

**SCANSHIP HOLDING ASA**  
Quarterly Report – 3Q 2015



# SCANSHIP HOLDING ASA

## Quarterly report – 3<sup>rd</sup> Quarter 2015

### Key Financial Information 3Q15

(NOK 1000)	<i>Unaudited</i> <b>3Q15</b>	<i>Unaudited</i> <b>3Q14</b>	<i>Unaudited</i> <b>YTD15</b>	<i>Unaudited</i> <b>YTD14</b>	<i>Audited</i> <b>FY14</b>
Total Revenue	50 001	35 736	145 908	102 443	145 631
Gross Margin %	37 %	30 %	32 %	33 %	32 %
EBITDA	5 301	707	8 535	1 300	2 046
Operating Profit (EBIT)	4 739	517	7 205	682	867
Profit bf. Tax	-2 793	2 968	4 763	1 512	-12 617
Project Backlog	204 000	102 000	204 000	102 000	185 000
Total Assets	163 657	140 472	163 657	140 472	143 248
Equity ratio	30 %	39 %	30 %	39 %	31 %

Higher activity in the Newbuilding segment and increased Aftersales contributes to an increase in revenues of approx. 40% in 3Q15 compared to 3Q14. Comparing YTD figures shows an increase of 42%.

The gross margin in 3Q15 was NOK 18.7m (37%) compared to NOK 10.8m (30%) in 3Q14, while YTD15 figures shows a gross margin of NOK 46.5m (32%) compared to NOK 33.5m (33%) in 2014. The relatively high gross margin in 3Q15 is mainly due to currency weakening of NOK against USD and EUR and some positive estimate revisions on ongoing projects.

The Group receives 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 weakening of NOK against EUR these financial instruments incurred a 3Q15 decrease of fair value of NOK 8.1m, and a realised loss of NOK 1.2m.

Scanship has invested NOK 0.9m in 3Q15 on its product development activities compared to NOK 1.9m for the same period in 2014.

### Order Backlog

The backlog at the end of 3Q15 was NOK 204m compared to NOK 102m in 3Q14. The backlog for 3Q15 includes an order for approx. NOK 20m subject for financing until December 2015.

### Operations

Scanship is a maritime industry leader in advanced technologies for processing and purifying wastewater, 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 to 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 3Q15 Scanship has made deliveries to the first Star vessel at Meyer Werft, Silversea vessel at Fincantieri and the fourth Oasis class vessel at STX France. In addition the first equipment deliveries was made to Norwegian Bliss at Meyer Werft and to the first MSC vessel at

STX France. The equipment deliveries for Norwegian Escape at Meyer Werft were completed in the quarter and commissioning work was initiated on Norwegian Escape.

## Product Development

Scanship's main development project during 3Q15 has been Microwave Assisted Pyrolysis ("MAP").

A significant part of the product development cost consists of working hours performed by Scanship's own employees.

## Financing

Net cash flow from financing activities in 3Q15 is mainly a result of reduced utilization of the bank overdraft facility. The unused part of the overdraft facility was approx. NOK 5.5m at the end of 3Q15.

Net cash flow from operations was NOK 6.0m in 3Q15 compared to NOK -11.3m in 2014.

## Market Outlook

The cruise industry continues to grow. At the same time we notice increased competition within certain segments of our offerings. Saga Cruises has ordered a new ship from Meyer Werft with delivery in 2019.

Several ship-owners have announced moving ships into the Chinese market. It is expected that the Chinese market will grow rapidly, requiring more ships and create further demand for newbuilds.

Lysaker, November 16 2015

The Board of Directors for Scanship Holding ASA

## Consolidated income statement

(NOK 1000)	Note	Unaudited 3Q15	Unaudited 3Q14	Unaudited YTD15	Unaudited YTD14	Audited 2014
Revenue	2	50 001	35 736	145 908	102 443	145 631
<b>Total operating revenue</b>		<b>50 001</b>	<b>35 736</b>	<b>145 908</b>	<b>102 443</b>	<b>145 631</b>
Cost of goods sold		-31 327	-24 923	-99 400	-68 935	-99 308
<b>Gross Margin</b>		<b>18 675</b>	<b>10 813</b>	<b>46 508</b>	<b>33 508</b>	<b>46 323</b>
Gross Margin		37 %	30 %	32 %	33 %	32 %
Employee expenses		-7 449	-6 441	-20 422	-16 048	-23 201
Other operating expenses		-5 925	-3 664	-17 550	-13 798	-18 713
<b>EBITDA before non-recurring items</b>		<b>5 301</b>	<b>707</b>	<b>8 535</b>	<b>3 662</b>	<b>4 409</b>
Non-recurring items	3	-	-	-	-2 361	-2 363
<b>EBITDA</b>		<b>5 301</b>	<b>707</b>	<b>8 535</b>	<b>1 300</b>	<b>2 046</b>
Depreciation and amortisation		-561	-190	-1 330	-619	-1 179
<b>Operating profit (EBIT)</b>		<b>4 739</b>	<b>517</b>	<b>7 205</b>	<b>682</b>	<b>867</b>
Finance income	4	3 209	517	5 889	854	9 667
Net unrealised change in derivatives	4	-8 140	4 164	-2 122	6 445	-10 141
Finance costs	4	-2 602	-2 230	-6 209	-6 470	-13 009
<b>Profit before tax</b>		<b>-2 793</b>	<b>2 968</b>	<b>4 763</b>	<b>1 512</b>	<b>-12 617</b>
Income tax revenue (+) /expense (-)		597	-1 067	-1 295	-393	3 338
<b>Profit for the period</b>		<b>-2 197</b>	<b>1 902</b>	<b>3 468</b>	<b>1 119</b>	<b>-9 279</b>

## Consolidated statement of comprehensive income

(NOK 1000)	Unaudited 3Q15	Unaudited 3Q14	Unaudited YTD15	Unaudited YTD14	Audited 2014
Net profit for the period	-2 197	1 902	3 471	1 119	-9 279
<i>Items to be reclassified to profit or loss:</i>	-	-	-	-	-
Exch. diff. or translation of foreign operations	15	182	-151	48	563
<b>Net items to be reclassified to profit or loss</b>	<b>15</b>	<b>182</b>	<b>-151</b>	<b>106</b>	<b>563</b>
<i>Items not reclassified to profit or loss</i>	-	-	-	-	-
<b>Other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income, net of tax</b>	<b>-2 182</b>	<b>2 084</b>	<b>3 320</b>	<b>1 168</b>	<b>-8 716</b>
<b>Attribute to</b>					
Owners of the parent	-2 182	2 084	3 320	1 168	-8 716
Non controlling interest	-	-	-	-	-
	<b>-2 182</b>	<b>2 084</b>	<b>3 320</b>	<b>1 168</b>	<b>-8 716</b>
Earnings per share 1)	-0,02	0,02	0,03	0,01	-0,09
Diluted earnings per share 1)	-0,02	0,02	0,03	0,01	-0,09

1) Total shares: 95 505 525

## Consolidated statement of financial position

(NOK 1000)	Note	Unaudited 30.09.2015	Unaudited 30.09.2014	Audited 31.12.2014
<b>ASSETS:</b>				
<b>Non-current assets:</b>				
Property, plant and equipment		3 112	1 892	1 957
Intangible assets	5	22 142	17 195	18 889
<b>Total non-current assets</b>		<b>25 254</b>	<b>19 087</b>	<b>20 845</b>
<b>Current assets:</b>				
Inventories		5 742	6 004	5 684
Trade receivables		43 538	36 557	32 577
Contracts in progress	2	76 595	60 564	75 064
Other Receivables		7 105	4 165	5 258
Cash and cash equivalents		5 424	14 096	3 821
<b>Total current assets</b>		<b>138 403</b>	<b>121 385</b>	<b>122 404</b>
<b>Total assets</b>		<b>163 657</b>	<b>140 472</b>	<b>143 248</b>

(NOK 1000)	Note	Unaudited 30.09.2015	Unaudited 30.09.2014	Audited 31.12.2014
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Share capital	3	9 551	9 551	9 551
Share premium	3	77 450	77 450	77 450
Translation difference		292	-310	129
Retained earnings		-38 279	-31 618	-42 016
<b>Total equity</b>		<b>49 014</b>	<b>55 073</b>	<b>45 113</b>
<b>Liabilities</b>				
Deferred tax liabilities	6	2 059	5 457	1 695
Long term borrowings	7	654	-	-
<b>Total non-current liabilities</b>		<b>2 713</b>	<b>5 457</b>	<b>1 694</b>
<b>Current liabilities</b>				
Current borrowings	7	52	19 900	-
Trade creditors		30 110	15 357	16 669
Contract accruals	2	38 696	31 192	35 379
Financial instruments	4	12 658	668	10 536
Income tax payable		890	-	5
Bank overdraft		23 323	9 181	27 674
Other Current liabilities		6 201	3 644	6 179
<b>Total Current Liabilities</b>		<b>111 930</b>	<b>79 942</b>	<b>96 441</b>
<b>Total liabilities</b>		<b>114 643</b>	<b>85 400</b>	<b>98 135</b>
<b>Total equity and liabilities</b>		<b>163 657</b>	<b>140 472</b>	<b>143 248</b>

## Consolidated statement of change in equity

### Unaudited

(NOK 1000)	Share Capital	Translation Differences	Share Premium	Retained Earnings	Total*
<b>30.09.2015</b>					
Equity at 31 December 2014	9 551	129	77 450	-42 016	45 111
Profit for the period	-	163	-	3 468	3 631
Stock issue	-	-	-	-	-
Other Comprehensive income	-	269	-	-	269
<b>Total Comprehensive income</b>	<b>-</b>	<b>432</b>	<b>-</b>	<b>3 468</b>	<b>3 900</b>
Dividends paid	-	-	-	-	-
<b>Equity at end of period</b>	<b>9 551</b>	<b>561</b>	<b>77 450</b>	<b>-38 548</b>	<b>49 011</b>

### Unaudited

(NOK 1000)	Share Capital	Translation Differences	Share Premium	Retained Earnings	Total*
<b>30.09.2014</b>					
Equity at 31 December 2013	202	-434	-	-21 128	-21 360
Profit for the period	-	124	-	1 119	1 243
Stock issue	9 349	-	77 450	-11 609	75 190
Other Comprehensive income	-	-	-	-	-
<b>Total Comprehensive income</b>	<b>9 349</b>	<b>124</b>	<b>77 450</b>	<b>-10 490</b>	<b>76 433</b>
Dividends paid	-	-	-	-	-
<b>Equity at end of period</b>	<b>9 551</b>	<b>-310</b>	<b>77 450</b>	<b>-31 618</b>	<b>55 073</b>

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

## Consolidated cash flow statement

(NOK 1000)	Unaudited 3Q15	Unaudited 3Q14	Unaudited YTD15	Unaudited YTD14	Audited 2014
<i>Profit before income tax</i>	-2 793	2 969	4 767	1 512	-12 617
Net cash flow from operating activities	5 962	-11 316	10 989	-39 654	-45 332
Net cash flow from investing activities	-1 091	-2 081	-5 738	-5 628	-8 918
Net cash flow from financing activities	-3 724	-10 100	-3 645	58 201	56 894
<b>Net change in cash and cash equivalents</b>	<b>1 147</b>	<b>-22 146</b>	<b>1 606</b>	<b>12 919</b>	<b>2 644</b>
Cash and cash equivalents ingoing balance	4 277	36 242	3 821	1 177	1 177
<b>Cash and cash equivalents at end of period</b>	<b>5 424</b>	<b>14 096</b>	<b>5 424</b>	<b>14 096</b>	<b>3 821</b>

As per 31.12.2014, late payments from a customer of approx. NOK 10m reduced Cash at end of period and reduced Net cash flow from operating activities. The overdue payments were received in 1Q15. However, the same customer was as of 30.06.2015 late with payments of approx. NOK 9m. Of this NOK 2m has been paid during 3Q15. The balance was fully paid after the end of 3Q15.

The positive 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 third quarter, ended 30 September 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 16 November 2015.

### Note 2 Sales

<i>(NOK 1000)</i>	<i>Unaudited</i> <b>3Q15</b>	<i>Unaudited</i> <b>3Q14</b>	<i>Unaudited</i> <b>YTD15</b>	<i>Unaudited</i> <b>YTD14</b>	<i>Audited</i> <b>2014</b>
Project revenue	30 368	26 036	99 842	74 953	106 768
Aftersales	19 633	9 700	46 066	27 490	38 863
<b>Sales</b>	<b>50 001</b>	<b>35 736</b>	<b>145 908</b>	<b>102 443</b>	<b>145 631</b>

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> <b>30.09.2015</b>	<i>Unaudited</i> <b>30.09.2014</b>	<i>Audited</i> <b>31.12.2014</b>
Acc. Project contract revenue recognised as revenue	274 670	245 570	277 384
Acc. Related cost accrued	189 429	167 769	190 640
<b>Acc. Recognised profit / loss from contracts in progress</b>	<b>85 241</b>	<b>77 801</b>	<b>86 744</b>

Recognised and included in the financial statements:

<i>(NOK 1000)</i>	<i>Unaudited</i> <b>30.09.2015</b>	<i>Unaudited</i> <b>30.09.2014</b>	<i>Audited</i> <b>31.12.2014</b>
Due from customers	76 595	60 564	75 064
Due to suppliers for contract work	-38 696	-31 192	-35 379
<b>Net work in progress</b>	<b>37 898</b>	<b>29 372</b>	<b>39 685</b>



## 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.

### Unaudited

(Nok 1000)			Admin		
<b>01.01.2015 - 30.09.2015</b>	<b>Projects</b>	<b>Aftersales</b>	<b>&amp; other</b>	<b>Elimination</b>	<b>Total</b>
Revenue	99 842	54 168		-8 102	145 908
<b>Total revenue</b>	<b>99 842</b>	<b>54 168</b>	<b>-</b>	<b>-8 102</b>	<b>145 908</b>
Cost of sales	-71 944	-34 979	-	7 523	-99 400
Employee expenses	-13 248	-5 999	-1 175	-	-20 422
Other Operating expenses	-9 563	-7 256	-1 310	579	-17 550
<b>EBITDA before non-recurring items</b>	<b>5 087</b>	<b>5 934</b>	<b>-2 485</b>	<b>-</b>	<b>8 536</b>
Non- recurring items	-	-	-	-	-
<b>EBITDA</b>	<b>5 087</b>	<b>5 934</b>	<b>-2 485</b>	<b>-</b>	<b>8 536</b>
Depreciation and amortisation	-941	-389	-	-	-1 330
<b>OPERATING PROFIT</b>	<b>4 146</b>	<b>5 545</b>	<b>-2 485</b>	<b>-</b>	<b>7 205</b>
Net Contracts in progress	37 898	-	-	-	37 898
Total assets *	143 063	16 903	246 012	-242 321	163 657
Investments in non-current assets	2 554	-	-	-	2 554

### Unaudited

(Nok 1000)			Admin		
<b>01.01.2014 - 30.09.2014</b>	<b>Projects</b>	<b>Aftersales</b>	<b>&amp; other</b>	<b>Elimination</b>	<b>Total</b>
Revenue	74 953	35 123	-53	-7 580	102 443
<b>Total revenue</b>	<b>74 953</b>	<b>35 123</b>	<b>-53</b>	<b>-7 580</b>	<b>102 443</b>
Cost of sales	-52 483	-21 644	-1 963	7 154	-68 935
Employee expenses	-11 717	-3 944	-387	-	-16 048
Other Operating expenses	-9 768	-4 063	-392	427	-13 798
<b>EBITDA before non-recurring items</b>	<b>985</b>	<b>5 472</b>	<b>-2 795</b>	<b>-</b>	<b>3 662</b>
Non- recurring items	-	-	-2 361	-	-2 361
<b>EBITDA</b>	<b>985</b>	<b>5 472</b>	<b>-5 156</b>	<b>-</b>	<b>1 301</b>
Depreciation and amortisation	-597	-22	-	-	-619
<b>OPERATING PROFIT</b>	<b>388</b>	<b>5 450</b>	<b>-5 156</b>	<b>-</b>	<b>682</b>
Net Contracts in progress	29 372	-	-	-	29 372
Total assets *	127 001	7 463	267 629	-261 621	140 472
Investments in non-current assets	4 757	-	-	-	4 757

\*) 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> <b>3Q15</b>	<i>Unaudited</i> <b>3Q14</b>	<i>Unaudited</i> <b>YTD15</b>	<i>Unaudited</i> <b>YTD14</b>	<i>Audited</i> <b>2014</b>
Interest Income	-	-	-	0	392
Foreign exchange gain	3 209	517	5 785	854	9 274
Gain on derivatives	-	-	104	-	-
<b>Total Finance Income</b>	<b>3 209</b>	<b>517</b>	<b>5 889</b>	<b>854</b>	<b>9 667</b>

#### Finance Cost

(NOK 1000)	<i>Unaudited</i> <b>3Q15</b>	<i>Unaudited</i> <b>3Q14</b>	<i>Unaudited</i> <b>YTD15</b>	<i>Unaudited</i> <b>YTD14</b>	<i>Audited</i> <b>2014</b>
Interest Expense	153	519	701	2 174	2 893
Foreign exchange loss	1 269	685	4 219	1 408	2 269
Loss on derivatives	1 181	958	1 283	2 819	7 767
Other financial cost	-	68	7	68	80
<b>Total Finance costs</b>	<b>2 602</b>	<b>2 230</b>	<b>6 209</b>	<b>6 470</b>	<b>13 009</b>

#### Unrealised change in derivatives

(NOK 1000)	<i>Unaudited</i> <b>3Q15</b>	<i>Unaudited</i> <b>3Q14</b>	<i>Unaudited</i> <b>YTD15</b>	<i>Unaudited</i> <b>YTD14</b>	<i>Audited</i> <b>2014</b>
Unrealised Increase of fair value of derivatives	-	4164	-	6 718	-
Unrealised decrease in fair value of derivatives	-8 140	-	-2 122	-273	-10 141
<b>Net unrealised change in derivatives</b>	<b>-8 140</b>	<b>4 164</b>	<b>-2 122</b>	<b>6 445</b>	<b>-10 141</b>

#### 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.

<i>Unaudited</i> (NOK 1000)	<b>30.09.2015</b> Level 2	<b>30.09.2014</b> Level 2
Forward contracts	-3 245	97
Forward option	-2 460	685
Derivatives	-6 952	-1 451
<b>Net</b>	<b>-12 658</b>	<b>-668</b>

The company has derivative contracts with nominal amounts of EUR 11.1m, whereas EUR 3.8m are due in 4Q15, EUR 2.1m are due in 1H16, EUR 1.4m are due 2H16 and 3.9m matures in 2017.

## 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.

There has not been recognised any impairment during 3Q15.

## Note 6 Deferred Tax Liability

Subsequent to balance date the Norwegian Government has proposed to reduce tax rate from 27% to 25%. Calculation of deferred tax liabilities for the Norwegian entities are based on 27%. If the proposed tax reduction is approved, the calculation for 2015 will be altered accordingly.

## Note 7 Borrowings

<i>Unaudited</i> (NOK 1000)	<i>Unaudited</i> <b>30.09.2015</b>	<i>Unaudited</i> <b>30.09.2014</b>	<i>Audited</i> <b>31.12.2014</b>
Current portion of long-term debt	52	19 900	-
Other interest bearing short-term debt	-	-	-
Long term debt - non-current	654	-	-
<b>Balance at the end of Period</b>	<b>706</b>	<b>19 900</b>	<b>-</b>

## Note 8 Subsequent events

On the 22<sup>nd</sup> October Scanship announced that it had been awarded a retrofit contract for a Helcom AWP system for a large Miami based cruise line. The contract is the first major retrofit contract awarded to Scanship since 2013.

There has been no other significant events subsequent to the reporting period.

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