.3	0.0
Expenses not deductible	-0.8	-0.2
Reversal of penalty tax*	0.7	0.0
Tax losses for which no deferred income tax asset was recognised	-0.3	2.4
Tax income/(expense)	-5.6	-2.9

\*In 2017 Magnora made a NOK 6.5 million provision to cover an additional tax. The decision was disputed by Magnora and Skatt Sør reduced the tax penalty by 50%, and NOK 3.25 million tax liability was reversed in 2020.

For 2020 a tax rate of 22% has been used when calculating the tax income / (expense), (2019: 22%).

## NOTE 14. RETIREMENT BENEFIT OBLIGATIONS

Pension cost charged to the income statement in 2020 was NOK 0.3 million (2019: NOK 0.4 million). The defined contribution plan had 2 participants at 31.12.2020 (2019: no participants). Pension plan was established in Q1 2020 with retroactive effect back to the dates the CEO and CFO were hired in 2019.

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## CONTINUED

### NOTE 15. PROVISIONS

NOK million	Payroll	Additional tax	Total
1 January 2020	0.3	6.5	6.8
Arising during the year	0.3	0.0	0.3
Reversed during the year	0.0	-3.3	-3.3
31 December 2020	0.6	3.3	3.9

NOK million	Payroll	Additional tax	Total
1 January 2019	1.8	6.5	8.3
Arising during the year	2.7	0.0	2.7
Reversed during the year	-4.2	0.0	-4.2
31 December 2019	0.3	6.5	6.8

All provisions in 2019 and 2020 are current in nature.

#### Payroll

Provision for 2020 is for employment tax (AGA) for the options issued. Provision for 2019 is mainly for bonuses, but also includes employment tax (AGA) for the options issued.

#### Additional tax

Provision for potential additional tax on adjustment to the 2014 tax assessment. See Note 13.

### NOTE 16. EMPLOYEE BENEFIT EXPENSE

#### Specification of employee expense:

(NOK million)	2020	2019
Salaries and vacation pay	6.7	6.4
Employer`s contribution tax	1.3	1.5
Pension costs	0.3	0.4
Bonus	3.0	1.9
Option cost	1.9	2.3
Other employee benefit expense	0.0	0.1
<b>Total employee benefit expense</b>	<b>13.2</b>	<b>12.6</b>
Average number of man-years	3	3

## 2020 Remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Retirement benefits	Other benefits
Erik Sneve, CEO	1,925	2,775	130	15
Bård Olsen, CFO	1,156	216	129	15
<b>Total remuneration paid</b>	<b>3,081</b>	<b>2,991</b>	<b>259</b>	<b>30</b>

## 2019 remuneration of Senior Management:

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

\* 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.

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. Retirement benefit plan was established again in 2020 for the new management team. No loans, prepayments or security were granted to current Senior Management or any member of the Board of Directors in 2020 and 2019.

At the balance sheet date there were 1,225,000 options held by the Board of Directors and Senior Management (2019: 900,000 options). See note 11 for more information.

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:	2020	2019
Torstein Sanness, Chairman	24 May 2017		993	926
Hilde Ådland	24 May 2018		250	250
John Hamilton	18 Dec 2018		300	280
<b>Total remuneration paid</b>			<b>1,543</b>	<b>1,456</b>

## 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.

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## CONTINUED

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

As of 31 December 2020, the Board members and Senior Management owned or controlled the following shares in the Company:

	Options owned or controlled	Shares owned or controlled
Torstein Sanness, Executive Chairman	450,000	125,650
Hilde Ådland, Board member	55,000	9,200
John Hamilton, Board member	70,000	13,950
Erik Sneve, CEO	450,000	667,319
Bård Olsen, CFO	50,000	23,900
Haakon Alfstad, Executive Vice President Projects*	100,000	27,755
Theis Hanang Pedersen, Head of BD and Strategy*	50,000	8,800
<b>Total remuneration paid</b>	<b>1,225,000</b>	

\* Not an employee, but hired in on a permanent basis and part of the Company's Senior Management team.

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 17. FINANCIAL INCOME

### Financial income:

NOK million	2020	2019
Interest income	0.3	1.5
Gains from investments in marketable securities	24.8	0.0
<b>Total financial income</b>	<b>25.1</b>	<b>1.5</b>

### Financial expense:

NOK million	2020	2019
Interest cost	-0.1	0.0
Losses from investments in marketable securities	-4.8	-1.4
<b>Total financial expense</b>	<b>-4.9</b>	<b>-1.4</b>



## NOTE 18. 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.

	2020	2019
Net profit/(loss) (NOK million)	28.5	20.1
Weighted avg. no. of ordinary shares on issue (thousands)	52,587	52,587
Basic earnings per share for continued operations (NOK per share)	0.54	0.38

### Diluted earnings per share

	2020	2019
Net profit/(loss) (NOK million)	28.5	20.1
Weighted avg. no. of ordinary shares for diluted earnings per share (thousands)	52,587	52,587
Basic earnings per share for continued operations (NOK per share)	0.54	0.38

## NOTE 19. DIVIDEND AND REPAYMENT OF CAPITAL

Magnora performed a share capital reduction with return to shareholders of a total of NOK 1 per share in 2019.

The Company also distributed NOK 0.33 per share in capital distribution to the shareholders in 2020.

## NOTE 20. CASH GENERATED FROM OPERATIONS

NOK million	2020	2019
Cash flow from operating activities		
Profit/(loss) before tax	34.1	23.1
Adjustment for:		
Magnora Holding reduction in tax liability	3.2	0.0
Share of associated companies' financial results	0.9	0.0
Options	1.9	0.0
Change in marketable securities and forwards	-6.8	0.0
Change in working capital:		
Trade and other receivables	-1.8	4.1
Trade and other payables	0.7	-1.8
Other liabilities, provisions and charges	-2.3	0.1
Cash generated from operations	29.9	25.5

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## CONTINUED

### NOTE 21. RELATED PARTY TRANSACTIONS

Magnora ASA has an agreement with all subsidiaries and associated companies that allows services to be provided between the companies at agreed upon hourly rates. Magnora had both operating revenues and expenses from services provided between the companies that are related parties to Magnora. The total operating revenues from associated companies in 2020 was NOK 1.3 million.

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

NOK million	2020	2019
Operating revenue from associated companies	1.3	0.0
Operating revenue from Sevan SSP*	0.0	1.6
<b>Total operating revenue</b>	<b>1.3</b>	<b>1.6</b>

\* 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.

NOK million	2020	2019
Operating expenses from associated companies	0.1	0.0
Operating expenses paid to other related parties	0.9	0.0
<b>Total operating expense</b>	<b>1.0</b>	<b>0.0</b>

Magnora ASA and Sparebanken Sør each provided NOK 1 million in shareholder loan to Arendal Brygge in 2019 to support Arendal Brygge's liquidity needs related to needed investments and working cash. The book value of the loan was written down to zero in 2019 due to large losses incurred by Arendal Brygge AS, and a provision was made. Magnora does not exercise control over the activities of Arendal Brygge AS and accounts for its shareholding in Arendal Brygge using the equity method.

The Company made payments to two of its shareholders (Fredrik Sneve and Kistefos AS) during 2020 to compensate for assistance with investment evaluations.

### NOTE 22. REVENUE

Operating revenue in 2020 consisted mainly of royalty income from the Dana Western Isles FPSO. The Company also had operating revenue from providing services to associated companies. Royalty from the Dana Western Isles FPSO constitutes 100% (100%) of total external customer revenues. License revenue related to the Shell Penguins FPSO project constitutes 0% (0%) of total external customer revenues.

NOK million	2020	2019
License fee	27.1	40.0
Other revenue	1.3	1.6
<b>Total operating revenue</b>	<b>28.4</b>	<b>41.6</b>

## Operating revenue from a geographic perspective

The revenue split, based on customer location was as follows:

NOK million	2020	2019
Norway	0.5	1.6
Sweden	0.8	0.0
UK	27.1	40.0
<b>Total operating revenue</b>	<b>28.4</b>	<b>41.6</b>

## NOTE 23. OPERATING LEASES

The Company has office rental agreements for its offices in Oslo as of 31 December 2020. The agreements can be terminated at any time with three month's termination notice period.

The Company expensed NOK 0.2 million in lease and rental cost for 2020 (2019: 0.05).

## NOTE 24. OTHER OPERATING EXPENSE

(NOK million)	2020	2019
Office cost (rental etc)	0.6	0.4
Consultancy (audit, tax and legal) *	6.2	2.9
Travel expenses	0.2	0.3
Other	1.2	1.0
<b>Total other operating expense</b>	<b>8.2</b>	<b>4.6</b>

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

Statutory audit	0.6	0.5
Audit related services	0.2	0.1
<b>Total auditor's fees</b>	<b>0.8</b>	<b>0.6</b>

## NOTE 25. MARKETABLE SECURITIES

In accordance with authorisation from the Board of Directors, Magnora ASA both sold and purchased marketable securities during 2020 with a net gain of NOK 8.7 million. The total value of other current financial assets held on the balance sheet is NOK 19.6 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 marketable securities are considered sufficiently liquid to allow Magnora ASA to sell the shares to meet short-term working capital needs. At 31 December 2020, the value of the marketable securities was NOK 13.8 million, and cost of the securities held was NOK 5.1 million.

(NOK million)	2020	2019
Marketable securities	13.8	12.5
<b>Total value</b>	<b>13.8</b>	<b>12.5</b>

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).

# MAGNORA GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## CONTINUED

### NOTE 26. OTHER CURRENT FINANCIAL ASSETS

(NOK million)	2020	2019
Marketable securities	13.8	12.5
Investment in Kustvind AB	5.5	0.0
Other current financial assets	0.3	0.0
<b>Total value</b>	<b>19.6</b>	<b>12.5</b>

### NOTE 27. EVENTS AFTER BALANCE SHEET DATE

#### Acquisition of South African SPV and increased ownership in Vindr

On 22 February 2021, Magnora acquired a South African SPV and increased its ownership share in Vindr to 50% to allow Vindr merge with a South African wind and solar PV project developer. The transactions give Magnora over 1 GW net potential of renewable energy projects in the South African market. Magnora has as part of the transaction committed to provide a NOK 15 million loan to Vindr.

#### Appointment of EVP Operations

On 3 February 2021, Peter Nygren was appointed Executive Vice President Operations and part of the Magnora Management Team. Mr. Nygren was previously CEO and co-founder of Arise and has more than two decades of experience from global renewable energy markets in SCA and other industrial companies.

#### Acquisition of 25% stake in Helios Nordic Energy AB

On 2 February 2021, Magnora participated in a share issue acquiring 25% of Helios Nordic Energy AB (Helios), a greenfield developer of large-scale PV projects in the Nordics. The company has developed a project portfolio by signing options for land leases in well suited locations in southern Sweden and has land lease agreements for 14 projects with a total of approximately 400 MW potential installed capacity. Magnora has an option of acquiring an additional 15% of Helios by mid-September 2021.

#### Establishment of Magnora Offshore Wind

Magnora has signed an agreement with an undisclosed global offshore energy technology and service company to establish a joint floating wind company called Magnora Offshore Wind. Magnora Offshore Wind is being established but has already commenced its operations and started work on the application for the ScotWind round in Scotland, UK. In addition, the company will participate in the first offshore wind application round in Norway, which will open in 2021. Magnora Offshore Wind will also consider entering other markets.

#### Option agreement with RWE Renewables

Magnora has signed an option agreement with RWE with the intention of investing in Oddeheia and Bjelkeberg wind farm in Birkenes municipality in Agder county. The project will have an installed capacity of approximately 98 MW when completed, of which Magnora will own a 34 percent share. The project owner has applied to the Ministry of Petroleum and Energy for postponed completion of the project until 31 December 2022. A decision on the matter is expected during 2021. Realising the project will mean local value creation to increase tax revenues and local benefits such as employment. Magnora's share in the project will be approximately 33 MW, and the project is expected to be in the ready-to-build stage during 2021.

#### Equity private placement

On 3 February 2021, Magnora closed an equity private placement of 4,485,981 new shares with a subscription price per share of NOK 26.75 and a total offer size of NOK 120 million. The private placement was conducted through an accelerated book-building process and was over-subscribed multiple times. The additional funding was pursued as part of the Company's strategy to capitalise on additional investment opportunities. Following issue of the new shares, the registered share capital of the Company is NOK 27,965,613, divided into 57,072,679 shares.

#### Market turbulence

The turbulence in the oil and gas market in 2020 caused the oil price to decrease significantly. This could influence the Penguin project, as the last milestones are tied to getting the FPSO into operation. The risks of this situation impacting Magnora is considered relatively small, as the customer has already made significant investments to be recovered by revenues as quickly as possible.

# MAGNORA ASA

## INCOME STATEMENT

NOK million	Note	2020	2019
Operating revenue	15	27.1	40.0
Other operating revenue	15	1.3	1.6
<b>Total operating revenue</b>		<b>28.4</b>	<b>41.6</b>
Employee benefit expense	8,9	13.2	12.6
Other operating expense	10,11	8.2	5.5
<b>Total operating expense</b>		<b>21.4</b>	<b>18.1</b>
<b>Operating Profit/(loss)</b>		<b>7.0</b>	<b>23.5</b>
Financial income	17	25.9	1.5
Financial expense	17	-4.9	-0.3
Foreign exchange gain/(loss) related to financing & operating revenue		7.8	-1.4
<b>Net financial profit/(loss)</b>		<b>28.8</b>	<b>-0.3</b>
<b>Profit/(loss) before tax</b>		<b>35.8</b>	<b>23.1</b>
Tax income/(expense)	2	8.8	2.9
<b>Annual net Profit/(loss)</b>		<b>27.0</b>	<b>20.2</b>

### Attributable to:

Equity holders of the Company	27.0	20.2
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### Distribution of dividend:

Share capital decrease and distribution to shareholders July 4, 2019		0.0	52.6
Capital distribution	1	17.4	0.0
Transfer to/from equity		9.6	-32.3
Annual net profit/(loss)		27.0	20.2

### Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (NOK per share):

Basic	12	0.51	0.39
Diluted	12	0.51	0.39



# MAGNORA ASA

## BALANCE SHEET

NOK million	Note	31.12.20	31.12.19
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred income tax assets	2	31.1	39.9
Investment in Subsidiaries	3	0.0	3.3
Investment in associated companies	4	25.4	0.0
Total non-current assets		56.5	43.2
<b>Current assets</b>			
Trade and other receivables	18	4.0	2.5
Other current financial assets	6	19.6	12.5
Cash and cash equivalents	5	44.6	54.0
Total current assets		68.2	69.0
<b>Total assets</b>		<b>124.7</b>	<b>112.2</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	1,7	25.8	25.8
Treasury shares	1	-0.1	0.0
Other equity	1	96.3	85.3
<b>Total equity</b>		<b>122.0</b>	<b>111.1</b>
<b>LIABILITIES</b>			
Non-current liabilities		0.0	0.0
Total non-current liabilities		0.0	0.0
<b>Current liabilities</b>			
Trade payables		0.8	0.1
Provisions	16	0.6	0.3
Other current liabilities	13	1.3	0.7
<b>Total current liabilities</b>		<b>2.7</b>	<b>1.1</b>
<b>Total liabilities</b>		<b>2.7</b>	<b>1.1</b>
<b>Total equity and liabilities</b>		<b>124.7</b>	<b>112.2</b>

Oslo, Norway, 15 March 2021  
The Board of Directors of Magnora ASA

Torstein Sanness  
Chairman

Hilde Adland  
Board member

John Hamilton  
Board member

Erik Sneve  
CEO

# MAGNORA ASA

## CASH FLOW STATEMENT

NOK million	2020	2019
<b>Cash flow from operating activities</b>		
Profit/(loss) before tax	35.8	23.1
<b>Adjustment for:</b>		
Items classified as investing and financing activities	-6.8	0.0
Trade and other receivable	-0.2	3.8
Trade payables	0.7	-1.8
Other liabilities, provisions, and charges	1.2	9.6
<b>Cash generated from operations</b>	<b>30.7</b>	<b>34.7</b>
<b>Cash flow from investment activities</b>		
Net purchase of investment shares	-22.1	-14.1
<b>Net cash from investment activities</b>	<b>-22.1</b>	<b>-14.1</b>
<b>Cash flow from financing activities</b>		
Capital distribution	-17.4	0.0
Capital reduction paid out	0.0	-52.6
Loan to Arendal Brygge AS	0.0	-0.9
Treasury shares	-0.6	0.0
<b>Net cash from financing activities</b>	<b>-18.0</b>	<b>-53.4</b>
<b>Net cash flow from the period</b>	<b>-9.4</b>	<b>-32.8</b>
Cash balance at beginning of period	54.0	86.8
<b>Cash balance at end of period</b>	<b>44.6</b>	<b>54.0</b>

# 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 realisable 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 realisable 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Provisions

A provision is recognised 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 recognised 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 recognised 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 recognised 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 recognised, 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 include 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 recognised 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. Realised and unrealised 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 2020 the Company operates a defined contribution plan. The plan is funded through payments to the pension company, and the Company has no further payment obligations once the contribution is paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 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. The book value of the deferred tax asset represents a minor part of the total accumulated tax losses of over NOK 1.0 billion.

## 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.

# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 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 recognises revenue when the amount of revenue can be reliably measured and in accordance with the underlying contracts.

**License revenue:** License revenue is recognised in accordance with the underlying contracts.

**Interest income:** Interest income is recognised on a time-proportion basis using the effective interest method.

**Sales of services:** Service income is recognised 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 has office rental agreements for its offices in Oslo as of 31 December 2020 (see note 11).

#### 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	Treasury Shares	Other equity	Total equity
Equity as of 1 January 2020	25.8	0.0	85.3	111.1
Total comprehensive income for the period			27.0	27.0
Acquired treasury shares*		-0.1	-0.5	-0.6
Share based payments			1.9	1.9
Capital distribution			-17.4	-17.4
Equity as of 31 December 2020	25.8	-0.1	96.3	122.0

\* As of 31 December 2020, Magnora owned 76,175 shares or 0.15 percent of total shares outstanding through the share buyback program.



NOK million	Share capital	Treasury Shares	Other equity	Total equity
Equity as of 1 January 2019	78.4	0.0	62.7	141.1
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
<b>Equity as of 31 December 2019</b>	<b>25.8</b>	<b>0.0</b>	<b>85.3</b>	<b>111.1</b>

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

## NOTE 2. TAXES

### Specification of booked deferred tax assets/ (liabilities)

(NOK million)	2020	2019
<b>Specification net deferred tax assets/(liabilities):</b>		
Deferred tax asset to be reversed after more than 12 months	216.0	222.5
Deferred tax asset/(liability) to be reversed after more than 12 months	0.0	0.0
<b>Net deferred tax asset/(liabilities)</b>	<b>216.0</b>	<b>222.5</b>
Deferred tax assets not recognised in the balance sheet	-184.9	-182.6
<b>Net deferred tax assets/(liabilities) recognised in the balance sheet</b>	<b>31.1</b>	<b>39.9</b>

### Specification of deferred tax assets/ (liabilities)

(NOK million)	2020	2019
<b>Deferred tax assets:</b>		
Investments and receivables	2.9	2.9
Fixed assets	0.6	0.7
Accounting provisions	0.5	0.5
Losses carry forward	212.0	218.7
<b>Deferred tax assets</b>	<b>216.0</b>	<b>222.7</b>

### Reconciliation of tax payable

(NOK million)	2020	2019
<b>Book value 1 January</b>	<b>0.0</b>	<b>0.0</b>
Tax payable	0.0	0.0
<b>Book value 31 December</b>	<b>0.0</b>	<b>0.0</b>

# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### Specification of tax income/(expense)

(NOK million)	2020	2019
Recognition of deferred tax asset	-8.8	-2.9
Net tax income/(expense)	-8.8	-2.9

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

(NOK million)	2020	2019
Profit/(loss) before tax:	35.8	23.2
Tax calculated (22%)	-7.9	-5.1
Income not subject to tax	2.3	0.0
Expenses not deductible	-0.8	-0.2
Tax losses for which no deferred income tax asset was recognised	-2.4	2.4
Tax income/(expense)	-8.8	-2.9

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 recognised 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. INVESTMENT IN SUBSIDIARIES

#### Investment in subsidiaries as of 31 December 2020:

Subsidiaries/ associated companies	Registered office	Cost price	No. of shares	Equity	Book value	Profit/ (loss)	Shareholder interest
Magnora Holding AS	Norway	2,099.8	10,000	-4.3	0.0	3.2	100%
Total book value					0.0		

The book value of Magnora Holding AS was written down to zero in 2016. The company has a negative equity balance and the profit for the year 2020 does not cause reversal of the book value write down.

#### Investment in subsidiaries as of 31 December 2019:

Subsidiaries	Registered office	Cost price	No. of shares	Equity	Book value	Profit/(loss)	Shareholder interest
Magnora Holding AS	Norway	2,099.8	10,000	-7.5	0.0	-0.1	100%
Sevan Asia Ptd Ltd*	Singapore	25.1	5,100,998	4.8	3.3	0.0	100%
Total book value					3.3		

\* Sevan Asia Ptd Ltd was under liquidation per 31.12.2019 and liquidation was completed during 2020.

#### NOTE 4. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Associated companies	Registered office	Cost price	No. of shares	Equity	Book value	Profit/(loss)	Shareholder interest
Vindr AS	Norway	1,333.33	7,500	5.8	10.0	-4.1	25%
Evolar AB	Sweden	65.57	238,517	14.9	15.4	0.4	28.44%
Total book value					25.4		

Magnora has invested NOK 10 million in Vindr Group for 25% ownership and has a right to acquire up to 50 percent of the company. As of 31 December 2020, Magnora does not have a controlling share and does not exercise control in Vindr, the investment is accounted for using the cost method.

Magnora has also invested NOK 15.4 million in Evolar AB for 28.44% ownership and has a right to acquire up to 63.5 percent of the company. As of 31 December 2020, Magnora does not have a controlling share and does not exercise control in Evolar, the investment is accounted for using the cost method.

Magnora ASA has an agreement with all subsidiaries and associated companies that allows services to be provided between the companies at agreed upon hourly rates. Magnora had both operating revenues and expenses from services provided between the companies that are related parties to Magnora. The total operating revenues from associated companies in 2020 was NOK 1.3 million.

NOK million	2020	2019
Operating revenue from associated companies	1.3	0.0
Operating revenue from Sevan SSP*	0.0	1.6
Total operating revenue	1.3	1.6

\* 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.

NOK million	2020	2019
Operating expenses from associated companies	0.1	0.0
Operating expenses paid to other related parties	0.9	0.0
Total operating expense	1.0	0.0

# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### Current receivables from companies in the Group:

(NOK million)	2020	2019
Vindr AS	0.5	0.0
Kustvind AB*	0.5	0.0
Evolær AB	0.3	0.0
<b>Current receivables from companies in the Group</b>	<b>1.3</b>	<b>0.0</b>

\* The investment in Kustvind AB is included in the balance sheet under Other Current Financial Assets. As of 31 December 2020, Magnora had invested a total of NOK 5.5 million and has approximately 15% ownership in Kustvind.

Magnora ASA also owns 50% of the shares in Arendal Brygge AS, and Sparebanken Sør owns the other 50% of the shares. Magnora ASA and Sparebanken Sør each provided NOK 1 million in shareholder loan to Arendal Brygge in 2019 to support Arendal Brygge's liquidity needs related to needed investments and working cash. The book value of the loan was written down to zero in 2019 due to large losses incurred by Arendal Brygge AS, and a provision was made. Magnora does not exercise control over the activities of Arendal Brygge AS and accounts for its shareholding in Arendal Brygge using the equity method.

The Company made payments to two of its shareholders (Fredrik Sneve and Kistefos AS) during 2020 to compensate for assistance with investment evaluations.

#### NOTE 5. CASH AND CASH EQUIVALENTS

(NOK million)	2020	2019
Cash at bank and in hand	44.2	53.8
Restricted employees' tax deduction fund	0.4	0.0
Restricted bank deposits	0.0	0.2
<b>Total cash and cash equivalents</b>	<b>44.6</b>	<b>54.0</b>

As of December 31, 2020, NOK 0.4 million was restricted cash (2019: 0.2).

#### NOTE 6. FINANCIAL ASSETS

In accordance with authorisation from the Board of Directors, Magnora ASA both sold and purchased marketable securities during 2020 with a net gain of NOK 8.7 million. The total value of other current financial assets held on the balance sheet is NOK 19.6 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 marketable securities are considered sufficiently liquid to allow Magnora ASA to sell the securities to meet short-term working capital needs. At 31 December 2020, the value of the marketable securities was NOK 13.8 million, and cost of the securities held was NOK 5.1 million.

The investment in Kustvind AB is also included in the balance sheet under Other Current Financial Assets. After investing an additional NOK 3.15 million in Kustvind during the fourth quarter, Magnora has approximately 15% ownership in Kustvind. Magnora has invested a total of NOK 5.5 million in Kustvind and has a right to acquire up to 50% of the company in a gradual milestone-based investment plan. The investment in Kustvind AB is valued at fair value, however the fair value of this non-listed equity investment has been set equal to the cost of the investments. The investment is currently in an early-stage development phase. The cost is evaluated to reflect the development of the projects and company up until it reaches certain milestones that demonstrates value creation. Once the investment is in an operational phase, it will be valued using a DCF model if Magnora still has ownership in the company or project.

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).

## NOTE 7. SHAREHOLDER INFORMATION

20 largest shareholder accounts 31 December 2020 (source: VPS)	Number of shares	Percent ownership
DNB MARKETS AKSJEHANDEL/-ANALYSE*	10,899,818	20.73
KING KONG INVEST AS	2,343,795	4.46
GINNY INVEST AS	2,198,312	4.18
CARE HOLDING AS	2,100,000	3.99
PHILIP HOLDING AS	1,620,000	3.08
ANDENERGY AS	1,558,140	2.96
MP PENSJON PK	1,502,638	2.86
INTERACTIVE BROKERS LLC	1,406,307	2.67
ALDEN AS	1,363,529	2.59
DANSKE BANK AS	1,230,243	2.34
BEKKESTUA EIENDOM AS	1,159,595	2.21
FINANCIAL FUNDS AS	1,087,000	2.07
ALTEA PROPERTY DEVELOPMENT AS	1,004,944	1.91
AARSKOG, PHILLIP GEORGE	1,000,000	1.90
F2 FUNDS AS	761,000	1.45
BAKLIEN, ÅSMUND	700,000	1.33
HANDELSBANKEN CAPITAL MARKETS DMA MARKET-MAKING	588,261	1.12
SJØLUND, STIAN	531,000	1.01
BILL INVEST AS	450,056	0.86
LANDGRAFF, ESPEN SAGVOLDEN	442,620	0.84
<b>Total, 20 largest shareholders</b>	<b>33,947,258</b>	<b>64.55</b>
Other shareholder accounts	18,639,440	35.45
<b>Total shareholders (7,206 shareholder accounts)</b>	<b>52,586,698</b>	<b>100.00</b>

\* Magnora's largest shareholder is Kistefos AS who owns shares held by DNB Markets Aksjehandel/-analyse and SB1 Markets. In total, Kistefos AS holds 10,942,314 shares in the company equal to 20.8% of shares outstanding at 31 December 2020.



# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### NOTE 8. EMPLOYEE BENEFIT EXPENSE

##### Specification of employee expense:

(NOK million)	2020	2019
Salaries and vacation pay	6.7	6.4
Employer`s contribution tax	1.3	1.5
Pension costs	0.3	0.4
Bonus	3.0	1.9
Option cost	1.9	2.3
Other employee benefit expense	0.0	0.1
<b>Total employee benefit expense</b>	<b>13.2</b>	<b>12.6</b>
Average number of man-years	3	3

##### 2020 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Retirement benefits	Other benefits
Erik Sneve, CEO	1,925	2,775	130	15
Bård Olsen, CFO	1,156	216	129	15
<b>Total remuneration paid</b>	<b>3,081</b>	<b>2,991</b>	<b>259</b>	<b>30</b>

##### 2019 remuneration of Senior Management:

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

\* 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.

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. Retirement benefit plan was established again in 2020 for the new management team. No loans, prepayments or security were granted to current Senior Management or any member of the Board of Directors in 2020 and 2019.

At the balance sheet date there were 1,225,000 options held by the Board of Directors and Senior Management (2019: 900,000 options). See note 20 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, totalling 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.

NOK Thousand	Member from:	Member to:	2020	2019
Torstein Sanness, Chairman	24 May 2017		993	926
Hilde Ådland	24 May 2018		250	250
John Hamilton	18 Dec 2018		300	280
Total remuneration paid			1,543	1,456

#### 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.

#### NOTE 9. RETIREMENT BENEFIT OBLIGATIONS

The Company is required to maintain a pension plan for its employees, as minimum two persons are employed in positions of more than 75% of a fulltime position. Pension cost charged to the income statement in 2020 was NOK 0.3 million (2019: NOK 0.4 million). The defined contribution plan had 2 participants at 31.12.2020 (2019: no participants). Pension plan was established in Q1 2020 with retroactive effect back to the dates the CEO and CFO were hired in 2019.

#### NOTE 10. OTHER OPERATING EXPENSE

(NOK million)	2020	2019
Office cost (rental etc)	0.6	0.4
Consultancy (audit, tax and legal) *	6.2	2.9
Travel expenses	0.2	0.3
Other	1.2	1.0
Total employee benefit expense	8.2	4.6

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

Statutory audit	0.6	0.5
Audit related services	0.2	0.1
Total auditor's fees	0.8	0.6

# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### NOTE 11. LEASE AGREEMENTS

The Company has office rental agreements for its offices in Oslo as of 31 December 2020. The agreements are each NOK 0.1 million per year and can be terminated at any time with three month's termination notice period.

The Company expensed NOK 0.2 million in lease and rental cost for 2020 (2019: 0.05).

#### NOTE 12. 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.

	2020	2019
Net profit/(loss) (NOK million)	27.0	20.2
Earnings per share (NOK)	0.51	0.39
Earnings per share diluted (NOK)	0.51	0.39
Average no. of outstanding shares (thousands)	52,587	52,587
Weighted avg. no. of ordinary shares for diluted earnings per share (thousands)	52,587	52,587

#### NOTE 13. OTHER CURRENT LIABILITIES

NOK million	Note	2020	2019
Payroll liabilities		1.0	0.1
Employer`s contribution tax and other taxes		0.2	0.3
Financial instruments (market value of foreign exchange)		0.0	0.3
Other payables		0.1	0.0
<b>Total other current liabilities</b>		<b>1.3</b>	<b>0.7</b>

## NOTE 14. 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 minimise 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, recognised 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. Most of the Company's revenue is in USD. To reduce the currency risk, the Company hedged the exposure through selling USD in bulks when rates were favourable.

### 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 and one customer currently rated at Ba3.

### 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 44.6 million at the balance sheet date.

## NOTE 15. OPERATING REVENUE

NOK million	2020	2019
License fee	27.1	40.0
Other revenue	1.3	1.6
<b>Total operating revenue</b>	<b>28.4</b>	<b>41.6</b>

Operating revenue from a geographic perspective

The revenue split, based on customer location was as follows:

NOK million	2020	2019
Norway	0.5	1.6
Sweden	0.8	0.0
UK	27.1	40.0
<b>Total operating revenue</b>	<b>28.4</b>	<b>41.6</b>

# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### NOTE 16. PROVISIONS

NOK million	Payroll	Legal fee	Total
1 January 2020	0.3	0.0	0.3
Arising during the year	0.3	0.0	0.3
Reversed during the year	0.0	0.0	0.0
31 December 2020	0.6	0.0	0.6

NOK million	Payroll	Legal fee	Total
1 January 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
31 December 2019	0.3	0.0	0.3

All provisions in 2019 and 2020 are current in nature.

#### Payroll

Provision for 2020 is for employment tax (AGA) for the options issued. Provision for 2019 is mainly for bonuses, but also includes employment tax (AGA) for the options issued.

#### NOTE 17. 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	2020	2019
Interest income	0.3	1.5
Other financial income	25.6	0.0
Total financial income	25.9	1.5

#### Financial expense:

NOK million	2020	2019
Interest cost	-0.1	0.0
Write-down investment in associate	0.0	-0.3
Other financial expenses	-4.8	-1.5
Total financial expense	-4.9	-1.8



## NOTE 18. TRADE AND OTHER RECEIVABLES

NOK million	2020	2019
Trade receivables	3.9	2.1
Prepayment	0.1	0.4
Total trade and other current receivables	4.0	2.5

## NOTE 19. SHARE-BASED PAYMENTS

At balance sheet date there are 1,225,000 options (2019: 900,000).

In accordance with approval by the Annual General Meeting of May 26, 2020, the Board of Magnora has issued 325,000 options during 2020 to provide long-term incentives to the Board and the Management team.

## NOTE 20. 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 31 December, 2020:

	Options owned or controlled	Shares owned or controlled
Torstein Sanness, Executive Chairman	450,000	125,650
Hilde Ådland, Board member	55,000	9,200
John Hamilton, Board member	70,000	13,950
Erik Sneve, CEO	450,000	667,319
Bård Olsen, CFO	50,000	23,900
Haakon Alfstad, Executive Vice President Projects*	100,000	27,755
Theis Hanang Pedersen, Head of BD and Strategy*	50,000	8,800
Total remuneration paid	1,225,000	

\* Not an employee, but hired in on a permanent basis and part of the Company's Senior Management team.

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 21. DIVIDEND AND REPAYMENT OF CAPITAL

Magnora performed a share capital reduction with return to shareholders of a total of NOK 1 per share in 2019.

The Company also distributed NOK 0.33 per share in capital distribution to the shareholders in 2020.

# MAGNORA ASA

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### NOTE 22. SUBSEQUENT EVENTS

##### Acquisition of South African SPV and increased ownership in Vindr

On 22 February 2021, Magnora acquired a South African SPV and increased its ownership share in Vindr to 50% to allow Vindr merge with a South African wind and solar PV project developer. The transactions give Magnora over 1 GW net potential of renewable energy projects in the South African market. Magnora has as part of the transaction committed to provide a NOK 15 million loan to Vindr.

##### Appointment of EVP Operations

On 3 February 2021, Peter Nygren was appointed Executive Vice President Operations and part of the Magnora Management Team. Mr. Nygren was previously CEO and co-founder of Arise and has more than two decades of experience from global renewable energy markets in SCA and other industrial companies.

##### Acquisition of 25% stake in Helios Nordic Energy AB

On 2 February 2021, Magnora participated in a share issue acquiring 25% of Helios Nordic Energy AB (Helios), a greenfield developer of large-scale PV projects in the Nordics. The company has developed a project portfolio by signing options for land leases in well suited locations in southern Sweden and has land lease agreements for 14 projects with a total of approximately 400 MW potential installed capacity. Magnora has an option of acquiring an additional 15% of Helios by mid-September 2021.

##### Establishment of Magnora Offshore Wind

Magnora has signed an agreement with an undisclosed global offshore energy technology and service company to establish a joint floating wind company called Magnora Offshore Wind. Magnora Offshore Wind is being established but has already commenced its operations and started work on the application for the ScotWind licensing round in Scotland, UK. In addition, the company will participate in the first offshore wind application round in Norway, which will open in 2021. Magnora Offshore Wind will also consider entering other markets.

##### Option agreement with RWE Renewables

Magnora has signed an option agreement with RWE with the intention of investing in Oddeheia and Bjelkeberg wind farm in Birkenes municipality in Agder county. The project will have an installed capacity of approximately 98 MW when completed, of which Magnora will own a 34 percent share. The project owner has applied to the Ministry of Petroleum and Energy for postponed completion of the project until 31 December 2022. A decision on the matter is expected during 2021. Realising the project will mean local value creation to increase tax revenues and local benefits such as employment. Magnora's share in the project will be approximately 33 MW, and the project is expected to be in the ready-to-build stage during 2021.

##### Equity private placement

On 3 February 2021, Magnora closed an equity private placement of 4,485,981 new shares with a subscription price per share of NOK 26.75 and a total offer size of NOK 120 million. The private placement was conducted through an accelerated book-building process and was over-subscribed multiple times. The additional funding was pursued as part of the Company's strategy to capitalise on additional investment opportunities. Following issue of the new shares, the registered share capital of the Company is NOK 27,965,613, divided into 57,072,679 shares.

##### Covid-19

The recent Covid-19 virus has so far not materially affected revenues from the Western Isles license agreement but 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 because 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. However, the virus appears to have caused delay to the construction and commissioning of the Shell Penguins vessel currently being built at a yard in China. This may delay the milestone payments from Shell.

##### Market turbulence

The turbulence in the oil and gas market in 2020 caused the oil price to decrease significantly. This could influence the Penguin project, as the last milestones are tied to getting the FPSO into operation. The risks of this situation impacting Magnora is considered 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) on the next page, 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 Sneve, CEO

Bård Olsen, CFO

Remuneration of Senior Management for the accounting year 2020 is disclosed in note 16 of the consolidated financial statements. The guidelines for determination of remuneration to the Senior Management and any allotment of options were discussed at the Annual General Meeting in May 2020. The Board of Directors has not deviated from these guidelines in relation to the compensation package for Senior Management during the accounting year 2020.

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.

# STATEMENT REGARDING DETERMINATION OF SALARY AND OTHER BENEFITS FOR SENIOR MANAGEMENT

## CONTINUED

### 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 has been 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. The Board of Directors also approved a cash bonus for the CFO of NOK 250,000 which was 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. Senior Management further participates in the Group's collective pension and insurance schemes along with all employees in the Group. The company operates a defined contribution plan. The defined contribution plan has 2 participants.

The annual wage and base salary adjustment take 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.

Based on the approval by the Annual General Meeting on 26 May 2020, a total of 50,000 share options were issued in 2020 to the CEO and 50,000 share options to the CFO. Details of the share options are disclosed in note 11 of the consolidated financial statements. All options granted after the 2020 Annual General Meeting have been on terms in accordance with the approved program. The program expires at the 2021 Annual General Meeting.

Oslo, Norway, 15 March 2021  
The Board of Directors of Magnora ASA

Torstein Sanness  
Chairman

Hilde Ådland  
Board member

John Hamilton  
Board member

Erik Sneve  
CEO

## 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 2020, the income statement, statements of cash flows and changes in equity 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 2020, 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 2020, 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 2020 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 2020. 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, 2020 the recorded amount of net deferred tax assets mainly deriving from tax losses carried forward was NOK 31.1 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 managements judgement. 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 judgement 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 note 13 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, 15 March 2021  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Espen Fyllingen  
State Authorised Public Accountant (Norway)

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**Espen Fyllingen**

**Statsautorisert revisor**

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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, 2020, 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, Norway, 15 March 2021  
The Board of Directors of Magnora ASA



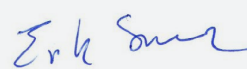
**Torstein Sanness**  
Chairman



**Hilde Ådland**  
Board member



**John Hamilton**  
Board member



**Erik Sneve**  
CEO









**MAGNORA ASA**

Magnora ASA  
C/O Advokatfirmaet Schjødt AS  
P.O. Box 2444 Solli  
0201 OSLO  
[www.magnoraasa.com](http://www.magnoraasa.com)