



MAGNORA ASA

ANNUAL REPORT 2021

14 March 2022



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

Our common net-zero goal

Energy is no longer just energy – it matters where the energy comes from and how it was produced. Energy security is also more important than ever. We see climate changes taking effect and we are actively acting to invest long-term in an electric future.

In 2019 we decided to rebuild our company in the renewable energy industry, and we have brick by brick built a team and made a few investments. Our team has diligently worked to develop the companies and projects we have either invested in together with founders or built from scratch.

We have been very fortunate to attract a team of industry-leading experts from the renewable industry, which has allowed us to select the right investments and manage them efficiently and in a competitive way.

We see attractive forecasts of price levels for electricity in the coming years, and demand on the rise. More production facilities are needed to ensure reasonable prices for consumers and price levels industries can survive with to maintain jobs.

Without renewable energy at competitive price levels, countries will lose competitive advantages. We have for instance had lower electricity prices in the Nordics than in continental Europe for decades, which has been an advantage for power-intensive industries. Further expansions and investments in renewable energy production must be made to maintain this advantage.

Our aim has been to invest in a selection of diverse companies and projects to ensure we are not too

heavily exposed to specific project risks, at the same time as we are learning from different branches of the renewable industry.

The past two years have been politically challenging for onshore wind in the Nordics, and this has helped us expand our focus area into other technologies such as solar PV and offshore wind, as well as new geographic areas to mitigate risk and balance our portfolio.

In 2021 we were able to establish an offshore project team together with TechnipFMC under the umbrella Magnora Offshore Wind AS, which submitted a license application in the ScotWind leasing round in Scotland. In January 2022, we were offered the opportunity to proceed with our project into the next phase with an option agreement for a long-term lease with Crown Estate Scotland. We believe we have a lot to offer in the offshore wind sector, in terms of understanding local supply chain, the best concepts with the lowest capex and opex, as well as through standardization, cost control, and smart solutions. Some of our key people has worked within the offshore sector for over 50 years in the North Sea with both offshore wind and floating platforms.

Further, we invested in solar energy with the investment in Helios Nordic Energy AB at the beginning of 2021. We already see that both our investments in Helios and Evolar are progressing according to or faster than the initial projections. We anticipate significant value creation in both companies that we expect to harvest from within the next years.

Our business model is based on identifying and developing renewable energy projects from greenfield to the ready-to-build phase. At the point of construction 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 floating offshore wind, we expect to generate revenues beyond our legacy business in the years to come. However, farm-down, trade-sale and IPO of certain businesses prior to projects being fully developed are also opportunities to generate revenues at an earlier stage.

In 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 future is bright and green.

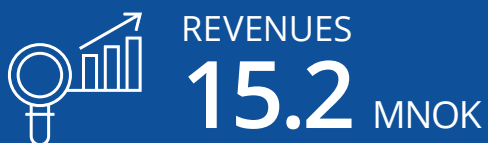


Torstein Sanness
Executive chairman



Erik Sneve
CEO

KEY FIGURES



28.4 PREVIOUS YEAR (2020)



7.0 PREVIOUS YEAR (2020)



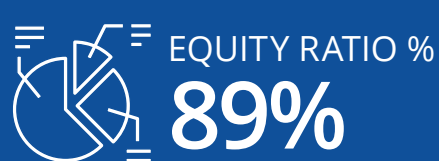
28.5 PREVIOUS YEAR (2020)



0.54 PREVIOUS YEAR (2020)



44.8 PREVIOUS YEAR (2020)



95% PREVIOUS YEAR (2020)



52.6 PREVIOUS YEAR (2020)

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

BOARD OF DIRECTORS' REPORT

MAIN EVENTS IN 2021

Figures for 2020 are presented in brackets

The Company continued to have a significant deal flow through 2021 and made the following investments during the year:

- » In January 2021, Magnora entered into an agreement with TechnipFMC to establish a joint offshore wind company, later named Magnora Offshore Wind. Magnora Offshore Wind submitted an application for license in the ScotWind process and was on 17 January 2022 awarded an area to develop a floating wind park on the northside of Scotland.
- » In February 2021, Magnora acquired 25 percent of Helios Nordic Energy AB through a share issue. Helios has progressed ahead of its business plan, and Magnora made in September 2021 an additional investment to increase its ownership in Helios to 40 percent. Helios is 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 29 projects with a total installed capacity potential of approximately 1.3 GW.
- » In March 2021, Magnora entered the South African market through acquiring 100 percent of the shares in a South African company with a potential 850 MW greenfield renewable development portfolio consisting of approximately 550 MW wind and 300 MW solar PV. The projects have progressed according to plan with installation of wind measurement masts, and the initial weeks of measurements have shown favourable wind conditions at the sites.
- » In February 2021, Magnora entered into a cooperation agreement with RWE Renewables to develop and mature the 98MW Oddeheia and Bjelkeberget onshore wind farms in the southern part of Norway.
- » In 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. This funding was key to implement the investments and activities planned for 2021.
- » In September 2021, Magnora entered into a collaboration agreement with Prime Capital and Troms Kraft for the development of a green maritime fuel production facility in Tromsø which qualified for Enova funding.
- » Kustvind AB has progressed according to the initial business plan, and Magnora has increased its ownership in the company to 30 percent during 2021. Sweden is in the process of accelerating its offshore wind strategy in 2022.
- » The Group increased its ownership in Evolar AB to 50% during 2021. Evolar has a very disruptive technology which enables solar panel and glass manufacturers to boost performance on all solar cells at a very low cost with their tandem technology. Over the next decade Evolar can help the world develop solar cells with efficiency in the low-to-mid 30 percent.
- » The Group had slightly lower than expected revenues in 2021 due to lower offloading than forecasted for the Western Isles FPSO. The operator has entered several development contracts for the field and revenues are expected to increase going forward. The vessel has a daily capacity of 44.000 barrels per day of which Magnora can earn 50 cent per barrel.
- » Profit before tax was negative NOK 55.1 million (NOK 34.1 million). Not including the non-cash expenses of options, and profit/loss from associated companies, the profit before tax was negative NOK 30.1 million for 2021.
- » Decrease in operating revenue combined with an increase in operating expenses gave an EBITDA of negative NOK 38.5 million (NOK 7 million). The increase in operating expenses came from a higher activity level with an increase in employee related expenses, legal and other consultancy services, combined with developing Magnora Offshore Wind and the projects in South Africa.
- » Net profit was negative NOK 62.8 million (NOK 28.5 million). The decrease was mainly driven by 1) lower operating revenues and financial income, 2) higher expenses from project development and M&A activities, 3) recognising the Group's share of profit/loss from associated companies, and 4) reduction in the deferred tax asset. Note that the last two points are non-cash entries and only have accounting effects due to IFRS rules. Not including the non-cash expenses of options, write-down of deferred tax asset, and profit/loss from associated companies, the net profit was negative NOK 30.1 million for 2021.

- » The Magnora team was strengthened significantly during 2021 with 1) Peter Nygren, co-founder and former CEO of Arise, appointed EVP Strategies (role changed to Corporate Advisor in January 2022), 2) Bjørn Gisle Grønlie from TechnipFMC, appointed EVP Legal and M&A, 3) Trond Gärtner from Statkraft, appointed SVP Business Development, 4) Espen Erdal from DNV GL appointed VP Business Development, and 5) Emilie Schjøtt Brackman from DNV GL appointed VP Wind & Solar.

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

On 17 January 2022, Magnora Offshore Wind was offered the opportunity to enter into an Option Agreement for area N3 by the Crown Estate Scotland in the ScotWind leasing round. The planned development will have a total capacity of approximately 500 MW, with estimated production start in 2030.

Magnora and Vindr have decided to split the Nordic and South African activities and discontinue the development of Vindr Group

since Magnora wants to reduce its exposure towards the Nordic onshore wind sector due to the slow-down in the Nordic onshore wind sector. The original Vindr founders will continue development of the Nordic business as a separate entity outside of Magnora, and Magnora will further develop its South African business by acquiring 92 percent of African Green Venture (AGV) together with the local AGV team and continue developing its wind and solar PV projects in the region. Peter Nygren will join the AGV team as an active owner and leave his position as EVP Strategies.



BUSINESS AND STRATEGY

Magnora continues to grow its portfolio of renewable energy companies and projects and has over the past year been able to expand into solar PV, offshore wind, onshore wind and solar PV enhancing technology market across the Nordics, UK and South Africa.

Through the establishment of Magnora Offshore Wind with TechnipFMC, already rewarded with an option agreement in the ScotWind leasing round, the Group is continuing its focus to further develop other offshore wind projects which looks very promising. Magnora has received a lot of interest from the industry, banks and investors on back of the award. Floating wind is currently a more attractive supply of green energy in Europe as there is significant local opposition against onshore wind in many countries.

Although all associated companies are in an early phase of executing their business plans, there is an increasing interest from industrial and institutional investors to invest prior to Ready-to-Build phase.

Helios has received good attention for multiple projects by institutional investors and larger companies that want to invest in a holding company structure with Magnora and the founders. We have also received interest from larger wind developers as well as Independent Power Producers (IPPs) who are interested in investing in Helios at holding company level.

Evolar continue to consider IPO options going forward, as well as other ways of creating value for Magnora's shareholders. Evolar is continuously working on industrial partnerships and development of a strategic customer base. The company has two joint development agreements in place; one with a global glass manufacturer and the other agreement with an Indian module manufacturer. The latter agreement is backed by government funding. Evolar has

several ongoing discussions with other players who are interested in perovskite on their products. Magnora is increasingly focusing on near term development opportunities which for the most part is located within solar and offshore wind (shorter time-to-market). Political resistance remains high within onshore wind in Norway and Sweden. However, the political landscape is changing quickly on the back of record high electricity prices in the region. The Group is following developments in the region closely.

The original strategy of building a robust portfolio across several segments and geographical areas has proven effective, as it reduces political and country specific risks. However, we see an increasing appetite for our portfolio companies and projects from leading energy companies and infrastructure funds.

We also see interest from institutional investors and energy companies where Magnora originates various energy projects and manage their investments in a partnership. Magnora has established a wide platform which can generate earnings beyond Penguins and the Western Isles revenues. Significant earnings from the Penguins (16 MUSD in three instalments) and the Western Isles contract are expected in 2022 and 2023.

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.

PORTFOLIO COMPANIES

Magnora takes an active role in the development of its portfolio companies, and provides support within due diligence, bank and project finance, equity, environmental impact assessments, grid studies, procurement, governmental approval, energy yield assessments, construction, operations, farm-downs and exits.

Magnora established Magnora Offshore Wind in partnership with TechnipFMC during 2021, and the company submitted its first license application in the ScotWind leasing round. On 17 January 2022 Magnora Offshore Wind was offered the opportunity to enter into an Option Agreement for area N3 by the Crown Estate Scotland. The planned development will have a total capacity of approximately 500 MW which is estimated to produce 2.4 TWh per year.

In addition, the company will participate in the first offshore wind application round in Norway, and other markets are also being considered. TechnipFMC has played a key role in floating wind industry since inception and has participated in developments such as the Hywind projects. With over 4,500 TechnipFMC employees in England, Scotland, and Norway, the partnership has created several synergies between Magnora and TechnipFMC.

Magnora has exercised its options to increase its ownership in Evolar to 50 percent during 2021. 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. Magnora has one additional option to increase its ownership to 63.5 percent, which is expected to be exercised in 2022.

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. The Evolar team is in discussions with several industry players across the value chain who are eager to investigate the use of the perovskite technology for potential cooperation, testing, and scale-up of the technology to capitalise on the USD multi-billion solar cell market.

Evolar's organisation is growing according to their strategy, with key personnel successfully hired during 2021. In addition, the Dean of Uppsala University, Anders Hagfeldt, has joined Evolar's Advisory Board. Hagfeldt is widely known as a leading expert within the global perovskite community.

Magnora increased its ownership in Kustvind AB (Kustvind) to 30 percent during 2021 and has an option to acquire up to 50 percent of the company. Magnora initially invested in Kustvind AB in March 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. The local grid operator is investigating the capacity to determine alternative connection points to be proposed in the application for concession.

Magnora participated in a share issue acquiring 25 percent of Helios Nordic Energy AB (Helios) in February 2021, and further increased its ownership to 40 percent in September 2021. Helios is 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 29 projects with a total installed capacity potential of approximately 1.3 GW. Helios has sold two projects totaling 45 MW to OX2 and has received good interest from potential buyers for two other projects of combined 68 MW. We note an increasing interest for several other projects in Helios' development pipeline and expect additional transactions to close during 2022. Helios is considering entering several countries in the Nordpool area in 2022 and expects to sell at least 200 MW of ready to build projects in during the year. For 2023 the company expects to sell 600 MW of solar PV projects. All projects have the goal of including storage solutions such as battery.

Magnora also entered the South African market during 2021 by

acquiring 100 percent of the shares in a South African company with a potential 850 MW greenfield renewable development portfolio consisting of approximately 550 MW wind and 300 MW solar PV. Subsequent to the end of 2021, Magnora has further acquired 92 percent of African Green Ventures (AGV) as part of an agreement with Vindr to separate the entity from the Vindr Group that has been under establishment since February 2021. With the acquisition of AGV, Magnora has a combined 1.7 GW development portfolio in South Africa and will together with the original founder of AGV continue to develop existing and future wind and solar PV projects as part of the Magnora team in South Africa. The projects in South Africa have made good progress during 2021, with favorable wind data registered from the wind measurement campaign. The supply of electric power in South

Africa is inadequate, and there is a particularly high demand for renewable electric energy. The country plans to develop 20-30 GW of renewable projects over the next decade.

South Africa has a very advanced and professional renewable market and Eskom, the public national grid and power generating company, is being de-bundled to create opportunities for the private sector. Magnora's South African company has commenced development of renewable projects with preparation for wind measurements and other early phase activities, such as business planning, meetings with industrial companies, equipment manufacturers, local and governmental banks, and potential investors. The renewable projects are expected to meet the criteria needed in public tender rounds ("REIPPP"), potential

corporate power purchasing agreements (PPAs), and to serve local municipalities directly with electricity from renewable sources.

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

Group is exploring together with Sparebanken Sør. Arendal Brygge is the last remaining assets from Magnora's legacy business.

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 2021 was NOK 13.8 million (NOK 27.1 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 years to come. The vessel's production depends on weather, maintenance, decline, timing of production drilling, discoveries and more. The hull has an expected life of 30-50 years.

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 Penguins FPSO will be completed and sail from the yard in Asia during March 2022 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.



FINANCIALS

Figures for 2020 are presented in brackets

Profit and loss

As the Group has grown, it has implemented an updated operating model to manage its increasing portfolio. As part of the new operating model, corporate and project related activities and expenses are followed up and reported separately in segments. Currently the Group operates with the two segments Corporate and Projects. Both segments engage in business activities with revenues and expenses.

Corporate

The corporate segment consists of the corporate staff and represents the cost base of the Group. All licensing revenues from legacy oil and gas contracts are managed and reported as part of the corporate segment.

Operating revenue for the corporate segment was NOK 18.7 million and operating expenses NOK 30.8 million. EBITDA was negative NOK 12.6 million for the corporate segment.

Project

The project segment consists of the portfolio companies, projects, and all related activities. Development and M&A related expenses are assigned to the project segment, excluding M&A related expenses for acquisitions that have not materialised. These expenses are assigned to the corporate segment.

There was as expected no operating revenue for the project segment during 2021 as all projects are early-phase and not yet generating revenues. Operating expense was NOK 3.5 million, and development and M&A expense was NOK 22.4 million in the project segment. EBITDA was negative 25.9 million for the project segment.

Consolidated

Operating revenues for the year ended at NOK 15.2 million, down from NOK 28.4 million last year, due to lower offloading volumes and therefore lower license fees from the Dana Western Isles project in 2021.

Revenue streams from our license agreements will depend on timing of production drilling, currency rates, maintenance, uptime and more.

The adjusted EBITDA ended at negative NOK 12.2 million (NOK 12.9 million). This year's EBITDA result has been negatively affected by higher operating and project related costs from a higher activity level with more external costs, higher personnel expenses, and higher legal fees related to new investments. As the Group is investing in more companies and projects and increasing its ownership share in existing investments, the Group's share in the negative financial results from the investments will increase. This is only accounting effects, but does affect the financial results of the Group.

Net profit for 2021 was negative NOK 62.8 million, versus NOK 28.5 million last year. Not including the non-cash expenses of options, write-down of deferred tax asset, and profit/loss from associated companies, the net profit was negative NOK 30.1 million for 2021. Earnings per share was negative NOK 1.11 in 2021, versus NOK 0.54 in 2020.

Profit before tax was negative NOK 55.1 million (NOK 34.1 million), due to a net financial profit of NOK 5.0 million mainly affected by sales of marketable securities.

The Group has accumulated tax losses of over NOK 3.5 billion.

Cash flow

As of 31 December 2021, cash and cash equivalents amounted to NOK

96.9 million (NOK 44.8 million). The positive cash flow for the year was mainly due to the equity private placement, operating revenues from the Dana contract, and sale of marketable securities.

Financing and financial position

As of year-end 2021, total assets amounted to NOK 192.7 million (NOK 124.1 million) whereof cash and cash equivalents amounted to NOK 96.9 million (NOK 44.8 million). Total equity as of 31 December 2021 amounted to NOK 171.8 million (NOK 118.1 million), and the equity ratio was 89 percent (95 percent).

The Group had no interest-bearing debt in 2021 or 2020.

Share buyback and dividends

Distribution of quarterly dividends to shareholders was approved at the annual general meeting held on 27 April 2021.

Distribution of quarterly dividends to shareholders has been halted to conserve cash for investments needed as part of the Group's strategy in the short term.

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 27 April 2021. 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. No Magnora shares were purchased during 2021, and as of the date of this report, Magnora owns 63,540 shares or 0.11 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 negative NOK 62.8 million in the parent company Magnora ASA:

- » Transfer from other equity at end of year Balance Sheet 31 December 2021: negative NOK 62.8 million
- » Total appropriation: negative NOK 62.8 million

Risk and uncertainty factors

Magnora is exposed to market risk, project risk, reservoir risk, credit risk, currency risk, renewable license risk, concession risk, interest rate risk, inflation risk, liquidity risk,

climate risks, war, and regulatory risks. The Group's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Group selects its portfolio projects and companies with emphasis on diversification to mitigate the various inherent risks in each segment of the renewable energy production industry. This does not reduce the individual risks below but makes the Group less vulnerable to the effects of those risks.

The project development process for renewable energy plants is also exposed to risks. The process for obtaining concession from relevant



authorities can vary in different countries, but most countries have required local acceptance, and in some countries the local municipality has veto rights. The public opinion and local municipality veto rights can affect the licensing decisions and has in some countries caused changes to the political process determining the regulatory framework for obtaining concession for building and operating renewable energy plants. 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. There is also risk related to military installations and training areas in addition to wildlife risks.

Market price of electricity can influence the profitability and value of Magnora's investments, and the price of electricity is influenced by government subsidies, supply and demand, availability of alternative energy sources (oil, coal, natural gas, nuclear plants, etc.), development cost and cost of equipment for power plants, and efficiency improvements within renewable energy plants (wind and solar for Magnora). One significant influencing factor in electricity prices is the political developments pushing for renewable energy to take over for the use of fossil fuels and the shutting down of nuclear plants.

Although Magnora's remaining customers are two major companies with a strong financial basis, as with suppliers and customers in general, there is a risk that unforeseen financial difficulties on the counterparty's side may arise and cause material adverse effects on the financial condition, cash flows and/or prospects of Magnora.

The Group 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 operating revenues over the next three to four years.

Competition is significant as companies in other industries are trying to benefit from the positive policy support from governments as they try to push for improvements in CO2 emissions, etc. Many of the companies Magnora competes with are parts of larger groups and therefore may have better access to skilled personnel and funding.

The Covid virus could potentially affect revenues for a short period if the crew on the Western Isles FPSO or the Shell Penguins FPSO is dismissed due to infection risk or similar. Magnora could then experience a period without revenues if the Dana FPSO halts 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.

The global climate appears to be changing, and the average temperature is predicted to rise globally, causing more extreme weather conditions, and impacting habitat. Governments are now focusing on reaching a net zero world, which is aligned with the Group's strategy of investing in renewable energy projects and companies developed in a sustainable way.

Regulatory risks can be changes in the regulatory environment that have a material adverse effect on Magnora's operations and financial performance. This could be changes in renewable energy policies,

tax policies, or the regulatory environment that could affect the industries the Company is operating in. Changes in the licensing regulations can for instance cause delays in development and construction of projects.

The Group derive all its cash flow from financial investments, two legacy agreements and it associated companies. Negative cash flow and lack of financial performance from those companies therefore affects the Group. The exposure is limited to the Group's invested amount in those companies and is closely linked to the associated companies' ability to execute its strategy and manage risks it is exposed to.

Magnora is represented on all the boards of its associated companies and mitigates risks through normal governance processes.

Access to capital is a risk now that the Group is investing in more capital-intensive projects. This is managed through close dialogues with financial institutions and a strict timeline for cash flow that matches future investment payments with investment gains from farm-downs and exits.

Loss of key personnel is a risk to the Group as it is operating with a staff of highly specialised professionals that may take time to replace if needed. Mitigation of this risk is an ongoing process of identifying outsourcing alternatives and potential recruitment to cover the resource needs of the Group.

The recent war launched by Russia may impact the Group in unexpected ways. The Board and Management is monitoring the situation and will make any possible preparations for identified effects this may have on the Group's operations and investments.



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 2021 ESG report which will be released soon.

CORPORATE GOVERNANCE

The Group 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 Group uses the national Norwegian Code of Practice for Corporate Governance, of 14 October 2021. The status of corporate governance is addressed on page 17.

The Board of Directors

Magnora had its annual general meeting on 27 April 2021, 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 Group's website: www.magnoraasa.com

CORPORATE SOCIAL RESPONSIBILITY

Health, Safety and Environment

Developing sound health, safety and environment (HSE) principles is a critical success factor for the Group.

Sick leave was 0% (2020: 0%) for the Group for the year. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2021. There were no Lost Time Incidents (LTI) during 2021.

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 Group strives to ensure that there is no discrimination due to gender, ethnicity, national origin, descent, race, religion or functional disability. Currently, the Group 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 Group has implemented formal guidelines, procedures, standards and routines in relation to anti-bribery and corruption in Magnora and its portfolio companies.

Human rights

The Group has 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 Group 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 are expected to grow in 2022 with the steadily increasing activity level.

Magnora is listed on the main list of Oslo Stock Exchange and has 8 785 shareholders as of the end of 2021.

Oslo, Norway, 14 March 2022
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 main board of Oslo Stock Exchange (Oslo Børs), the Group aims at conducting its business in accordance with the Norwegian Code of Practice for Corporate Governance of 14 October 2021 (the "Code of Practice"). The Company's principles of corporate governance are in addition to the Code of Practice based on the Continuing Obligations of stock exchange listed companies from the Oslo Børs and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice may be found at www.nues.no and the Continuing Obligations of stock exchange listed companies may be found at www.euronext.com/en/markets/oslo.

The Group 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 Group 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 Group is an extension of the way the Group conducts its business.

In accordance with section 3-3 b of the Norwegian Accounting Act, the Group shall in connection with its annual financial statements provide a statement on how the Group has implemented the principles of, and account for any deviations from,

the Code of Practice. Below is an outline on the Group's principles for corporate governance, in accordance with the categories listed in the Code of Practice. At the turn of the year 2021/22, the Group 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 Group's objective, as set out in § 3 of the Group'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 Group's business strategy and the activities that it may conduct, acquire, or initiate. The Articles are available at the Group's website.

The Board of Directors has defined clear objectives, strategies and risk profiles for the Group's business activities such that the Group creates value for shareholders in a sustainable manner. The Board of Directors considered financial, social and environmental consideration when they carried out this work. The Board of Directors annually evaluates the Group's objectives, strategies and risk profiles.

EQUITY AND DIVIDEND

The Group 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 2021, the Group had an equity share ratio of 89 percent.

The Board of Directors continually reviews and ensures that the Group has a capital structure that is appropriate to the Group's objectives, strategies, and risk profile. The Board of Directors has established and disclosed a dividend policy, which is considered to be clear and predictable. Authorisations granted to the Board of Directors to increase the Company's share capital will normally be restricted to defined purposes and will in general be limited in time to no later than the date of the next Annual General Meeting. The background to any proposal for the Board of Directors to be given an authorisation to approve the distribution of dividends will be explained.

At the annual general meeting held on 27 April 2021, shareholders approved capital distribution to shareholders. No distributions were performed in 2021 as capital distributions have been halted to retain funds needed for additional investments and development of the Group's portfolio of companies and projects.

On 16 January 2019, Magnora initiated a share buyback program. The buyback program is carried out by market purchases in accordance with the authorisations granted by the general meeting.

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 and 27 April 2021. Magnora may at any time without further notice close or suspend the program. No Magnora shares were purchased during 2021 and as of the date of this report Magnora owns 63,540 shares, or 0.11 percent of total shares outstanding. Please also see "equal treatment of shareholders" below.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Group has one class of shares only and each share entitles the holder to one vote at the Group's annual general meetings.

All shareholders shall be treated on an equal basis, unless there is a just cause for treating them differently in accordance with applicable laws and regulations. In the event of an increase in share capital of the Company through issuance of new shares, a decision to waive the existing shareholders' pre-emptive rights to subscribe for shares shall be justified. If the Board of Directors resolves to issue new shares and waive the pre-emptive rights of existing shareholders pursuant to a Board authorization granted by the general meeting, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the shares issue. The reasons for any deviation from equal treatment of all shareholders in capital transactions will be included in the stock exchange announcement made in connection with the transaction.

Any transactions carried out by the Company in the Company's own shares shall be carried out through Oslo Børs and in any case at prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of shareholders. Any transactions in own shares will be evaluated in relation to the rules on the duty of disclosure, as well as in

relation to the prohibition against illegal insider trading and market manipulation, the requirement for equal treatment of all shareholders, and the prohibition of unreasonable business methods.

TRANSACTION WITH CLOSE ASSOCIATES

Transactions with close associates shall be on arm's-length basis and always in compliance with the Norwegian Public Limited Liability Companies Act. The Board of Directors will arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question is considered to be immaterial or covered by the provisions of section 3-16 of the Norwegian Public Limited Liability Companies Act.

The Group 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.

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 Group.

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 Group'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 Group'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 Group'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. The calling notice for the annual general meeting will ensure that the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting.

All shareholders of the Group have the right to attend the annual general meetings. Shareholders will normally be able to vote on each individual matter, including each individual candidate nominated for election to the Board of Directors, the Nomination Committee and any other corporate bodies to which members are elected by the general meeting.

The Board of Directors ensures that the members of the Board of Directors and the chairperson of the Nomination Committee attend the annual general meeting. Further, the Board of Directors ensures that the annual general meeting is able to elect an independent chairperson for the general meeting.

The date of the annual general meeting is published in the Group's financial calendar for the year, which is posted at the Group's website. Notice of annual general meetings, including documentation relating to the items on the agenda and the recommendation of the Group's nomination committee, is in accordance with the Articles published at the Group'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 Group. The annual general meetings of the Group may be held in Oslo or Bærum, Norway.

Attendance forms for the annual general meeting may be sent to the Group 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 Group 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 Group'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 and members of the Nomination Committee. The Nomination Committee is encouraged to have contact with shareholders, the Board of Directors and the Company's executive personnel as part of its work on proposing candidates for election to the Board of Directors. Its recommendations will normally be explained. 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 has stipulated guidelines for the duties of the Nomination Committee, elects the chairperson and members of the Nomination Committee and 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 Group's website prior to the annual general meeting.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS

As of the date hereof, the Group is not required to and does not have a Corporate Assembly.

The Board of Directors is composed in a way that meets the Group's need for expertise, capacity, and diversity, and with the aim of ensuring that the Board of Directors can attend to the common interests of all shareholders and operate independently of any special interests and function effectively as a collegial body.

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 Group's website. Members of the Board of Directors serve for a two-year period, or such shorter period as decided by the General Meeting, but directors may be re-elected.

The directors are deemed to be independent of the Group's

main shareholders and material business contacts. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholder(s). The Board of Directors does not include executive personnel.

The members of the Board of Directors are encouraged to own shares in the Company.

Information on the Directors' shareholdings in the Group, their expertise and information on their attendance at board meetings is set out on the Group's website and note 16 of the Consolidated Financial Statements. In addition, the Consolidated Financial Statement identifies which members are considered to be independent.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for administering the Group's affairs and for ensuring that the Group'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 Group'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 Group maintains a directors and officers liability insurance policy (D&O) for a maximum liability of NOK 75 million.

The Board of Directors meets minimum six times a year and more frequently if required. The Board of Directors held 15 board meetings in 2021, of which 3 were physical board meetings and the rest were held online due to Covid-19. The average participation level was 100%.

In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board of Directors is, or has been, personally involved, such matters will be chaired by some other member of the Board of Directors.

The Board of Directors will consider appointing a Remuneration Committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such committee will be restricted to members of the Board who are independent of the Company's executive personnel.

The Board of Directors evaluates its performance and expertise annually.

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 Group. The Audit Committee further assists the Board of Directors in various matters relating to the Group'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 ensures that the Group has sound internal control functions and appropriate systems for risk management tailored to the extent and nature of its operations and in accordance with the Group's core values,

ethical guidelines and social responsibility policy. A review of the Group'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 Group 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 reflects the Board's responsibilities, expertise, time commitment and the complexity of the Company's activities. The remuneration 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 Group.

Remuneration of the Board of Directors, as proposed by the Nomination Committee and approved by the annual general meeting, is not linked to the Group's performance. In accordance with approval by the Annual General Meeting of 27 April 2021, the Board of Magnora issued 600,000 options during 2021 to provide long-term incentives to the Board and the Management team. The details regarding these

awards are described in note 11 to the Group's consolidated financial statements. The Company currently does not grant share options to the members of the Board of Directors.

Members of the Board of Directors and/or companies with which they are associated will normally not take on specific assignments for the Group in addition to their appointment as a member of the Board of Directors. If they nonetheless do take on such assignments, this must be disclosed to the full Board of Directors. The remuneration for such additional duties shall be approved by the Board of Directors.

Details of the remuneration to the Board of Directors are disclosed in note 16 to the Group's consolidated financial statements, included in the 2021 Annual Report. Any remuneration in addition to normal director's fee is also specifically identified in the 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 "Magnora Remuneration Report 2021" which is disclosed on page 79 of the 2021 Annual Report.

The guidelines on salary and other remuneration for the Senior Management are clear and easily understandable and they contribute to the Group's commercial strategy, long-term interests and financial viability.

The Group's arrangements in respect of salary and other remuneration shall help ensure the Senior Management and shareholders have convergent interests and are simple. The performance-related remuneration to executive personnel is subject to an absolute limit.

INFORMATION AND COMMUNICATION

The Board of Directors has established guidelines for the Group's reporting of financial and other information based on openness and taken into account the requirements for equal treatment of all participants in the securities market.

In order to ensure equal treatment of its shareholders, an important objective for the Group is to make sure the securities market is in possession of correct, clear and timely information about the Group's operations and condition at all times. This is essential for an efficient pricing of the Group's shares and for the market's confidence in the Group.

Initiatives taken to meet this equal treatment objective include timely and comprehensive reporting of the Group's interim results and publication of the annual and quarterly financial reports. In addition, information of significance for assessing the Group's underlying value and prospects are 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 Group, are available at the Group's website.

The Group's CEO is responsible for investor relations and the Group seeks to provide relevant and updated information to its shareholders, Oslo Børs, analysts and investors in general. The Group seeks to clearly communicate its long-term potential, including its strategy, value drivers and risk

factors. The Board of Directors has further established guidelines for the Company's contract with shareholders beyond the scope of General Meetings.

The Group's financial calendar is available at the Group'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 Group, 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 Group'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 of Directors meets with the auditor, without any member of the Group being present, at least

once a year to deal with the annual accounts.

The Board of Directors makes sure that the auditor submits the main features of the plan for the audit to the Audit Committee annually. The auditor presents at least annually a review of the Group's internal control procedures, including identifying weaknesses and proposals for improvement to the Board of Directors.

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.

At meetings where the annual accounts are dealt with, the auditor shall report on any material changes in the Group's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the Company.

The Board of Directors has established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit.

Oslo, Norway, 14 March 2022
The Board of Directors of Magnora ASA



Torstein Sanness
Chairman



Hilde Adland
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 International Petroleum Corp., Lundin Energy AB, Carbon Transition ASA, 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 and serves as the chairman of the board of NOFO (the Norwegian Clean Seas Association for Operating Companies).



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 25 years with investments and operationally in the VC industry, renewable industrial and in a family office in various positions and support services. His experience from working as an analyst, consultant, COO 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.

SUSTAINABILITY

Magnora is committed to supporting and investing in renewable energy solutions, such as wind power and solar power. Our strategy is to develop projects from early phase greenfield to ready-to-build. With no debt and significant revenue from two license agreements over the next years, Magnora has the financial capacity to invest in projects and companies that enable the transition to a more sustainable tomorrow.

Based on a lean operating model, which is reflected in small management and portfolio teams, Magnora is able to execute its strategy efficiently to build an asset light green investment portfolio. Our team brings decades of experience with proven operating and project execution models, which is leveraged as we support our portfolio companies to build a presence within the wind and solar power industries.

We aim to make a difference in our focus and commitment to local stakeholders in our projects. It is critical for the long-term value of all projects that trust and mutual benefits are built with landowners, local and national authorities, local communities and NGOs. Local suppliers are key for a sustainable development and long-term value of projects, and we therefore engage early with suppliers to find local alternatives.

Magnora supports the UN Sustainable Development Goals (SDGs) and has identified three goals where we can make a difference:

SDG 7

Ensure access to affordable, reliable, sustainable and modern energy for all. According to the UN, an estimated 789 million people lacked electricity in 2018. Solutions

for generating more electricity is viewed as important for developing better living conditions and better opportunities for a large group of people. Moreover, the need for renewable energy is of course important to lower global emissions, thus combatting the climate crisis. By investing in wind power and solar power, Magnora contributes to an increase in the share of renewable energy in the global energy mix.

SDG 9

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. Building new infrastructure for generation of renewable energy will enable existing industry to become more sustainable by replacing fossil and nuclear energy sources with renewable energy. Some of our power generation facilities are likely to be located closer to the end consumer, which will increase efficiency as less energy is lost in transmission.

SDG 13

Take urgent action to combat climate change and its impacts. According to the UN, investment in fossil fuels continues to be higher than investment in climate activities. By investing in renewable energy solutions that support the drop in global emissions, Magnora makes a positive contribution to the combat of climate change. This is important as climate change continues to exacerbate the frequency and severity of natural disasters, affecting more than 39 million people in 2018, again according to the UN.

It is our ambition to promote these three SDGs through concrete actions on goals that are relevant for our company, activities and global presence.

We have performed a materiality assessment where we have identified our main stakeholders and what we believe are their expectations of Magnora. We have also developed a governance framework to ensure our expectations to our stakeholders are communicated clearly through all necessary channels. Implementation of our governance framework includes training for our board and employees, as well as implementation of specific guidance and tools. We hire people based on our assessment of their experience and attitude to ensure they will promote our values and safety mechanisms that ensures the well-being of our employees, partners, and contractors.

Although challenging with a small team and specialist-focused hiring, we are actively pursuing gender diversity when hiring and promoting, and we have a zero tolerance for any form of discrimination.

Our whistleblowing channel is established to ensure employees, partners, and contractors can report their concerns if violation of our code of conduct is suspected.

Although our current environmental impact is primarily through our investment choices, we believe our values will have long-term effects on the projects we build and invest in throughout their lifecycles.

MAGNORA GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS

NOK million	Note	2021	2020
Operating revenue	24	13.8	27.1
Other operating revenue	24	1.4	1.3
Total operating revenue		15.2	28.4
Employee benefit expense	16, 18	-20.4	-13.2
Profit/Loss from associated companies	7	-21.6	-0.9
Other operating expense	25, 26	-33.3	-8.2
Total operating expense		-75.3	-22.3
Operating Profit/(loss)		-60.1	6.1
Financial income	19	22.4	25.1
Financial expense	19	-17.4	-4.9
Foreign exchange gain/(loss)		0.0	7.8
Net financial profit/(loss)		5.0	28.0
Profit/(loss) before tax		-55.1	34.1
Tax income/(expense)	15	-7.7	-5.6
Annual net Profit/(loss)		-62.8	28.5

NOK million	Note	2021	2020
Net profit/(loss) continued operations		-62.8	28.5
Net profit/(loss) attributable to equity holders		-62.8	28.5

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

Basic	20	-1.11	0.54
Diluted	20	-1.11	0.54

MAGNORA GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	2021	2020
Net profit/(loss)	-62.8	28.5
Foreign currency translation to be classified to profit or loss in subsequent period	-2.3	0.0
Total comprehensive income	-65.1	28.5
Total comprehensive income attributable to equity holders	-65.1	28.5
Total comprehensive income attributable to non-controlling interest	0.0	0.0

MAGNORA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	Note	31.12.21	31.12.20
ASSETS			
Non-current assets			
Deferred tax assets	15	23.4	31.1
Intangible assets		2.0	0.0
Investment in associated companies	7	61.4	24.5
Other non-current assets	23	1.3	0.0
Total non-current assets		88.1	55.6
Current assets			
Trade and other receivables	8,9,10,23	6.8	4.0
Other current financial assets	8,27,28	0.9	19.6
Cash and cash equivalents	8,9,11	96.9	44.8
Total current assets		104.6	68.4
Total assets		192.7	124.1
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	28.0	25.8
Treasury shares		-0.1	-0.1
Other equity		143.9	92.4
Total equity		171.8	118.1
LIABILITIES			
Current liabilities			
Trade payables	8	1.9	0.8
Provisions	17	2.3	3.9
Other current liabilities	14,25	16.7	1.3
Total current liabilities		20.9	6.0
Total liabilities		20.9	6.0
Total equity and liabilities		192.7	124.1

Oslo, Norway, 14 March 2022
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Ådland
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 2021	25.8	-0.1	92.4	118.1
Total comprehensive income for the period			-65.1	-65.1
Capital increase	2.2		113.2	115.4
Share based payments (Note 11)			3.4	3.4
Total changes in equity	2.2	0.0	51.6	53.7
Equity as of 31 December 2021	28.0	-0.1*	143.9	171.8

* As of 31 December 2021, Magnora owned 63,540 shares or 0.11 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 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 reduction and distribution			-17.4	-17.4
Total changes in equity	0.0	-0.1	12.6	12.5
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.

MAGNORA GROUP CONSOLIDATED CASH FLOW STATEMENT

NOK million		2021	2020
Cash flow from operating activities			
Cash from operations	22	-23.7	29.9
Net cash generated from operating activities		-23.7	29.9
Cash flows from investment activities			
Purchase of associated companies		-77.4	-25.4
Sale of associated companies		20.0	0.0
Purchase/sale of marketable securities		18.9	0.0
Loan to Arendal Brygge AS		-1.2	0.0
Net cash from investment activities		-39.7	-25.4
Cash flow from financing activities			
Capital distribution		0.0	-17.4
Treasury shares		0.0	-0.6
Capital increase		115.4	0.0
Net cash from financing activities		115.4	-18.0
Net cash flow from the period		52.0	-13.5
Cash balance at beginning of period		44.8	58.3
Cash balance at end of period*		96.9	44.8

* Restricted cash is NOK 1.0 million on 31 December 2021.

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 Group is now a renewable energy development company, focusing 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 Group 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 Group continuously considers potential organic growth and investment opportunities with the objective of generating further shareholder value.

The Group 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 14 March 2022.

Overview of Group structure as of 31 December 2021:

Subsidiaries	Registered office	Shareholder	Shareholder interest 31.12.2020	Shareholder interest 31.12.2021	Equity	Profit/ (loss) 2021
Magnora Holding AS	Norway	Magnora ASA	100%	100%	-4.3	3.2
AGV Projects Ltd.	Norway	Magnora ASA	0%	100%	2.0	-8.2
Magnora Offshore Wind AS	Norway	Magnora ASA	0%	100%*	0.1	-17.2

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

* TechnipFMC ownership of 20% not yet registered in the Corporate Register as of 31 December 2021.

Subsidiaries listed above of which the Group has a shareholder interest per 31.12.2021, 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 2021. The consolidated financial statements have been prepared under the historical cost convention.

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 IASB has also adopted several small changes and clarifications in several different standards. It is not expected that any of these changes will have considerable effect for the Group. 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 Group 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.

Joint ventures and associates

Joint ventures are companies or entities where Magnora has joint control with one or several other investors.

Share of associates are companies where Magnora has considerable, but not controlling influence. Normally, considerable influence is defined as having an ownership between 20 % and 50 % of the voting rights.

Ownership in both joint ventures and associates are accounted for using the equity method of accounting.

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.

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 2021 or 2020.

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 Group.

As further detailed in note 27 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 Group'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 Group'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 Group'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 Group 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.

2.8. Employee Benefits

Pension obligations

As of year-end 2021 the Group operates a defined contribution plan. The plan is funded through payments to the pension company, and the Group 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.

Share-based payments

The Group has share-based payment programs to management and employees. Bonus shares in these programs are awarded net after tax. The Group is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. These share-based payment programs, including tax, are considered as equity-settled sharebased payments. In addition, the Group is obliged to make a provision for social security tax related to these programs, to be transferred to the tax authority, normally in cash. This part of the share-based payment arrangements is recognised as a cash-settled share-based payment. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-marketbased vesting conditions. Cash-settled share-based payments are measured at fair value of the liability. The liability is remeasured at each reporting date.

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 Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Group'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 is exposed to market risk, project risk, reservoir risk, credit risk, currency risk, renewable license risk, concession risk, interest rate risk, inflation risk, liquidity risk, climate risks, and regulatory risks. The Company's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on its financial performance. The Group selects its portfolio projects and companies with emphasis on diversification to mitigate the various inherent risks in each segment of the renewable energy production industry. This does not reduce the individual risks below but makes the Group less vulnerable to the effects of those risks.

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 Group's revenue is in USD. To reduce the currency risk, the Group has sold bulks of USD during 2021.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's revenue. Any annualised increase or decrease in the USD/NOK foreign exchange by 10 percent would have increased or decreased the Group's 2021 profit before tax by NOK 1.4 million (2020: 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 2021 profit before tax by NOK 1.4 million (2020: 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.

The project development process for renewable energy plants is also exposed to risks. The process for obtaining concession from relevant authorities can vary in different countries, but most countries have required local acceptance, and in some countries the local municipality has veto rights. The public opinion and local municipality veto rights can affect the licensing decisions and has in some countries caused changes to the political process determining the regulatory framework for obtaining concession for building and operating renewable energy plants. 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. There is also risk related to military installations and training areas in addition to wildlife risks.

Market price of electricity can influence the profitability and value of Magnora's investments, and the price of electricity is influenced by government subsidies, supply and demand, availability of alternative energy sources (oil,

coal, natural gas, nuclear plants, etc.), development cost and cost of equipment for power plants, and efficiency improvements within renewable energy plants (wind and solar for Magnora). One significant influencing factor in electricity prices is the political developments pushing for renewable energy to take over for the use of fossil fuels and the shutting down of nuclear plants.

3.1.2. Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as loans and credit exposures to customers. The Group has one main banking relationship with a financial institution that is currently rated Aa3.

The Group's major customers are oil companies and global marine contractors with a strong financial basis, but, as with suppliers and customers in general, there is a risk that unforeseen financial difficulties on the counterparty's side may arise which could have material adverse effects on the financial condition, the cash flows and/or the prospects of the Group.

3.1.3. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions.

The Group has implemented routines to continuously update its cash flow forecast with changes to main assumptions relating to payment schedules, license milestone payments etc and to be able to foresee the necessary actions required to rectify any potential adverse effects on its future liquidity position.

The Group is 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 operating revenues over the next three to four years.

The Group derive all its cash flow from financial investments, two legacy agreements and its associated companies. Negative cash flow and lack of financial performance from those companies therefore affects the Group. The exposure is limited to the Group's invested amount in those companies and is closely linked to the associated companies' ability to execute its strategy and manage risks it is exposed to. Magnora is represented on all the boards of its associated companies and mitigates risks through normal governance processes.

Access to capital is a risk now that the Group is investing in more capital-intensive projects. This is managed through close dialogues with financial institutions and a strict timeline for cash flow that matches future investment payments with investment gains from farm-downs and exits.

At the balance sheet date, the Group has no borrowings, and both Trade receivable and payable mature within a normal 30-day cycle, with exception of some receivables towards the associated companies.

Magnora is in a solid liquidity position with a cash balance of NOK 96.9 million at balance sheet date.

3.1.4. Covenant

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

3.1.5. Capital Management

For the 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 2020 and 2021. 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 15) 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, 2021, 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 40 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 Group'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

The Group invested in Kustvind AB in March 2020 through a share issue and currently has 30 percent ownership. Magnora further has the right to increase its ownership to 50% according to a budget and milestone plan. The option to increase ownership is currently not exercisable, as the increase in ownership must come from a capital call from the Kustvind board due to a capital need in the project. The three founders of Kustvind own equal shares of the remaining shares in the company. Magnora has three out of five board members, and the founders have the remaining two members of the board. The other shareholders have the right to elect its third board member at any time, and it is expected that they will do so shortly. Magnora is a minority owner with three other owners and has significant influence of the company. Hence its ownership is accounted for using the equity method as an associated company.

The Group invested in Evolar AB in November 2020 through a share issue for 28.44 percent ownership, which was increased to 40.7 in June 2021 and to 50 percent in December 2021. The five founders of the company own equal shares of the remaining shares in the company. Magnora has two out of five board members, and the founders have the remaining three members of the board. Significant decisions (e.g., Issues of new shares, mergers or demergers, sale of all or substantially all the assets of a member of the group, amendments and revisions of the business plan) shall always require the consent and approval by the Board members nominated by Magnora. For other decisions Magnora does not have the majority of the votes. The Group determines it does not have significant control but does have significant influence in Evolar. Magnora invested in this company with the intention of

providing financing, strategic advice, and assistance with a potential stock exchange listing when the R&D has developed to an adequate stage but does not interfere in operations of the company. Magnora ASA has an option to acquire a total of 63.5% of the company, but this option is not currently exercisable. Hence its ownership is accounted for using the equity method as an associated company.

The Group invested in Helios AB in February 2021 through a share issue and owns 40 percent of the company at the balance sheet date. The remaining ownership of Helios is divided between the three founders of the company and other early investors. Magnora has one out of five board members, and the founders and other shareholders have the remaining four members of the board. Although Magnora is a majority owner, it exerts no strategic or operational influence on this company, as Helios operates in a segment Magnora has not explored prior to this investment. This company operates fully independent of Magnora. For up to two years after the First Investment from Magnora, significant resolutions (e.g. Annual budgets, amendments in the business plan, any merger/demerger and so on) must be approved by the Board and supported by the director appointed by Magnora. Magnora has significant influence in the company and its ownership is accounted for using the equity method as an associated company.

NOTE 5. SEGMENT FINANCIALS

The Group has developed from being a former oil and gas engineering company with license revenues and transformed into a renewable energy development company with several projects and investments in companies in its portfolio. As the Group has grown, it has implemented an updated operating model to manage its increasing portfolio. As part of the new operating model, corporate and project related activities and expenses are followed up and reported separately. This is reflected in the tables below.

Both the project and corporate segments engage in business activities where it earns revenues and incur expenses. The project segment has not earned any revenues yet as all projects are in early-phase development. All licensing revenues from legacy oil and gas contracts are managed and reported as part of the corporate segment, and the renewable activities and investments are reported in the project segment. M&A related expenses for projects and transactions that do not materialise, are reported as an expense in the corporate segment, which is shown separately to show the cost base of the Group. Operating results of the segments are regularly reviewed by the entity's chief operating decision maker, which is the Magnora board, to make decisions about resources allocated to the segment and assess its performance. Segment performance is evaluated based on EBITDA and operating profit/loss.

Segment financials 2021

NOK million	Note	Corporate	Projects	Elimination	Consolidated
Operations					
Operating revenue	24	13.8	0.0	0.0	13.8
Other operating revenue	24	4.9	0.0	-3.5	1.4
Operating expense	26	-30.8	-3.5	3.5	-30.8
Development and M&A expense	26	-0.5	-22.4	0.0	-22.9
EBITDA		-12.6	-25.9	0.0	-38.5
Profit/loss from associated companies		0.0	-21.6	0.0	-21.6
Operating profit/(loss)		-12.6	-47.5	0.0	-60.1

Segment financials 2020

NOK million	Note	Corporate	Projects	Elimination	Consolidated
Operations					
Operating revenue	24	27.1	0.0	0.0	27.1
Other operating revenue	24	1.6	0.0	-0.3	1.3
Operating expense	26	-17.5	-0.3	0.3	-17.5
Development and M&A expense	26	0.0	-3.9	0.0	-3.9
EBITDA		11.2	-4.2	0.0	7.0
Profit/loss from associated companies		0.0	-0.9	0.0	-0.9
Operating profit/(loss)		11.2	-5.1	0.0	6.1

NOTE 6. ADJUSTED EBITDA

Adjusted EBITDA, as defined by Magnora, excludes M&A related expenses, development cost, expenses from consolidated entities, and non-cash items and adjustments, such as options related expenses. The purpose of this measure is to show the cost base of the Group for the reporting period.

NOK million	2021	2020
Operations		
Total operating revenue	15.2	28.4
Employee benefit expense	-20.4	-13.2
Other operating expense	-33.3	-8.2
EBITDA	-38.5	7.0
Development and M&A expense	22.9	4.0
Share-based payments (non-cash)	3.4	1.9
Adjusted EBITDA	-12.2	12.9

NOTE 7. ASSOCIATED COMPANIES

Associated company	Registered office	Shareholder	Shareholder interest 01.01.2020	Shareholder interest 31.12.2020	Shareholder interest 31.12.2021
Arendal Brygge AS	Norway	Magnora ASA	50%	50%	50%
Vindr AS*	Norway	Magnora ASA	0%	25%	25%
Kustvind AB	Sweden	Magnora ASA	0%	15%	30%
Helios AB	Sweden	Magnora ASA	0%	0%	40%
Evolar AB	Sweden	Magnora ASA	0%	28.44%	50%

2021	Registered office	Assets	Liabilities	Revenues	Profit/loss	% interest held
Arendal Brygge AS	Norway	29.5	-55	-3.6	-0.9	50%
Evolar AB	Sweden	9	5	0	-23	50%
Kustvind AB	Sweden	2	,	-	-9	30%
Helios Nordic Energy AB	Sweden	17.5	2.5	2.2	-8.2	40%
Total		28.7	7.8	2.4	-40.0	

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

* Magnora and Vindr have in 2022 decided to split the Nordic and South African activities and discontinue the development of the Vindr Group. Magnoras share of Vindr AS is after this transaction 0%.

NOK million	2021	2020
Book value 1 January	24.5	0.0
Acquisition of associates	80.7	25.4
Disposals/ -sale of associates	-20.0	0.0
Share of profit/loss	-13.8	-0.9
Impairment	-7.7	0.0
Currency translation difference	-2.2	0.0
Net book value 31 December	61.4	24.5

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 owned 25 percent as of 31 December 2021. Vindr is a developer of small and medium sized onshore wind projects in areas with already cultivated land, and as of the end of 2020, the company was established in Norway and Sweden with a staff of two in each country. In 2021 Magnora started the process of incorporating the Vindr Group where Magnora planned to contribute its shares in Vindr AS in addition to NOK 20 million for a total ownership of 50% in Vindr Group. Later in 2021 Magnora and Vindr decided to split the Nordic and South African activities and discontinue the development of the Vindr Group. This process was finalised in 2022 and led to an impairment of the investment in Vindr AS amounting NOK 7.7 million in 2021. Magnoras book value of Vindr AS is 0 as of 31 December.

Magnora invested in Evolar AB in November 2020 and owns 50 percent of the company as of 31 December 2021. The following table illustrates the summarised financial information for Magnora's investment in Evolar AB:

NOK million	2021	2020
Current assets	17.1	11.5
Non-current assets	4.2	4.5
Current liabilities	5.2	0.5
Non-current liabilities	0.0	0.8
Equity	16.1	14.9
Magnora's share in equity	8.1	4.3
Goodwill	22.5	11.1
Magnora's carrying amount of investment	-30.6	15.4
Profit/(loss) before tax	-23.0	0.4
Total comprehensive income for the year	-23.0	0.4
Magnora's share of profit/(loss) for the year	-8.4	0.1

Magnora invested in Kustvind AB in March 2020 and owned 15% as of 31 December 2020. In the 2020 financial statements the ownership was accounted for as a financial asset. After additional investments in 2021 Magnora owns 30 percent of the company as of 31 December 2021. The following table illustrates the summarised financial information for Magnora's investment in Kustvind AB:

NOK million	2021
Current assets	2.0
Non-current assets	0.5
Current liabilities	0.0
Non-current liabilities	0.0
Equity	1.9
Magnora's share in equity	0.6
Goodwill	10.7
Magnora's carrying amount of investment	11.3
Profit/(loss) before tax	-9.0
Total comprehensive income for the year	-9.0
Magnora's share of profit/(loss) for the year	-1.6

Magnora invested in Helios Nordic Energy AB in February 2021 and owns 40 percent of the company as of 31 December 2021. The following table illustrates the summarised financial information for Magnora's investment in Helios:

NOK million	2021
Current assets	6.3
Non-current assets	15.2
Current liabilities	1.8
Non-current liabilities	0.7
Equity	16.4
Magnora's share in equity	6.6
Goodwill	12.9
Magnora's carrying amount of investment	19.5
Profit/(loss) before tax	-8.2
Total comprehensive income for the year	-8.2
Magnora's share of profit/(loss) for the year	-2.5

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 2021 the Group has assessed if there are indicators for impairment. No indicators for impairment were identified as all associated companies are in an early phase of their development and progressing as planned.

NOTE 8. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

NOK million		2021	2020
Category:	Asset:		
Financial assets at amortised cost	Trade receivables	6.8	4.0
Other financial assets at amortised cost	Other financial assets	0.4	0.0
Financial assets at fair value through profit/loss	Listed equity investments	0.5	13.8
Financial assets at fair value through profit/loss	Non-listed equity investments	0.0	5.8
Fair value through profit and loss	Cash and cash equivalents	96.9	44.8
Total financial assets		104.6	68.4

Financial liabilities

NOK million		2021	2020
Category:	Asset:		
Financial liabilities at amortised cost	Trade payables	1.9	0.8
Total financial liabilities		1.9	0.8

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	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-listed equity investments	0.0	0.0	5.5	5.5
Listed equity investments	0.5	0.5	13.6	13.8

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 9. 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	2021	2020
No external rating	1.1	0.0
Ba3	0.0	2.5
Total trade receivable	1.1	2.5

Cash and cash equivalents

NOK million	2021	2020
Aa3	96.9	44.8
Total cash and cash equivalents	96.9	44.8

NOTE 10. TRADE AND OTHER RECEIVABLES

Specification of trade and other receivables

NOK million	2021	2020
Trade receivables	1.1	2.5
Other receivables	5.7	1.5
Trade and other receivables	6.8	4.0

Aging of trade receivables

NOK million	2021	2020
Not Due	1.1	2.5
Due	0.0	0.0
Total trade receivables	1.1	2.5

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

Currency denomination of trade receivables, carrying amounts

NOK million	2021	2020
USD	0.0	2.5
NOK	1.1	0.0
Total trade receivables	1.1	2.5

NOTE 11. CASH AND CASH EQUIVALENTS

Specification of trade and other receivables

NOK million	2021	2020
Cash at bank and in hand	95.9	44.4
Restricted short-term bank deposits	1.0	0.4
Total cash and cash equivalents	96.9	44.8

NOTE 12. SHARE CAPITAL

The total authorised number of ordinary shares was 57.1 million (2020: 52.6 million) with a par value of NOK 0.49 (2020: 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 2021	52,586,698	25.8	0.0	25.8
Capital increase	4,485,981	2.2	0.0	2.2
31 December 2021	57,072,679	28.0	0.0	28.0

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

20 largest shareholder accounts 27 January 2022	Number of shares	Percent ownership
(source: VPS)		
GINNY INVEST AS	2 469 144	4.33
KING KONG INVEST AS	2 400 995	4.21
CARE HOLDING AS	2 000 000	3.5
BEKKESTUA EIENDOM AS	1 791 860	3.14
ALDEN AS	1 729 829	3.03
PHILIP HOLDING AS	1 648 377	2.89
ANDENERGY AS	1 558 140	2.73
F1 FUNDS AS	1 468 121	2.57
INTERACTIVE BROKERS LLC	1 406 307	2.46
NORDNET LIVSFORSIKRING AS	1 397 289	2.45
F2 FUNDS AS	1 374 000	2.41
DANSKE BANK AS	1 280 700	2.24
ALTEA PROPERTY DEVELOPMENT AS	1 054 944	1.85
AARSKOG, PHILLIP GEORGE	1 000 000	1.75
MP PENSJON PK	845 038	1.48
BAKLIEN, ÅSMUND	756 100	1.32
CLEARSTREAM BANKING S.A.	713 576	1.25
BILL INVEST AS	551 152	0.97
SJØLUND STIAN	551 000	0.97
THE NORTHERN TRUST COMP, LONDON BR	505 319	0.89
Total, 20 largest shareholders	26 501 891	46.44
Other shareholder accounts	30 570 788	53.56
Total number of shares	57 072 679	100
Foreign ownership	8 684 808	15.22

NOTE 13. SHARE-BASED PAYMENTS

In accordance with approval by the Annual General Meeting of 26 May 2020 and 27 April 2021, the Board of Magnora issued 725,000 options during 2021 to provide long-term incentives to the Board, employees, and key contractors. The options were awarded as follows:

	Options awarded
Torstein Sanness, Executive Chairman	100,000
John Hamilton, Board member	20,000
Hilde Ådland, Board member	5,000
Erik Sneve, CEO	100,000
Bård Olsen, CFO	50,000
Espen Erdal, VP Business development	75,000
Haakon Alfstad, Executive Vice President Projects *	100,000
Peter Nygren, EVP Strategies*	200,000
Bjørn Gisle Grønlie, EVP legal and M&A	25,000
Emilie Schjøtt Brackman, VP Wind & Solar	25,000
Trond Gärtner, SVP, Business development	25,000
Total options awarded	725,000

* Not an employee, but hired in on a permanent basis

All 725,000 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 1,900,000 options (2020: 1,225,000). 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. See note 18 for expensed amount related to share-based payments.

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 Group significantly changed in Q4 2018 with the sale of its main business to Sembcorp.

	Exercise price (NOK/Share) 2021	Number of options 2021	Exercise price (NOK/Share) 2020	Number of options 2020
1 January			6.5	900,000
Granted	24.39	125,000	8	225,000
Granted	26.47	300,000	9.65	75,000
Granted	25.68	100,000	11.53	25,000
Granted	26.65	125,000		
Granted	18.27	25,000		
Granted	17.56	50,000		
Exercisable	6.5	900,000	6.5	900,000
Exercised	8.0	25,000		
Exercised	11.53	25,000		
Outstanding 31 December		1,900,000		1,225,000
Exercisable 31 December		900,000		900,000

The weighted average remaining contractual life for the share options outstanding as of 31 December 2021 was 5.5 years (2020: 7 years). The weighted average fair value of options granted during the year was NOK 17.14 (2020: NOK 6.14). The range of exercise prices for options outstanding at the end of the year was NOK 6.5 to NOK 26.47 (2020: NOK 6.5 to NOK 11.53).

The following table lists the inputs to the models used for the plans for the years ended 31 December 2021 and 2020, respectively:

NOK million	2021	2020
Weighted average fair values at the measurement date	17.14	6.14
Risk free interest	0.82% / 1.42% / 1.47% / 1.47% / 1.36% / 1.47%	0.70% / 0.65%
Volatility	69% / 68% / 68% / 68% / 67% / 65%	62% / 67%
Exercise price	24.39 / 26.47 / 25.68 / 26.65 / 19.17 / 17.56	8 / 9.65 / 11.53
Model for estimation of fair value	Black-Scholes model	Black-Scholes model

NOTE 14. OTHER CURRENT LIABILITIES

NOK million	2021	2020
Payroll liabilities	0.9	1.0
Employer's contribution tax and other taxes	2.1	0.2
Other payables	13.7	0.1
Total other current liabilities	16.7	1.3

NOTE 15. 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 2021 a tax rate of 22% has been used when calculating the deferred tax assets and liabilities (2020: 22%).

Specification of booked deferred tax assets/ (liabilities)

(NOK million)	2021	2020
Specification net deferred tax assets/(liabilities):		
Deferred tax asset to be reversed after more than 12 months	784.1	779.9
Net deferred tax asset/(liabilities)	784.1	779.4
Deferred tax assets not recognised in the balance sheet	-760.7	-748.8
Net deferred tax assets/(liabilities) recognised in the balance sheet	23.4	31.1
Reconciliation of deferred tax assets/(liabilities), net:		
Book value 1 January	31.1	39.9
Income statement charge relating to deferred tax assets	-7.7	-8.8
Book value 31 December	23.4	31.1

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

(NOK million)	2021	2020
Deferred tax assets:		
Investments and receivables	0.5	2.9
Fixed assets	0.4	0.6
Accounting provisions	0.0	0.5
Losses carry forward	783.2	776.0
Deferred tax assets	784.1	779.4

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 Group'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.

Specification of tax income/(expense)

(NOK million)	2021	2020
Recognition of deferred tax asset	-7.7	-8.8
Reversal penalty tax	0.0	3.2
Net tax income/(expense)	-7.7	-5.6

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

(NOK million)	2021	2020
Profit/(loss) before tax:	-55.1	34.1
Tax calculated (22%)	12.1	-7.5
Income not subject to tax	4.9	2.3
Expenses not deductible	-3.6	-0.8
Results from associated companies	-4.8	0.0
Reversal of penalty tax*	0.0	0.7
Tax losses for which no deferred income tax asset was recognised	-16.3	-0.3
Tax income/(expense)	-7.7	-5.6

* 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. The remaining tax liability of NOK 3.25 was settled in 2021.
For 2021 a tax rate of 22% has been used when calculating the tax income / (expense), (2020: 22%).

NOTE 16. RETIREMENT BENEFIT OBLIGATIONS

Pension cost charged to the income statement in 2021 was NOK 0.7 million (2020: NOK 0.3 million). The defined contribution plan had 6 participants at 31.12.2021 (2020: 2 participants). Pension plan was established in Q1 2020 with retroactive effect back to the dates the CEO and CFO were hired in 2019.

NOTE 17. PROVISIONS

NOK million	Payroll	Additional tax	Total
1 January 2021	0.6	3.3	3.9
Arising during the year	1.7	0.0	1.7
Reversed during the year	0.0	-3.3	-3.3
31 December 2021	2.3	0.0	2.3

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

All provisions in 2020 and 2021 are current in nature.

Payroll

Provision for 2021 and 2020 is for employment tax (AGA) for the options issued.

Additional tax

Provision for potential additional tax on adjustment to the 2014 tax assessment. This additional tax was settled in 2021. See Note 13.

NOTE 18. EMPLOYEE BENEFIT EXPENSE

Specification of employee expense:

(NOK million)	2021	2020
Salaries and vacation pay	11.3	6.7
Employer's contribution tax	1.9	1.3
Pension costs	0.7	0.3
Bonus	2.9	3.0
Share based payments	3.4	1.9
Other employee benefit expense	0.2	0.0
Total employee benefit expense	20.4	13.2
Average number of man-years	5	3

2021 Remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Retirement benefits	Other benefits
Erik Sneve, CEO	2,027	2,559	176	17
Bård Olsen, CFO	1,538	284	168	17
Total remuneration paid	3,565	2,843	344	34

2020 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Retirement benefits	Other benefits
Erik Sneve, CEO	2,059	2,775	130	15
Bård Olsen, CFO	1,250	216	129	15
Total remuneration paid	3,309	2,991	259	30

Retirement benefit plan was established in 2020 for the management team. No loans, prepayments or security were granted to current Senior Management or any member of the Board of Directors in 2021 and 2020.

At the balance sheet date there were 1,900,000 options held by the Board of Directors and Senior Management (2020: 1,225,000 options). See note 13 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:	2021	2020
Torstein Sanness, Executive Chairman	24 May 2017		924	993
Hilde Ådland, Board Member	24 May 2018		280	250
John Hamilton, Board Member	18 Dec 2018		330	300
Total remuneration paid			1,534	1,543

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

As of 31 December 2021, 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	550,000	150,650
Hilde Ådland, Board member	60,000	13,700
John Hamilton, Board member	90,000	13,950
Erik Sneve, CEO	550,000	767,319
Bård Olsen, CFO	100,000	26,000
Total remuneration paid	1,330,000	

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 19. FINANCIAL INCOME

Financial income:

NOK million	2021	2020
Interest income	0.3	0.3
Gains from investments in marketable securities	22.1	24.8
Total financial income	22.4	25.1

Financial expense:

NOK million	2021	2020
Interest cost	-0.4	-0.1
Losses from investments in marketable securities	-17.0	-4.8
Total financial expense	-17.4	-4.9

NOTE 20. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share were calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares on issue during the year.

	2021	2020
Net profit/(loss) (NOK million)	-62.8	28.5
Weighted avg. no. of ordinary shares on issue (thousands)	56,669	52,587
Basic earnings per share for continued operations (NOK per share)	-1.11	0.54

Diluted earnings per share

	2021	2020
Net profit/(loss) (NOK million)	-62.8	28.5
Weighted avg. no. of ordinary shares for diluted earnings per share (thousands)	56,669	52,587
Basic earnings per share for continued operations (NOK per share)	-1.11	0.54

NOTE 21. DIVIDEND AND REPAYMENT OF CAPITAL

Magnora ASA distributed NOK 0.33 per share in capital distribution to the shareholders in 2020. There were no distributions in 2021.

NOTE 22. CASH GENERATED FROM OPERATIONS

NOK million	2021	2020
Cash flow from operating activities		
Profit/(loss) before tax	-55.1	34.1
Adjustment for:		
Magnora Holding reduction in tax liability	0.0	3.2
Share of associated companies' financial results	21.6	0.9
Share based payments	3.4	1.9
Change in marketable securities and forwards	-5.6	-6.8
Change in working capital:		
Trade and other receivables	-2.7	-1.8
Trade and other payables	1.1	0.7
Other liabilities, provisions and charges	13.6	-2.3
Cash generated from operations	-23.7	29.9

NOTE 23. 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 2021 was NOK 1.4 million (2020: NOK 1.3 million).

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

NOK million	2021	2020
Operating revenue from associated companies	1.4	1.3
Total operating revenue	1.4	1.3

NOK million	2021	2020
Operating expenses from associated companies	0.0	0.1
Operating expenses paid to other related parties	0.5	0.9
Total operating expense	0.5	1.0

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. In 2021 Magnora ASA has provided NOK 1.4 MNOK in a shareholder loan and received NOK 0.2 MNOK in down payment. The loan has a book value of NOK 1.2 MNOK as of 31 December 2021. 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 Group made payments to two of its shareholders (Fredrik Sneve and Kistefos AS) during 2020 and to one of its shareholders (Fredrik Sneve) during 2021 to compensate for assistance with investment evaluations.

NOTE 24. REVENUE

Operating revenue in 2021 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	2021	2020
License fee	13.8	27.1
Other revenue	1.4	1.3
Total operating revenue	15.2	28.4

Operating revenue from a geographic perspective

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

NOK million	2021	2020
Norway	0.0	0.5
Sweden	1.4	0.8
UK	13.8	27.1
Total operating revenue	15.2	28.4

NOTE 25. LEASES

The Group has office rental agreements for its offices in Oslo as of 31 December 2021. The agreements can be terminated at any time with three month's termination notice period. The Group has elected to apply the recognitions exemption in IFRS 16 for short term leases, therefore, the lease is expensed as other operating expense over the lease term.

The Group expensed NOK 0.5 million in lease and rental cost for 2021 (2020: 0.2).

NOTE 26. OTHER OPERATING EXPENSE

(NOK million)	2021	2020
Office cost (rental etc)	1.4	0.6
Consultancy (audit, tax and legal) *	15.4	6.2
Travel expenses	0.2	0.2
Other	16.3	1.2
Total other operating expense	33.3	8.2

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

Statutory audit	0.7	0.6
Other services	0.2	0.2
Other certification services	0.1	0.0
Total auditor's fees	1.0	0.8

NOTE 27. MARKETABLE SECURITIES

In accordance with authorisation from the Board of Directors, Magnora both sold and purchased marketable securities during 2021 with a net gain of NOK 5.6 million (2020: NOK 8.7 million). The total value of other current financial assets held on the balance sheet is NOK 0.5 million at yearend. The Group 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 to sell the shares to meet short-term working capital needs. On 31 December 2021, the value of the marketable securities was NOK 0.5 million (2020: NOK 13.8 million), and cost of the securities held was NOK 0.4 million.

(NOK million)	2021	2020
Marketable securities	0.5	13.8
Total value	0.5	13.8

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 28. OTHER CURRENT FINANCIAL ASSETS

(NOK million)	2021	2020
Marketable securities	0.5	13.5
Investment in Kustvind AB*	0.0	5.5
Other current financial assets	0.4	0.3
Total value	0.9	19.6

* The investment in Kustvind AB is as of 31 December 2021 classified as an associated company.

NOTE 29. EVENTS AFTER BALANCE SHEET DATE

ScotWind

On 17 January 2022, Magnora Offshore Wind was offered the opportunity to enter into an Option Agreement for area N3 by the Crown Estate Scotland in the ScotWind leasing round. The planned development will have a total capacity of approximately 500 MW, with estimated production start in 2030.

Acquisition of South African SPV

Magnora and Vindr have decided to split the Nordic and South African activities and discontinue the development of Vindr Group. The original Vindr founders will continue development of the Nordic business as a separate entity outside of Magnora, and Magnora will further develop its South African business by acquiring 92 percent of African Green Venture (AGV) in January 2022 together with the local AGV team and continue developing its wind and solar PV projects in the region. Peter Nygren will join the AGV team as an active owner and leave his position as EVP Strategies.

Cash flow regarding acquisition	2021
Consideration paid	11
Cash and bank deposit in the company at acquisition date	-
Net cashflow regarding acquisition	11
Minority share	1
Total value of acquired company	12
Identified assets and liabilities on the balance sheet recognized from the acquisition:	2021
Current assets	0.3
Property, plant and equipment	0.2
Current liabilities	-0.7
Borrowings	-0.2
Total net identifiable assets	0.4
Intangible assets	12.3
Deferred tax regarding intangible assets	-2.2
Goodwill	2.2
Total	12.0

MAGNORA ASA

INCOME STATEMENT

NOK million	Note	2021	2020
Operating revenue	1	13.8	27.1
Other operating revenue	1	16.4	1.3
Total operating revenue		30.2	28.4
Employee benefit expense	2, 3	20.4	13.2
Other operating expense	4, 5	27.1	8.2
Total operating expense		-47.5	-21.4
Operating Profit/(loss)		-17.3	7.0
Financial income	6	22.4	25.9
Financial expense	6	-27.4	-4.9
Foreign exchange gain/(loss) related to financing & operating revenue		0.0	7.8
Net financial profit/(loss)		-5.0	28.8
Profit/(loss) before tax		-22.3	-35.8
Tax expense/(income)		-7.7	-8.8
Annual net Profit/(loss)		-30.0	27.0

Attributable to:

Equity holders of the Company	-30.0	27.0
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Distribution of dividend:

Capital distribution	16	0.0	17.4
Transfer to/from equity		-30.0	9.6
Annual net profit/(loss)		-30.0	27.0

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

Basic	8	-0.53	0.51
Diluted	8	-0.53	0.51

MAGNORA ASA

BALANCE SHEET

NOK million	Note	31.12.21	31.12.20
ASSETS			
Non-current assets			
Deferred income tax assets	7	23.4	31.1
Investment in Subsidiaries	9	2.1	0.0
Investment in associated companies	10	76.2	25.4
Loan to related parties		11.2	0.0
Total non-current assets		112.9	56.5
Current assets			
Trade and other receivables	11	21.4	4.0
Other current financial assets	12	0.7	19.6
Cash and cash equivalents	13	94.3	44.6
Total current assets		116.4	68.2
Total assets		229.4	124.7
LIABILITIES			
Current liabilities			
Trade payables		0.6	0.8
Provisions	14	2.3	0.6
Other current liabilities	15	15.8	1.3
Total current liabilities		18.7	2.7
Total liabilities		18.7	2.7
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16, 17	28.0	25.8
Treasury shares	16	-0.1	-0.1
Other equity	16	182.8	96.3
Total equity		210.7	122.0
Total equity and liabilities		229.4	124.7

Oslo, Norway, 14 March 2022
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Ådland
Board member

John Hamilton
Board member

Erik Sneve
CEO

MAGNORA ASA

CASH FLOW STATEMENT

NOK million	2021	2020
Cash flow from operating activities		
Profit/(loss) before tax	-22.3	35.8
Adjustment for:		
Items classified as investing and financing activities	-5.6	-6.8
Write down of non-current assets	10.0	0.0
Trade and other receivable	-17.3	-0.2
Trade payables	-0.2	0.7
Other liabilities, provisions, and charges	16.1	1.2
Cash generated from operations	-16.0	30.7
Cash flow from investment activities		
Net purchase of investment shares	18.9	-22.1
Acquisition of associated companies	-77.4	0.0
Sale of associated companies	20.0	0.0
Loan to subsidiaries	-11.2	0.0
Net cash from investment activities	-49.7	-22.1
Cash flow from financing activities		
Capital increase/(distribution)	115.4	-17.4
Treasury shares	0.0	-0.6
Net cash from financing activities	115.4	-18.0
Net cash flow from the period	49.7	-9.4
Cash balance at beginning of period	44.6	54.0
Cash balance at end of period	94.3	44.6

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 2021 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.

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 2021 (see note 5).

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. OPERATING REVENUE

NOK million	2021	2020
License fee	13.8	27.1
Other revenue	16.4	1.3
Total operating revenue	30.2	28.4

Operating revenue from a geographic perspective

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

NOK million	2021	2020
Norway	8.0	0.5
Sweden	0.2	0.8
South Africa	8.2	0.0
UK	13.8	27.1
Total operating revenue	30.2	28.4

NOTE 2. EMPLOYEE BENEFIT EXPENSE

Specification of employee expense:

(NOK million)	2021	2020
Salaries and vacation pay	11.3	6.7
Employer`s contribution tax	1.9	1.3
Pension costs	0.7	0.3
Bonus	2.9	3.0
Option cost	3.4	1.9
Other employee benefit expense	0.2	0.0
Total employee benefit expense	20.4	13.2
Average number of man-years	5	3

2021 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Retirement benefits	Other benefits
Erik Sneve, CEO	2,027	2,559	176	17
Bård Olsen, CFO	1,538	284	168	17
Total remuneration paid	3,565	2,843	344	34

2020 remuneration of Senior Management:

NOK thousand	Salaries	Bonus	Retirement benefits	Other benefits
Erik Sneve, CEO	2,059	2,775	130	0
Bård Olsen, CFO	1,250	216	129	0
Total remuneration paid	3,309	2,991	259	30

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 2021 and 2020.

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

Reference is made to the 'Magnora Remuneration Report 2021' for further details of remuneration of Senior Management.

NOK Thousand	Member from:	Member to:	2021	2020
Torstein Sanness, Chairman	24 May 2017		924	993
Hilde Ådland	24 May 2018		280	250
John Hamilton	18 Dec 2018		330	300
Total remuneration paid			1,543	1,543

NOTE 3. 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 2021 was NOK 0.7 million (2020: NOK 0.3 million). The defined contribution plan had 6 participants at 31.12.2021 (2020: 2 participants). Pension plan was established in Q1 2020 with retroactive effect back to the dates the CEO and CFO were hired in 2019.

NOTE 4. OTHER OPERATING EXPENSE

(NOK million)	2021	2020
Office cost (rental etc)	1.2	0.6
Consultancy (audit, tax and legal) *	10.9	6.2
Travel expenses	0.2	0.2
Other	16.0	1.2
Total other operating expense	27.1	8.2
* Specification of auditor's fee (excl. VAT):		
Statutory audit	0.7	0.6
Other services	0.2	0.2
Other certification services	0.1	0.0
Total auditor's fees	1.0	0.8

NOTE 5. LEASE AGREEMENTS

The Company has office rental agreements for its offices in Oslo as of 31 December 2021. The agreements are total NOK 0.7 million per year and can be terminated at any time with three month's termination notice period. The Company expensed NOK 0.5 million in lease and rental cost for 2021 (2020: 0.2).

NOTE 6. 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	2021	2020
Interest income	0.3	0.3
Other financial income	22.1	25.6
Total financial income	22.4	25.9

Financial expense:

NOK million	2021	2020
Interest cost	-0.4	-0.1
Write-down investment in associate	-10.0	0.0
Other financial expenses	-17.0	-4.8
Total financial expense	-27.4	-4.9

NOTE 7. TAXES

Specification of booked deferred tax assets/ (liabilities)

(NOK million)	2021	2020
Specification net deferred tax assets/(liabilities):		
Deferred tax asset to be reversed after more than 12 months	217.3	216.0
Deferred tax asset/(liability) to be reversed after more than 12 months	0.0	0.0
Net deferred tax asset/(liabilities)	217.3	216.0
Deferred tax assets not recognised in the balance sheet	-193.9	-184.9
Net deferred tax assets/(liabilities) recognised in the balance sheet	23.4	31.1

Specification of deferred tax assets/ (liabilities)

(NOK million)	2021	2020
Deferred tax assets:		
Investments and receivables	0.5	2.9
Fixed assets	0.4	0.6
Accounting provisions	0.0	0.5
Losses carry forward	216.4	212.0
Deferred tax assets	217.3	216.0

Specification of tax income/(expense)

(NOK million)	2021	2020
Recognition of deferred tax asset	-7.7	-8.8
Net tax income/(expense)	-7.7	-8.8

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

(NOK million)	2021	2020
Profit/(loss) before tax:	-22.3	35.8
Tax calculated (22%)	4.9	-7.9
Income not subject to tax	4.9	2.3
Expenses not deductible	-5.8	-0.8
Tax losses for which no deferred income tax asset was recognised	-11.7	-2.4
Tax income/(expense)	-7.7	-8.8

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 8. 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.

	2021	2020
Net profit/(loss) (NOK million)	-30.0	27.0
Earnings per share (NOK)	-0.53	0.51
Earnings per share diluted (NOK)	-0.53	0.51
Average no. of outstanding shares (thousands)	56,699	52,587
Weighted avg. no. of ordinary shares for diluted earnings per share (thousands)	56,699	52,587

NOTE 9. INVESTMENTS IN SUBSIDIARIES

Investment in subsidiaries as of 31 December 2021:

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	0.0	100%
AGV Projects Limited	South Africa	2.0	1,000	0.0	2.0	0.0	100%
Magnora Offshore Wind AS	Norway	0.1	1,000	-6.5	0.1	-6.4	100%
Total book value					2.1		

The book value of Magnora Holding AS was written down to zero in 2016. The company has a negative equity balance and a result of 0.0 for the year 2021 which does not cause reversal of the book value write down.

Investment in subsidiaries as of 31 December 2020:

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	3.2	100%
Total book value					0.0		

NOTE 10. 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	0.0	-4.1	25%
Kustvind AB	Sweden	4,009.45	3,250	1.9	13.2	-8.6	30%
Helios Nordic Energy AB	Sweden	16.88	1,333,334	16.0	22.9	-8.0	40%
Evolar AB	Sweden	66.83	599,993	3.9	40.1	-22.4	50%
Total book value					76.2		

Magnora had as of 31 December 2020 invested NOK 10 million in Vindr Group for 25% ownership and has a right to acquire up to 50 percent of the company. In 2021 Magnora used this right and acquired an additional 25% of the Vindr Group for 50 percent ownership. Later in 2021 Magnora and Vindr decided to split the Nordic and South African activities and discontinue the development of the Vindr Group. This led to an impairment of the investment in Vindr Group amounting NOK 10 million in 2021. Magnora owns 25% of the shares in Vindr AS as of 31 December 2021. The shares have a book value of zero as of 31 December 2021.

Magnora has invested NOK 40.1 million in Evolar AB for 50.00% ownership and has a right to acquire up to 63.5 percent of the company. As of 31 December 2021, the investment is accounted for using the cost method.

Magnora has also invested NOK 22.9 million in Helios Nordic Energy AB for 40.00% ownership. As of 31 December 2021, the investment is accounted for using the cost method.

In addition to this, Magnora has invested NOK 13.2 million in Kustvind AB for 30.00% ownership. As of 31 December 2021, the investment is accounted for using the cost method.

Magnora acquired 100% of AGV Projects Ltd in 2021 for a total consideration of NOK 2.2 million. 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 subsidiaries and associated companies in 2021 was NOK 16.4 million (NOK 1.3 million).

NOK million	2021	2020
Operating revenue from associated companies	0.0	1.3
Operating revenue from subsidiaries	16.4	0.0
Total operating revenue	16.4	1.3

NOK million	2021	2020
Operating expenses from associated companies	0.4	0.1
Operating expenses paid to other related parties	0.0	0.9
Total operating expense	0.4	1.0

Current receivables from companies in the Group:

(NOK million)	2021	2020
Vindr AS	0.0	0.5
Kustvind AB	0.8	0.5
AGV Projects Ltd	8.2	0.0
Magnora Offshore Wind AS	10.5	0.0
Evolar AB	0.2	0.3
Current receivables from companies in the Group	19.7	1.3

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. In 2021 Magnora ASA has provided NOK 1.4 MNOK in a shareholder loan and received NOK 0.2 MNOK in down payment. The loan has a book value of NOK 1.2 MNOK as of 31 December 2021.

The Company made payments to two of its shareholders (Fredrik Sneve and Kistefos AS) during 2020 and one of its shareholders (Fredrik Sneve) in 2021 to compensate for assistance with investment evaluations.

NOTE 11. TRADE AND OTHER RECEIVABLES

NOK million	2021	2020
Trade receivables	19.7	3.9
Accrued income, not invoiced	1.2	0.0
Prepayment	0.5	0.1
Total trade and other current receivables	21.4	4.0

NOTE 12. FINANCIAL ASSETS

In accordance with authorisation from the Board of Directors, Magnora ASA both sold and purchased marketable securities during 2021 with a net gain of NOK 5.6 million (NOK 8.7 million). The total value of other current financial assets held on the balance sheet is NOK 0.7 million (NOK 19.6 million) at year end. 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 2021, the value of the marketable securities was NOK 0.5 million, and cost of the securities held was NOK 0.4 million.

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 13. CASH AND CASH EQUIVALENTS

(NOK million)	2021	2020
Cash at bank and in hand	93.3	44.2
Restricted employees' tax deduction fund	1.0	0.4
Total cash and cash equivalents	94.3	44.6

As of December 31, 2021, NOK 1.0 million was restricted cash (2020: 0.4).

NOTE 14. PROVISIONS

NOK million	Payroll	Total
1 January 2021	0.6	0.6
Arising during the year	1.7	1.7
Reversed during the year	0.0	0.0
31 December 2021	2.3	2.3

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

All provisions in 2020 and 2021 are current in nature.

Payroll

Provision for 2021 and 2020 is for employment tax (AGA) for the options issued.

NOTE 15. OTHER CURRENT LIABILITIES

NOK million	Note	2021	2020
Payroll liabilities		0.9	1.0
Employer's contribution tax and other taxes		2.1	0.2
Other payables		12.8	0.1
Total other current liabilities		15.8	1.3

NOTE 16. EQUITY

NOK million	Share capital	Treasury Shares	Other equity	Total equity
Equity as of 1 January 2021	25.8	-0.1	96.3	122.0
Total comprehensive income for the period			-30.0	-30.0
Acquired treasury shares*				0.0
Share based payments			3.3	3.3
Capital increase	2.2		113.2	115.4
Equity as of 31 December 2021	28.0	-0.1	182.8	210.7

* As of 31 December 2021, Magnora owned 63,540 shares or 0.11 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 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.

NOTE 17. SHAREHOLDER INFORMATIONS

20 largest shareholder accounts 27 January 2022 (source: VPS)	Number of shares	Percent ownership
GINNY INVEST AS	2 469 144	4.33
KING KONG INVEST AS	2 400 995	4.21
CARE HOLDING AS	2 000 000	3.5
BEKKESTUA EIENDOM AS	1 791 860	3.14
ALDEN AS	1 729 829	3.03
PHILIP HOLDING AS	1 648 377	2.89
ANDENERGY AS	1 558 140	2.73
F1 FUNDS AS	1 468 121	2.57
INTERACTIVE BROKERS LLC	1 406 307	2.46
NORDNET LIVSFORSIKRING AS	1 397 289	2.45
F2 FUNDS AS	1 374 000	2.41
DANSKE BANK AS	1 280 700	2.24
ALTEA PROPERTY DEVELOPMENT AS	1 054 944	1.85
AARSKOG, PHILLIP GEORGE	1 000 000	1.75
MP PENSJON PK	845 038	1.48
BAKLIEN, ÅSMUND	756 100	1.32
CLEARSTREAM BANKING S.A.	713 576	1.25
BILL INVEST AS	551 152	0.97
SJØLUND STIAN	551 000	0.97
THE NORTHERN TRUST COMP, LONDON BR	505 319	0.89
Total, 20 largest shareholders	26 501 891	46.44
Other shareholder accounts	30 570 788	53.56
Total number of shares	57 072 679	100
Foreign ownership	8 684 808	15.22

NOTE 18. 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 94.3 million at the balance sheet date.

NOTE 19. SHARE-BASED PAYMENTS

At balance sheet date there are 1,900,000 options (2020: 1,225,000).

In accordance with approval by the Annual General Meeting of April 27, 2021, the Board of Magnora has issued 725,000 options during 2021 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 2021:

	Options owned or controlled	Shares owned or controlled
Torstein Sanness, Executive Chairman	550,000	150,650
Hilde Ådland, Board member	60,000	13,700
John Hamilton, Board member	90,000	13,950
Erik Sneve, CEO	550,000	767,319
Bård Olsen, CFO	100,000	26,000
Total remuneration paid	1,350,000	

Reference is made to the 'Magnora Remuneration Report 2021' for further details of remuneration of Senior Management.

NOTE 21. DIVIDEND AND REPAYMENT OF CAPITAL

The Company distributed NOK 0.33 per share in capital distribution to the shareholders in 2020. No distributions were made during 2021.

NOTE 22. SUBSEQUENT EVENTS

ScotWind

On 17 January 2022, Magnora Offshore Wind was offered the opportunity to enter into an Option Agreement for area N3 by the Crown Estate Scotland in the ScotWind leasing round. The planned development will have a total capacity of approximately 500 MW, with estimated production start in 2030.

Acquisition of South African SPV

Magnora and Vindr have decided to split the Nordic and South African activities and discontinue the development of Vindr Group. The original Vindr founders will continue development of the Nordic business as a separate entity outside of Magnora, and Magnora will further develop its South African business by acquiring 92 percent of African Green Venture (AGV) together with the local AGV team and continue developing its wind and solar PV projects in the region. Peter Nygren will join the AGV team as an active owner and leave his position as EVP Strategies.

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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2021, statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and 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 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 8 years from the election by the general meeting of the shareholders in 2013 for the accounting year 2013.

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 2021. 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.

Deferred tax assets

Basis for the key audit matter

At December 31, 2021 the recorded amount of net deferred tax assets mainly deriving from tax losses carried forward was NOK 23.4 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 response

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 15 in the consolidated financial statements related to deferred tax assets.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is 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 board of directors' report and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report and on the statements on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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 and the Group 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 the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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 requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Magnora ASA we have performed an assurance engagement to obtain reasonable assurance whether the annual report for the financial year 2021, with the file name Magnoraasa-2021-12-31, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act and which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the annual report for the financial year 2021 has been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the annual report has been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the annual report has been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Kristiansand, 14 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Espen Fyllingen
State Authorised Public Accountant (Norway)

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Espen Fyllingen

Oppdragsansvarlig partner

På vegne av: Ernst & Young AS

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MAGNORA REMUNERATION REPORT 2021

1. INTRODUCTION

1.1 Background

This remuneration report (the "Report") is prepared by the board of directors of Magnora ASA (the "Group") in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") Section 6-16 b with regulations. The Report contains information regarding remuneration to previous, present and future leading personnel of the Group for the financial year of 2021 in line with the applicable requirements.

The Group considers the CEO and the CFO as its management team and to be comprised by the term leading personnel ("Directors") under the Companies Act. There are no employees who are members of the board of directors of the Group or the corporate assembly of the Group.

1.2 Highlights summary

The Group continued growing its investment portfolio and hired several key personnel during 2021. The following key events during 2021 relates to the goals of the management team:

- Investment in Helios Nordic Energy AB
- Investment in South African project company and further development of projects
- Private placement for additional funding of the Group
- Close follow-up of investment portfolio and further increase in ownership as key milestones were achieved (achieved for Evolar AB, Helios Nordic Energy AB, and Kustvind AB)
- Entered into cooperation agreement with TechnipFMC, established joint project team, and submitted a strong license application in the ScotWind licensing round for a floating wind park offshore Scotland

The CEO remuneration for 2021 was based on the following KPIs 1) manage and develop the organization, 2) financial performance of the Group, 3) manage and develop investment portfolio, 4) identify and close suitable acquisitions, and 5) share performance. The CFO remuneration was based on 1) development of finance function and support funding of Group, 2) follow-up of Group governance and internal control in the investment portfolio, 3) quality of financial reporting in the Group.

There was no deviation or derogation from the remuneration policy during the reported financial year.

1.3 Overview of the last financial year

The Group continued with a significant growth and value creation in 2021. In January 2021, Magnora entered into an agreement with TechnipFMC to establish a joint offshore wind company, later named Magnora Offshore Wind. Magnora Offshore Wind submitted an application for license in the ScotWind process and was on 17 January 2022 awarded an area to develop a floating wind park on the northside of Scotland.

In February 2021, Magnora acquired 25 percent of Helios Nordic Energy AB through a share issue. Helios has progressed ahead of its business plan, and Magnora made in September 2021 an additional investment to increase its ownership in Helios to 40 percent. Helios is 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 29 projects with a total installed capacity potential of approximately 1.3 GW.

In March 2021, Magnora entered the South African market through acquiring 100 percent of the shares in a South African company with a potential 850 MW greenfield renewable development portfolio consisting of approximately 550 MW wind and 300 MW solar PV. The projects have progressed according to plan with installation of wind measurement masts, and the initial weeks of measurements have shown favourable wind conditions at the sites.

In February 2021, Magnora entered into a cooperation agreement with RWE Renewables to develop and mature the 98MW the Oddeheia and Bjelkeberget onshore wind farms in the southern part of Norway.

In 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. This funding was key to implement the investments and activities planned for 2021. The Group also secured a NOK 50 million overdraft line with a tier one bank later in 2021 to further secure financial flexibility.

In September 2021, Magnora entered into a collaboration agreement with Prime Capital and Troms Kraft for the development of a green maritime fuel production facility in Tromsø which qualified for Enova funding.

Both Kustvind AB and Evolar AB have progressed according to the initial business plan, and Magnora has increased its ownership in the two companies to 30 and 50 percent respectively during 2021. Sweden is in the process of accelerating its offshore wind strategy in 2022.

The Group increased its ownership in Evolar AB to 50% during 2021. Evolar has a very disruptive technology which enables solar panel and glass manufacturers to boost performance on all solar cells at a very low cost with their tandem technology. Over the next decade Evolar can help the world develop solar cells with efficiency in the low-to-mid 30 percents.

2. TOTAL REMUNERATION FOR DIRECTORS

2.1 Introduction

The table in Section 2.2 below contains an overview of the total remuneration received by the Directors, as well as remuneration that were granted/awarded/due but not yet materialised, during the reported financial year. Only remuneration earned on the basis of the Directors' role as a leading person is comprised.

The Directors have not received remuneration from other companies within the Group.

2.2 Remuneration of Directors for the reported financial year

NOK thousand	Year	Fixed remuneration		Variable remuneration			Total Remuneration	Proportion fixed/variable
		Salary	Other benefits	Bonus	Options	Pension		
Erik Sneve, CEO	2021	2,027	17	2,559	100,000	176	4,779	46%/54%
	2020	2,059	15	2,775	50,000	130	4,979	44%/56%
	2019*	1,727	0	0	400,000	0	1,727	100%/0%

* Employment with Magnora ASA started 2 January 2019 as a consultant and assumed CEO role 16 April 2019. Actual salary amount was 1,295,000 and has been adjusted to reflect what it would have been for the full year.

NOK thousand	Year	Fixed remuneration		Variable remuneration			Total Remuneration	Proportion fixed/variable
		Salary	Other benefits	Bonus	Options	Pension		
Bård Olsen, CFO	2021	1,538	17	284	50,000	168	2,007	86%/14%
	2020	1,250	15	216	50,000	129	1,610	87%/13%
	2019*	1,100	0	0	0	0	1,100	100%/0%

* 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. Position was not a full-time position in 2019. Actual salary amount was 381,000 and has been adjusted to reflect what it would have been for the full year if engaged full-time. 2.3 Remuneration of Directors for the reported financial year from the Group.

2.3 Remuneration of Directors for the reported financial year from the Group

None.

3. SHARE-BASED REMUNERATION

3.1 Introduction

The table(s) in Section 3.2 below contains information on the number of shares granted or offered to the Directors, whilst the table(s) in Section 3.3 below contains information on the number of share options granted or offered for the reported financial year. In both of the tables, the main conditions for the exercise of the rights including the exercise price and date and any change thereof appear.

3.2 Shares granted or offered to the Directors for the reported financial year

None.

3.3 Share options granted or offered to the Directors for the reported financial year

The main conditions of share options plans

Name & position	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Exercise period	Strike price of share
Erik Sneve, CEO	2019 Magnora ASA Share Option Plan	21/5/2019 – 21/5/2020	21/5/2019	21/5/2020	21/5/2025	21/5/2020 – 21/5/2025	6.5
	Magnora ASA Share Option Plan	1/4/2020 – 1/4/2023	1/4/2020	1/4/2023	1/4/2028	1/4/2023 – 1/4/2028	8
	Magnora ASA Share Option Plan	2/6/2021 – 2/6/2024	2/6/2021	2/6/2024	2/6/2029	2/6/2024 – 2/6/2029	25.68
Total						150,000	400,000

Information regarding the reported financial year

Name & position	Opening balance	During the year		Closing balance	
	Share options awarded at the beginning of the year	Share options awarded	Share options vested	Share options subject to a performance condition	Share options awarded and unvested
Erik Sneve, CEO	400,000		400,000		
	50,000				
	100,000				
Total	550,000		400,000		150,000

The main conditions of share options plans

Name & position	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Exercise period	Strike price of share
	Magnora ASA Share Option Plan	1/4/2020 – 1/4/2023	1/4/2020	1/4/2023	1/4/2028	1/4/2023 – 1/4/2028	8
Bård Olsen, CFO	Magnora ASA Share Option Plan	25/8/2020 – 25/8/2023	25/8/2020	25/8/2023	25/8/2028	25/8/2023 – 25/8/2028	9.65
	Magnora ASA Share Option Plan	9/4/2021 – 9/4/2024	9/4/2021	9/4/2024	9/4/2029	9/4/2024 – 9/4/2029	26.47
Total							

Information regarding the reported financial year

	Opening balance	During the year		Closing balance	
Name & position	Share options awarded at the beginning of the year	Share options awarded	Share options vested	Share options subject to a performance condition	Share options awarded and unvested
Bård Olsen, CFO	25,000				25,000
	25,000				25,000
	50,000				50,000
Total	100,000				100,000

4. ANY USE OF THE RIGHT TO RECLAIM VARIABLE REMUNERATION

No variable remuneration was reclaimed during 2021.

5. INFORMATION ON HOW THE REMUNERATION COMPLIES WITH THE REMUNERATION POLICY

Please find below an explanation on how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the Company and information on how the performance criteria were applied.

The Group has grown during 2021 with the increased ownerships in Evolar AB and Kustvind AB, and the acquisition of the projects in South Africa, as well as an ownership share in Helios Nordic Energy AB. The successful private placement in February 2021 was key to secure the needed funding to implement the strategy approved by the board. In addition to expanding into South Africa, the Group expanded into offshore floating wind with its partnership with TechnipFMC and the license application in the ScotWind licensing round. Senior Management has made specific deliverables in these achievements that has been instrumental for the Group achieving its goals. The investments made since the Group changed from the Oil and Gas sector to the renewable energy sector, each investment has been selected to form a diversified portfolio of companies and projects. The diversification has been a key selection criterion to secure long-term growth of the Group and reduce its sensitivity to the performance of each individual investment.

Name and position	Description of the performance criteria and type of applicable remuneration	Relative weighting of the performance criteria	Information of performance targets		
			a) Minimum target / threshold performance and b) Corresponding award	a) Minimum target / threshold performance and b) Corresponding award	a) Measured performance and b) actual award outcome
Erik Sneve, CEO	Criterion A: Manage and develop Group	10%	Increase team to match increase in investments		Achieved – 10% awarded
	Criterion B: Financial performance of Group	15%	Maintain cost focus and ensure adequate funding		Achieved – 15% awarded
	Criterion C: Manage and develop investment portfolio	30%	Ensure progress according to business plan agreed at time of investment		Achieved – 30% awarded
	Criterion D: Identify and close new investments	25%	2-3 investments closed per year		Achieved – 25% awarded
	Criterion E: Share performance vs peers	20%	Match % change in share price with peers		Achieved – 20% awarded
Bård Olsen, CFO	Criterion A: development of finance function and support Group funding	30%	Develop finance function as Group grows		Achieved – 30% awarded
	Criterion B: Group governance and internal control in portfolio companies	30%	Follow up portfolio companies to ensure key controls are implemented		Achieved – 30% awarded
	Criterion C: Quality of Group financial reporting	40%	Ensure accurate financial reporting		Achieved – 40% awarded

6. DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION POLICY FROM THE PROCEDURE FOR ITS IMPLEMENTATION

No deviations from the remuneration policy or the procedure for the implementation of the remuneration policy has been applied during 2021.

7. COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

The table below in this Section 7 contains information on the annual change of remuneration of each individual Director, of the performance of the Group and average remuneration on a full-time equivalent basis of employees of the Company other than Directors since the Group was reorganised in 2019.

Annual change	2020 VS 2019	2021 VS 2020	Information regarding the recent financial year (RFY)
Director's remuneration			
Erik Sneve, CEO	4,979,000 VS 1,727,000	4,779,000 VS 4,979,000	4,779,000
Bård Olsen, CFO	1,610,000 VS 1,100,000	2,007,000 VS 1,610,000	2,007,000
Company performance			
Financial metric A	Successful investments portfolio companies: 3 VS 0	5 VS 3	
Financial metric B	Income from investments in marketable securities: 20.2 MNOK VS 1.5 MNOK	4.9 MNOK VS 20.2 MNOK	
Financial metric C**	MGN share price: 27.4 VS 7	18.78 VS 27.4	
Non-financial metric D*	Developing organization: 4 VS 2	Developing organization: 10 VS 4	
Average remuneration on a full-time equivalent basis of employees			
Employees of the Group	N/A – no other employees in Group until 2021	N/A – no other employees in Group until 2021	1,408,000 (2021)

* Reflects full-time resources of which some are hired-in consultants.

** Share price as of 31 December.

Oslo, Norway, 14 March 2022
The Board of Directors of Magnora ASA

Torstein Sanness
Chairman

Hilde Adland
Board member

John Hamilton
Board member

Erik Sneve
CEO

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON REMUNERATION REPORT

To the General Meeting of Magnora ASA

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Magnora ASA's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design 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. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Kristiansand, 14 March 2022
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Espen Fyllingen
State Authorised Public Accountant (Norway)

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Espen Fyllingen

Oppdragsansvarlig partner

På vegne av: Ernst & Young AS

Serienummer: 9578-5999-4-2137889

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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, 2021, 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, 14 March 2022
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

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