

SCANSHIP HOLDING ASA
Quarterly Report – 4Q 2015



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Quarterly report – 4th Quarter 2015

Key Financial Information 4Q15

(NOK 1000)	<i>Unaudited</i> 4Q15	<i>Unaudited</i> 4Q14	<i>Unaudited</i> 2015	<i>Audited</i> 2014
Total Revenue	54 365	43 188	200 273	145 631
Gross Margin %	32 %	30 %	32 %	32 %
EBITDA	2 899	747	11 463	2 046
Operating Profit (EBIT)	1 546	175	8 780	867
Profit bf. Tax	2 329	-14 120	7 126	-12 616
Project Backlog	225 859	185 000	225 859	185 000
Total Assets	168 596	143 248	168 596	143 248
Equity ratio	30 %	31 %	30 %	31 %

Scanship increased revenues with approx. 26% in 4Q15 compared to 4Q14 mainly due to increased aftersales activities. Comparing full year figures shows an increase of 38%.

The gross margin in 4Q15 was NOK 17.4m (32%) compared to NOK 12.8m (30%) in 4Q14, while 2015 figures shows a gross margin of NOK 63.9m (32%) compared to NOK 46.3m (32%) in 2014.

EBITDA in 4Q15 was NOK 2.9m compared to NOK 0.7m in 4Q14. EBITDA 2015 was NOK 11.5m compared to NOK 2.0m in 2014.

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. The financial instruments unrealised gain in 4Q15 was NOK 3.2m, compared to loss of NOK -9.9m in 4Q14. Financial instruments realised in 4Q15 incurred a net loss of NOK -2.7m compared to a loss of NOK -4.9m in 4Q14.

Order Backlog

The backlog at the end of 2015 was NOK 226m compared to NOK 185m at the end of 2014.

During 4Q15 Scanship entered into a contract with Oceania Cruises, a part of NCL Holding, for an AWP retrofit on the vessel Oceania Sirena to take place during spring 2016. This contract is the first result of the earlier announced higher tender activity within the retrofit market segment. Furthermore, Scanship was awarded two AWP newbuild contracts as announced 27.11.2015.

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 wastewater 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 4Q15 Scanship has made deliveries of AWP Helcom-compliant equipment to the fourth Viking Ocean Cruises newbuild and the second Carnival Cruise Line newbuild at Fincantieri. In addition, Scanship delivered and installed the sludge treatment system to Marine Harvest's production facility at Steinsvik, Norway. Commissioning was completed on Norwegian Escape, the latest newbuild for Norwegian Cruise Line.

Product Development

Scanship's two main development project during 4Q15 has been Microwave Assisted Pyrolysis ("MAP") and exhaust gas management system through the 70% owned company CHX Maritime Inc.

Scanship has invested NOK 3.9m in 4Q15 on its product development activities compared to NOK 2.7m for the same period in 2014.

During the 4Q15 Scanship has finalised several product development projects. The Company has reviewed its product development portfolio and written down Intangible Assets by NOK 0.8m in the 4Q15 result.

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

Financing

Net cash flow from operations was NOK 14.1m in 4Q15 compared to NOK -1.1m in 4Q14.

The change in cash and cash equivalents in 4Q15 is partly related to a project pre-payment of approx. NOK 7.0m.

Market Outlook

In November 2015 Viking Ocean Cruises signed an agreement with Fincantieri for an additional two vessels. In December Carnival ordered two newbuilds for Costa Asia, one newbuild for P&O Cruises Australia and one newbuild for Princess Cruises. In January 2016 the river boat operator Scenic entered the cruise industry by ordering a small cruise ship for the expedition market from a Croatian shipyard. In February 2016 MSC ordered two additional ships in the Meraviglia class from STX France.

Scanship continues to tender AWP retrofits to several ship owners.

Lysaker, February 29 2016

The Board of Directors for Scanship Holding ASA

Consolidated income statement

(NOK 1000)	Note	Unaudited 4Q15	Unaudited 4Q14	Unaudited 2015	Audited 2014
Revenue	2	54 365	43 188	200 273	145 631
Total operating revenue		54 365	43 188	200 273	145 631
Cost of goods sold		-36 946	-30 373	-136 347	-99 308
Gross Margin		17 419	12 815	63 926	46 323
Gross Margin		32 %	30 %	32 %	32 %
Employee expenses		-7 713	-7 153	-28 135	-23 201
Other operating expenses		-6 807	-4 916	-24 328	-18 713
EBITDA before non-recurring items		2 899	747	11 463	4 409
Non-recurring items	3	-	-	-	-2 363
EBITDA		2 899	747	11 463	2 046
Depreciation and amortisation	4	-1 353	-572	-2 683	-1 179
Operating profit (EBIT)		1 546	175	8 780	867
Finance income	5	1 421	1 745	6 335	9 667
Fair value changes FX derivatives	5	3 223	-9 868	1 101	-10 141
Finance costs	5	-3 861	-6 173	-9 090	-13 009
Result before tax		2 329	-14 120	7 126	-12 616
Income tax revenue (+) /expense (-)		-901	3 789	-2 197	3 338
Result for the period		1 427	-10 331	4 930	-9 279

Consolidated statement of comprehensive income

(NOK 1000)		Unaudited 4Q15	Unaudited 4Q14	Unaudited 2015	Audited 2014
Net result for the period		1 427	-10 331	4 897	-9 279
<i>Items to be reclassified to profit or loss:</i>		-	-	-	-
Exchange differences or trans. Of foreign op.		-254	625	-405	563
Net items to be reclassified to profit or loss		-254	625	-405	563
<i>Items not be reclassified to profit or loss</i>		-	-	-	-
Other comprehensive income net of tax		-	-	-	-
Total comprehensive income, net of tax		1 172	-9 706	4 492	-8 716
Attribute to					
Owners of the parent		1 173	-9 706	4 493	-8 716
Non controlling interest	6	-1	-	-1	-
		1 172	-9 706	4 492	-8 716
Earnings per share 1)		0,01	-0,10	0,05	-0,09
Diluted earnings per share 1)		0,01	-0,10	0,05	-0,09

1) Total shares: 95 505 525

Consolidated statement of financial position

(NOK 1000)	Note	<i>Unaudited</i> 31.12.2015	<i>Audited</i> 31.12.2014
ASSETS:			
Non-current assets:			
Property, plant and equipment	4	3 289	1 957
Intangible assets	4/7	25 089	18 889
Total non-current assets		28 378	20 845
Current assets:			
Inventories		5 677	5 684
Trade receivables		61 182	32 577
Contracts in progress	2	42 354	75 064
Other Receivables		11 526	5 258
Cash and cash equivalents		19 478	3 821
Total current assets		140 217	122 404
Total assets		168 596	143 248

(NOK 1000)	Note	<i>Unaudited</i> 31.12.2015	<i>Audited</i> 31.12.2014
EQUITY AND LIABILITIES			
Equity:			
Share capital	3	9 551	9 551
Share premium	3	77 450	77 450
Translation difference		23	129
Retained earnings		-36 462	-42 016
Total equity		50 562	45 113
Liabilities			
Deferred tax liabilities	8	3 055	1 695
Long term borrowings	9	631	-
Total non-current liabilities		3 686	1 694
Current liabilities			
Current borrowings	9	52	-
Trade creditors		36 703	16 669
Contract accruals	2	27 668	35 379
Financial instruments	5	9 434	10 536
Income tax payable		653	5
Bank overdraft		27 330	27 674
Other Current liabilities		12 508	6 179
Total Current Liabilities		114 348	96 441
Total liabilities		118 034	98 135
Total equity and liabilities		168 596	143 248

Consolidated statement of change in equity

Unaudited

(NOK 1000)	Share Capital	Trans Diff	Other cap. Reserves	Share Premium	Retained Earnings	Non-Contro Total	Interest	Total Equity
31.12.2015								
Equity at 31 December 2014	9 551	129	-	77 450	-42 018	45 113	-	45 113
Result for the period	-	-106	-	-	4 930	4 825	-1	4 824
Stock issue	-	-	-	-	-	-	-	-
Other Comprehensive income	-	235	-	-	-	235	-	235
Total Comprehensive income	-	129	-	-	4 930	5 060	-1	50 172
Stock options	-	-	391	-	-	391	-	391
Dividends paid	-	-	-	-	-	-	-	-
Equity at end of period	9 551	258	391	77 450	-37 088	50 564	-1	50 562

Audited

(NOK 1000)	Share Capital	Trans Diff	Other cap. Reserves	Share Premium	Retained Earnings	Non-Contro Total	Interest	Total Equity
30.12.2014								
Equity at 31 December 2013	202	-434	-	-	-21 127	-21 360	-	-21 360
Result for the period	-	-	-	-	-9 279	-9 279	-	-9 279
Stock issue	9 349	-	-	77 450	-11 612	75 187	-	75 187
Other Comprehensive income	-	563	-	-	-	563	-	563
Total Comprehensive income	9 349	563	-	77 450	-20 891	66 471	-	45 113
Dividends paid	-	-	-	-	-	-	-	-
Equity at end of period	9 551	129	-	77 450	-42 018	45 113	-	45 113

Consolidated cash flow statement

	Unaudited		audited	
(NOK 1000)	4Q15	4Q14	2015	2014
<i>Profit before income tax</i>	2 329	-14 120	7 126	-12 617
Net cash flow from operating activities	14 546	-5 568	24 375	-45 332
Net cash flow from investing activities	-4 473	-3 301	-9 000	-8 918
Net cash flow from financing activities	3 981	7 775	287	56 894
Net change in cash and cash equivalent	14 054	-1 093	15 662	2 644
Cash and cash equivalents ingoing balar	5 424	4 915	3 821	1 177
Cash and cash equivalents at end of	19 478	3 821	19 480	3 821

As per 31.12.2015, late payments from a customer of approx. NOK 6m reduced Cash at end of period and reduced Net cash flow from operating activities. The overdue payments were received in 1Q16

The positive cash flow from financing activities relates to increased utilisation of the overdraft facility. The increase in cash and cash equivalents are partly due to a prepayment from a customer of approx. NOK 7.0m in 4Q15.

Selected explanatory notes

Note 1 General information

This interim financial information for the fourth quarter, ended 31 December 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 29 February 2016.

Note 2 Sales

<i>(NOK 1000)</i>	<i>Unaudited</i> 4Q15	<i>Unaudited</i> 4Q14	<i>Unaudited</i> 2015	<i>Audited</i> 2014
Project revenue	31 863	31 814	131 705	106 768
Aftersales	22 502	11 374	68 568	38 863
Sales	54 365	43 188	200 273	145 631

Revenue from 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

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

<i>(NOK 1000)</i>	<i>Unaudited</i> 31.12.2015	<i>Audited</i> 31.12.2014
Acc. Project contract revenue recognised as revenue	408 835	277 384
Acc. Related cost accrued	286 558	190 640
Acc. Recognised profit / loss from contracts in progress	122 277	86 744

Recognised, not invoiced project revenues and -cost are included in the financial statement as work in progress under the below items:

<i>(NOK 1000)</i>	<i>Unaudited</i> 31.12.2015	<i>Audited</i> 31.12.2014
Contracts in progress	42 354	75 064
Contract accruals	-27 668	-35 379
Net work in progress	14 686	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

(Nok 1000)					
01.01.2015 - 31.12.2015	Projects	Aftersales	Admin & other	Elimination	Total
Revenue	131 705	81 289	-	-12 721	200 273
Total revenue	131 705	81 289	-	-12 721	200 273
Cost of sales	-95 311	-52 976	-	11 941	-136 346
Employee expenses	-18 951	-7 653	-932	-599	-28 135
Other Operating expenses	-11 966	-11 550	-1 592	780	-24 328
EBITDA before non-recurring items	5 477	9 110	-2 524	-	11 464
Non- recurring items	-	-	-	-	-
EBITDA	5 477	9 110	-2 524	-	11 464
Depreciation and amortisation	-2 193	-489	-	-	-2 682
OPERATING PROFIT	3 284	8 621	-2 524	-	8 781
Net Contracts in progress	14 686	-	-	-	14 686
Total assets *	161 493	21 157	119 377	-133 431	168 596
Investments in non-current assets	6 738	-	-	-	6 738

Audited

(Nok 1000)					
01.01.2014 - 31.12.2014	Projects	Aftersales	Admin & other	Elimination	Total
Revenue	106 767	49 040	123	-10 299	145 631
Total revenue	106 767	49 040	123	-10 299	145 631
Cost of sales	-75 705	-33 650	-1	10 047	-99 308
Employee expenses	-17 224	-5 404	-573	-	-23 201
Other Operating expenses	-13 279	-5 327	-709	603	-18 714
EBITDA before non-recurring items	559	4 659	-1 160	351	4 409
Non- recurring items	-	-	-2 361	-	-2 361
EBITDA	559	4 659	-3 521	351	2 048
Depreciation and amortisation	-1 016	-174	-	-	-1 190
OPERATING PROFIT	-457	4 485	-3 521	351	856
Net Contracts in progress	39 685	-	-	-	39 685
Total assets *	128 799	11 660	246 965	-244 339	143 085
Investments in non-current assets	7 754	-	-	-	7 754

*) Elimination includes NOK -99m (-221m) NOK 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 Depreciation and amortisation

(NOK 1000)	<i>Unaudited</i> 4Q15	<i>Unaudited</i> 4Q14	<i>Unaudited</i> 2015	<i>Audited</i> 2014
Depreciation - fixed assets	358	288	1 174	830
Amortisation - Product Development	201	88	715	153
Write down - Product Development	794	196	794	196
Total Depreciation and amortisation	1 353	572	2 683	1 179

Note 5 Financial items

Finance income

(NOK 1000)	<i>Unaudited</i> 4Q15	<i>Unaudited</i> 4Q14	<i>Unaudited</i> 2015	<i>Audited</i> 2014
Interest Income	4	43	4	392
Foreign exchange gain	1 418	1 702	6 331	9 274
Gain on derivatives	-	-	-	-
Total Finance Income	1 421	1 745	6 335	9 667

Finance Cost

(NOK 1000)	<i>Unaudited</i> 4Q15	<i>Unaudited</i> 4Q14	<i>Unaudited</i> 2015	<i>Audited</i> 2014
Interest Expense	248	430	705	2 893
Foreign exchange loss	870	795	4 462	2 269
Loss on derivatives	2 744	4 948	3 923	7 767
Other financial cost	-	-	-	80
Total Finance costs	3 861	6 173	9 090	13 009

Unrealised change in derivatives

(NOK 1000)	<i>Unaudited</i> 4Q15	<i>Unaudited</i> 4Q14	<i>Unaudited</i> 2015	<i>Audited</i> 2014
Unrealised Increase of fair value of derivates	3 223		1 101	-
Unrealised decrease in fair value of derivatives		-9 868		-10 141
Net unrealised change in derivatives	3 223	-9 868	1 101	-10 141

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)	31.12.2015	31.12.2014
	Level 2	Level 2
Forward contracts	-2 352	-1 915
Derivatives	-7 082	-8 620
Net	-9 434	-10 536

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 6 Non-controlling interests

Scanship AS owns 70% of the company CHX Maritime Inc. CHX Maritime was founded fall 2015 and included in the consolidated accounts from 4Q15. The company's sole activity is development of an exhaust gas management system. Turnover in 4Q15 was NOK 0.0m, pre-tax result NOK 0.0m. Total assets in CHX Maritime was NOK 3.1m as of 31.12.2015 and total equity was NOK 0.0m.

Note 7 Intangible assets

Intangible assets consist 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.

See also note 4.

Note 8 Deferred Tax Liability

Calculation of deferred tax liabilities for the Norwegian entities are based on 25% income tax.

Note 9 Borrowings

(NOK 1000)	<i>Unaudited</i> 31.12.2015	<i>Audited</i> 31.12.2014
Current portion of long-term debt	52	-
Other interest bearing short-term debt	-	-
Long term debt - non-current	631	-
Balance at the end of Period	683	-

Note 10 Subsequent events

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

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