

SCANSHIP HOLDING ASA
Quarterly Report – 1Q 2015



SCANSHIP HOLDING ASA

Quarterly report – 1st Quarter 2015

Key Financial Information 1Q15

Consolidated, NOK 1 000	Unaudited 1Q15	Unaudited 1Q14	Audited FY 2014
Total Revenue	45 637	34 885	145 631
Gross margin %	27 %	36 %	32 %
EBITDA bef. Non-rec.	-93	2 427	4 409
Operating Profit (EBIT)	-398	2 241	867
Profit before Tax	6 077	2 417	-12 617
Total Assets	138 238	108 302	143 248

Overall revenue for the Scanship group was 31% higher in 1Q15 compared to 1Q14. The increase reflects higher activity in the Newbuild and Aftersales segments.

The gross margin in 1Q15 was NOK 12.2m (27%) compared to NOK 12.5m (36%) in 1Q14. The margin reduction is mainly a result of the reduction in the EURNOK exchange rate. We expect stable gross margins in FY2015 vs FY2014.

The Group books revenues in EUR, NOK and USD. The currency exposure is reduced by applying financial instruments for hedging purposes. A majority of the project related revenues are in EUR. Due to the decrease in EUR against NOK these financial instruments incurred a 1Q15 increase of fair value of NOK 6.7m, and a realised gain of NOK 0,1m.

Scanship has spent NOK 1.4m in 1Q15 on its product development activities, compared to NOK 1.9m in 1Q14.

New Contracts

During 1Q15 Scanship was awarded one contract at Fincantieri for a newbuild. The contract was for a Scanship Total Clean Ship system. The vessel, which will service the ultra-luxury market with worldwide itinerary, will enter the market in 2016.

The backlog at the end of 1Q15 was NOK 158m compared to NOK 108m in 1Q14.

Operations

Scanship is a maritime industry leader in advanced technologies for processing and purifying waste water, food waste, solid waste and bio sludge. Scanship is a supplier to most major cruise liners. Modern cruise ships generate substantial amount of wet and dry waste which needs be properly treated. Scanship's technology processes this into recyclables, clean flue gas and treated waste water which meets the highest international effluent discharge standards. Scanship Holding has its main office at Lysaker, Norway as well as offices in Tønsberg (Norway), Miami (USA), Victoria (Canada) and Gdynia (Poland). Scanship has warehouse facilities in Tønsberg and Miami.

During 1Q15 the company delivered equipment to the first Star project at Meyer Werft. In addition equipment was delivered to Fincantieri for two Viking Ocean newbuilds and to Meyer Turku for the

third TUI newbuild. Major engineering activity was performed in the same period on the first MSC newbuild at STX France and on the Silversea project at Fincantieri. Commissioning activities were executed on RCCLs' Anthem of the Seas for Meyer Werft and on the second TUI newbuild at Meyer Turku.

Product Development

Scanship's main development project during 1Q15 has been Microwave Assisted Pyrolysis ("MAP"). A test facility is under construction in Norway and larger-scale testing are scheduled to start up by the end of 1H15.

Scanship currently has 16 product development projects. The gross investment budget for the development projects is approx. NOK 43 m for 2015 and 2016. A significant part of the budget consists of working hours to be performed by Scanship's own employees.

Results of the product developments are having positive effects on operations.

Financing

Scanship has not undertaken any financing activities during 1Q15.

The net cash flow from operating activities was NOK 9.3m in 1Q15 compared to NOK -2.3m in 1Q14. This is mainly caused by changes in WIP (work in progress) on ongoing projects.

Net cash flow from financing activities in 1Q15 is mainly a result of reduced utilization of the bank overdraft facility. The unused part of the overdraft facility was approx. NOK 10m at the end of 1Q15.

Market Outlook

The high level of newbuilding activity is maintained. Several newbuilding projects are under discussion, among these Carnival Corporation with LOI for up to 4 newbuilds at Meyer Werft and 5 newbuilds at Fincantieri from 2017 and onwards.

In addition to the market for large sized newbuilds, smaller brands in the expedition and ultra-luxury segments are likely to place orders in the near future.

Several Cruise liners are requesting quotation for retrofit of AWP in order to meet the new special area requirement for Baltic Sea. This is likely driven by the latest MEPC67 and MEPC68 meetings held at IMO in London discussing implementation dates for a new standard that will require the technology that Scanship can deliver. News stories about Cruise liners being accused of dumping untreated wastewater in the Baltic Sea provided by WWF, newspapers and TV in Scandinavia is also likely to have an impact on demand.

Lysaker, 21 May 2015

The Board of Directors for Scanship Holding ASA

Consolidated income statement

(NOK 1000)	Note	Unaudited	Unaudited	Audited
		1Q15	1Q14	2014
		Jan-Mar	Jan-Mar	Jan-Dec
Revenue	2	45 637	34 885	145 631
Total operating revenue		45 637	34 885	145 631
Cost of goods sold		-33 441	-22 407	-99 308
Gross Margin		12 196	12 478	46 323
Gross Margin		27 %	36 %	32 %
Employee expenses		-6 843	-5 207	-23 201
Other operating expenses		-5 446	-4 844	-18 713
EBITDA before non-recurring items		-93	2 427	4 409
Non-recurring items	3	-	-	-2 363
EBITDA		-93	2 427	2 046
Depreciation and amortisation		-305	-186	-1 179
Operating profit (EBIT)		-398	2 241	867
Finance income	4	8 651	2 630	9 666
Finance costs	4	-2 176	-2 455	-23 151
Profit before tax		6 077	2 417	-12 617
Income tax revenue (+) /expense (-)		-1 772	-231	3 338
Profit for the period		4 305	2 186	-9 279

Consolidated statement of comprehensive income

(NOK 1000)	Unaudited	Unaudited	Audited
	1Q15	1Q14	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Net profit for the period	4 305	2 186	-9 279
<i>Items to be reclassified to profit or loss:</i>	-	0	0
Exchange differences or trans. Of foreign op.	148	-58	563
Net items to be reclassified to profit or loss	148	-58	563
<i>Items not be reclassified to profit or loss</i>	-	0	0
Other comprehensive income net of tax	-	0	0
Total comprehensive income, net of tax	4 453	2 128	-8 716
Attribute to			
Owners of the parent	4 453	1 702	-8 716
Non controlling interest	-	426	-
	4 453	2 128	-8 716
Earnings per share 1)	0,05	886,53	-0,09
Diluted earnings per share 1)	0,05	886,53	-0,09

1) Total shares 1Q14: 2400. Total shares as of 31.03.2015: 95 505 525

Consolidated statement of financial position

(NOK 1000)	Note	Unaudited 31.03.2015	Unaudited 31.03.2014	Audited 31.12.2014
ASSETS:				
Non-current assets:				
Property, plant and equipment		2 165	1 504	1 957
Intangible assets	5	20 102	14 421	18 889
Total non-current assets		22 267	15 925	20 845
Current assets:				
Inventories		6 269	5 516	5 684
Trade receivables		31 758	26 661	32 577
Contracts in progress	2	68 317	53 375	75 064
Other Receivables		5 972	5 117	5 258
Cash and cash equivalents		3 654	1 708	3 821
Total current assets		115 972	92 377	122 404
Total assets		138 238	108 302	143 248

(NOK 1000)	Note	Unaudited 31.03.2015	Unaudited 31.03.2014	Audited 31.12.2014
EQUITY AND LIABILITIES				
Equity:				
Share capital	3	9 551	202	9 551
Share premium	3	77 450	-	77 450
Translation difference		277	-492	129
Retained earnings		-37 445	-18 941	-42 016
Total equity		49 833	-19 231	45 113
Liabilities				
Deferred tax liabilities		3 328	7 474	1 695
Long term borrowings		-	19 967	-
Total non-current liabilities		3 328	27 441	1 694
Current liabilities				
Current borrowings		-	10 000	-
Trade creditors		17 073	30 567	16 669
Contract accruals	2	40 034	24 686	35 379
Financial instruments	4	3 796	4 559	10 536
Income tax payable		0	-	5
Bank overdraft		18 910	19 155	27 674
Other Current liabilities		5 266	11 125	6 179
Total Current Liabilities		85 078	100 092	96 441
Total liabilities		88 405	127 533	98 135
Total equity and liabilities		138 238	108 302	143 248

Consolidated statement of change in equity

(NOK 1000)

<i>Unaudited</i> 31 March 2015	Share Capital	Translation Differences	Share Premium	Retained Earnings	Total*
Equity at 31 December 2014	9 551	129	77 450	-42 016	45 111
Profit for the period	-	417	-	4 305	4 722
Stock issue	-	-	-	-	-
Other Comprehensive income	-	-	-	-	-
Total Comprehensive income	-	417	-	4 305	4 722
Dividends paid	-	-	-	-	-
Equity at end of period	9 551	546	77 450	-37 711	49 833

<i>Unaudited</i> 31 March 2014	Share Capital	Translation Differences	Share Premium	Retained Earnings	Total*
Equity at 31 December 2013	202	-434	-	-21 127	-21 360
Profit for the period	-	-58	-	2 186	2 128
Stock issue	-	-	-	-	-
Other Comprehensive income	-	-	-	-	-
Total Comprehensive income	-	-58	-	2 186	2 128
Dividends paid	-	-	-	-	-
Equity at end of period	202	-492	-	-18 941	-19 233

*) There are no non-controlling interests in the Group

Consolidated cash flow statement

(NOK 1000)

	1Q15	1Q14	2014
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Profit before income tax	6 077	2 417	-12 617
<i>Adjustments:</i>			
Net cash flow from operating activities	9 351	-2 301	-45 332
Net cash flow from investing activities	-754	-2 033	-8 918
Net cash flow from financing activities	-8 764	-	56 894
Net change in cash and cash equivalents	-167	-4 334	2 644
Cash and cash equivalents ingoing balance	3 821	-13 113	1 177
Cash and cash equivalents at end of period	3 654	-17 447	3 821

As per 31.12.2014, late payments from a customer of approx. NOK 10m has reduced Cash at end of period and reduced Net cash flow from operating activities. The overdue payments were received in 1Q 2015. However, the same customer was as of 31.03.2015 late with payments of approx. 11 million.

The negative cash flow from financing activities relates to reduced utilisation of the overdraft facility.

Selected explanatory notes

Note 1 General information

This interim financial information for the first quarter, ended March 31 2015, has been prepared pursuant to IAS 34 "interim financial reporting". The interim Financial Reporting should be read in conjunction with the annual Financial Statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS, as adopted by European Union. The accounting policies implemented are consistent with those of the annual financial statements for the year ended December 2014. The Board of Directors approved the Interim report 21 May 2015.

Note 2 Sales

<i>(NOK 1000)</i>	<i>Unaudited</i> 1Q15	<i>Unaudited</i> 1Q14	<i>Audited</i> 2014
Project revenue	34 247	30 048	106 768
Aftersales	11 390	8 677	38 863
Sales	45 637	38 725	145 631

Revenue from long-term projects is recognized under the percentage-of-completion method. Several estimates are made to calculate the stage of completion such as accrued cost and remaining internal project related work hours. Estimates on accrued cost and remaining hours have a direct influence over the amount of the revenue to recognize.

Project revenues:

All contracts: Revenue generated through projects on ongoing contracts are listed in the table above.

Total accumulated revenue and cost from project start-up has incurred as shown in the table below.

<i>(NOK 1000)</i>	<i>Unaudited</i> 31.03.2015	<i>Unaudited</i> 31.03.2014	<i>Audited</i> 31.12.2014
Acc. Project contract revenue recognised as revenue	311 631	198 510	277 384
Acc. Related cost accrued	217 048	132 964	190 640
Acc. Recognised profit / loss from contracts in progress	94 583	65 546	86 744

Recognised and included in the financial statements:

<i>(NOK 1000)</i>	<i>Unaudited</i> 31.03.2015	<i>Unaudited</i> 31.03.2014	<i>Audited</i> 31.12.2014
Due from customers	68 317	53 375	75 064
Due to suppliers for contract work	-40 034	-24 686	-35 379
Net work in progress	28 284	28 689	39 685

Segment information

The main part of the revenues comes from Project Revenues and Aftersales that are deliveries to vessels. Retrofit and Newbuild are two separate operating segments and is aggregated to one reporting segment named Project Revenues. Transactions between units are based on market terms. The company's management uses each segments operating profit when assessing earnings in the segments. The figures for each segment include transactions between segments. Transactions within the various segments are eliminated. All transactions between business units are based on market terms.

1.January - 31.march 2015	Projects	Aftersales	other	Elimination	Total
Revenue	34 247	14 219		-2 829	45 637
Total revenue	34 247	14 219	-	-2 829	45 637
Cost of sales	-26 938	-9 145	-	2 643	-33 441
Employee expenses	-5 254	-1 404	-185	-	-6 843
Other Operating expenses	-3 278	-1 977	-378	187	-5 446
EBITDA before non-recurring items	-1 223	1 693	-563	-	-94
Non- recurring items	-	-	-	-	-
EBITDA	-1 223	1 693	-563	-	-94
Depriciation and amortisation	-303	-2	-	-	-305
OPERATING PROFIT	-1 526	1 691	-563	-	-398
Net Contracts in progress	28 284	-	-	-	28 284
Total assets *)	133 693	10 976	247 392	-253 823	138 238
Investments in non-current assets	1 384	-	-	-	1 384

1.january - 31 march 2014	Projects	Aftersales	other	Elimination	Total
Revenue	27 890	10 504	-339	-3 170	34 885
Total revenue	27 890	10 504	-339	-3 170	34 885
Cost of sales	-17 575	-7 012	-848	3 028	-22 407
Employee expenses	-3 901	-1 306	-	-	-5 207
Other Operating expenses	-3 646	-1 340	-	142	-4 844
EBITDA before non-recurring items	2 768	846	-1 187	-	2 427
Non- recurring items	-	-	-	-	-
EBITDA	2 768	846	-1 187	-	2 427
Depriciation and amortisation	-183	-3	-	-	-186
OPERATING PROFIT	2 585	843	-1 187	-	2 241
Net Contracts in progress	28 689	-	-	-	28 689
Total assets *)	117 556	6 016	223 122	-238 392	108 302
Investments in non-current assets	1 918	-	-	-	1 918

*) Elimination includes NOK -221m as value of the shares in the subsidiaries.

All revenues are external, except elimination entries which are Aftersales revenues between group companies.

Revenue from New building activities is generated through deliveries to several shipbuilding yards throughout Europe. Other revenues are generated from projects and Aftersales. Geographic area cannot be determined as deliveries are made to vessels in international trade.

Note 3 Non-recurring items, IPO and share capital

FY 2014 figures include non-recurring items in relation to the conducted IPO and listing on Oslo Stock Exchange (Oslo Axess) in April 2014. The total cost amounts to approx. NOK 8.8m, whereas NOK 2.4m has been identified, according to IAS32, as listing cost on existing shares, and therefore recorded as a non-recurring item in 2Q14. The remaining NOK 6.5m (net of taxes) has been recorded against equity.

In 2Q14 the Board decided to raise share capital by approx. NOK 6.8m, transferred from other equity, while the stock issue raised share capital with another NOK 2.5m. Following the share capital increases the share capital is NOK 9.55m.

Note 4 Financial items

Finance income

(NOK 1000)	<i>Unaudited</i> 1Q15	<i>Unaudited</i> 1Q14	<i>Audited</i> 2014
Interest Income	-	-	392
Foreign exchange gain	1 807	76	9 274
Gain on derivatives	104	-	-
Unrealized Increase of fair value of derivates	6 740	2 554	-
Total Finance Income	8 651	2 630	9 667

Finance Cost

(NOK 1000)	<i>Unaudited</i> 1Q15	<i>Unaudited</i> 1Q14	<i>Audited</i> 2014
Interest Expense	146	768	2 893
Foreign exchange loss	2 024	435	2 269
Unrealized decrease in fair value of derivatives	-	-	10 141
Loss on derivatives	-	1 252	7 767
Other financial cost	7	-	80
Total Finance costs	2 176	2 455	23 150

Liabilities – Financial Instruments

The company is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly due to sales in different currencies. The Company has entered into several derivative instrument contracts to reduce exchange rate risk in cash flows nominated in EUR, associated with sales in EUR in connection with construction contracts.

The derivatives are not designated as hedging instruments, and are therefore recognised at fair value through profit and loss.

There are no initial transaction cost. The Group receives the fair value in cash if exercised at maturity. Contracts has a maturity until 2017.

The group uses level 2 in the IFRS 13 - hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 2: Other techniques for which all inputs have a significant effect on the recorded fair value are observable, either directly or indirectly.

(NOK 1000)	31.03.2015	31.03.2014
	Level 2	Level 2
Forward contracts	-287	-1 027
Forward option	-1 781	-
Derivatives	-1 727	-3 532
Net	-3 796	-4 559

The company has derivative contracts with nominal amounts of EUR 14.7m, whereas EUR 7.7m are due in 2015, EUR 3.0m are due in 2016 and EUR 3.9m are due in 2017. The derivatives are linked to specific project contracts.

Note 5 Intangible assets

Intangible assets consists of several different development projects related to new technologies in waste handling. They are still under development and depreciation will start at completion of each project. Impairment tests for the intangible assets are performed in accordance with IAS 36. The intangible assets are valued on estimated discounted cash flow.

No impairment during 1Q15.

Note 6 Subsequent events

In May the Company has been awarded a contract for supply of environmental technology equipment for a shore based fish-farm. The delivery is expected to be 4Q 2015.

In April the Company signed an MOU with Jets Vacuum AS for the marketing and sales of shipboard vacuum sanitary systems.

Scanship Holding ASA
Lysaker Torg 12
1366 Lysaker
NORWAY
E-mail: post@scanship.no

IR Contact
Christian Fr. Thyholdt - CFO
Mobile: +47 90 74 37 93
E-mail: cft@scanship.no

WWW.SCANSHIP.NO