



ANNUAL REPORT

2020



TABLE OF CONTENTS

Year in brief	03
CEO letter	05
Ocean Sun in brief	07
Share info	11
Shareholders (top 20)	12
Board and management	14
Income statement	17
Balance sheet	18
Cash flow statement	20
Accounting principles	21
Notes	22
Annual report	26
Audit statement	28



YEAR IN BRIEF

March

Ocean Sun's system receives a Statement of Conformity from DNV

April

Ocean Sun's first patent accepted in the United States

June

Shanghai office established, headed by Kristian Tørvold

June

Ocean Sun and Statkraft start construction of 2MWp demonstration project in Albania

October

Successful Private Placement and admission to trading on Euronext Growth

November

The Institute for Energy Technology quantifies Ocean Sun's performance gain

“Developing and expanding floating solar power opens tremendous new opportunities in providing the world with sufficient renewable energy. We're pleased to work with industry leaders like Ocean Sun to verify innovative solutions that are set to have a significant impact on the advancement of the technology in the future.”

- Prajeev Rasiah, Executive Vice President for DNV's Energy business in Northern Europe, Middle East and Africa

KEY FINANCIALS

NOK 6.1 MILLION

Revenue 2020

NOK -10.5 MILLION

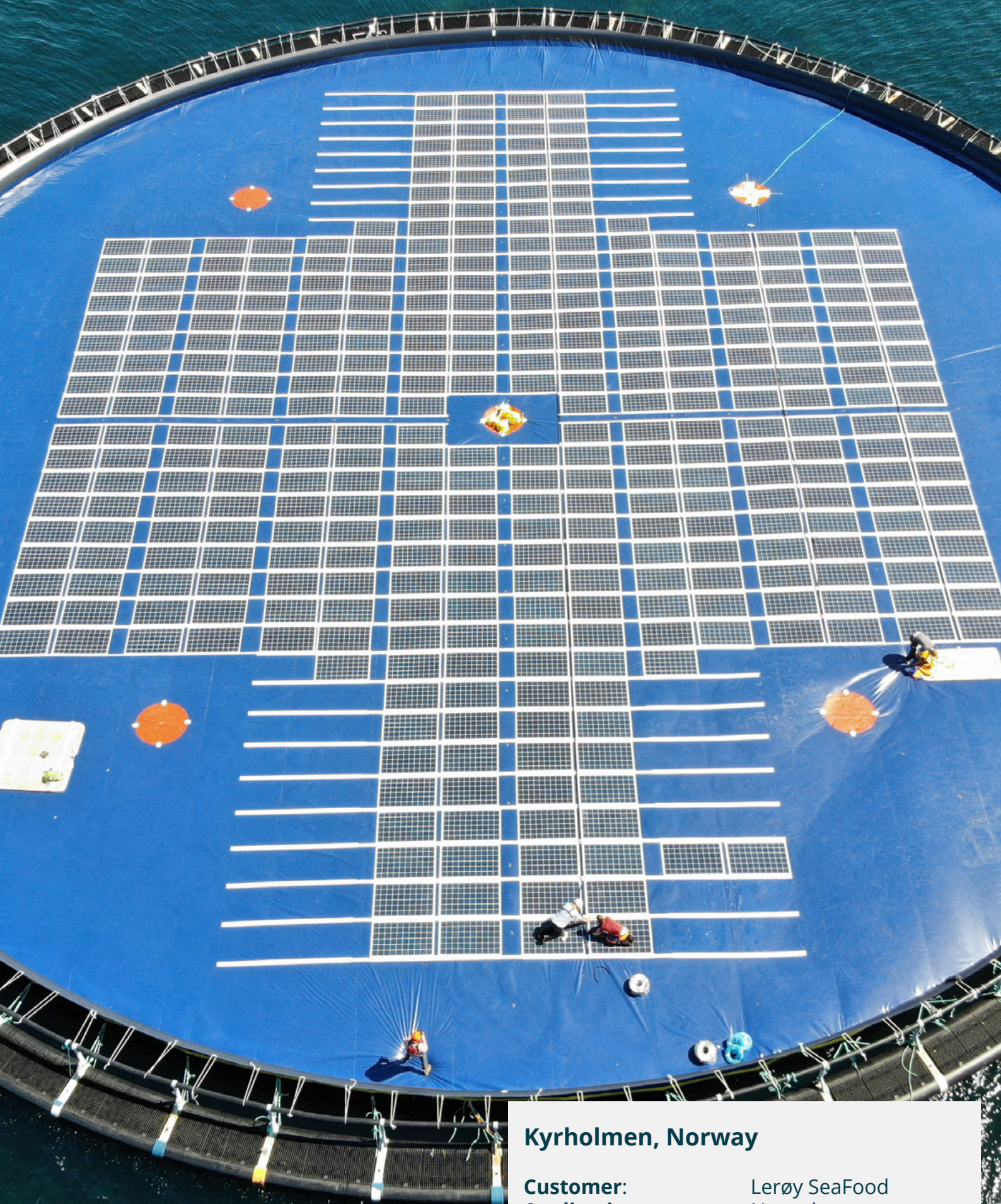
Result 2020

NOK 80.4 MILLION

Net Cash flow from 2020

NOK 95.0 MILLION

Cash and cash equivalents per 31.12



Kyrholmen, Norway

Customer:	Lerøy SeaFood
Application:	Near shore
Local conditions:	Exposed conditions, 3m waves
Commisioning date:	September 2018
Size:	50m diameter

LETTER FROM THE CEO

In its fifth year of operation Ocean Sun is progressing steadily on its ambition to provide the world's best floating solar power technology. In 2021 the company can already deliver the lowest cost and the best performing floating PV systems in the world.

Despite the strong global push towards renewables, international energy markets are by nature conservative with a preference for established technologies in large scale projects. Ocean Sun's floating solar technology is young, and will only get the position it deserves if we manage to convince both customers and financiers, as well as policy makers and regulators, about the benefits of adopting our technology. We register that owners of our pilot projects are gradually more convinced and plan to scale up using our technology and we believe that this will pave the way for widespread implementation of our floating solar power solution.



Third party verifications

During 2020 Ocean Sun made significant technological breakthroughs. In March, we received a Statement of Conformity from DNV. This Statement verifies the Design principles, methods, and safety factors for the main structural elements as defined in our Design Premise. The statement is the outcome of many months of hard work by naval architects and engineers and will provide a sound basis for further certification of the technology and its bankability.

Similarly, we conducted rigorous testing of our special solar panel construction, which is suitable for marine environment. A special purpose tank was purchased for submerging modules in high salinity water at elevated temperatures. The tests were designed together with TÜV Rheinland, one of the most reputable certification bodies in the industry, to provoke the onset of Potential Induced Degradation (PID), a potential problem for PV panels installed in marine environments. After prolonged exposure in the tank, TÜV Rheinland concluded that no PID could be detected, and hence that the module is well-suited for floating solar power plants.

Furthermore, with regards to power output, independent research results were published by the Norwegian Institute for Energy Technology on the superior power output achieved in the Ocean Sun system compared with other floating concepts. This important independent finding documents that conductive cooling through the Ocean Sun membrane technology improves the power performance by up to 10%.

Important patent recognition

Ocean Sun is working continually to reinforce our strong IP protection and keep our competitive edge in the market. In April 2020, Ocean Sun obtained its first fully registered patent in the U.S., often regarded to have the most stringent IP examiners in the world. The U.S. patent approval process took four years, and several other countries have recently followed suit. Ocean Sun today holds altogether 53 patents and pending patents around the world, and we have obtained Design Protection in the EU as well as Norwegian Trademark protection.

“Already today, the company can deliver the lowest cost and the best performing floating PV systems in the world.”

Expanding our geographical footprint

In June, Ocean Sun reached another milestone with the establishment of the China office headed by Kristian Tørvold. The office in Shanghai is well positioned, close to our alliance partner GCL and other members of the Solar Module Super League. In addition, China and the entire North East Asia region are leading proponents of floating solar and important markets for Ocean Sun.

In July, Statkraft issued a Notice to Proceed for the first phase of the full scale 2MWp demonstrator at the Banja lake in Albania. After a successful installation of the floater itself during autumn, project progress was temporarily halted due a delay in the delivery of the PV modules from China caused by an industry wide shortage of glass following the Covid-19 pandemic. During the end of March, the panels finally arrived in Albania and were effectively installed. We are very excited about this installation as it serves as another showcase of the benefits of our technology to hydropower operators around the world.

Well positioned for further growth

In the autumn, Ocean Sun passed an important new milestone. The listing at the Euronext Growth Oslo exchange and the prior 10 M€ capital raise was a success, and a major achievement in Ocean Sun's history. Ocean Sun is now well capitalized to execute our strategy and make our technology the dominating design for floating solar. Expectations are high and as an example the Confederation of Norwegian Enterprises nominated Ocean Sun to represent Norway in the "Future Unicorn Award" for the Assembly of all National Trade Associations in the European Community (Digital Europe). Ocean Sun reached the final, where we were awarded 2nd place amongst contestants throughout Europe.

In 2020 Ocean Sun attended several industry conferences, both physically and digitally, often represented by our regional offices in China and Singapore. This has resulted in a very high interest from developers and EPC companies pursuing FPV opportunities. Nearly 100 preliminary designs have been developed for projects ranging from everything between a few hundred kW up to GW sized future projects. The aggregated capacity of our early-stage project pipeline amounts to over 5 GWp.

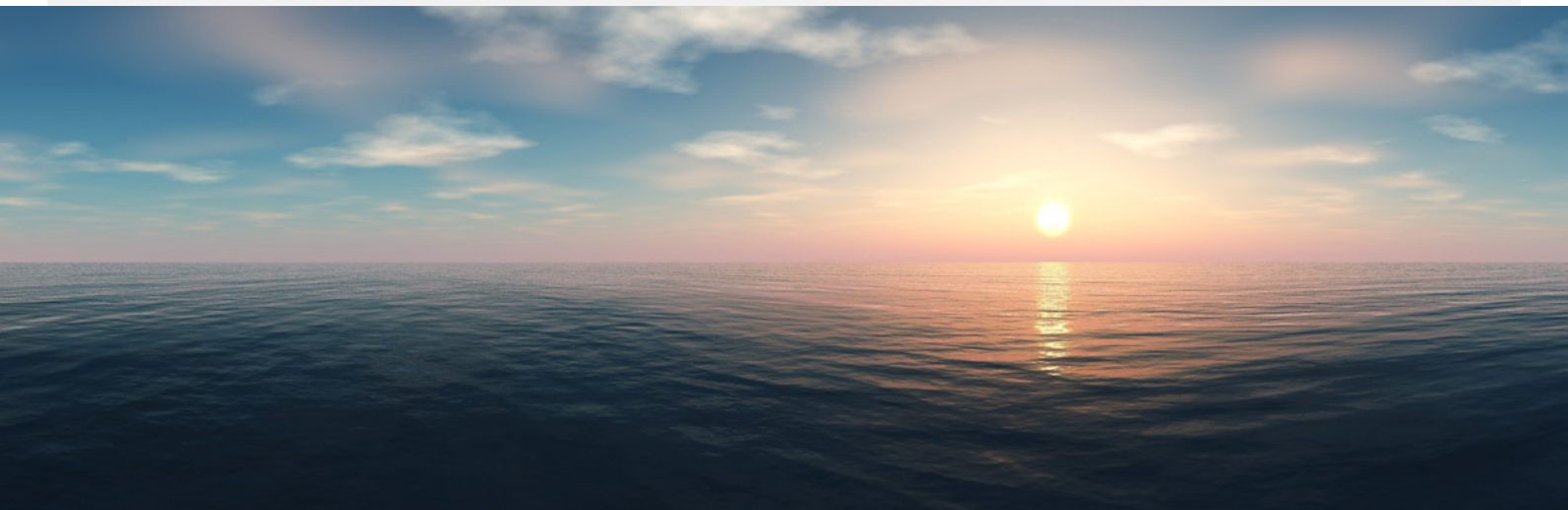
I wish to thank the management group and the entire Ocean Sun team for their extraordinary effort and relentless work in advancing our product and building a business I believe has the potential to deliver the most cost-efficient clean renewable energy for all waterways.

I also wish to thank our customers for the pioneering spirit that makes our technological progress possible. Installing completely new technology always involves additional risk. I am therefore happy that our pilot systems have worked reliably, with steady power output throughout the year.

Finally, none of this would have happened without risk capital from our investors and shareholders. Looking back on 2020 I can conclude that Ocean Sun, despite the global pandemic, made large progress on technical, commercial, and financial levels. With the market traction that we are now experiencing and the many exciting activities that we have ahead, I am confident that 2021 will be equally exciting. I hope that you will take part in the journey.



Dr. Børge Bjørneklett



A BOLD SOLUTION TO THE GLOBAL ENERGY NEEDS

Inspired by the Norwegian Maritime heritage Ocean Sun has developed a highly competitive solution for Floating PV ("FPV").

The core innovation, a floating power system with solar panels mounted on a thin hydroelastic membrane, offers a unique solution to the world's energy needs.

Ocean Sun's proprietary technology offers renewable energy at world-beating cost levels enabled by the low material use and the water body's cooling effect, which lowers the solar panels' operating temperature and increases their power output.

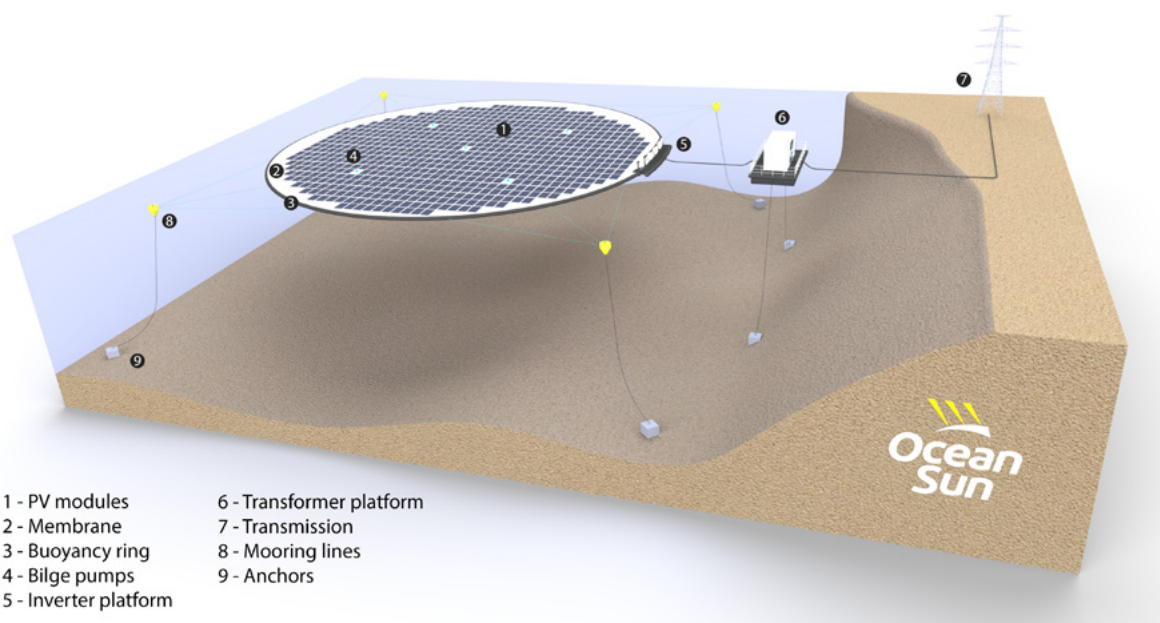
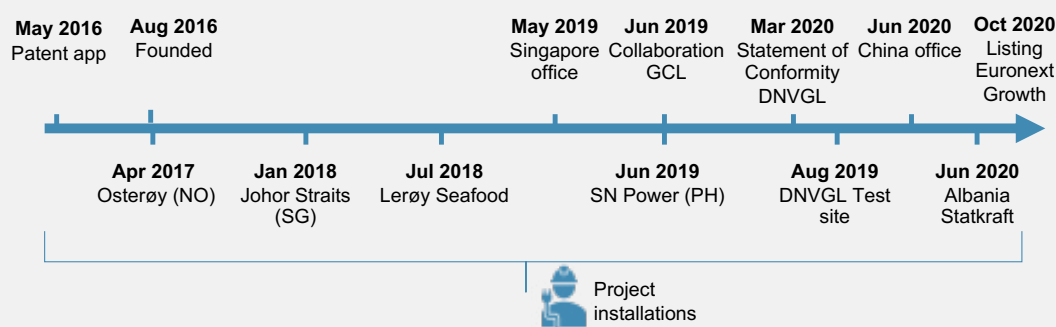
Ocean Sun owns an IPR portfolio, including patents and patent applications in all major markets. The Company does not manufacture the components but offer license agreements, whereby developers and independent power producers are granted rights to deploy the technology for their projects around the world.

OCEAN SUNS HISTORY

Ocean Sun was founded in 2016 based on a patent application by CEO, Dr. Børge Bjørneklett. After proving the concept for himself in a swimming pool in his back yard, Dr. Bjørneklett founded Ocean Sun and in 2017 the Company deployed its first pilot system in the ocean outside of Bergen, Norway. Since then, the company has refined the technology, performed basin laboratory test, third party certifications and deployed another five pilot systems around the world. As such, Ocean Sun's technology is now ready for utility scale installations.

In October 2020, Ocean Sun listed on Euronext Growth Oslo under the ticker OSUN and acquired capital to fund its further expansion. With offices in Oslo, Singapore and Shanghai, Ocean Sun is embarking on its vision to be the world's leading technology provider of floating solar.

WORLD LEADING TECHNOLOGY PROVIDER TO FLOATING PV SYSTEMS



System components

THE NEED FOR FLOATING SOLAR

As the world is electrifying there is an increasing demand for, and dependency on electricity. DNV has forecasted that the electricity's share of the total energy mix will more than double to 45% by 2050. Simultaneously the Paris agreement and other climate commitments stress the urgency for a transformation towards renewable energy sources.

Solar power is the most promising of all renewable energy sources and global installed capacity has increased by 95 GW in just 4 years to 140 GW in 2019. Due to rapidly declining costs, solar electricity generation is expected to grow 65-fold from 1% of total electricity generation in 2016 to 40% in 2050, becoming the single largest provider of electricity in less than two decades.

However, traditional ground mount solar systems require extensive areas of land. Land, which is a scarce commodity, especially in proximity to demand centers where the alternative cost is high as land resources could be used for other applications such as agriculture, recreational space, for forest preservation or new establishments.

On the other hand, water covers 71% of our planet's surface and a majority of the densely populated land areas, the electricity demand centers, are located close to water. By utilizing such water assets, Floating PV opens a new era for large scale solar power generation.

Application areas

Man made reservoirs

Reservoirs represent a significant opportunity for floating solar. NREL has identified 7.6 Terawatts of FPV market potential, equivalent to ~50% of the worldwide electricity demand in 2018, on man made reservoirs alone. There are several benefits with co-sitting floating solar and hydropower as: adding FPV lowers the overall system LCOE, , Existing power grid infrastructure on site can be used, FPV and hydro power are complementary on a seasonal and daily basis, a baseload of FPV electricity enables storing the hydropower capacity for peak periods and floating solar can reduce water evaporation from the water reservoir.



Ponds and lakes

Industrial and agricultural lakes can benefit from floating solar as it can cover parts of nearby industries' power use without occupying valuable land.



Nearshore

Nearly 2.4 billion people (~40% of the world's population) live within 100 km of the coast, often in densely populated areas with limited land resources. In addition, Island communities often lack power connection to main-land and therefore run on expensive and polluting diesel generators. As such, FPV enable clean power production closer to where the electricity is consumed and thus reduce the price of the electricity.



Offshore

In offshore environments floating solar can enable infrastructure and industrial projects such as clean hydrogen, ammonia or other e-fuel production plants or desalination facilities.



Benefits with floating solar

- Land use advantage
- Improved yield from water cooling
- Co-sitting benefits with hydropower
- Aqua culture benefits
- Enables production closer to consumers
- Reduced evaporation

WORLD LEADING TECHNOLOGY PROVIDER TO FLOATING SOLAR PV SYSTEMS

Ocean Sun experience high interest for its solution on all continents. To meet this demand the company has adopted a scalable business model which leverage Ocean Sun's unique expertise and patent portfolio. In this business model, Ocean Sun can be described as an architect of the floating solar power plant providing the design of the system. The company earns its revenues from license fees payable as a one-time fee per Wp installed. The Ocean Sun solution uses readily available materials with the flexibility to choose between several world leading suppliers. Installation is carried out by third-party contractors and as the solution is easy to install, this can be performed by a broad range of contractors worldwide.

Ocean Sun's contracting party, i.e., the customer, can be any party in the upstream value chain but is typically the developer of the power system.



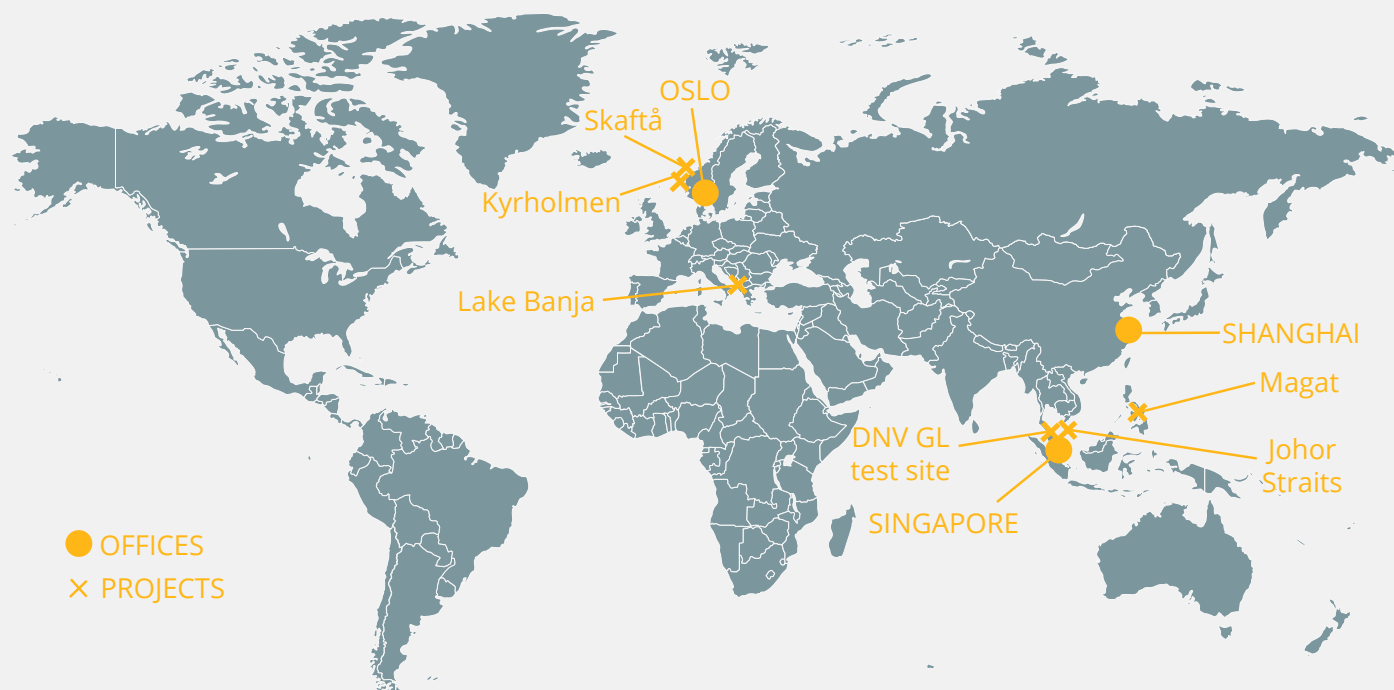
Illustration of Ocean Sun's value chain

Application areas.

Ocean Sun's system uses less plastic, has a lower transportation volume and is faster to install than competing FPV systems. Consequently, Ocean Sun's system offers the lowest levelized cost of energy (LCOE) on the market and is as such highly attractive for utility scale installations. Near term, Ocean Sun expects that such installations predominantly will be installed on hydro power reservoirs where the benefits of installing floating solar are vast. Due to the system's ability to withstand higher waves and stronger winds and currents, the solution is also well suited for near- and offshore applications as well as in areas with strong winds.

Geographical reach

The chosen business model enables rapid growth and large-scale installations worldwide. Operating as a technology provider Ocean Sun can collaborate with developers and EPC companies possessing the required skills, experience and local knowledge needed to realize larger projects. Through its three offices, Ocean Sun currently has more than 65 ongoing discussions, amounting to more than 5 GWp of pipeline value, with potential clients all over the world.





Magat Dam, The Philippines

Customer:	SN Aboitiz Power (SNAP), JV Aboitiz Power & Scatec
Application:	Hydro power reservoir
Local conditions:	Typhoon cat. 4 winds (275 km/h), 30m water level variations
Commissioning date:	June 2019
Size:	50m diameter

SHARE INFO

ABOUT THE SHARE

Ocean Sun is since 26th of October 2020 listed on Euronext Growth Oslo under the ticker OSUN. The listing price for Ocean Sun was NOK 18 kr per share and the price as of 31 December 2020 was NOK 48.5 kr per share.

The Company has 44,986,200 outstanding shares. The share capital as of 31st of December 2020 amounted to NOK 449,862 kr.

FINANCIAL CALENDAR

Event	Date
Q1 report	03.05.2021
AGM	20.05.2020
Q2 Report/half year	19.08.2021
Q3 Report	09.11.2021
Q4 report	10.02.2022

CONTACTS

Børge Bjørneklett, CEO +47 90195778
Karl Lawenius, CFO +47 45633881

Number of shares:	44,986,200
Votes:	44,986,200
Number of shareholders per 31.12.2020:	1300+
Listing price:	18.00 NOK
Highest price 2020:	61.60 NOK
Lowest price 2020:	14.00 NOK
Market cap per 31.12.2020:	2 181 830 700 NOK
Auditor:	Ernst & Young AS



TOP 20 SHAREHOLDERS

Name	Ownership	Shares
Dr.Ing. Børge Bjørneklett AS	20.55 %	9 242 500
AS Tanja	14.73 %	6 626 600
Progressi AS	14.06 %	6 326 100
Ingulstad Holding AS	11.31 %	5 089 800
Umoe AS	8.89 %	4 000 000
Goldman Sachs & Co. LLC	4.94 %	2 222 000
MP Pensjon PK	4.54 %	2 044 265
Sauar Invest AS	3.51 %	1 580 259
Caaby AS	1.19 %	535 700
JPMorgan Chase Bank, N.A., London	0.98 %	440 000
Skandinaviska Enskilda Banken AB	0.94 %	422 046
Verdipapirfondet First Generator	0.87 %	392 420
Bkraft Holding AS	0.82 %	368 000
UBS AG	0.80 %	359 000
Caceis Bank	0.77 %	348 478
The Northern Trust Comp, London Br	0.70 %	313 000
J.P. Morgan Securities LLC	0.56 %	251 500
J.P. Morgan Bank (Ireland) Plc	0.56 %	250 340
Green Tundra AS	0.45 %	201 900
Are Gløersen	0.45 %	201 900
Subtotal Top 20 shareholders	91.62 %	41,215,808
Other	8.38 %	3,770,392
Total	100.00 %	44,986,200

As of 31.12.2020



**Ocean
Sun**

Skaftå, Norway

Customer:	Lerøy SeaFood
Application:	Near shore
Local conditions:	Exposed conditions
Commisioning date:	May 2017
Size:	20m diameter

BOARD



Thomas Moe Børseth

Chairman – No. shares: Representing Umoe, 4,000,000

EVP in the investment firm Umoe. Primary focus in renewables and clean tech. Prior to joining Umoe in 2013, he was a management consultant at McKinsey & Company from 2006 to 2012.

PhD in physics from the University of Oslo and Master of Science in applied physics from INSA Toulouse.



Dr. Børge Bjørneklett

Board member – No. shares: 9,444,400

Founder & CEO - Inventor of the patented solution. 20+ years of Tech management experience from automotive, solar and offshore industries, ex. VP of Technology and Innovation Aker Solutions and Technology Manager REC Solar.

Ph.D. Materials Science, NTNU.



Arnt Emil Ingulstad

Board member – No. shares: 5,089,800

30 years of experience as an advisor to high-tech growth companies primarily within the electronics industry.

MBA from Norwegian School of Management and Master of Science in Electrical Engineering, NTNU.



Brian Glover

Board member – No. shares: 368,000

Specialized in sustainable investment and has a history as Project Manager for renewable power supply in hydropower, wind, and solar PV. Founded multiple successful small businesses.

Ph. D in hydraulics.

MANAGEMENT



Dr. Børge Bjørneklett

Founder & CEO – No. shares: 9,444,400

Inventor of the patented solution. 20+ years of Tech management experience from automotive, solar and offshore industries, ex. VP of Technology and Innovation Aker Solutions and Technology Manager REC Solar.

Ph.D. Materials Science, NTNU.



Karl Lawenius

CFO – No. shares: 201,900

6+ years of experience from working with M&A and Business Development related to growth companies on consulting and corporate level.

Master of Science in Industrial Engineering, Chalmers.



Kristian Tørvold

Director NE Asia – No. shares: 201,900

10+ years experience from energy and offshore industries in NE Asia ex. as Partner in EntryPoint and Finance Manager in Modex Group.

Master of Science in Finance & Economics, Fudan University.



Alexander Telje

COO – No. shares: 85,000

15+ years with executive experience ex. as General Manager of British American Tobacco in Norway and as Director of Memetor.

MBA Management & Organization, USC.

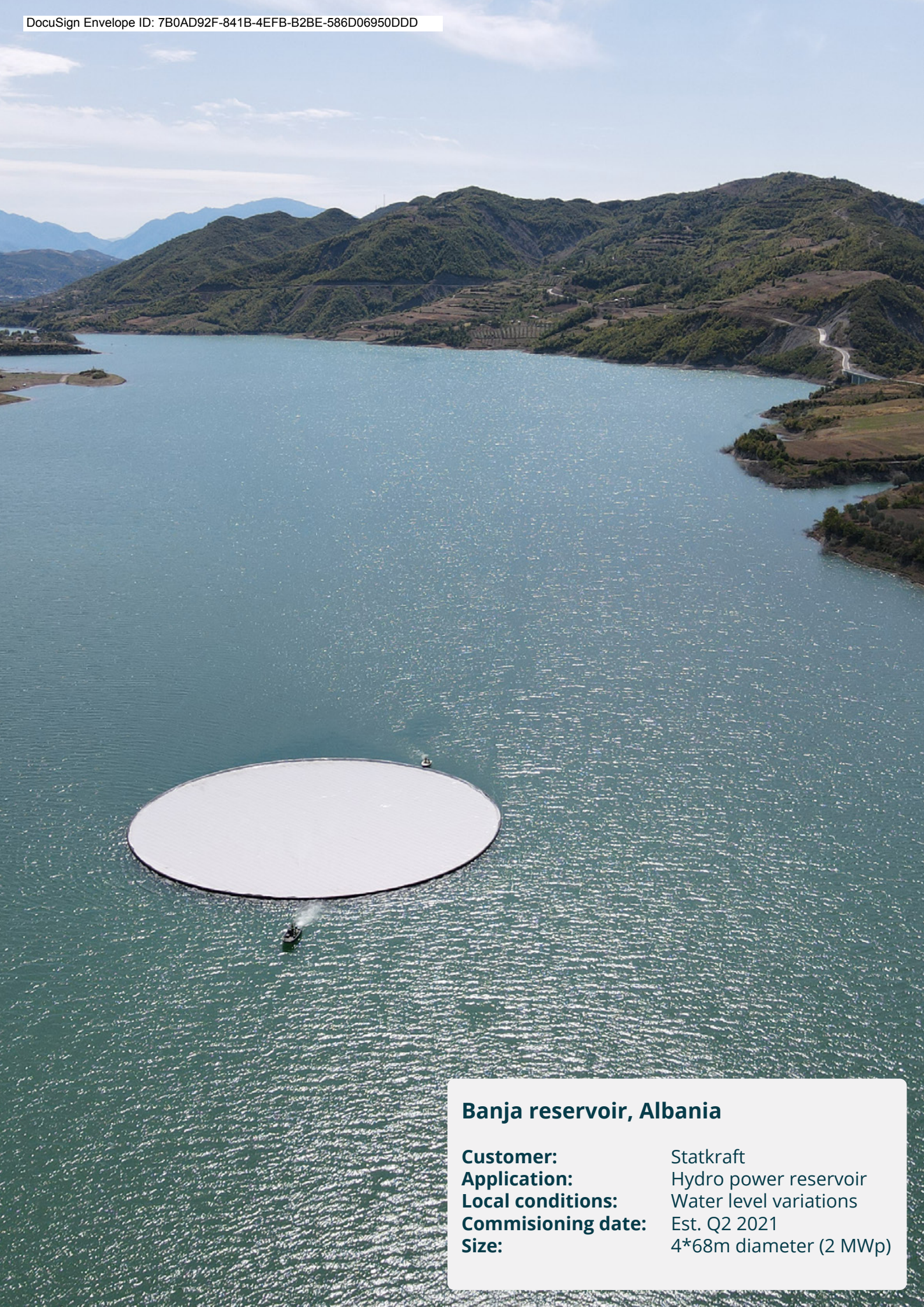


Are Gløersen

Director SE Asia – No. shares: 201,900

10+ years experience from solar industry as part of REC Solar. 5+ years of executive experience in SE Asia ex as Director of Tronrud Engineering and CEO of Commilight.

Master of Science in Astronautical Engineering, HiN.



Banja reservoir, Albania

Customer:	Statkraft
Application:	Hydro power reservoir
Local conditions:	Water level variations
Commisioning date:	Est. Q2 2021
Size:	4*68m diameter (2 MWp)

INCOME STATEMENT 2020

Ocean Sun AS, 01.01-31.12

All numbers in NOK

	Note	2020	2019
Revenue		1 146 349	1 916 678
Government grants	10	<u>4 982 883</u>	<u>6 311 574</u>
Total operating income		<u>6 129 232</u>	<u>8 228 252</u>
Raw materials and consumables used		(2 945 594)	(4 961 124)
Personnel costs	1, 2, 3	(8 474 441)	(8 048 204)
Depreciation of fixed assets	7	(15 084)	(8 412)
Other operating expenses	4	<u>(5 389 504)</u>	<u>(6 359 071)</u>
Sum operating expenses		<u>(16 824 622)</u>	<u>(19 376 812)</u>
Operating result		<u>(10 695 391)</u>	<u>(11 148 559)</u>
Other interest income		72 833	124 649
Other financial income		<u>174 977</u>	<u>20 758</u>
Total financial income		<u>247 810</u>	<u>145 407</u>
Other interest charge		(1 454)	(6 676)
Other financial expense		<u>(74 497)</u>	<u>(24 051)</u>
Total financial expenses		<u>(75 950)</u>	<u>(30 728)</u>
Net financial items		<u>171 860</u>	<u>114 680</u>
Result before tax		<u>(10 523 531)</u>	<u>(11 033 880)</u>
Income tax	8	-	-
Results of the year		<u>(10 523 531)</u>	<u>(11 033 880)</u>
Transfers			
Uncovered losses		(10 523 531)	(11 033 880)
Total transfers and allocations		<u>(10 523 531)</u>	<u>(11 033 880)</u>

BALANCE SHEET DECEMBER 31

Ocean Sun AS

All numbers in NOK

	Note	31.12.2020	31.12.2019
ASSETS			
Fixed assets			
Tangible fixed assets			
Fixtures and fittings, tools, office machinery, etc	7	55 646	36 455
Total tangible fixed assets		55 646	36 455
Financial fixed assets			
Investments in subsidiaries	5	280 001	30 000
Total financial fixed assets		280 001	30 000
Total fixed assets		335 647	66 455
Current assets			
Receivables			
Accounts receivables	11	-	10 508
Other receivables	11	7 326 124	4 714 209
Total receivables		7 326 124	4 724 717
Cash and cash equivalents	9	94 950 744	14 509 781
Total cash and cash equivalents		94 950 744	14 509 781
Total current assets		102 276 868	19 234 498
Total assets		102 612 515	19 300 953

BALANCE SHEET DECEMBER 31

Ocean Sun AS

All numbers in NOK

	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	6, 12	449 862	383 522
Share premium reserve	12	128 022 849	32 397 900
Total paid-in capital		128 472 711	32 781 422
Retained earnings			
Other equity	12	(28 306 996)	(17 783 466)
Total retained earnings		(28 306 996)	(17 783 466)
Total equity	12	100 165 715	14 997 956
Liabilities			
Current liabilities			
Accounts payable		638 849	757 488
Public duties payable		590 159	400 383
Other short-term liabilities		1 217 793	3 145 126
Total current liabilities		2 446 800	4 302 997
Total liabilities		2 446 800	4 302 997
Total equity and liabilities		102 612 515	19 300 953

Oslo, 06 April 2021

The Board of Directors of Ocean Sun AS

DocuSigned by:

Thomas Moe Børseth

7CB3BCA5D38F4D6...

Thomas Julius Moe Børseth
Chairman of the Board

DocuSigned by:

Arnt Emil Ingulstad

E33740F3C04C404...

Arnt Emil Ingulstad
Boardmember

DocuSigned by:

Børge Iver Bjørneklett

D03DC7BF85DF405...

Børge Iver Bjørneklett
Boardmember/CEO

DocuSigned by:

Brian Glover

ECF29524475F4FF...

Brian James Glover
Boardmember

CASH FLOW STATEMENT

Ocean Sun AS, 01.01-31.12

All numbers in NOK

	01.01-31.12 2020	01.01-31.12 2019
Net income	(10 523 531)	(11 033 880)
Depreciation	15 084	8 412
Change in accounts receivables	10 508	(10 508)
Change in accounts payables	(118 639)	102 187
Change in other operating assets	(4 349 472)	(1 173 291)
Cash flow from operating activities	(14 966 050)	(12 107 078)
Investment in subsidiaries	(250 001)	(30 000)
Office equipment	(34 275)	(44 868)
Cash flow from investing activities	(284 275)	(74 868)
Share capital increase	102 016 795	1 639 242
Costs associated with share capital increase	(6 325 506)	-
Cash flow from financing activities	95 691 289	1 639 242
Net cash flow in the period	80 440 964	(10 542 704)
Cash and cash equivalents at the beginning of the period	14 509 781	25 052 485
Cash and cash equivalents at the end of the period	94 950 745	14 509 781

ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the Accounting Act and generally accepted accounting principles.

Sales revenue

Revenue from sales of goods takes place at the time of delivery. Services are recognized as revenue as they are provided. Revenue from license fees are recognized and accrued over the period of the project.

Raw materials and consumables

From 2019 to 2020 the company has changed its classification of patent costs and costs associated with subsidiaries from Raw materials and consumables used to Other Operating Expenses. The corresponding cost of NOK 3,206,109 has been reclassified in the 2019 figures.

Classification and assessment of balance sheet items

Current assets and current liabilities comprise items related to the product cycle. For items other than accounts receivable, items that fall due within one year of the transaction date are included. Fixed assets are assets intended for permanent ownership and use.

Current assets are valued at the lower of cost and fair value. Short-term debt is recognized in the balance sheet at the nominal amount at the time of establishment.

Fixed assets are valued at cost. Fixed assets are depreciated according to a reasonable depreciation plan. Fixed assets are written down to fair value in the event of impairment that is not expected to be temporary.

Receivables

Accounts receivable and other receivables are stated in the balance sheet at nominal value less provisions for expected losses. Provisions for losses are made on the basis of individual assessments of the individual receivables.

Fixed assets

Tangible fixed assets are capitalized and depreciated over the useful life of the fixed assets if they have assumed a useful life of more than 3 years and have a cost price exceeding NOK 15,000. Direct maintenance of fixed assets is expensed under operating costs on an ongoing basis, while costs or improvements are added to the cost of the fixed asset and depreciated in line with the fixed asset.

Shares in subsidiaries and associated companies

In accordance with the Accounting Act §3-8, 2nd paragraph, no consolidated accounts have been prepared for 2020. The subsidiaries Ocean Sun Systems AS and Ocean Sun China Co. Ltd have been omitted from consolidation as it is considered to be of insignificant importance in assessing the group's position and result.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid investments.

Government grants

Government grants are accounted for when there is reasonable assurance that the company will meet the conditions associated with the grants, and the grants will be received. For the operating grant, the grant is recognized in the income statement at the same time as, and is classified as, the income it is to increase. The Company spends significant resources on R&D activities related with developing its novel technology. For such activities, the company partly rely on grants, which is why such grants are recognized on a gross basis.

In addition, the following accounting principles have been applied:

Deposits in foreign currency are valued at the exchange rate at the end of the financial year and the cost method is used for investments in subsidiaries. Own expenses for research and development and for the development of rights are expensed.

Tax

The tax expense in the income statement includes both the tax payable for the period and the change in deferred tax. Deferred tax is calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, as well as tax losses carried forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period are offset and the tax effect is calculated on the net basis.

Apart from what is explicitly mentioned above, the company has not changed accounting principles from 2019 to 2020.

NOTES TO FINANCIAL STATEMENT

Note 1 – Payroll expenses

	2020	2019
Salary	6 693 608	6 018 378
Employer's contribution	1 027 665	882 285
Pension costs	152 831	175 511
Other related benefits	600 337	972 030
Sum	8 474 441	8 048 204

The company has employed 7 full-time equivalents during the financial year.

Note 2 - Mandatory occupational pension

The company is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pensions Act, and has established a pension scheme that satisfies the requirements of the Act.

Note 3 – Remuneration to senior executives

Type of remuneration	General manager	Chairman	Members of the board*
Salaries	1 133 333	-	258 158
Pension expenses	23 043	-	2 387
Other remuneration	22 200	-	3 008

*No board remuneration during 2020. Salaries to one member of the board relates to work as part time employee

Note 4 - Remuneration to auditor

The following costs related to auditor Ernst & Young AS were expensed

	2020	2019
Audit	38 200	72 300
Other services	120 502	94 703
Services related with share capital increase	93 970	-
Sum remuneration to auditor	252 672	167 003

Services related with the share capital increase were capitalized against equity.

Note 5 – Investments in Subsidiaries

Company name	Address	Owning share/ voting share	Equity 31. Dec 2020	Profit for 2020
Ocean Sun Systems AS	Bærum	100 %	451	(12 602)
Ocean Sun China Co. Ltd	Shanghai	100 %	40 897	(207 656)

The following internal transactions have taken place with and between related parties in 2020:

Specification of internal transactions	Amount	Internal gain
Ocean Sun China	450 342	-
Ocean Sun Systems	22 049	-
Ocean Sun Singapore Pte Ltd	1 702 650	-

Internal transactions from related parties relate to use of subsidiaries as supplier on ongoing and upcoming projects.

Note 6 – Share capital

Share class	# shares	Nominal value	Share capital
Ordinary shares	44 986 200	0,01	449 862,00
Sum	44 986 200		449 862,00

Largest shareholders

Name	Ownership	Shares
Dr.Ing. Børge Bjørneklett AS	20.55 %	9 242 500
AS Tanja	14.73 %	6 626 600
Progressi AS	14.06 %	6 326 100
Ingulstad Holding AS	11.31 %	5 089 800
Umoe AS	8.89 %	4 000 000
Goldman Sachs & Co. LLC	4.94 %	2 222 000
MP Pensjon PK	4.54 %	2 044 265
Sauar Invest AS	3.51 %	1 580 259
Caaby AS	1.19 %	535 700
Subtotal Top 9 shareholders	83.73 %	37 667 224
Other	16.27 %	7 318 976
Total	100.00 %	44 986 200

Shareholdings of senior executives

Name	Position	# shares
Dr. Børge Bjørneklett	CEO/Boardmember	9,444,400
Thomas Moe Børseth (representing UMOE)	Chairman	4,000,000
Arnt Emil Ingulstad	Boardmember	5,089,800
Brian Glover	Boardmember	368,000

Note 7 - Specification of fixed assets

	Fixed assets
Cost of acquisition 01.01.2020	44 867
Additions	34 275
Disposals	0
Cost of acquisition 31.12.2020	79 142
Accumulated depreciation 31.12.2020	(23 496)
Book value as of 31.12.2020	55 646
Yearly depreciation	(15 084)
Estimated useful life	4-5 years
Depreciation plan: Linear	25 %

Note 8 – Tax

	2020	2019
Ordinary profit before tax expense	(10 523 531)	(11 033 880)
+/- Permanent differences	(6 330 570)	(4 225)
+/- Change in temporary differences	(4 607)	(5 048)
Tax base of the year	(16 858 708)	(11 043 153)
Tax expenses in the income statement	0	0
Tax payable in the balance sheet	0	0

The permanent differences acquired during 2020 relates to costs associated with the share capital increase that were booked against equity.

Deferred tax / deferred tax assets in the balance sheet are allocated on the basis of differences between accounting and tax values in accordance with the Norwegian accounting standard for tax. Temporary tax-increasing and tax-reducing differences that can be offset are netted.

Temporary differences related to:	01.01.2020	31.12.2020	Change
Fixed assets	5 048	9 655	(4 607)
Tax loss carried forward	(20 337 546)	(37 196 254)	16 858 708
Net differences	(20 332 498)	(37 186 559)	16 854 101
Tax allowance/not recognised temporary differences	20 332 498	37 186 559	(16 854 101)
Total temporary differences	0	0	0
Deferred tax assets 31.12.2020 based on 22%	0	0	0

Deferred tax assets related to loss carried forward are only recognized to the extent that there is convincing evidence of future usage.

Note 9 – Bank deposits

The item for bank deposits includes a separate account for restricted tax deductions with NOK 500 099. The tax deduction is NOK 343 287. Further, the item includes NOK 233,082 in cash restricted for bank guarantees.

Note 10 – Government grants

The company has recognized NOK 3,073,883 in revenue from grants from Innovation Norway related to the project "Demo Fullskala anlegg". The project was completed in August 2020. Furthermore, the company has recognized NOK 1,814,593 related to grants from the Research council of Norway for a SkatteFunn and an IPN project and NOK 75,000 as trival support. The SkatteFunn and IPN project is expected to continue in 2021.

Note 11 – Receivables

Accounts receivable are valued at face value and written down with expected losses. No loss on accounts receivables have been recognized during 2020. Other receivables included receivables for material purchased on customers behalf as well as accrued revenue related with R&D projects.

Note 12 – Change in equity

	Share capital	Share Premium	Uncovered losses	Total
Equity 01.01.2020	383 522	32 397 900	(17 783 465)	14 997 957
Share capital increase	66 340	101 950 455	-	102 016 795
Costs from capital increase		(6 325 506)		(6 325 506)
Year's result	-	-	(10 523 531)	(10 523 531)
Equity 31.12.2020	449 862	128 022 849	(28 306 996)	100 165 715

Note 13 – Subsequent events

In January 2021 Ocean Sun announced that the company, as part of a consortium, has been awarded EC-funds for a project under the Horizon 2020 program. The other partners in the consortium are Fred Olsen Renewables, Innosea, the Technological Institute of the Canary Islands (ITC) and the Oceanic Platform of the Canary Islands (PLOCAN). The project has a duration of 30 months and a total budget of 4 million euros. The project started in January 2021 and Ocean Sun's total grant under the project is estimated to ~900 thousand euros.

In March 2021, Ocean Sun signed an agreement with MP Quantum Group to develop floating solar based on Ocean Sun's proprietary technology in Greece and the Republic of Cyprus.

Note 14 – Covid 19

The company is affected by the global pandemic following the Covid-19 outbreak. Our supply chains have been partly interrupted and projects have been delayed due to travel restrictions and reduced business activity due to government interventions in many countries. As a result, Ocean Sun had one of its employees on a temporary lay off during parts of 2020. However, the company is experiencing great demand for its technology, which is constantly evolving and the company is as such positive regarding the future.

ANNUAL REPORT 2020

Ocean Sun AS

Development, results and financial position

The operating income in 2020 was NOK 6,129,232 (NOK 8,228,252) where grants from Innovation Norway and the Research Council of Norway amounted to NOK 4,982,883 (NOK 6,311,574). The operating result for 2020 shows a loss of NOK 10,523,531 (- NOK 11,033,880). The total investments in fixed assets during 2020 were NOK 284,275, primarily relating to the establishment of the Chinese subsidiary. The total capital as of 31 December 2020 was NOK 102,612,515 (NOK 19,300,953). Total equity as of 31 December 2020 was NOK 100,165,715 (NOK 14,997,956), which implies an equity ratio of 98% (78%). The company has no long-term debt and, following the private placement conducted in October, a solid cash position to execute on its strategy.

Deviations between operating profit and cash flow from operating activities relate primarily to material purchased on customers behalf that is yet to be invoiced.

Risks and mitigations

Risks	Mitigation
<i>Market and customers</i>	
The development of large power plants is often a national issue that involves many players and requires large investments. Therefore, projects often take time.	Thanks to the chosen business model, Ocean Sun can work with several projects in parallel and thus reduce the dependence on individual contracts.
<i>Suppliers</i>	
Ocean Sun intends to use established vendors for each component of the system. This means a dependence on subcontractors fulfilling their obligations.	Ocean Sun works actively to enter long-term relations with several partners and thus intend to reduce supplier dependence through multiple suppliers of critical components.
<i>Competition and IP</i>	
The company is exposed to competition from several other companies with significantly greater financial resources than Ocean Sun.	Ocean Sun has a strong technology and patent portfolio and is constantly working to develop and protect the same. Further, Ocean Sun works to quickly reach out with its technology and thus gain an advantage by being an established player.

Research and development activities

In 2020, Ocean Sun worked to make ready the technology for a commercial phase and in relation to this had research and development activities in collaboration with Innovation Norway and the Research council of Norway. Furthermore, the company will work continuously to improve its technology in order to maintain its technological leadership.

Going concern

The assumption of continued operations is present, and the annual accounts for 2020 have been prepared under this assumption. Ocean Sun is currently in a development phase with negative operating results. The board believes that this phase will continue during parts of 2021, but that the available liquidity will make it possible to finance operations further in 2021 and 2022. The company is affected by the global pandemic following the Covid-19 outbreak. Projects have been delayed due to travel restrictions and reduced business activity due to government interventions in many countries. As a result, Ocean Sun had one of its employees on a temporary lay off during parts of 2020. However, the company is experiencing great demand for its technology, which is constantly evolving and the company is as such positive regarding the future.

Work environment

In our opinion, the working environment in the company is good. Total absence related to sickness during 2020 was less than 1%. We consider this to be good, and no special measures have been implemented in this regard. The company had no work related injuries or accidents in 2020.

Environmental

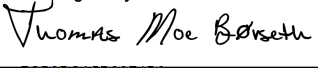
Our business does not pollute the external environment.

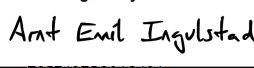
Equality

The average number of employees in 2020 have been 7, and the board consist of 4 members. All employees and members of the board are men.

Oslo, 06 April 2021

The Board of Directors of Ocean Sun AS

DocuSigned by:

 7CB3BCA5D38F4D0...
 Thomas Julius Moe Børseth
 Chairman of the Board

DocuSigned by:

 E35740F5C04C404...
 Arnt Emil Ingulstad
 Boardmember

DocuSigned by:

 B03DC7BF65DF465...
 Børge Iver Bjørneklett
 Boardmember/CEO

DocuSigned by:

 ECF29324473F4FF...
 Brian James Glover
 Boardmember

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Ocean Sun AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ocean Sun AS, which comprise the balance sheet as at 31 December 2020, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 7 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Thomas Embretsen
State Authorised Public Accountant (Norway)



***Ocean
Sun***

WWW.OCEANSUN.NO