

SCANSHIP HOLDING ASA
Quarterly Report – 2Q 2015



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Quarterly report – 2nd Quarter 2015

Key Financial Information 2Q15

Consolidated, NOK 1 000	Unaudited 2Q15	Unaudited 2Q14	Unaudited YTD2Q15	Unaudited YTD2Q14	Audited FY 2014
Total Revenue	50 270	31 822	95 907	66 707	145 631
Gross margin %	31 %	32 %	29 %	34 %	32 %
EBITDA bef. Non-rec.	3 328	527	3 234	2 954	4 409
Operating Profit (EBIT)	2 864	-2 076	2 466	165	867
Profit before Tax	1 483	-3 873	7 560	-1 457	-12 617
Total Assets	160 871	147 928			143 248

Overall revenue for the Scanship group was 57% higher in 2Q15 compared to 2Q14. The increase reflects higher activity in the Newbuild and Aftersales segments, and YTD2Q15 the increase is 44% compared to YTD2Q14.

The gross margin in 2Q15 was NOK 15.6m (31%) compared to NOK 10.2m (32%) in 2Q14, while YTD2Q figures shows NOK 27.8M (29%) and NOK 22.7M (34%) respectively.

The Group records 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 these financial instruments incurred a 2Q15 loss of NOK 0.8m.

Scanship has capitalized NOK 1.5m in 2Q15 on product development, compared to NOK 0.9m in 2Q14.

New Contracts

During 2Q15 Scanship was awarded a contract supplying dewatering and drying equipment to Marine Harvest on one of its production facilities in Norway. The contract represents a potential new niche market for Scanship.

In the period Scanship was awarded a contract for delivery of Advanced Wastewater Purification (AWP) system on the Carnival Cruise Line newbuild with hull number 6243 at Fincantieri. The contract is a repeat of hull number 6242 Carnival Vista. However, the new contract includes a modification of the Scanship AWP system to meet the new IMO Marpol MEPC 227(64) standard for special areas including chapter 4.2 with nutrient removal.

Meyer Werft signed four contracts for the supply of AWP systems to two RCCL newbuilds and two NCL newbuilds. The AWP systems are equal to the previous nine newbuild contracts signed since 2010 at Meyer Werft where the systems are processing all grey and black to meet the new standard for special area IMO Marpol MEPC 227(64) and chapter 4.2 with nutrient removal.

The backlog at the end of 2Q15 was NOK 221m compared to NOK 102m in 2Q14. The backlog includes an order for approx. NOK 20m where the order is subject to successful financing of the cruise vessel. The subject will expire in 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 2Q15 the company had main equipment deliveries to the third TUI newbuild at Meyer Turku and Star Cruises newbuild at Meyer Werft. In addition, the last part of equipment deliveries were made to the newbuild Ovation of the Seas at Meyer Werft and the second Viking Ocean newbuild at Fincantieri. In the period major engineering has been done on the MSC newbuild projects at STX France. Commissioning teams have been starting up Scanship systems on the first Viking Ocean newbuild, Viking Star, at Fincantieri, on Anthem of the Seas for RCCL at Meyer Werft and the second TUI newbuild at Meyer Turku.

To increase product offering with vacuum toilets and black water collecting, Scanship has entered into a cooperation agreement with the Norwegian company Jets Vacuum. The intention with this cooperation is to improve competitiveness within the cruise market. The agreement may also enable sales of Scanship technology in other market spaces outside Scanship core markets.

Product Development

Scanship's main development project during 2Q15 has been Microwave Assisted Pyrolysis ("MAP"). Preliminary tests have been conducted on the first stage of the pilot plant during the period, providing required results to commence build-up of the second part of the plant during 2H15.

Financing

Scanship has increased its long term lending by NOK 0.7m in 2Q15, the loan financed purchase of non-current equipment.

Net cash flow from financing activities in 2Q15 is mainly a result of increased utilization of the bank overdraft facility. The unused part of the overdraft facility was approx. NOK 2m at the end of 2Q15.

Market Outlook

During 2Q15 several newbuilds were under discussions between ship-owners and shipyard. This has led to a very high tendering activity for Scanship. Carnival Corporation & PLC placed orders at Fincantieri and Meyer Werft for 10 newbuilds, RCCL ordered two more vessel at Meyer Werft and TUI ordered two more newbuilds at Meyer Turku. Virgin Cruises announced contracts for three newbuilds at Fincantieri and Crystal Cruises announced 3 newbuilds to be built at Lloyds Werft. More than 20 newbuilds with multiple options will be contracted for wastewater and waste management systems during the next months.

During the period Scanship has been offering several retrofit projects yet to be realized. The activity within this market space is increasing.

Lysaker, 27 August 2015

The Board of Directors for Scanship Holding ASA

Consolidated income statement

(NOK 1000)		Unaudited 2Q15	Unaudited 2Q14	Unaudited YTD15	Unaudited YTD14	Audited 2014
	Note	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	Jan-Dec
Revenue	2	50 270	31 822	95 907	66 707	145 631
Total operating revenue		50 270	31 822	95 907	66 707	145 631
Cost of goods sold		-34 633	-21 606	-68 074	-44 012	-99 308
Gross Margin		15 637	10 217	27 833	22 695	46 323
Gross Margin		31 %	32 %	29 %	34 %	32 %
Employee expenses		-6 130	-4 400	-12 973	-9 607	-23 201
Other operating expenses		-6 180	-5 289	-11 626	-10 134	-18 713
EBITDA before non-recurring items		3 328	527	3 234	2 954	4 409
Non-recurring items	3	-	-2 361	0	-2 361	-2 363
EBITDA		3 328	-1 834	3 234	593	2 046
Depreciation and amortisation		-464	-242	-769	-428	-1 179
Operating profit (EBIT)		2 864	-2 076	2 466	165	867
Finance income	4	769	261	9 420	2 891	9 666
Finance costs	4	-2 150	-2 058	-4 326	-4 513	-23 151
Profit before tax		1 483	-3 873	7 560	-1 457	-12 617
Income tax revenue (+) /expense (-)		-120	905	-1 892	674	3 338
Profit for the period		1 363	-2 968	5 668	-783	-9 279

Consolidated statement of comprehensive income

(NOK 1000)		Unaudited 2Q15	Unaudited 2Q14	Unaudited YTD15	Unaudited YTD14	Audited 2014
		Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	Jan-Dec
Net profit for the period		1 363	-2 968	5 668	-783	-9 279
<i>Items to be reclassified to profit or loss:</i>		-	0	0	0	0
Exchange differences or trans. Of foreign op.		-314	-75	-166	-133	563
Net items to be reclassified to profit or loss		-314	-75	-166	-133	563
<i>Items not be reclassified to profit or loss</i>		-	0	0	0	0
Other comprehensive income net of tax		-	0	0	0	0
Total comprehensive income, net of tax		1 049	-3 044	5 502	-916	-8 716
Attribute to						
Owners of the parent		1 049	-3 044	5 502	-916	-8 716
Non controlling interest		-	-	-	-	-
		1 049	-3 044	5 502	-916	-8 716
Earnings per share 1)		0,01	-0,03	0,06	-0,01	-0,09
Diluted earnings per share 1)		0,01	-0,03	0,06	-0,01	-0,09

1) Total shares: 95 505 525

Consolidated statement of financial position

(NOK 1000)	Note	Unaudited 30.06.2015	Unaudited 30.06.2014	Audited 31.12.2014
ASSETS:				
Non-current assets:				
Property, plant and equipment		3 073	1 862	1 957
Intangible assets	5	21 411	15 335	18 889
Total non-current assets		24 484	17 197	20 845
Current assets:				
Inventories		5 903	6 916	5 684
Trade receivables		35 345	15 285	32 577
Contracts in progress	2	84 872	68 174	75 064
Other Receivables		5 989	4 116	5 258
Cash and cash equivalents		4 277	36 242	3 821
Total current assets		136 387	130 732	122 404
Total assets		160 871	147 928	143 248

(NOK 1000)	Note	Unaudited 30.06.2015	Unaudited 30.06.2014	Audited 31.12.2014
EQUITY AND LIABILITIES				
Equity:				
Share capital	3	9 551	9 551	9 551
Share premium	3	77 450	77 450	77 450
Translation difference		-37	-567	129
Retained earnings		-36 082	-33 520	-42 016
Total equity		50 882	52 913	45 113
Liabilities				
Deferred tax liabilities		3 438	4 656	1 695
Long term borrowings	6	729	-	-
Total non-current liabilities		4 166	4 656	1 694
Current liabilities				
Current borrowings	6	-	30 000	-
Trade creditors		13 201	12 541	16 669
Contract accruals	2	54 037	30 704	35 379
Financial instruments	4	4 518	4 832	10 536
Income tax payable		0	-	5
Bank overdraft		27 024	7 831	27 674
Other Current liabilities		7 043	4 451	6 179
Total Current Liabilities		105 823	90 359	96 441
Total liabilities		109 989	95 015	98 135
Total equity and liabilities		160 871	147 928	143 248

Consolidated statement of change in equity

(NOK 1000)

<i>Unaudited</i> 30 June 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	-	-166	-	5 668	5 502
Stock issue	-	-	-	-	-
Other Comprehensive income	-	269	-	-	269
Total Comprehensive income	-	103	-	5 668	5 771
Dividends paid	-	-	-	-	-
Equity at end of period	9 551	232	77 450	-36 348	50 882

<i>Unaudited</i> 30 June 2014	Share Capital	Translation Differences	Share Premium	Retained Earnings	Total*
Equity at 31 December 2013	202	-434	-	-21 128	-21 360
Profit for the period	-	-133	-	-783	-916
Stock issue	9 349	-	77 450	-11 609	75 190
Other Comprehensive income	-	-	-	-	-
Total Comprehensive income	9 349	-133	77 450	-12 392	74 274
Dividends paid	-	-	-	-	-
Equity at end of period	9 551	-567	77 450	-33 520	52 913

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

Consolidated cash flow statement

(NOK 1000)

	2Q15	2Q14	2014
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<i>Profit before income tax</i>	1 483	-3 873	-12 617
Net cash flow from operating activities	-5 535	-26 037	-45 332
Net cash flow from investing activities	-2 682	-1 514	-8 918
Net cash flow from financing activities	8 843	73 410	56 894
Net change in cash and cash equivalents	623	45 858	2 644
Cash and cash equivalents ingoing balance	3 654	-17 447	1 177
Cash and cash equivalents at end of period	4 277	28 412	3 821

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 1Q 2015. 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. Another customer was late with approx. NOK 3m, this amount has been paid during 3Q15.

The positive cash flow from financing activities relates to increased utilisation of the overdraft facility.

Selected explanatory notes

Note 1 General information

This interim financial information for the second quarter, ended 30 June 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 27 August 2015.

Note 2 Sales

<i>(NOK 1000)</i>	<i>Unaudited</i> 2Q15	<i>Unaudited</i> 2Q14	<i>Unaudited</i> YTD15	<i>Unaudited</i> YTD14	<i>Audited</i> 2014
Project revenue	35 227	21 027	69 474	48 917	106 768
Aftersales	15 043	10 795	26 433	17 790	38 863
Sales	50 270	31 822	95 907	66 707	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> 30.06.2015	<i>Unaudited</i> 30.06.2014	<i>Audited</i> 31.12.2014
Acc. Project contract revenue recognised as revenue	244 302	219 533	277 384
Acc. Related cost accrued	169 447	148 662	190 640
Acc. Recognised profit / loss from contracts in progress	74 855	70 871	86 744

Recognised and included in the financial statements:

<i>(NOK 1000)</i>	<i>Unaudited</i> 30.06.2015	<i>Unaudited</i> 30.06.2014	<i>Audited</i> 31.12.2014
Due from customers	84 872	68 174	75 064
Due to suppliers for contract work	-54 037	-30 704	-35 379
Net work in progress	30 835	37 469	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.

Unaudited 1.January - 30. June 2015	Projects	Aftersales	Admin & other	Elimination	Total
Revenue	69 474	31 887		-5 454	95 907
Total revenue	69 474	31 887	-	-5 454	95 907
Cost of sales	-52 662	-20 490	-	5 078	-68 074
Employee expenses	-8 714	-3 341	-918	-	-12 973
Other Operating expenses	-6 242	-4 642	-1 118	376	-11 626
EBITDA before non-recurring items	1 856	3 414	-2 036	-	3 234
Non- recurring items	-	-	-	-	-
EBITDA	1 856	3 414	-2 036	-	3 234
Depreciation and amortisation	-603	-166	-	-	-769
OPERATING PROFIT	1 253	3 248	-2 036	-	2 466
Net Contracts in progress	30 835	-	-	-	30 835
Total assets *	155 185	13 567	247 029	-254 910	160 871
Investments in non-current assets	1 652	-	-	-	1 652

Unaudited 1.january - 30 June 2014	Projects	Aftersales	Admin & other	Elimination	Total
Revenue	48 917	23 896	-196	-5 910	66 707
Total revenue	48 917	23 896	-196	-5 910	66 707
Cost of sales	-33 365	-14 912	-1 362	5 626	-44 013
Employee expenses	-6 848	-2 557	-202	-	-9 607
Other Operating expenses	-7 198	-3 023	-196	284	-10 133
EBITDA before non-recurring items	1 506	3 404	-1 956	-	2 954
Non- recurring items	-	-	-2 361	-	-2 361
EBITDA	1 506	3 404	-4 317	-	593
Depreciation and amortisation	-406	-22	-	-	-428
OPERATING PROFIT	1 100	3 382	-4 317	-	165
Net Contracts in progress	37 469	-	-	-	37 469
Total assets *	106 735	6 393	279 104	-244 304	147 928
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> 2Q15	<i>Unaudited</i> 2Q14	<i>Unaudited</i> YTD15	<i>Unaudited</i> YTD14	<i>Audited</i> 2014
Interest Income	-	-	-	-	392
Foreign exchange gain	769	261	2 576	337	9 274
Gain on derivatives	-	-	104	-	-
Unrealized Increase of fair value of derivates	-	-	6 740	2 554	-
Total Finance Income	769	261	9 420	2 891	9 667

Finance Cost

(NOK 1000)	<i>Unaudited</i> 2Q15	<i>Unaudited</i> 2Q14	<i>Unaudited</i> YTD15	<i>Unaudited</i> YTD14	<i>Audited</i> 2014
Interest Expense	402	887	548	1 775	2 893
Foreign exchange loss	925	288	2 950	576	2 269
Unrealized decrease in fair value of derivatives	722	273	722	546	10 141
Loss on derivatives	102	610	102	1 219	7 767
Other financial cost	-	-	7	-	80
Total Finance costs	2 150	2 058	4 328	4 116	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)	30.06.2015	30.06.2014
	Level 2	Level 2
Forward contracts	-253	-517
Forward option	-1 907	-
Derivatives	-2 357	-4 316
Net	-4 518	-4 832

The company has derivative contracts with nominal amounts of EUR 13.1m, whereas EUR 5.8m are due in 2015, EUR 3.5m 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 2Q15.

Note 6 Borrowings

Scanship AS entered into a car finance agreement with DNB Bank ASA in June 2015. The interest rate is floating currently 4.73% p.a. The loan has monthly instalments with maturity in 2022.

(NOK 1000)	30.06.2015	30.06.2014	31.12.2014
Current portion of long-term debt	52	30 000	-
Other interest bearing short-term debt	-	-	-
Long term debt - non-current	677	-	-
Balance at the end of Period	729	30 000	-

Note 7 Subsequent events

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

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