SCANSHIP

for cleaner oceans

SCANSHIP HOLDING ASA

Financial Report

First Half Year 2018 (1H 2018)

SCANSHIP HOLDING ASA

Financial report – 1H 2018

1. Key Financial Information 1H 2018

- Growth trajectory continues into best half year ever
- Significantly improved Revenue and EBITDA levels
- All-time high orderbook

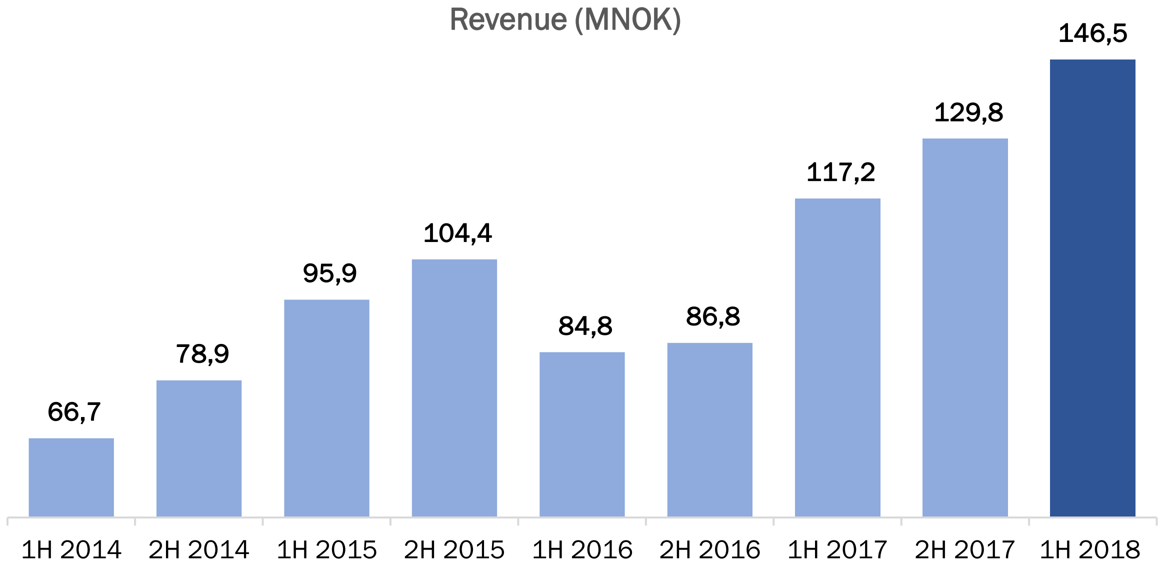
(NOK million)	*Unaudited* 1H 2018 (IFRS 15)	*Unaudited* 1H 2017 (IAS18/11)	*Audited* 2017 (IAS18/11)
Total Revenue	**146.5**	**117.2**	**247.0**
Gross Margin %	*30.9 %*	*29.5 %*	*30.7 %*
EBITDA	**16.3**	**10.5**	**25.1**
EBITDA margin %	*11.1 %*	*9.0 %*	*10.1 %*
Operating Result (EBIT)	15.0	9.2	21.9
Result before tax	**15.8**	**8.2**	**17.9**
Project Backlog	513	360	469
Total Assets	117.8	149.9	155.3
Equity ratio	*65 %*	*34 %*	*37 %*

Scanship prepares its financial statements according to the accounting standard IFRS15, which is effective from 1 January 2018. In the financial notes to this report it is included information on the effect of the implementation of IFRS 15, and the financial results for 1H 2018 according to the former principle IAS 11/11 for comparison purposes.

1.1 Revenue

Scanship's total revenues were 25 % higher in 1H 2018 compared to 1H 2017. The significant increase in the revenue level relates to both the Project segment, with recorded revenue which was 27 % higher than in the same period in 2017, and the Aftersales segment with revenue 19 % higher.

The increase in Project revenues are driven by high activity, both related to engineering and planning of the new contracts awarded during the period, as well as by equipment deliveries and work on the existing portfolio. With the increasing number of cruise ships with Scanship systems installed, our recurring revenue base within Aftersales is now also increasing.



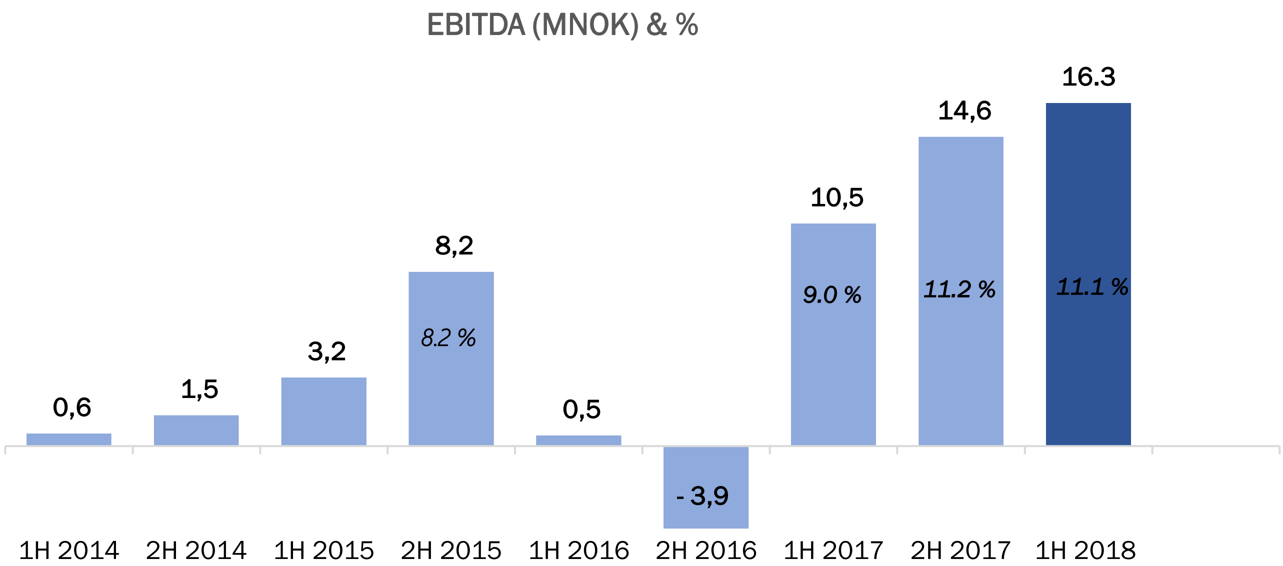
The 2018 figures are based on IFRS 15, while the 2017 figures are based on IAS 18. See further the financial note information

1.2 Gross Margin, Operating Cost, EBITDA

EBITDA in 1H 2018 was recorded at MNOK 16.3, compared to MNOK 10.5 in 1H 2017. The increase is driven by revenue growth and improved gross margins. Total Gross margin increased from 29.5 % in the same period in 2017 to 30.9 % in 1H 2018.

With the significant increase in the revenue level, Scanship has also initiated a certain increase in the operating expenses during the period, but at the same time increased the EBITDA margin from the 9.0 % recorded in 1H 2017.

The operating cost base for the Scanship Group will primarily be in NOK, but also with a level of operating expenses related to our office in Fort Lauderdale in the US.



EBITDA = Earnings Before Interest Tax Depreciation and Amortization
The 2018 figures are based on IFRS 15, while the 2017 figures are based on IAS 18. See further the financial note information

1.3 Net financial items

The Net financial items in 1H 2018 was a net income of MNOK 0.8, compared to a net cost of MNOK 1.1 in 1H 2017. The difference is primarily related to a positive mark to market revaluation of the portfolio of forward currency contracts, giving a financial income of MNOK 2.1 for the first six months in 2018. The Group uses forward currency contracts in Euro to reduce the currency risk related to the Gross profit exposure in Euro.

The Result before tax is MNOK 15.8 in 1H 2018 compared to MNOK 8.2 in 1H 2017, an increase of 94 %.

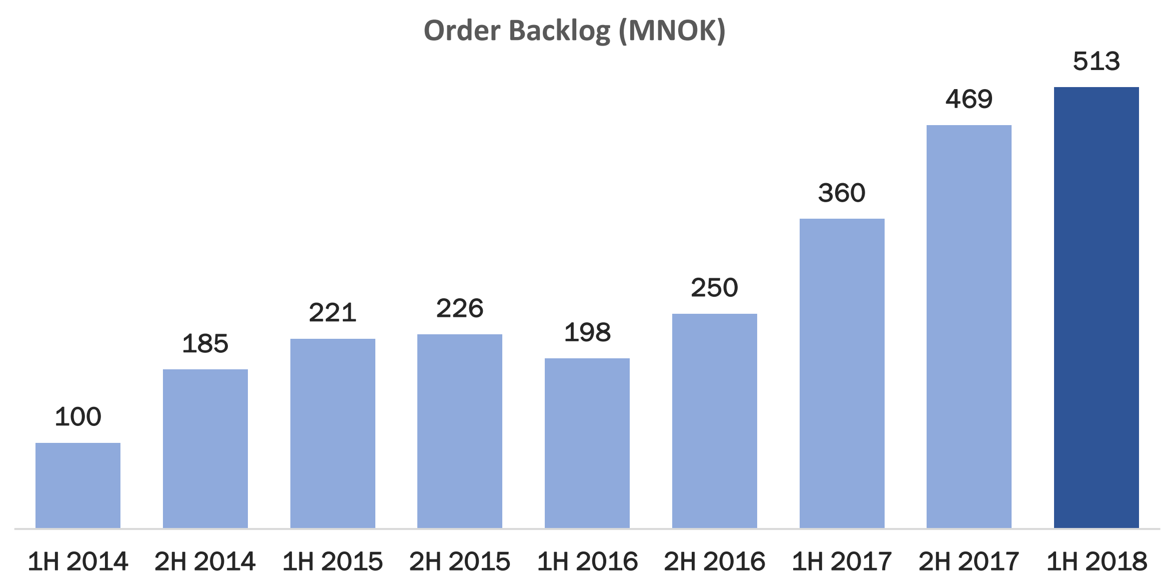
1.4 Cash Flow

The cash flow from operations was MNOK 25.1 in 1H 2018 compared to MNOK – 0.8 in 1H 2017, and MNOK 10.1 for the year 2017. The significant increase in the cash flow from operations is due to both improvements in the management of the net working capital in the group and the increased EBITDA level.

The cash flow from operations are primarily used for reducing the drawn amount on the group's bank overdraft credit facility, which at 30 June 2018 was recorded at MNOK 1,9 compared to MNOK 20.8 at 31 December 2017.

2. Project Order Backlog

The order backlog is recorded at an all-time high MNOK 513 as of 30 June 2018, compared to MNOK 469 at 31 December 2017, and MNOK 360 as per 30 June 2017. During the first six months of 2018, Scanship has entered into contracts for five cruise newbuilds, two cruise retrofits and four aquaculture projects. In the same period, shipowners and yards have entered into additionally 5 newbuild sister ship contracts that Scanship has options for total value of MNOK 140.



3. Operations

Scanship provide solutions for cleaner oceans, processing waste and purifying wastewater. Owners in the maritime and aquaculture industries operating Scanship systems can meet the world's highest environmental standards and recover valuable resources that previously were "wasted" into our oceans. With our latest technology under development, we will convert waste into clean energy for fuel reduction and carbon capture for reuse in industrial productions. Our mission is to maximize our client's sustainability impact by eliminating pollution and by converting waste to cash.

Scanship Holding is headquartered at Lysaker, Norway with offices in Tønsberg (Norway), Fort Lauderdale (USA) and Gdynia (Poland). Scanship has warehouse facilities in Tønsberg and Fort Lauderdale.

In the first half year Scanship has had milestone deliveries of the equipment supply to eleven ongoing newbuild projects and completed commissioning and handover on five newbuilds that have entered service during the period.

High demand for solutions for cleaner oceans continues to drive Scanship's growth. So far this year we have entered into contracts with the Italien shipbuilder Fincantieri to deliver five total clean ship systems to be installed on the newbuilds for Viking Ocean Cruises and Silversea Cruises. The first of these ships will enter into service in 2021.

Improving the environmental performance on cruise ships in service is another growing market for Scanship. In the first half this year, we signed contracts to retrofit advanced wastewater purification systems on two existing cruise ships.

In aquaculture, fish farmers are discovering the benefits of effective sludge handling at their smolt facilities. We have signed contracts for two such systems so far this year.

And even more promising for the environment – and for Scanship – innovative fish farmers are now developing closed-cage seabased facilities with systems that collects, processes and dries all sludge. Scanship signed the first contract for such system in June this year.

4. Product Development (R&D)

Scanship's focus in research and development during 2018 has been the further development of the MAP Waste to Energy. Scanship is aiming for commercialisation of the MAP Waste to Energy during 2019.

Scanship has invested MNOK 4.5 on its product development activities in 1H 2018, compared to MNOK 2.3 for the same period in 2017, the difference primarily being related to the timing of equipment cost for the development projects.

The majority of the product development cost consists of working hours performed by Scanship's own employees.

5. Market Outlook

The cruise industry market has tripled in the last twenty years reaching a total number of 27 million passengers going on cruise in 2017. Forward growth target for the industry is to reach 40 million passengers by 2030. This prospect has translated into an industry orderbook of 104 cruise newbuilds to enter service until 2027 whereas 81 vessels will be delivered by 2022.

Scanship current orderbook includes system deliveries to 29 newbuilds. During the first half year, shipowners and yards have signed contracts for 5 newbuilds on existing ship series equipped with Scanship systems. Of the total industry orderbook there are approximately 20 cruise newbuilds addressable for Scanship. To meet the industry growth target, it is expected that more cruise ships will be ordered with delivery year from 2023. This will increase the newbuild market for Scanship.

Cruise industry shipowners are becoming ever more concerned about the environmental impact of their business. This continues to drive demand for Scanship systems both for newbuilds and ship retrofits. Scanship is tendering for several retrofit projects and it is expected that the addressable market for ship upgrades will increase.

With more ships being delivered to the market with Scanship systems, the market for sale of spares, consumables and service is growing. Scanship is well positioned in this market to obtain orders and will be growing within this business segment.

Scanship continues to tender sludge handling systems to smolt facilities and seabased closed systems in the Aquaculture industry. With more smolt facilities, landbased fishfarms and closed seabased systems being built along with increased focus on environmental sustainability, the market outlook for Scanship both in Norway and internationally is very positive.

Scanship has reached several important milestones in the MAP Waste to Energy technology development and is currently running full scale testing of the system with very promising results. The technology is currently being evaluated for several planned projects in the cruise industry.

Lysaker, 27 August 2018

The Board of Directors for Scanship Holding ASA

Consolidated Income statement

(NOK million)	Note	*Unaudited* 1H18	*Unaudited* 1H17	*Audited* 2017
Revenue	2	146.5	117.2	247.0
Total operating revenue		**146.5**	**117.2**	**247.0**
Cost of goods sold		-101.2	-82.7	-171.2
Gross Profit		**45.3**	**34.6**	**75.9**
Gross Margin		30.9 %	29.5 %	30.7 %
Employee expenses		-17.7	-13.3	-29.0
Other operating expenses		-11.3	-10.8	-21.8
EBITDA		**16.3**	**10.5**	**25.1**
-EBITDA margin		11.1 %	9.0 %	10.1 %
Depreciation and amortisation	3	-1.2	-1.2	-3.2
Operating result (EBIT)		**15.0**	**9.3**	**21.9**
Net Financial items	4	**0.8**	**-1.1**	**-4.0**
Result before tax		**15.8**	**8.2**	**17.9**
Income tax revenue (+) /expense (-)		-3.5	-2.3	-5.3
Result for the period		**12.4**	**5.9**	**12.6**

The 2018 figures are based on IFRS 15, while the 2017 figures are based on IAS 18. See further the financial note information

Consolidated statement of comprehensive income

(NOK million)	Note	*Unaudited* 1H18	*Unaudited* 1H17	*Audited* 2017
Net result for the period		12.4	5.9	12.6
Items to be reclassified to profit or loss:				
Exchange differences or trans. of foreign op.		-0.2	0.3	0.8
Net items to be reclassifies to profit or loss		-0.2	0.3	0.8
Items not be reclassified to profit or loss				
Other comprehensive income net of tax		-	-	-
Total comprehensive income, net of tax		**12.2**	**6.2**	**13.4**
Attribute to				
Owners of the parent		12.2	6.2	13.4
Non controlling interest	5	-	-	-
		12.2	6.2	13.4
Earnings per share (NOK) 1)		0.13	0.07	0.14
Diluted earnings per share (NOK) 1)		0.13	0.07	0.14

1) Total shares: 95,505,525

Consolidated statement of financial position

(NOK million)	Note	*Unaudited* 30.06.18	*Unaudited* 30.06.17	*Audited* 31.12.17
ASSETS:				
Non-current assets:				
Property, plant and equipment	3	2.1	3.5	2.4
Intangible assets	3.6	35.1	30.3	31.3
Total non-current assets		**37.2**	**33.8**	**33.7**
Current assets:				
Inventories		4.2	4.9	3.9
Trade receivables		47.9	66.9	58.8
Contracts in progress	2	10.4	25.0	43.3
Financial instruments		0.6	-	-
Other Receivables		11.2	16.5	10.1
Cash and cash equivalents		6.3	2.8	5.6
Total current assets		**80.6**	**116.1**	**121.6**
Total assets		**117.8**	**149.9**	**155.3**

(NOK million)	Note	*Unaudited* 30.6.18	*Unaudited* 30.6.17	*Audited* 31.12.17
EQUITY AND LIABILITIES				
Equity:				
Share capital		9.6	9.6	9.6
Share premium		77.5	77.5	77.5
Stock option		0.3	0.5	0.3
Translation difference		0.9	0.7	0.8
Retained earnings		-11.1	-37.1	-30.2
Total equity		**77.1**	**51.1**	**57.9**
Liabilities				
Deferred tax liabilities	7	10.9	4.7	7.2
Long term borrowings	8	1.0	1.2	1.1
Total non-current liabilities		**11.9**	**6.0**	**8.3**
Current liabilities				
Trade creditors		26.1	27.2	47.6
Contract accruals	2	-0.6	17.6	10.6
Unrealised change fair value FX derivatives	4	-	3.5	1.5
Income tax payable		-0.1	0.9	1.4
Bank overdraft		1.9	31.7	20.8
Other Current liabilities		1.4	11.9	7.1
Total Current Liabilities		**28.7**	**92.8**	**89.0**
Total liabilities		**40.6**	**98.8**	**97.4**
Total equity and liabilities		**117.8**	**149.9**	**155.3**

Consolidated statement of changes in equity

Unaudited

(NOK million) **30.06.18**	**Share Capital**	**Share Premium**	**Other cap Reserves**	**Trans. Diff.**	**Retained Earnings**	**Total**
Equity at 31.12.2017	9.6	77.5	0.3	0.8	-30.2	57.9
Effect of IFRS 15 implementation					*6.7*	*6.7*
Result for the period	-	-	-	-	12.4	12.4
Other Comprehensive income	-	-		0.1	-	0.1
Total Comprehensive income	**-**	**-**	**-**	**0.1**	**19.1**	**19.2**
Equity at end of period	**9.6**	**77.5**	**0.3**	**0.9**	**-11.1**	**77.1**

Unaudited

(NOK million) **30.06.17**	**Share Capital**	**Share Premium**	**Other cap. Reserves**	**Trans Diff**	**Retained Earnings**	**Total**
Equity at 31.12.16	9.6	77.5	0.5	0.8	-42.9	45.4
Result for the period	-	-	-	-	5.9	5.9
Other Comprehensive income	-	-	-	-0.1	-	-0.1
Total Comprehensive income	**-**	**-**	**-**	**-0.1**	**5.9**	**5.8**
Equity at end of period	**9.6**	**77.5**	**0.5**	**0.7**	**-37.0**	**51.2**

Consolidated cash flow statement

(NOK million)	*Unaudited* **1H18**	*Unaudited* **1H17**	*Audited* **2017**
Result before tax	15.8	*8.2*	*17.9*
Net cash flow from operating activities	25.1	-6.1	10.1
Net cash flow from investing activities	-5.5	-2.5	-4.8
Net cash flow from financing activities	-18.7	7.8	-3.3
Net change in cash and cash equivalents	**0.9**	**-0.8**	**2.0**
Effect of exchange rate changes on cash and cash equivalents	*-0.2*		*-0.2*
Cash and cash equivalents at start of period	5.6	3.6	3.8
Cash and cash equivalents at end of period	**6.3**	**2.8**	**5.6**

Scanship had a strong cash flow from operations in 1H 18 of MNOK 25.1, compared to MNOK -6.1 for the same period in 2017. The significant increase in the cash flow from operations is due to both improvements in the managing of the net working capital in the group, and the increased EBITDA level. The EBITDA to Operating Cash flow conversion was 1.5 in 1H 18.

The cash flow from financing activities includes the down payments made to reduce the drawn amount on the bank overdraft credit facility. The drawn amount on the bank overdraft facility was MNOK 1.9 as of 30.06.18, and MNOK 20.8 as of 31.12.17, a reduction of MNOK 18.9 having been made during 1H 2018. The drawn amount was MNOK 31.7 as of 30.06.17

Selected explanatory notes

Note 1 General information

This interim financial information for the First Half Year 2018 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 2017, 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 2017, this with the exception of the implementation of IFRS 15. The Board of Directors approved this Interim report August 27, 2018.

Note 2 Sales

	Unaudited	*Unaudited*	*Audited*
(NOK million)	**1H18**	**1H17**	**2017**
Project revenue	99.1	77.8	165.0
Aftersales	47.4	39.4	82.0
Sales	**146.5**	**117.2**	**247.0**

Revenue from projects is recognised under IFRS 15 (Revenue from contracts with customers). The method will include estimates for the total costs on the projects, both equipment cost and internal project related work hours.

Project revenues

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

	Unaudited	*Unaudited*	*Audited*
(NOK million)	**1H18**	**1H17**	**2017**
Contract in progress	10.4	25.0	43.3
Contract accruals	0.6	-17.6	-10.6
Net work in progress	**11.0**	**7.4**	**32.6**

Segment information

Our revenues are segmented into Project Revenues and Aftersales. Transactions between units are based on market terms. The company's management uses each segment's 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 million) **1H18**	**Projects**	**Aftersales**	**Admin & other**	**Elimination**	**Total**
Revenue	99.1	51.0	-	-3.7	146.5
Total revenue	**99.1**	**51.0**	**-**	**-3.7**	**146.5**
Cost of sales	-70.0	-33.2	-	2.0	-101.2
Employee expenses	-9.8	-5.3	-2.6	-	-17.7
Other Operating expenses	-6.3	-4.2	-2.4	1.6	-11.3
EBITDA	**12.9**	**8.4**	**-5.0**	**-**	**16.3**
Depreciation and amortisation	-1.2	-	-	-	-1.2
OPERATING PROFIT	**11.7**	**8.4**	**-5.0**	**-**	**15.0**
Net Contracts in progress	11.0	-	-	-	11.0
Investments in non-current assets	4.5	-	-	-	4.5

Unaudited

(NOK million) **1H17**	**Projects**	**Aftersales**	**Admin & other**	**Elimination**	**Total**
Revenue	77.8	43.5	-	-4.0	117.2
Total revenue	**77.8**	**43.5**	**-**	**-4.0**	**117.2**
Cost of sales	-56.1	-29.3	-	2.8	-82.7
Employee expenses	-5.8	-5.1	-2.3		-13.3
Other Operating expenses	-5.1	-4.6	-2.4	1.2	-10.8
EBITDA	**10.8**	**4.6**	**-4.7**	**-**	**10.5**
Depreciation and amortisation	-1.2	-0.0	-	-	-1.2
OPERATING PROFIT	**9.5**	**4.6**	**-4.7**	**-**	**9.3**
Net Contracts in progress	7.4	-	-	-	7.4
Investments in non-current assets	2.3	-	-	-	2.3

All revenues are external, except elimination entries which are revenues between group companies. Geographic area cannot be determined as deliveries are made to vessels in international trade.

Note 3 Depreciation and amortisation

(NOK million)	*Unaudited* **1H18**	*Unaudited* **1H17**	*Audited* **2017**
Depreciation - fixed assets	0.5	0.5	1.6
Amortisation - Product Development	0.7	0.7	1.4
Impairment - Product Development	-	-	0.2
Total Depreciation and amortisation	**1.2**	**1.2**	**3.2**

Note 4 Financial items

(NOK million)	*Unaudited* **1H18**	*Unaudited* **1H17**	*Audited* **2017**
Foreign exchange gain	2.4	3.3	6.1
Gain on FX derivatives	0.2		-
Total Finance Income	**2.6**	**3.3**	**6.1**
Interest Expense	0.6	0.8	1.5
Foreign exchange loss	3.3	1.8	4.5
Loss on FX derivatives	-	0.1	4.0
Other financial cost	-	-	0.5
Total Finance costs	**3.9**	**2.7**	**10.4**
Unrealised Increase of fair value of FX derivates	2.1	-	0.3
Unrealised decrease in fair value of FX derivatives	-	-1.7	-
Net unrealised change in FX derivatives	**2.1**	**-1.7**	**0.3**
Net Financial items	**0.8**	**-1.1**	**-4.0**

Liabilities – Financial Instruments

The Group 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 forward currency contracts to reduce exchange rate risk in cash flows nominated in EUR, associated with sales in EUR in connection with cruise newbuilding contracts.

The Group does not apply hedge accounting for its FX derivative contracts, hence the contracts are measured at fair value through profit and loss.

There is no initial transaction cost. The Group receives the fair value in cash when exercised at maturity. The contracts entered into per 30.06.18 have maturity from 2018 to 2021. 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.

Unaudited (NOK million)	**30.6.18** **Level 2**	**31.12.17** **Level 2**
Derivative financial assets/(liabilities)	0.6	-1.5

In total the forward currency contracts have a nominal value of MEUR 8.8 per 30.06.18.

Note 5 Non-controlling interests

Scanship AS owns 70% of the company CHX Maritime Inc. CHX Maritime was founded in the fall of 2015 and included in the consolidated accounts from 4Q15. The company's sole activity is development of an exhaust gas management system. Total assets in CHX Maritime was MNOK 3.8 as of 30 June 2018.

Note 6 Intangible assets

Intangible assets consist of several different development projects related to new technologies in waste handling. They are still under development and amortisation 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 3.

Note 7 Deferred tax Liability

Calculation of deferred tax liabilities for the Norwegian entities are based on 23 % income tax.

Note 8 Interest-bearing debt

(NOK million)	*Unaudited* **30.6.18**	*Unaudited* **30.6.17**	*Audited* **31.12.17**
Bank overdraft facility	1.9	31.7	20.8
Long term debt - non-current	1.0	1.2	1.1
Balance at the end of Period	**2.9**	**32.9**	**21.9**

The bank overdraft facility has a limit of MNOK 35.

Note 9 Subsequent events

There are no other significant events after reporting period, than those noted in this report, that is assessed to have a material impact on the Group's financial position.

Note 10 IFRS 15, and the results for 1H 2018 according to the former principle IAS 18/11

IFRS 15 is a new accounting standard effective from 1 January 2018, to account for revenue from contracts with customers. The new standard establishes a five-step model to determine the principles for revenue recognition, and the application of these principles. Scanship has adopted the new standard using the modified retrospective approach. Under this approach the financial results for the reporting periods in 2018 will also be presented using the former principle IAS 18/11.

The revenue recognition for the Group's operations in the Aftersales segment will generally not be affected by this new accounting standard.

The revenue recognition for the Project segment is affected by IFRS 15. Under IFRS 15 Scanship is recognizing revenue from contracts with customers over time, in accordance with point 15.35c in the standard. The revenue recognition model under this standard is a "cost to cost" model; recording revenue in accordance with the incurred costs on the project. Over the total lifetime of a project, the sum of revenue and cost recognised on the project will be the same, whether it is accounted for under the principles applicable for 2017 or the new IFRS 15 applicable for 2018. In the table below, the financial results for 1H 2018 are presented both under the present accounting standard IFRS 15 and the former principle IAS 18/11. See also the statement of changes in equity for the effect of implementation of IFRS 15.

	Unaudited	*Unaudited*	*Unaudited*
	IFRS 15	***IAS 18/11***	***IAS 18/11***
(NOK million)	**1H18**	**1H18**	**1H17**
Revenue	146.5	139.2	117.2
Total operating revenue	**146.5**	**139.2**	**117.2**
Cost of goods sold	-101.2	-96.2	-82.7
Gross Profit	**45.3**	**43.0**	**34.6**
Gross Margin	30.9 %	30.9 %	29.5 %
Employee expenses	-17.7	-17.7	-13.3
Other operating expenses	-11.3	-11.3	-10.8
EBITDA	**16.3**	**14.0**	**10.5**
-EBITDA margin	11.1 %	10.0 %	9.0 %
Depreciation and amortisation	-1.2	-1.2	-1.2
Operating result (EBIT)	**15.0**	**12.7**	**9.3**
Net Financial items	**0.8**	**0.8**	**-1.1**
Result before tax	**15.8**	**13.5**	**8.2**
Income tax revenue (+) /expense (-)	-3.5	-3.5	-2.3
Result for the period	**12.4**	**10.1**	**5.9**

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the consolidated financial statement for the period 1 January to 30 June 2018 for Scanship Holding ASA have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation. We also confirm, to the best of our knowledge, that the half year report includes a true and fair overview of the Company's and the Group's development, results and position, together with a description of the most important risks and uncertainty factors the Company and the Group are facing.

Lysaker, 27 August 2018

Narve Reiten Chairman	Bård Brath Ingerø Director	Susanne Schneider Director	Benedicte Bakke Agerup Director

Henrik Badin
CEO

SCANSHIP
for cleaner oceans

IR Contact

Erik Magelssen – CFO

Mobile: +47 92 88 87 28 | E-mail: erik.magelssen@scanship.no

Henrik Badin – CEO

Mobile: +47 90 78 98 25 | E-mail: henrik.badin@scanship.no

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