SCANSHIP
Sustainable Solutions

SCANSHIP HOLDING ASA
Financial Report
First Half Year 2017 (1H 2017)

www.scanship.no

SCANSHIP HOLDING ASA

Financial report – 1H 2017

Key Financial Information 1H 2017

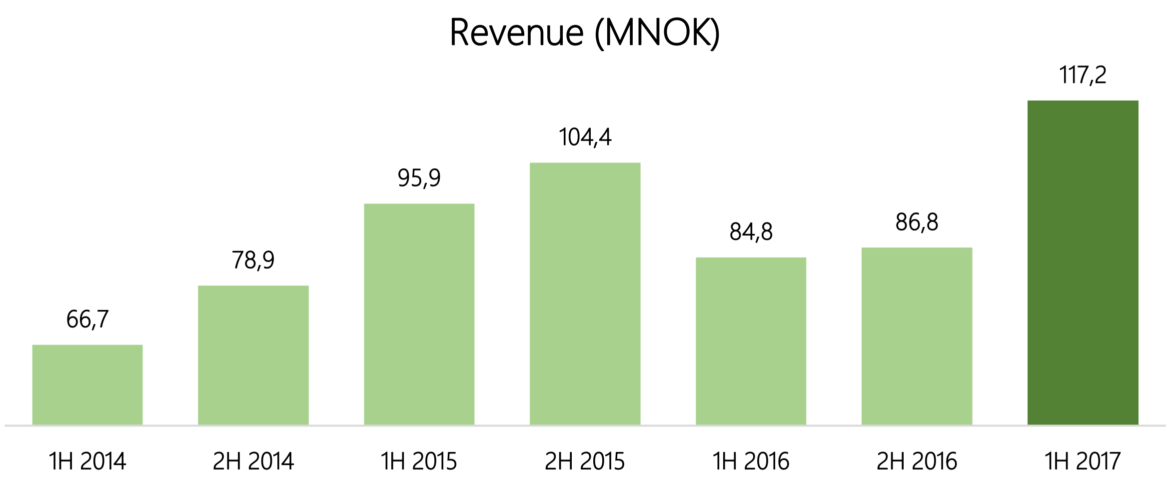
(NOK million)	*Unaudited* **1H17**	*Unaudited* **1H16**	*Audited* **2016**
Total Revenue	117,2	84,8	171,6
Gross Margin %	*30 %*	*31 %*	*28 %*
EBITDA (bef. Non-recurring items)	11,9	0,5	-2,6
EBITDA	10,5	0,5	-3,4
Operating Result (EBIT)	9,2	-0,6	-5,8
Result bf. Tax	8,2	0,3	-5,1
Project Backlog	360	198	250
Total Assets	149,9	138,3	125,6
Equity ratio	*34 %*	*36 %*	*36 %*

Back on growth track – Significantly improved Revenue and EBITDA levels, All-time high orderbook

Revenue

Scanship's total revenues were 38 % higher in 1H 2017 compared to 1H 2016. The significant increase in the revenue level relates to the Project segment, with recorded revenue which was 67 % higher than in the same period in 2016. The revenue in the Aftersales segment was 4 % higher in 1H 2017 compared to 1H 2016.

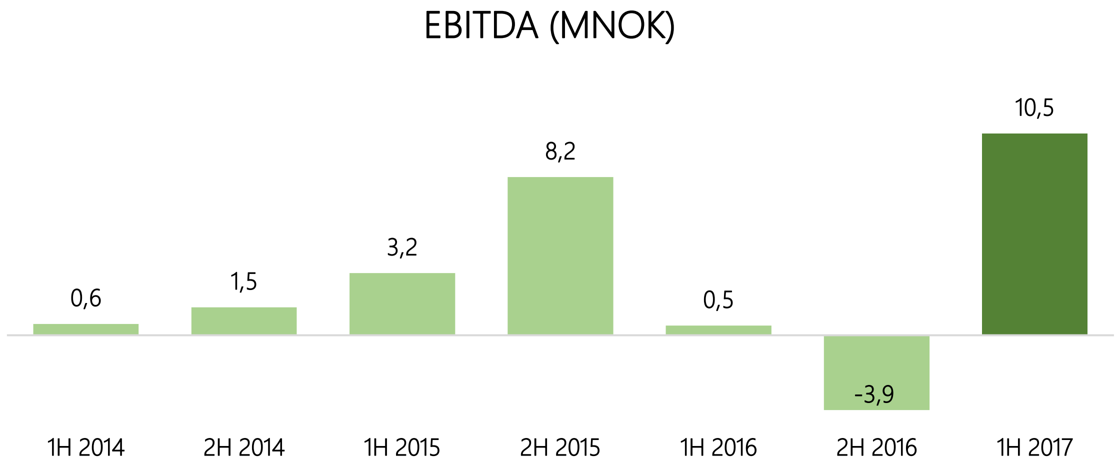
The increase in Project revenues are driven by high activity, both related to engineering and planning of the new contracts awarded during the period, as well as by equipment deliveries and activity on the existing portfolio.



Gross Margin, Operating Cost, EBITDA

With a Gross margin in 1H 2017 relatively in line with the margin in 1H 2016, and reduced Operating expenses in the first six months of 2017 compared to the same period in 2016, the EBITDA is significantly improved,

The Scanship Group incurred non-recurring costs of MNOK 1.4 during the first six months of 2017 related to the strategic structured process during the period from November 2016 till May 2017. These were costs incurred by the parent company Scanship Holding ASA. Before these non-recurring items, the EBITDA recorded in 1H 2017 is MNOK 11.9. Including these costs, the EBITDA in 1H 2017 is MNOK 10.5 compared to MNOK 0.5 in 1H 2016.



Net financial items

The Net financial items in 1H 2017 was MNOK –1.1, compared to MNOK 0.8 in 1H 2016, the difference primarily being related to net effect of F/X derivate contracts. The Result before tax is MNOK 8.2 in 1H 2017 compared to MNOK 0.3 in 1H 2016.

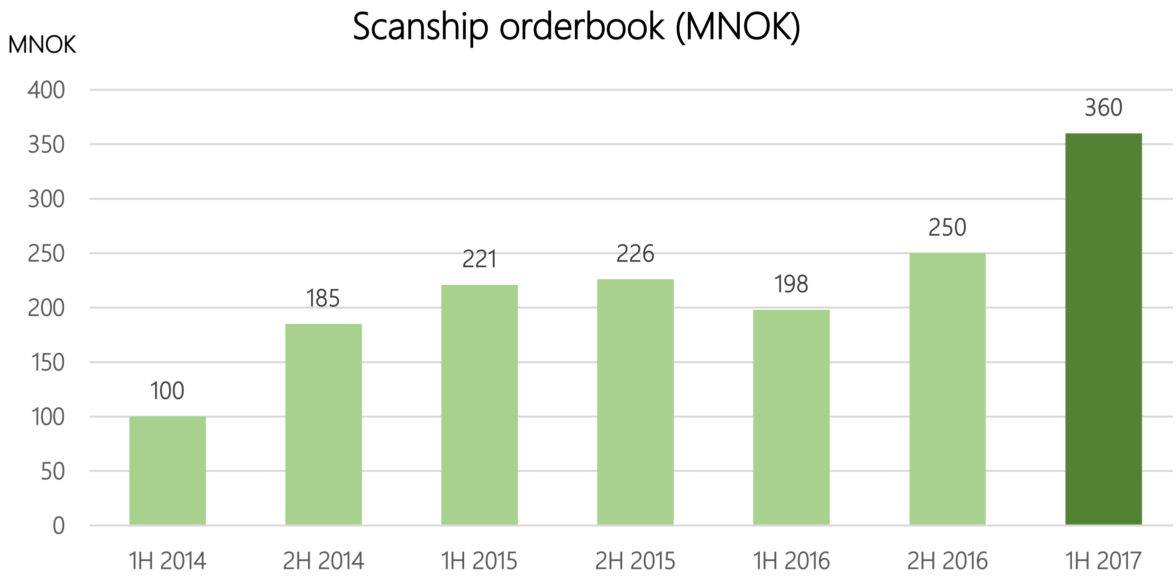
Cash Flow

Net cash flow was MNOK -0.8 in 1H 2017 compared to MNOK - 17.4 in 1H 2016. In the beginning of July, a customer payment of MNOK 19 was received on accounts receivable that was overdue per 30.06.17. The long-term outstanding receivable on German VAT of MNOK 5 was also received in cash in July.

To facilitate for the significant growth in the business, Scanship's bank overdraft facility was increased by the bank to a new limit of MNOK 35 during 1H 2017, from MNOK 29.1 as per 31.12.16.

Project Order Backlog

The order backlog is recorded at a record-high level of MNOK 360 as of 30 June 2017, compared to MNOK 198 at 30 June 2016, and MNOK 250 as per 31 December 2016. During the first six months of 2017 new contracts have been signed for approx. MNOK 185.



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.

In 1H 2017 Scanship delivered equipment to the following newbuilds; to Meyer Werft for NCL's Norwegian Bliss, to Fincantieri for Carnival Corp.'s Costa Asia 1 and P&O Australia and to Meyer Turku for TUI Cruises' Mein Schiff 7. Scanship has in the same period done commissioning and startup of the systems aboard Norwegian Joy at Meyer Werft, Meraviglia at STX France, Silver Muse and Viking Sky at Fincantieri and Mein Schiff 6 at Meyer Turku.

Scanship was during the first six months of 2017 awarded contracts with Fincantieri for clean ship systems for three Virgin Voyages newbuilds, with STX France for two clean ship systems for MSC Meraviglia Plus class, and with Vard (Fincantieri) for two clean ship systems for Hapag Lloyd Cruises. Scanship also entered into two contracts to supply sludge handling systems for Salangfisk and Sjøtroll for Lerøy in the Aquaculture market. The latest contract signed in the period was with STX France for a foodwaste system aboard a navy aircraft carrier

Product Development

Scanship's focus in product development during the first six months of 2017 has been the Microwave Assisted Pyrolysis ("MAP"). Scanship is aiming for commercialisation of the MAP during 2018.

Scanship has invested MNOK 2.3 during 1H 2017 on its product development activities compared to MNOK 2.3 for the same period in 2016.

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

Market Outlook

The cruise industry market continues to grow, and more ships are being ordered. Currently the total industry newbuilding order book includes 87 vessels to be delivered to the market until 2026. The newbuilding market is driven by an underlying growth of passengers to the industry, undersupply of ships the latest years, and expectations of forward growth in the Asian Pacific region. Scanship orderbook includes system deliveries to 25 vessels in the next years, and the company is actively tendering for a significant part of the cruise industry orderbook.

The retrofit activities for upgrading existing cruise ships has been very low in the cruise market the latest five years. However, with a new IMO Marpol standard for wastewater discharge enforced from 2021 on existing ships, with this being adopted as industry standard, Scanship is seeing more interest among shipowners to evaluate retrofits for their existing fleets. Scanship is currently in discussions with several cruise ship owners for future retrofit programs.

With more ships being delivered to the market with Scanship systems or similar, the addressable market for sale of spares, consumables, service and repair is growing. Scanship is well positioned in this market space.

Scanship has entered the aquaculture market, and has successfully delivered one sludge handling system for Marin Harvest's smolt facility at Steinsvik. Subsequently, two more systems have been ordered from Scanship for new smolt facilities for Salangfisk and Sjøtroll for Lerøy. Sjøtroll, when in operation, will be the world's largest smolt facility to date.

Scanship is continuing to tender for more systems to new smolt facilities. Industry growth expectations are to double the capacity in smolt over the next years, and even with larger smolt facilities being built, the market for sludge handling will grow significantly. There is also an industry trend to move seabased fishfarms ashore or to build in close cage systems. Both configurations will require a substantial investment in water treatment and sludge handling, as required capacities are expected to be ~ 20 larger than on smolt facility. Scanship is currently in discussion with clients on close cage fishfarming projects.

Lysaker, 28 August 2017

The Board of Directors for Scanship Holding ASA

Consolidated income statement

(NOK million)	Note	*Unaudited* 1H17	*Unaudited* 1H16	*Audited* 2016
Revenue	2	117.2	84.8	171.6
Total operating revenue		**117.2**	**84.8**	**171.6**
Cost of goods sold		-82.7	-58.5	-123.6
Gross Profit		**34.6**	**26.3**	**48.0**
Gross Margin		29.5 %	31.1 %	28.0 %
Employee expenses		-13.3	-14.4	-28.1
Other operating expenses		-9.4	-11.4	-22.5
EBITDA before non-recurring items		**11.9**	**0.5**	**-2.6**
- EBITDA margin before non-recurring items		10.2 %	0.6 %	-1.5 %
Non-recurring items	3	-1.4	0.0	-0.8
EBITDA		**10.5**	**0.5**	**-3.4**
-EBITDA margin		8.9 %	0.6 %	-2.0 %
Depreciation and amortisation	4	-1.2	-1.1	-2.4
Operating result (EBIT)		**9.2**	**-0.6**	**-5.8**
Net Financial items	**5**	**-1.1**	**0.8**	**0.7**
Result before tax		**8.2**	**0.3**	**-5.1**
Income tax revenue (+) /expense (-)		-2.3	-0.3	0.2
Result for the period		**5.8**	**0.0**	**-4.9**

Consolidated statement of comprehensive income

(NOK million)	Note	*Unaudited* 1H17	*Unaudited* 1H16	*Audited* 2016
Net result for the period		5,8	-0,0	-4,9
Items to be reclassified to profit or loss:				
Exchange differences or trans. of foreign op.		-0,1	0,3	-0,1
Net items to be reclassifies to profit or loss		-0,1	0,3	-0,1
Items not be reclassified to profit or loss				
Other comprehensive income net of tax		-	-	-
Total comprehensive income, net of tax		**5,7**	**0,3**	**-5,0**
Attribute to				
Owners of the parent		5,7	0,3	-5,0
Non controlling interest	6	-	-	-
		5,7	0,3	-5,0
Earnings per share (NOK) 1)		0,06	0,00	-0,05
Diluted earnings per share (NOK) 1)		0,06	0,00	-0,05

1) Total shares: 95,505,525

Consolidated statement of financial position

(NOK million)	Note	*Unaudited* 30.06.17	*Unaudited* 30.06.16	*Audited* 31.12.16
ASSETS:				
Non-current assets:				
Property, plant and equipment	4	3.5	4.1	3.8
Intangible assets	4.7	30.3	27.5	28.8
Total non-current assets		**33.8**	**31.5**	**32.6**
Current assets:				
Inventories		4.9	7.1	3.5
Trade receivables		66.9	53.1	57.8
Contracts in progress	2	25.0	29.0	14.2
Other Receivables		16.5	15.5	13.9
Cash and cash equivalents		2.8	2.0	3.6
Total current assets		**116.1**	**106.8**	**93.0**
Total assets		**149.9**	**138.3**	**125.6**

(NOK million)		*Unaudited* 30.6.17	*Unaudited* 30.6.16	*Audited* 31.12.16
EQUITY AND LIABILITIES				
Equity:				
Share capital		9.6	9.6	9.6
Share premium		77.5	77.5	77.5
Stock option		0.5	0.4	0.5
Translation difference		0.7	0.3	0.8
Retained earnings		-37.1	-37.6	-42.9
Total equity		**51.1**	**50.1**	**45.4**
Liabilities				
Deferred tax liabilities	8	4.7	3.7	2.8
Long term borrowings	9	1.2	1.4	1.3
Total non-current liabilities		**6.0**	**5.1**	**4.1**
Current liabilities				
Trade creditors		27.2	28.9	31.5
Contract accruals	2	17.6	13.5	8.2
Unrealised change fair value FX derivatives	5	3.5	4.9	1.8
Income tax payable		0.9	0.3	0.5
Bank overdraft		31.7	24.1	23.9
Other Current liabilities		11.9	11.3	10.2
Total Current Liabilities		**92.8**	**83.1**	**76.1**
Total liabilities		**98.8**	**88.2**	**80.2**
Total equity and liabilities		**149.9**	**138.3**	**125.6**

Consolidated statement of change in equity

Unaudited

(NOK million) **30.06.17**	**Share Capital**	**Share Premium**	**Other cap Reserves**	**Trans. Diff.**	**Retained Earnings**	**Total**
Equity at 31.12.2016	9.6	77.5	0.5	0.8	-42.9	45.4
Result for the period	-	-	-	-	5.8	5.8
Other Comprehensive income	-	-		-0.1	-	-0.1
Total Comprehensive income	**-**	**-**	**-**	**-0.1**	**5.8**	**5.7**
Stock Options	-	-	-	-	-	-
Equity at end of period	**9.6**	**77.5**	**0.5**	**0.7**	**-37.1**	**51.1**

Unaudited

(NOK million) **30.06.16**	**Share Capital**	**Share Premium**	**Other cap. Reserves**	**Trans Diff**	**Retained Earnings**	**Total**
Equity at 31.12.15	9.6	77.5	0.4	-	-37.6	49.8
Result for the period	-	-	-	-	-0.0	-0.0
Other Comprehensive income	-	-	-	0.3	-	0.3
Total Comprehensive income	**-**	**-**	**-**	**0.3**	**-0.0**	**0.3**
Stock Options	-	-	-	-	-	-
Equity at end of period	**9.6**	**77.5**	**0.4**	**0.3**	**-37.6**	**50.1**

Consolidated cash flow statement

(NOK million)	*Unaudited* **1H17**	*Unaudited* **1H16**	*Audited* **2016**
Result before tax	*8,2*	*0,3*	*-5,1*
Net cash flow from operating activities	-6,1	-10,3	-5,8
Net cash flow from investing activities	-2,5	-5,1	-7,4
Net cash flow from financing activities	7,8	-2,0	-2,8
Net change in cash and cash equivalents	**-0,8**	**-17,4**	**-16,0**
Cash and cash equivalents at start of period	3,6	19,5	19,5
Cash and cash equivalents at end of period	**2,8**	**2,0**	**3,6**

In the beginning of July, a customer payment of MNOK 19 was received on accounts receivable that was overdue per 30.06.17. The long-term outstanding receivable on German VAT of MNOK 5 was also received in cash in July 2017. These cash flows will be reported in 2H 2017.

Selected explanatory notes

Note 1 General information

This interim financial information for the First Half Year 2017 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 2016, 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 2016. The Board of Directors approved the Interim report August 28, 2017.

Note 2 Sales

	Unaudited	*Unaudited*	*Audited*
(NOK million)	**1H17**	**1H16**	**2016**
Project revenue	77.8	46.7	89.2
Aftersales	39.4	38.1	82.4
Sales	**117.2**	**84.8**	**171.6**

Revenue from projects is recognised 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.

	Unaudited	*Unaudited*	*Audited*
(NOK million)	**30.6.17**	**30.6.16**	**31.12.16**
Acc. Project contract revenue recognised as revenue	240.0	302.4	234.2
Acc. Related cost accrued	160.7	205.3	159.0
Acc. Recognised profit / loss from contracts in progress	**79.3**	**97.1**	**75.2**

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)	**30.6.17**	**31.12.16**	**31.12.16**
Contract in progress	25.0	29.0	14.2
Contract accruals	-17.6	-13.5	-8.2
Net work in progress	**7.4**	**15.5**	**6.0**

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 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) 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	-4,7	-4,6	-1,3	1,2	-9,4
EBITDA (before non-recurring items)	**11,2**	**4,6**	**-3,6**	**0,0**	**11,9**
Non-recurring items	-0,4	-	-1,1	-	-1,4
EBITDA	**10,8**	**4,6**	**-4,7**	**0,0**	**10,5**
Depreciation and amortisation	-1,2	-	-	-	-1,2
Impairment					-
OPERATING PROFIT	**9,5**	**4,6**	**-4,7**	**0,0**	**9,2**
Net Contracts in progress	7,4	-	-	-	7,4
Total assets *	140,9	34,4	116,2	-141,6	149,9
Investments in non-current assets	2,3	-	-	-	2,3

Unaudited

(NOK million) 1H16	Projects	Aftersales	Admin & other	Elimination	Total
Revenue	46,7	49,4	-	-11,3	84,8
Total revenue	**46,7**	**49,4**	**-**	**-11,3**	**84,8**
Cost of sales	-33,8	-33,4	-	8,6	-58,5
Employee expenses	-8,6	-5,9	-2,4	2,6	-14,4
Other Operating expenses	-4,3	-6,4	-2,1	1,4	-11,4
EBITDA (before non-recurring items)	**0,0**	**3,7**	**-4,5**	**1,3**	**0,5**
Non-recurring items	-	-	-	-	-
EBITDA	**0,0**	**3,7**	**-4,5**	**1,3**	**0,5**
Depreciation and amortisation	-1,1	-0,0	-	-	-1,1
Impairment					-
OPERATING PROFIT	**-1,1**	**3,7**	**-4,5**	**1,3**	**-0,6**
Net Contracts in progress	15,5	-	-	-	15,5
Total assets	129,7	32,1	118,8	-142,3	138,3
Investments in non-current assets	2,3	-	-	-0,2	2,1

*) Elimination includes MNOK -99 as value of the shares in the subsidiaries.

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 Non-recurring items, and restructuring cost

The Scanship Group incurred non-recurring costs of MNOK 1.4 during the first six months of 2017 related to the strategic structured process during the period from November 2016 till May 2017. This was costs incurred by the parent company Scanship Holding ASA. For the financial year 2016 the costs reported on this line are MNOK 0.4 related to the strategic structured process, and MNOK 0.4 in restructuring cost incurred during Q4, in total MNOK 0.8.

Note 4 Depreciation and amortisation

	Unaudited	*Unaudited*	*Audited*
(NOK million)	**1H17**	**1H16**	**2016**
Depreciation - fixed assets	0.5	0.5	1.1
Amortisation - Product Development	0.7	0.6	1.2
Impairment - Product Development	-	-	0.1
Total Depreciation and amortisation	**1.2**	**1.1**	**2.4**

Note 5 Financial items

	Unaudited	*Unaudited*	*Audited*
(NOK million)	**1H17**	**1H16**	**2016**
Foreign exchange gain	3.2	0.6	1.8
Total Finance Income	**3.2**	**0.6**	**1.8**
Interest Expense	-0.8	-0.6	-1.2
Foreign exchange loss	-1.8	-1.5	-3.0
Loss on FX derivatives	-0.1	-2.2	-4.3
Other financial cost	-	-	-0.1
Total Finance costs	**-2.6**	**-4.3**	**-8.7**
Unrealised Increase of fair value of FX derivates	-	4.5	7.6
Unrealised decrease in fair value of FX derivatives	-1.7	-	-
Net unrealised change in FX derivatives	**-1.7**	**4.5**	**7.6**
Net Financial items	**-1.1**	**0.8**	**0.7**

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

There is 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.

Unaudited (NOK million)	30.6.17 Level 2	30.6.16 Level 2	31.12.16 Level 2
Forward FX contracts	-0.3	-0.2	0.1
Other FX derivatives	-3.3	-4.7	-1.9
Net	**-3.5**	**-4.9**	**-1.8**

The company has FX derivative contracts with nominal amounts of MEUR 3.7, all of which matures in 2H2017.

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 1H17 was MNOK 0.0, pre-tax result MNOK 0.0. Total assets in CHX Maritime was MNOK 4.0 as of 30 June 2017 and total equity was MNOK -0.1.

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 Interest-bearing debt

(NOK million)	*Unaudited* 30.6.17	*Unaudited* 30.6.16	*Audited* 31.12.16
Bank overdraft facility	31.7	24.1	23.9
Long term debt - non-current	1.2	1.4	1.3
Balance at the end of Period	**33.0**	**25.5**	**25.2**

The bank overdraft facility was increased to a limit of MNOK 35 during 1H 2017. In the beginning of July, a customer payment of MNOK 19 was received on accounts receivable that was overdue per 30.06.17, reducing the drawn amount on the Bank overdraft facility correspondingly.

Note 10 Subsequent events

There have been no other significant events after the end of the reporting period.

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
Sustainable Solutions

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