

**Scanship Holding ASA**

# **ANNUAL REPORT 2015**



**SCANSHIP**  
*Sustainable Solutions*



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**SCANSHIP**  
*Sustainable Solutions*



# About the Company

Scanship is supplying systems for environmental compliance and sustainable shipboard operations. By combining innovation and ship-owners operational requirements, the company has obtained a market leading position within the cruise industry.

Scanship holding ASA with its subsidiary Scanship AS is listed on the Oslo Stock Exchange. The company is strategically located around ship-owners and yards facilitating a group of 55 employees, headquartered in Norway with branches in US, Canada and Poland.

The business unit in Tønsberg handles all project sales, development and project execution involving engineering, procurement and project management. Group management and finance is located at Lysaker. The subsidiaries Scanship Americas and Scanship Canada offer spares, consumables and services towards shipowners operating Scanship systems aboard ships. Scanship Poland is conducting its business by surveying outsourced production in Eastern Europe. A commercial team is located in Italy, and a multi-national team of service technicians provides technical supervision and service worldwide.

Scanship technology portfolio includes systems for wastewater purification, water logistics, foodwaste processing,

dewatering, drying, incineration and waste recycling. The systems comes with advanced PLC and software for monitoring and control to ensure reliable and compliant operations.

The company delivers its technology for newbuild projects where shipyards are installing or for retrofit projects where Scanship delivers turnkey projects for ships in operations. On retrofit projects, Scanship is subcontracting an installation company as part of the scope. Systems can be delivered fully integrated as a total clean ship solution or standalone interfaced with systems supplied by others.

Scanship has over the years successfully supplied its wastewater and waste systems to most of the cruise line companies in the industry. These have been ship classes belonging to the major operators; Holland America Line's Vista, Carnival Cruise Line's Destiny, Costa's Concordia, Norwegian Cruise Line's Jewel and Breakaway, RCCL's Freedom and Quantum, MSC's Musica and Fantasia classes.

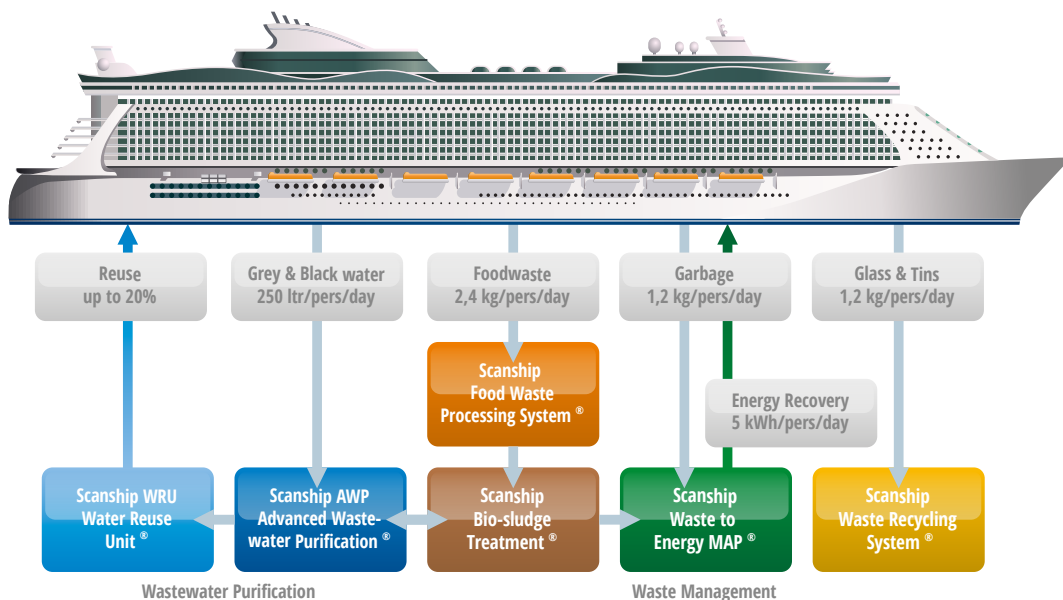
Between 2002 and 2005, Scanship installed advanced wastewater purification systems on eleven Norwegian Cruise line vessels to meet regulations enforced in Alaska, and adopted as an industry standard at the time. Subsequently, in 2010 Scanship began retrofits for ten vessels for Royal Caribbean Cruise Line

to meet the new standard MEPC 227(64) for Baltic Sea, now replacing the previous Alaskan as the new industry standard.

The Scanship system is the first in the industry to be compliant with the new IMO Marpol MEPC 227(67) regulations for larger vessels. Norwegian Breakaway, Norwegian Getaway, Norwegian Escape, Quantum of the Seas, Anthem of the Seas and Viking Star are today producing treated effluent in compliance with this new industry standard as the only vessels to date.

Scanship's five-year newbuild contract portfolio includes supplies to NCL's Breakaway Plus class, RCCL' Quantum and Oasis classes, the TUI Blue Motion series, Viking Ocean Cruises, Carnival Cruise Lines Vista, Dream Cruises, MSC Meraviglia series and Silversea; in total more than 22 newbuilds to enter services equipped with Scanship technology in the years to come.

Scanship's growth strategy includes to maintain a large market share in a growing cruise newbuild market, to obtain a substantial share of a future retrofit market and to increase its offering by developing new technologies to recover energy, reuse water and to meet future environmental standards for emissions to air and discharge to sea.



## CEO's letter

It has been a good year for Scanship. We developed our business and increased profitability. Total sales increased by 38% reaching a top revenue line of NOK 200 million. Both business areas delivered solid organic growth and improved their profits. Project sales increased by 23% from higher newbuild and retrofits sales, while aftersales increased by 77% driven partly by the demand from more ships entering service. Earnings before interest tax depreciation and amortisation (EBITDA) ended at NOK 11.3 million up from NOK 4.4 million last year.

In 2015, the global cruise industry market continued to grow. Cruise Line International Association (CLIA) reported a 4.4% increase of passenger to the industry, and by the end of the year 23 million passengers had travelled on cruise ships. This, together with an undersupply from previous years, increases the demand for new ships. During the year, the total newbuilding order book for ocean going cruise liners increased to 52 units that will enter service in the next years, representing a total investment of more than \$40 billion.

A total of seven new ships were added to the cruise industry market in 2015. Among the-se, four new ocean going vessels were delivered equipped with Scanship technology. The Viking Star entered service fully equipped with both Scanship Advanced Wastewater Purification and Waste Management systems while Anthem of the Seas, Mein Schiff 4 and Norwegian Escape commenced operations with our AWP systems. Three of the vessels were equipped with Scanship's unique Helcom system, which meets exceptionally strict water discharge standards. Scanship is the only supplier that has delivered systems to ships in operation, complying with this new industry standard, and by the end of the year six large cruise vessels were in full compliant operations.

Our backlog of orders increased by 22% to NOK 226 million by year end compared to previous year. We were awarded contracts for the newbuilds of Silversea and Carnival Cruise Line at Fincantieri. At Meyer Werft in Papenburg we signed contracts for two additional newbuilds for RCCL in the Quantum class and two sister ships for

Norwegian Cruise Line in the Breakaway Plus class.

We signed a retrofit contract with Oceania Cruises, a part of Norwegian Cruise Line Holding during the fall. The retrofit segment represents one of the larger growth opportunities for Scanship. We also entered a new market with a system for bio residue treatment for Marine Harvest's largest fish hatchery.

We are experiencing an increased activity within our core markets, resulting in a higher tendering activity both within newbuild and retrofit. Several owners are active in ordering new ships, and we expect volume increase both in the segment for larger ocean going vessels and in the luxury expedition segment. We aim to expand our footprint in new markets, while leveraging our strong position in the cruise market. In 2015, sales in new markets accounted for 4% of our sales. Going forward we aim to increase sales in new markets to fuel growth.

In 2015, we continued to standardise our business and increase our market activities. We will continue to improve our organisation to increase efficiency and profits. We have made progress in building a scalable organisation and improve our processes which we will certify according to the ISO9001 standard. We also aim to continuously improve our leadership team to foster a good performance culture.

Our commitment to innovation is reflected in our product development activities, and during the year we have been working with both the development of a waste to energy solution and exhaust gas management system. This will enable us to improve our competitiveness and create value for our shareholders.

Best Regards

Henrik Badin  
CEO



# Corporate Governance Policy

## Corporate Governance in Scanship Holding ASA

Scanship Holding ASA ("Scanship" or the "Company") is a Norwegian public limited company. The Company is listed on Oslo Axess and is subject to Norwegian corporate, securities and stock exchange law. The Company seeks to comply with the applicable legal framework, and endorses the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014, (the "Code").

This Corporate Governance Policy for the Company is reviewed and revised by the board of directors of the Company (the "Board") on 31 March 2016 and is based on the Code.

The Board shall ensure that the Company at all times has sound corporate governance. The Company emphasizes independence and integrity in all matters between the Company and members of the Board, management and shareholders. The Company is required to report annually on the principles and practices related to corporate governance. The report will be published as a part of the annual report and will also be available at the Company's website. The report is built on a «comply or explain» principle, pursuant to which deviations from the Code will be explained.

## Main objectives for corporate governance in Scanship

This Corporate Governance Policy is based on the Code, and shall establish a basis for good corporate governance, profitability and long-term value creation for the shareholders of the Company. The manner in which the Company is managed is vital to the development of the Company's value over time.

Through good governance of its business, the Company intends to create profitability and increased shareholder value. This Corporate Governance Policy contains measures that are, and will be, implemented

to ensure effective management and control over the Company's activities. The primary objective is to have systems for communication, monitoring and allocation of responsibility, as well as appropriate incentives, which contribute to increasing the Company's financial results, long-term success and returns to shareholders on their investments in the Company. The Company aims to have good control and governance procedures to ensure equal treatment of all shareholders, thereby providing a foundation for trust.

The development of, and improvements in, this Corporate Governance Policy is an on-going and important process that the Board will focus on.

## The Business

Scanship is a maritime industry leader in advanced technologies for processing and purifying waste water, food waste, solid waste and bio sludge. Scanship is a supplier to most major cruise liners, and the products are increasingly being requested from the merchant fleet and off-shore industry. Modern cruise ships generate substantial amount of wet and dry waste which should 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 has main office at Lysaker (Norway) as well as offices in Tønsberg (Norway), Gdynia (Poland), Miami (USA) and Victoria (Canada).

## Equity and dividend

The Board and the management of Scanship shall at all times aim at keeping the Company's equity capital suitable for the Company's objectives, strategy and risk profile. The Board shall immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

The Board shall establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the General Meeting. The dividend policy approved by the Board states that the Company's goal is to provide shareholders with a high return over time

through a combination of increasing value of the Company's shares and payment of dividends. The Board will not propose any payment of dividend if the Company is not in a sufficient financial position. The background for any proposal to authorise the Board to resolve distribution of dividends should be explained.

Authorisations granted to the Board to increase the Company's share capital shall be restricted to defined purposes. If the General Meeting is to consider authorisations to the Board for the issue of shares for different purposes, the General Meeting shall consider each authorisation separately. Authorisations granted to the Board shall be limited in time to no longer than until the next Annual General Meeting. Authorisations granted to the Board to purchase of the Company's own shares shall be valid until the next Annual General Meeting.

## Equal treatments of shareholders and transactions with related parties

The Company has one share class. All shares carry equal rights. One share gives one vote at the General Meeting. The Board puts emphasis on disclosing and describing the topics on the agenda and the proposed resolutions in the notice of the General Meeting to allow the shareholders adequate time to prepare for the meeting.

Any decision to deviate from the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital shall be justified. Where the Board resolves to carry out an increase in share capital and deviate from the pre-emption rights of existing shareholders on the basis of an authorisation granted to the Board, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. If such transactions will find place, they will be carried out at market prices.

In the event of not immaterial transactions between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such parties, the Board shall arrange for a valuation to be obtained

from an independent third party. This will not apply if the transaction requires the approval of the General Meeting pursuant to the requirements of the Norwegian Public Limited Liability Companies Act (the "PLC Act"). Independent valuations shall also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholder. Members of the Board and executive personnel must notify the Board if they have any significant, direct or indirect, interest in a transaction carried out by the Company.

Any transactions with related parties shall be conducted on market terms. Transactions with related parties will be disclosed in note to the Financial Statements.

### **Freely Negotiable Shares**

All shares in the Company carry equal rights and are freely negotiable. No restriction on negotiability is included in the Articles of Association.

### **General Meetings**

The General Meeting is the Company's ultimate corporate body. The Board shall facilitate that the General Meeting shall be an effective forum for communication between the Board and the Shareholders. The Chairman of the Board, the Chief Executive Officer and the External Auditor shall be present at the Annual General Meeting.

The notice calling the Annual General Meeting and Extraordinary General Meetings and all supporting documentation shall be made available on the Company's website. ([www.scanship.no](http://www.scanship.no)). Notice and supporting documentation shall include the information necessary for shareholders to form a view of matters to be considered.

Each General Meeting appoints a chairperson for the meeting. If significant and unusual topics is on the agenda an independent chairperson will be appointed.

The General Meeting is open for all shareholders, and all shareholders not in attendance can give proxy to vote on his/her behalf. Forms of proxy are sent to the

shareholders together with the notice of the meeting. The proceeding in the meeting follow the agenda outlined in the notice. Shareholders can raise a topic in the General Meeting, but must notify the Board of this in writing and in reasonable time before the notice of the General Meeting is dispatched. The General Meeting cannot decide for a higher dividend than the Board has proposed.

The Annual General Meeting is required to decide on the annual Financial Statement, the Board's report and the distribution of dividends. The Annual Meeting should also deal with the Board's declaration regarding compensation to executive personnel.

### **Nomination Committee**

Pursuant to the Company's Article of Association, the Nomination Committee is responsible for the nomination of members to the Board, members of the Nomination Committee and for proposing remuneration to the Board members. The nomination committee shall justify its recommendations. The Annual General Meeting stipulates guidelines for the Nomination Committee in a code of conduct. The Nomination Committee consists of a chairman and one or two additional member(s) elected by the General Meeting. The General Meeting shall also determine the Nomination Committee's remuneration. The members of the Nomination Committee serve for a period of two years unless otherwise determined by the General Meeting. All members of the Nomination Committee shall be independent of Board and executive personnel. The Company shall provide information of the Nomination Committee and any deadlines for submitting proposals to the committee.

The Nomination Committee shall have contact with shareholders, the Board and the Company's executive personnel as part of its work on proposing candidates for election to the Board.

### **Board of Directors**

The composition of the Board shall ensure that the Board can attend to the common interests of all shareholders and meets Scanship's need for expertise, capacity and diversity. Attention shall be paid to ensuring

that the Board can function effectively as a collegiate body.

The composition of the Board shall ensure that it can act independently of any special interests. The majority of the shareholder elected members of the Board shall be independent of the Company's executive personnel and material business connections. In addition, at least two of the members of the Board must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major shareholder shall mean a shareholder that controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question. The Board currently consists of four members of which three are independent.

The Board members are elected by the General Meeting for a term of two years unless otherwise determined by the General Meeting. The members of the Board are proposed by the Nomination Committee and elected by the General Meeting. The Chairman of the Board is appointed by the General Meeting.

### **The work of the Board**

The Board's tasks include the overall management and supervision of the Company. The Board prepares an annual plan for its work, emphasising goals, strategies and execution.

The Board normally schedules at least five regular meetings each year, but typically holds additional meetings as circumstances dictate. Two of the scheduled board meetings deals with strategic Company issues and four of the scheduled meetings are dealing with quarterly financial statement. The Board operates according to applicable Norwegian law, and adopts guidelines for the CEO's work and duties to the Board.

The Board shall provide details in the annual report of any Board committees appointed. The Board has not appointed an Audit Committee as smaller companies are exempted from the Audit Committee

requirements of the PLC Act, and the Company fulfils the requirements to be exempted.

## **Risk Management and Internal Control**

The Board monitors the Company's risk exposure and the Company constantly strives to maintain and improve its internal control processes.

The executive management will make an annual risk evaluation process to evaluate a number of strategic, operational and financial risk factors. The key risk factors and action plans are part of the annual Board presentation on risk management and internal control by the CEO and CFO. The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

## **Remuneration of Board**

The remuneration payable to the members of the Board is proposed by the Nomination Committee and determined by the shareholders at the Annual General Meeting. The remuneration to the Board should be designed to attract and retain an optimal Board structure in a competitive environment. The remuneration of the Board shall not be linked to the Company's performance. The Company shall not grant share options to members of the Board. Details of the remuneration are disclosed in the Notes to the Financial Statement.

Members of the Board and/or companies with whom the members are associated shall not take on specific assignments for the Company in addition to their appointments as members of the Board. If they, nonetheless, do take on such assignments this must be reported to the Board and the remuneration for such additional duties must be approved by the Board.

Any remuneration in addition to normal fees to the members of the Board shall be specifically identified in the annual report.

## **Remuneration of Executive Personnel**

It is critical for Scanship to attract and retain engaged executives with highly experience and strong drive for results. A competitive compensation package is primary tool to attract and retain the Executive Personnel as Scanship needs to succeed. The Board shall establish guidelines for the remuneration of the executive personnel setting out the main principles applied in determining the salary and other remuneration of the executive personnel. These guidelines shall be communicated to the Annual General Meeting.

Scanship has a base salary today, but will consider a compensation package also consisting of a limited amount of share options. Share options will be issued each year upon approval of an authorisation by the Annual General Meeting. The number of options granted will be linked to Company's and the individual's performance. As a general policy, share options are granted with a strike price equal to the market price at the time of grant, vest over a three year period starting on first anniversary of the grant and expire after five years after the grant. The Company may issue warrants that secure the rights of the option holders.

## **Information and Communications**

The Board shall establish guidelines for the Company's reporting of financial and other information, based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The Company's information and communication policy is designed to inform the stock market and all shareholders of the Company's activities and status in a timely and accurate manner. A financial calendar displaying the dates for the coming years' interim reports and General Meetings for shareholders is posted at <http://www.scanship.no>. The Company submits quarterly and annual financial reports to Oslo Axess. In addition, significant information will be distributed at [www.newsweb.no](http://www.newsweb.no) and the Company's web site.

The Company places great emphasis on

complying with applicable stock exchange rules by providing the same information to all investors. All press releases and news are published in English. The Company has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

The Company shall ensure that the management becomes aware of important information without undue delay. Information which shall be published on Oslo Børs Newsweb shall with undue delay be communicated to the management who shall publish such information pursuant to the Oslo Børs Continuing Obligations.

## **Take-overs**

The Board has established guiding principles for how it will act in the event of a take-over bid received: During the course of a take-over process, the Board and the management of both the party making offer and the target company are held responsible to ensure that the shareholders in the target company are treated equally, the target company's business activities are not disrupted unnecessarily and that shareholders are given sufficient information and time to form a view of the offer.

The Board shall not attempt to prevent or impede the take-over bid unless this has been decided by the General Meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the General Meeting in accordance with applicable law.

If an offer is made for the Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific

members of the Board have excluded themselves from the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined as shareholder that controls 10% or more of the Company's shares or votes). Any such

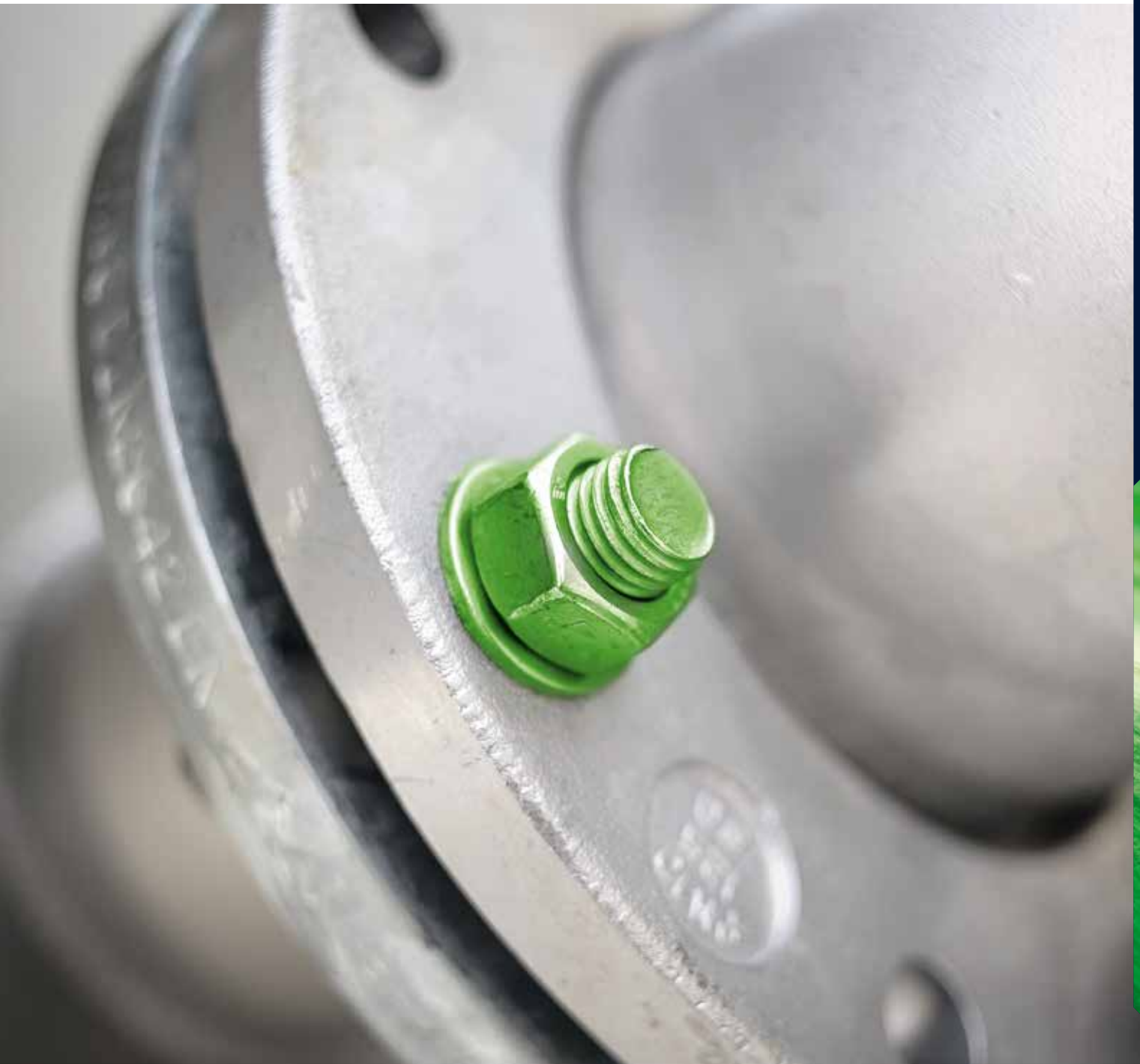
valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

### **Auditor**

The auditor shall annually submit the main features of the plan for the audit of the Company to the Board.

The Board has determined the procedures for the external auditor regular reporting to the Board. The Auditor attends at least one meeting each year with the Board which the Company's management is not represented. The Auditor will present to the Board any significant internal

control weaknesses and improvement opportunities. Scanship has established guidelines for the right of the management to use the external auditor for services other than auditing. According to the procedure, all assignments shall be approved by the CEO and all significant assignments shall in addition be subject to approval by two board members in advance. The Board of Directors shall receive an annual statement from the external auditor of services other than auditing provided to Scanship. The Auditor's fee is determined at the Annual General Meeting and disclosed in the Financial Statement.



# Corporate Social Responsibility Guidelines

## Objective

Scanship defines corporate responsibility as achieving commercial profitability in a way that is consistent with fundamental ethical values and with respect for individuals, the environment and society. The Scanship group shall respect human and labour rights, establish good environmental, health and safety (EHS) standards, facilitate good dialogue with stakeholders and generally operate in accordance with applicable regulatory frameworks and good business practice.

The Group's business depends on the trust of consumers, contractual parties, the authorities, shareholders, employees and society in general. In order to gain trust, the Group is dependent upon professionalism, expertise and high ethical standards in all aspects of the Company's work. These ethical and corporate social responsibility rules (the CSR Guidelines") set forth the basic principles for business practices and personal behaviour for Scanship, apply to all employees of the Group, as well as persons/entities holding a position of trust with the Company, and hired consultants acting on behalf of the Company. The Company has developed separate conduct principles that apply to the Company's suppliers.

These CSR Guidelines do not give customers, suppliers, competitors, shareholders or other persons or entities any legal rights beyond those that follow from applicable legal regulatory frameworks.

## Main principles of corporate responsibility

Scanship has identified nine main corporate responsibility topics. The general principles underlying the Group's approach to these topics are described below. Priorities shall be based on an assessment of the needs of both the business and its stakeholders, and as an integral part of day-to-day operations.

### Strong corporate culture

Scanship shall strive to promote an open corporate culture that fosters interaction and is based on Scanship's values. In promoting Scanship's principles for good

business operations, we shall respect local values and norms, and achieve success by bridging the divide between different cultures and interests. Scanship companies shall always comply with local regulatory requirements in the countries in which we operate.

Responsible operations require vigilance and the exercise of good judgement on the part of management and employees.

### Respect for human and labour rights

Scanship companies shall promote corporate conduct that reflects respect and consideration for others. In its operations, the Company shall respect fundamental human rights as described in international human rights conventions such as the UN Convention on Human Rights and the labour rights conventions of the International Labour Organization (ILO). Scanship is committed to respecting fundamental human and labour rights, both in our own internal business and in our relations with business partners, suppliers, customers and others who are directly affected by the Company's activities. The Group shall work systematically with important issues as non-discrimination, the right to privacy, the right to negotiate, employment contracts, protection against harassment and management-employee collaboration.

### Environment, health and safety (EHS)

Scanship shall strive to achieve a vision of zero harm to people, the environment and society, and work purposefully and systematically to reduce the environmental impact. The Group's products and services shall always be subject to strict requirements in terms of quality, product safety and impacts on personal health and the environment.

### Anti-corruption

Corruption is the abuse of a position of trust to acquire personal or business benefits. Scanship does not tolerate corruption, and expects that all managers and procurement officers promote a strong anti-corruption culture in their department.

The companies shall make active efforts to prevent undesirable conduct, and ensure that their employees are capable of dealing with difficult situations.

### Responsible marketing practices

Scanship gains business and builds long-term customer relationships by providing the best technical solutions at competitive prices as well as by demonstrating honesty and integrity in all our interactions. Our marketing and advertising materials and other representations we make to current or prospective customers must be accurate, truthful and in compliance with applicable laws.

Scanship does not tolerate any agreement on price fixing, market sharing or other activities that limit free competition.

Scanship attaches great importance to product safety, good customer service and responsible marketing, and is committed to exercising due diligence with regard to consumer interests.

### Responsible sourcing

Scanship shall actively promote good work and standards in the supply chains. This means setting ethical standards for its suppliers, assessing the risk of potential supplier violations of these standards, and engaging in dialogue with risk suppliers concerning necessary improvements. Efforts to influence suppliers should be based on an ambition of continuous improvement, and should focus on the suppliers and product categories where the risk is deemed greatest.

### Money laundering

Money laundering is the process of creating the appearance that assets obtained from criminal activity, originate from a legitimate source. Scanship shall avoid any involvement with assets resulting from criminal activity.

### Whistleblowing

Notification or whistleblowing is to pass information about a censurable or possible censurable incident to someone who is in a position to initiate corrective measures. A

censurable incident is an illegal, dangerous or any other act in breach of company regulations. Anyone who becomes aware of an incident/situation that appears to contravene rules and guidelines that apply to the Company's operations is encouraged to report this.

Every employee has the right to report possible censurable incidents. Each employee is encouraged to report on possible censurable incidents but is not normally obliged to do so. However, every employee has an obligation to report on criminal activity and on incidents that could endanger life or health, or the assets of the Company.

Notification is beneficiary for each employee, for the Company and the society as a whole because it offers an opportunity to implement corrective action. A colleague willing to make a report is an important resource to the Company.

### **Compliance with legislation and regulation**

the Company is subject to Norwegian and international legislation and regulations. Some Norwegian legislation also applies outside the country's boarder, e.g. the provisions of the penal code that refer to corruption.

The Company's employees, representatives and anyone who acts on behalf of the Company must comply with all legislation and regulations that apply, directly or indirectly, to the work performed for the Company.

### **External resources and referances**

International Labour Organization:  
[www.ilo.org](http://www.ilo.org)  
UN Convention on Human Rights:  
[www.un.org](http://www.un.org)



# Board of Directors Report

## The operations

Scanship is a maritime industry leader in advanced technologies for processing and purifying waste water, 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.

Scanship's main activities within the System Sales segment consists of Sales, Engineering, Production planning and Procurement. Production and Installation Services are outsourced to subcontractors, mainly in Norway and Europe. The activities within the Aftersales segment are focused on Sales, Service and Logistics.

## 2015 Highlights

During 1st Quarter 2015 Scanship was awarded one contract at Fincantieri for a newbuild. The contract was for a Scanship Total Clean Ship system. The vessel, which will service the ultra-luxury market with worldwide itinerary, will enter the market in 2016. The Company delivered equipment to the first Star project at Meyer Werft. In addition equipment was delivered to Fincantieri for two Viking Ocean newbuilds and to Meyer Turku for the third TUI newbuild. Major engineering activity was performed in the same period on the first MSC newbuild at STX France and on the Silversea project at Fincantieri. Commissioning activities were executed on RCCLs' Anthem of the Seas for Meyer Werft and on the second TUI newbuild at Meyer Turku.

During 2nd Quarter 2015 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. Furthermore, Scanship was awarded

a contract for delivery of Advanced Wastewater Purification (AWP) system on the Carnival Cruise Line newbuild hull number 6243 at Fincantieri. The contract is a repeat of hull number 6242 Carnival Vista with 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 water to meet the new standard for special area IMO Marpol MEPC 227(64) and chapter 4.2 with nutrient removal.

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 entered into a cooperation agreement with the Norwegian company Jets Vacuum during 2Q15. The intention with the 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.

During 3rd Quarter 2015 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.

During 4th Quarter 2015 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.

## Product development

Scanship's two main development projects during 2015 have been Microwave Assisted Pyrolysis ("MAP") and exhaust gas management system through the 70% owned company CHX Maritime Inc.

Scanship has invested NOK 6.9m in 2015 on its product development activities compared to NOK 6.8m in 2014.

Scanship has during 2015 worked on a total of 17 product development projects. Of these, 4 projects have been completed while 6 projects have, after project reviews, been stopped. Capitalised intangible assets on the stopped projects have been impaired with NOK 0,8m.

Intangible assets from product development activities were as of 31.12.2015 NOK 24.2m compared to NOK 18.9m as of 31.12.2014.

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

## Going concern

At the end of 2015 the group had an order backlog of NOK 225.8m up from NOK 185.0m at the beginning of the year. The order backlog consists of remaining revenue on ongoing projects and projects signed but not started. The cruise newbuilding market continues to grow, and includes a total of 49 firm orders by March 2016 between shipyards and ship-owners for deliveries between 2016 and 2021. In

addition, there are somewhere between twenty-five and thirty additional options and newbuilds pending to be signed for ship deliveries between 2019 and 2023.

Out of the 49 firm contracted newbuilds, Scanship has ongoing orders with yards for 22 newbuilds. There are further pending 6 supply contracts for newbuild options on those newbuild series Scanship is already supplying to. By March 2016 there are approx. 20 newbuilds with both AWP and Waste Management addressable for Scanship.

With the consolidation of two of Scanship's competitors in 2015, Scanship is in a better position to obtain larger bundled orders with AWP and Waste Management systems.

In addition to the cruise newbuilding tendering, Scanship is experiencing larger tendering activity towards passenger ships in the expedition market, river cruises and ferries.

Scanship is experiencing a higher tendering activity within AWP retrofit projects. This is believed to be driven by a higher industry focus on wastewater treatment and that the industry is starting to adapt to future discharge standards.

Based on the Group's financial status, order backlog and the market position for the Group for the years to come, we, pursuant to the Norwegian Accounting Act § 3-3a, confirm the assumption of going concern.

## The financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The Group's revenues in 2015 (2014) amounted to NOK 200.3m (NOK 145.6m). The Group has seen increase of revenues in both segments during the year, both from organic growth and weakening of the NOK against EUR and USD.

EBITDA (operating profit before depreciation) for the Group constituted NOK 11.4m (NOK 2.0m). The Gross Margin is stable at 32% from 2014 to 2015. The increase in EBITDA is mainly due to higher revenues.

The Projects segment had an income of NOK 131.7m (NOK 106.8m). The EBITDA for the segment was NOK 5.5m (NOK 0.6m). The Aftersales segment had an income of NOK 81.3m, (NOK 49.0m). The EBITDA for the segment was TNOK 9.1m (NOK 4.7m).

Operating profit for the Group in 2015 (2014) was NOK 8.8m (NOK 0.9m). The parent company had an operating result of NOK -2.5m (NOK -3.6m).

Profit after tax in the Group in 2015 (2014) amounted to NOK 4.5m (NOK -9.3m), and NOK -128.3m (NOK -3.7m) for the parent company. The result of the parent company includes a write down of the shares in Scanship AS due to lower market valuation of the group.

The Group's net cash flow for 2015 (2014) was positive with NOK 15.7m (NOK 2.6m).

The parent company had in 2015 (2014) total assets of NOK 119.6m (NOK 252.0m), mainly consisting of shares in subsidiary.

## Allocation of the profit for the year

The Board recommends the following allocation of the loss of the year in Scanship Holding ASA:

Retained Earnings NOK -128.3m.

## Financing

The Group had as of 31.12.2015 a bank overdraft facility of NOK 29.1m with DNB. NOK 27.3m of the bank overdraft facility was used at year end.

The overdraft facility is subject to annual renewal.

The Board is of the opinion that the Group has adequate funds in order to meet the Company's financing needs for further growth in the next 12 months.

## Financial risk

The Group is exposed to financial risks in various areas. Among these being market, currency, credit and liquidity risks.

## Market risk

There is a risk for Scanship that increased competition in the market space for supplies of AWP and Waste Management systems may have a negative effect on forward revenues.

If the cruise industry will experience overcapacity and pressure on consumer pricing, there newbuilding activity may slow down. If the overall financial markets would slow down, ship-owners may have reduced capacity to finance newbuilds with the effect of lowering newbuild constructions.

## Currency risk

The Group has earnings mainly in NOK, EUR and USD. The operating- and administration expenses are mainly in NOK, EUR and USD. The Group is reducing the currency exposure by applying instruments for hedging foreign currency in connection with major projects. The Group has bank deposits, receivables and short-term liabilities in foreign currencies.

## Credit risk

There is a risk that counterparties are not able to meet their financial obligations, the losses on receivables have historically been small. The Group's customers are large operators within the cruise industry. No agreements have been made on counter-claims or other financial instruments to minimize the credit risk.

## Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's reputation. If the level of income from the subsidiaries is not sufficient, loans from group companies can be used to enable the Company to pay financial liabilities as

they fall due. Please also see the paragraph Financing regarding additional efforts to secure adequate funding.

The payment plan on Newbuild-projects require more working capital than Retrofit-projects. The Newbuild-activity has increased in 2015 while the Retrofit-activity is low. This has increased the need for working capital and thus increased the liquidity risk for the Group.

Scanship AS has liquidity risk on Newbuild projects as the Company receives payments late in the projects. As per 31.12.2015 the group had accumulated net Contracts in Progress (CIP) of NOK 14.7m (39.7m). The net CIP corresponds to the amount of profit accrued, but not invoiced to the customer, and shows the group's net financing of ongoing projects.

In Retrofit projects, the Company receives payments after meeting certain milestones. Although the milestones are setup to enable a positive net cash flow on the projects, a delay in the projects can strain liquidity.

### Estimation risk

The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The uncertainty is highest for projects related to the following factors:

- Total hours estimated
- Total estimated costs
- Technical complexity that may impact on the total costs

These estimates have a direct influence over the amount of revenue recognized.

### Working environment and personnel

The level of short-term absence in the group is insignificant, and was less than 2% in 2015.

The Group has a strong focus on HSE (Health, Security and Environment) and is subject to strict HSE-routines from its customers. No injuries or accidents causing material damages or personal injuries were reported during the year.

### Human resources, diversity and corporate responsibility

Scanship Holding ASA has a Board consisting of 4 persons, of which two are women and two are men.

The Group with subsidiaries has 48 employees whereas 9 are women and 39 are men.

The group is an organization with a diversified working environment in which

employment, promotions, responsibility and job enrichment are based on qualifications and abilities, and not on gender, age, race and political or religious views. The Company believes in equal opportunity for men and women in the workplace. Please see the separate guidelines for Corporate Social Responsibility that appears as a section of the Annual Report. The guidelines can also be found on the Group's website [www.scanship.no](http://www.scanship.no).

Please see the separate statement of Corporate Governance that appears as a section of the Annual Report. The statement can also be found on the Group's website [www.scanship.no](http://www.scanship.no).

### Environmental issues

The Group's activities are causing a minimum of pollution or waste that can be harmful to the environment. The Group's products are rather contributing in increased recycling and reduced pollution on a global scale.

### Future development

The Group is developing future-oriented technology among the best in the world regarding complete waste solutions, and is a leading supplier. The increased focus on environment from both new regulations and conscious consumers are helping to increase the demand for the Group's products.

Lysaker, 31. March, 2016



Tore Enger  
Chairman of the Board



Herman Marcussen  
Member of the Board



Susanne L. R. Schneider  
Member of the Board



Henrik Badin  
CEO



Brita Eilertsen  
Member of the Board



# Consolidated Financial Statement 2015

## Consolidated income statement

(NOK 1 000)	Note	2015	2014
Sales	4	200 293	145 631
<b>Total operating revenue</b>		<b>200 293</b>	<b>145 631</b>
Cost of goods sold	4,15	-136 370	-99 309
Employee expenses	5, 23	-28 135	-23 201
Other operating expenses	6, 22	-24 494	-18 713
<b>EBITDA before non-recurring items</b>		<b>11 295</b>	<b>4 409</b>
Non recurring Items		-	-2 363
<b>EBITDA</b>		<b>11 295</b>	<b>2 046</b>
Depreciation	17	-1 174	-781
Amortisation	18	-715	-202
Impairment	18	-794	-196
<b>Operating profit (EBIT)</b>		<b>8 612</b>	<b>867</b>
Finance income	19	6 371	9 666
Fair value change FX derivatives	19	1 101	-10 141
Finance costs	19	-9 068	-13 009
<b>Net financial items</b>		<b>-1 595</b>	<b>-13 484</b>
<b>Result before tax</b>		<b>7 016</b>	<b>-12 617</b>
Income tax expenses	16	-2 569	3 338
<b>Result for the year</b>		<b>4 447</b>	<b>-9 279</b>
<b>Attributable to:</b>			
Owners of the parent		4 447	-9 279
Non-controlling interest		-	-
Earnings per share (NOK 1 000 per share)			
- Basic	14	0,05	-0,13
- Diluted	14	0,05	-0,13

## Consolidated statement of comprehensive income

(NOK 1 000)	Note	2015	2014
Result for the year		4 447	-9 279
<b>Other comprehensive income:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		-	-
Exchange differences on translation of foreign operations		-114	563
Other comprehensive gain/loss to be reclassified to profit or loss in subsequent periods		-	-
Total other comprehensive income, net of tax		-114	563
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income for the year		4 333	-8 716
<b>Attributable to:</b>			
Owners of the parent		4 333	-8 716
Non-controlling interest		-	-

## Consolidated statement of financial position

(NOK 1 000)	Note	31.12.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	3 289	1 957
Intangible assets	18	24 246	18 889
<b>Total non-current assets</b>		<b>27 535</b>	<b>20 845</b>
<b>Current assets</b>			
Inventories	7	5 677	5 684
Trade receivables	8,12,15	61 185	32 577
Contracts in progress	4	42 354	75 064
Other receivables	9	12 202	5 258
Cash and cash equivalents	10	19 478	3 821
<b>Total current assets</b>		<b>140 895</b>	<b>122 404</b>
<b>Total assets</b>		<b>168 431</b>	<b>143 248</b>

## Consolidated statement of financial position (continued)

(NOK 1 000)	Note	31.12.2015	31.12.2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	9 551	9 551
Share premium		77 450	77 450
Translation differences		14	129
Retained earnings		-37 181	-42 016
Non - controlling interest		-	-
Equity attributable to owners of the parent		49 833	45 112
<b>Total equity</b>	26	49 833	45 112
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	16	3 611	1 695
Long term borrowings	12	683	-
Total non-current liabilities		4 293	1 694
<b>Current liabilities</b>			
Trade creditors		36 706	16 669
Contract accruals	4	27 668	35 379
Unrealised change fair value FX derivatives	19, 20, 21	9 434	10 536
Income tax payable	16	653	5
Bank overdraft	12	27 330	27 674
Other current liabilities	13, 15	12 512	6 179
Total current liabilities		114 303	96 441
<b>Total liabilities</b>		118 596	98 135
<b>Total equity and liabilities</b>		168 431	143 248

Tore Enger  
Chairman of the Board

Lysaker, 20. April, 2016

Herman Marcussen  
Member of the Board

Susanne L. R. Schneider  
Member of the Board

Henrik Badin  
CEO

Brita Eilertsen  
Member of the Board

## Consolidated statement of changes in equity

31.12.2015	Note	Share capital	Share premium	Other cap. Reserves	Translation differences	Retained earnings	Total	Non controlling-interest	Total Equity
(NOK 1 000)									
Equity at 1.1.2015		9 551	77 450	-	129	-	45 111	-	-
Result for the year		-	-	-	-	4 447	4 447	-	4 447
Other comprehensive income		-	-	-	-114	-4	-118	-	-118
Total comprehensive income		-	-	-	-114	4 443	4 329	-	4 329
Stock options	5	-	-	391	-	-	391	-	391
Equity at 31.12.2015		9 551	77 450	391	14	-37 572	49 833	-	49 833

31.12.2014	Note	Share capital	Share premium	Other cap. Reserves	Translation differences	Retained earnings	Total	Non controlling-interest	Total Equity
(NOK 1 000)									
Equity at 1.1.2014		202	-	-	-434	-21 127	-21 360	-	-21 360
Result for the year		-	-	-	-	-9 279	-9 279	-	-9 279
Other comprehensive income		-	-	-	563	-	563	-	563
Total comprehensive income		-	-	-	563	-9 279	-8 716	-	-8 716

Share capital increase from retained earnings	11	6 798	-	-	-	-6 798	-	-	-
Increase share capital paid in cash	11	2 551	77 450	-	-	-	80 001	-	80 001
Transaction costs net tax		-	-	-	-	-4 814	-4 814	-	-4 814
Equity at 31.12.2014		9 551	77 450	-	129	-42 016	45 111	-	45 111

## Consolidated cash flow statement

(NOK 1 000)	Note	2015	2014
<b>Cash flow from operating activities</b>			
Result before income tax		7 016	-12 617
Adjustments:			
Stock option		391	-
Income tax paid	16	-148	-667
Changes in work in progress	4	25 000	-9 547
Depreciation, amortisation and impairment	17	2 683	1 179
Changes in Fair value FX derivatives	19, 21	-1 101	3 422
Changes in inventories, trade receivables and trade creditors		-8 465	-23 605
Interest paid		-99	-
Changes in other accruals		-535	-2 525
<b>Net cash flow from operating activities</b>		<b>24 742</b>	<b>-44 360</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	17	-2 507	-1 164
Investment in intangible assets	18	-6 866	-8 724
<b>Net cash flow from investing activities</b>		<b>-9 373</b>	<b>-9 888</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuing stock		-	73 410
Proceeds from borrowings	12	683	-
Bank overdraft facility	12	253	13 384
Interest paid		-597	-
Repayment of loans	12	-52	-29 900
<b>Net cash flow from financing activities</b>		<b>287</b>	<b>56 894</b>
<b>Net change in cash and cash equivalents</b>		<b>15 655</b>	<b>2 646</b>
Cash and cash equivalents at 1.1.		3 822	1 177
<b>Cash and cash equivalents at 31.12.</b>		<b>19 478</b>	<b>3 823</b>
Non restricted cash, 31.12		18 242	2 691
Restricted cash, 31.12		1 236	1 132
<b>Cash 31.12</b>	<b>10</b>	<b>19 478</b>	<b>3 822</b>

# Notes to the Consolidated Financial Statement

## Scanship Holding Group

### Note 1 - General information

Scanship Holding ASA which is the parent company of the Scanship group (the Group) is a limited liability company incorporated and domiciled in Norway, with its Head Office at Lysaker Torg 12, 1366 Lysaker - Norway. Scanship Holding AS was incorporated as a new parent company of the Group during 2011. This reorganisation is further described in paragraph 2.2 below. The Group's business is manufacturing and supplying advanced systems for processing and cleaning drainage water, food waste, residual waste and biological mud to the maritime industry throughout the world. In addition, the Group offers chemical products used in the waste management systems, and provides service and operational assistance related to these products.

The financial statements were approved by the Company's board on 31 March 2016.

### Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### 2.1 Basis for preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

#### 2.2 Basis of consolidation

The Group's consolidated financial statements comprise Scanship Holding ASA and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. The financial statements

of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

#### Group reorganisation in 2011

Scanship Holding AS had been incorporated as the new parent company in the Group in 2011. This restructuring was accomplished through two transactions. First the shareholders in Scanship AS (the previous parent company in the Group) transferred approx. 82% of their shares in Scanship AS to Scanship Holding through a contribution in kind. Secondly, Scanship Holding acquired the remaining approx. 18% of the shares in Scanship AS by cash consideration. For the consolidated financial statement, this reorganisation was not assessed as a transaction, and the carrying amount of assets in liabilities that existed before this transaction has not been affected. The cash contribution for the shares in Scanship AS was treated as a distribution to shareholders.

#### 2.3 Foreign currency

Functional currency, presentation currency and consolidation:

The Group's presentation currency is Norwegian kroner (NOK). This is also the Parent company's functional currency. The functional currency for the subsidiaries are; Scanship AS: NOK, Scanship Americas Inc.: USD, Scanship Canada Inc.: CAD, Scanship Poland: PLN and CHX Maritime Inc.: USD. For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency, are translated into the presentation currency (NOK) at the rate applicable at the balance sheet date and their income statements are translated at the exchange rate prevailing at the date of transaction. As an approximation, average exchange rates for each quarter are applied in translating the income statements. If the exchange rates do not change much, an average rate for

the year is used. A shorter period is used if the exchange rate fluctuates much. Exchange differences are recognised in other comprehensive income.

#### Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### 2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. Depreciations are calculated on a straight line basis over the assets expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually, and where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Assessment is made at least once a year. The difference between the assets' carrying amount and its recoverable amount is recognised in the income statement as impairment.

#### 2.5 Intangible assets

Intangible assets acquired separately that have a finite useful life are carried at cost less accumulated amortisation and

any impairment charges. Amortisation is calculated on a straight line basis over the assets' expected useful life and adjusted for any impairment charges.

### ***Internally generated intangible assets***

Expenditures on research activities, undertaken with the prospects of gaining new technical knowledge and understanding, are recognised in profit or loss as incurred.

The Group is constantly working with activities to optimize the total cleaning systems. In 2010, the Group started a product development project which will have a significant contribution to the line of products the group offers. Development projects involve a plan or design for the production of new or substantially improved products and processes. The cost related to the project will be capitalised if the criteria for capitalisation is met. If costs for development shall be capitalised, the Group must demonstrate, amongst others, that the technical feasibility is available, that the Group has the intention to complete the asset and its ability to sell it. Capitalised development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. The intangible assets are amortised from the time it is available for use.

At each year end, the Group assess whether there is any indication that the asset may be impaired. If there is any indication of impairment, an impairment test is performed, and the assets or the cash generating unit's recoverable amount is calculated. Before the intangible asset is available for use, an impairment is performed each year. When the recoverable amount is less than the carrying amount, an impairment loss is recognised in the income statement.

The Company has in the period 2013 to 2015 received refundable tax credits ("Skattefunn"). This is recognised in the financial statement as a reduction of book value in the intangible assets and as a current receivable.

### **2.6 Inventories**

Inventories are stated at the lower of cost

and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **2.7 Trade receivables and other current receivables**

Trade receivables and other current receivables are initially recognised at fair value plus any transaction costs. The receivables are subsequently measured at amortised cost using the effective interest method, if the amortisation effect is material, less provision for impairment. Other current receivables include prepayments and receivables from related parties.

### **2.8 Cash and cash equivalents**

Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.9 Trade creditors**

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if the amortisation effect is material.

### **2.10 Taxes**

Income tax expense for the period comprises current tax expense and deferred tax expense.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that

are expected to apply when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The companies included in the consolidated financial statement are subject to income tax in the countries where they are domiciled.

### **2.11 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenues are reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

#### ***Sale of goods***

Revenue from the sale of goods is recognised in the income statement when the significant risk and rewards of ownership has been transferred to the buyer, usually once delivery has taken place. Sales of goods are not long-term construction contracts.

#### ***Sale of services***

Revenue from a contract to provide services as a stand alone service is recognised by reference to the labour hours delivered and direct expenses that have incurred.

### **Project sale (Construction contract)**

Revenues from the sale of services and long-term manufacturing projects are recognised under the percentage-of-completion method. The project sales consist of newbuilding and retrofit contracts.

The project sales are mainly deliverables to cruise vessels that are being built at ship yards. The contracts will typically have project duration from one to three years. The Company estimates the progress of these contracts with the number of hours spent on the projects. A construction contract consists of a design-phase (2-6 months), a procurement-phase (2-6 months), an installation phase (1-2 months) and a commission phase (1-2 months). The revenues will "typically" be recognized mainly in the design and procurement phase.

When the outcome cannot be reliably estimated, only revenues equalling the project costs incurred can be recognised as revenue.

Contract costs include costs that relate directly to the specific contract such as direct wages and direct materials. Pre-contract costs are expensed unless it is probable that the Group receives a contract. Costs that cannot be attributed to contract activity are expensed. Contract revenue includes the agreed amount under the contract, adjusted for any changes or additional work related to the contract. For most of its contracts, the Group provides a guarantee for a specific period, and the customers are not required to pay a certain percentage of the total contract amount until the end of the guarantee period. The Group does not recognise the revenue from the guarantee before the expiration of the guarantee period.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

An expected loss on a construction contract will be recognized as an expense as soon as such loss is probable.

"Contracts in progress" reported in the balance sheet represents the gross value of construction work performed less payment by customers. If payments from customers exceed the net amount earned, this is presented under "Contract accruals".

### **2.12 Derivative financial instruments that are not hedging instruments**

Derivative financial instruments that are not classified as hedging instruments are categorised as held for trading, i.e. they are classified in category at fair value through profit or loss. These instruments are measured at fair value with changes in fair value charged to the income statement. The Group does not apply hedge accounting. All derivatives are measured at fair value with changes in fair value charged to the income statement.

### **2.13 Pension plans**

The Group has a defined contribution plan for its employees. The Group's payments are recognised in the income statement as employee benefits expense for the year to which the contribution applies.

### **2.14 Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

### **2.15 Leases (as lessee)**

#### **Financial leases**

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value

of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

### **Operating leases**

All leases that are not classified as financial leases are classified as operating leases. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

### **2.16 Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 5.

### **2.16 Contingent liabilities**

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

### **2.17 Earnings per Share**

The calculation of basic earnings per share is based on the profit attributable to ordinary shares using the weighted average number of ordinary shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but gives at the same time effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:

- The profit/loss for the period attributable to ordinary shares is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.
- The weighted average number of ordinary shares is increased by the weighted average number of additional

ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary.

## 2.18 Reserves

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency, is recognised directly in other comprehensive income, and presented as "translation differences" in the statement of changes in equity.

## 2.19 Cost of equity transactions

Transaction costs directly attributable to an equity transaction are recognised directly in equity, net after deducting tax.

## 2.20 Cash flow statement

The cash flow statement is prepared by using the indirect method.

## 2.21 Events after the balance sheet date

The financial statements are adjusted to reflect events after the balance sheet date that provides evidence of conditions that existed at the date of the balance sheet (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the date of the balance sheet (non-adjusting events). Non-adjusting events are disclosed if significant.

## 2.22 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1.1.2015. The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.

The nature and the effect of these changes did not have a material impact on the annual consolidated financial statements of the Group.

## 2.23 Standards issued but not yet effective

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below.

The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

## IAS 1 – Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its Disclosure Initiative. The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. These amendments are effective for annual periods beginning on or after 1.1.2016, with early adoption permitted.

These amendments are not expected to have any impact on the Group.

## IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective prospectively for annual periods beginning on or after 1.1.2016, with early adoption permitted.

These amendments are not expected to have any impact on the Group.

## IAS 19 – Employee Benefits

The amendments introduce the option to recognise contributions from employees or third parties as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period.

## IAS 27 Separate Financial Statements

The objective of these amendments is to restore the option (which was removed in 2003) to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39)
- Or
- Using the equity method

The entity must apply the same accounting for each category of investments.

As a consequence IFRS 1 was amended to allow a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

## Amendment to IFRS 2: Definitions relating to vesting conditions

Performance condition and service condition are defined in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

These amendments are not expected to have any impact on the Group.

## Annual Improvements to IFRSs (2010 – 2012) - Amendment to IFRS 8:

### Aggregation of operating segments

Operating segments may be combined/aggregated if aggregation is consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are

combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

These amendments are not expected to have any impact on the Group

### **IFRS 9 – Financial Instruments**

IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1.1.2018, with early application permitted, however the standard is not yet endorsed by the EU.

These amendments are not expected to have a material on the Group.

### **IFRS 11 – Joint arrangements**

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

### **IFRS 15 – Revenue from contracts with customers**

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15 Revenue from Contracts with Customers. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property,

plant and equipment). IFRS 15 is effective for annual periods beginning on or after 1.1.2018, however the standard is not yet endorsed by the EU. The Group is still in process of assessing the impact of the standard.

### **IFRS 16 – Leases**

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 is effective for annual periods beginning on or after 1.1.2019, however the standard is not yet endorsed by the EU. The Group is still in process of assessing the impact of the standard.

Other standards issued but not yet effective are assessed to not be relevant for the Group based on the Groups current financial position, performance, and/or disclosures.

### **Note 3 - Critical accounting estimates and assumptions**

The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an on-going basis. Estimates and assumptions which represent a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next

financial year, are presented below.

### **Revenue recognition for contracts under the percentage of completion method:**

Revenue is recognised based on estimated progress under the contracts. Several estimates have to be made to calculate the stage of completion. These estimates have a direct influence on the amount of revenue that has been recognised. The uncertainty is highest to these factors:

Project sales:

- Total hours estimated
- Total estimated costs
- Percentage of completion estimates

Projects are reviewed periodically to reduce the risk of material deviations in the estimates.

### **Intangible assets**

At each year-end the Group assesses whether there is any indication that the asset may be impaired. To estimate the recoverable amount, the CTO prepares a discounted cash flow analysis for each intangible asset which is under development. The cash flow analysis contains the expected increase in revenue and the expected cost of developing the asset. This cash flow is discounted and the discounted value is compared with the booked value.

The uncertainty is highest to the following estimates:

- Expected increase in revenue
- Expected total cost to complete the development of the intangible asset
- Expected date of completion of the intangible asset



## Note 4 - Segments, Sales and contracts in progress

All amounts in NOK 1 000

The majority of the revenue is generated through project sales and aftersales delivered to vessels. Transactions between units is 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.

1.1. - 31.12.2015	Projects	Aftersales	Admin & other	Elimination	Total
Revenue 1)	131 725	81 289	-	-12 721	200 293
<b>Total revenue</b>	<b>131 725</b>	<b>81 289</b>	<b>-</b>	<b>-12 721</b>	<b>200 293</b>
Cost of sales	-96 333	-51 978	-	11 941	-136 370
Employee expenses	-18 315	-8 289	-932	-599	-28 135
Other Operating expenses	-12 001	-11 563	-1 710	780	-24 494
<b>EBITDA</b>	<b>5 076</b>	<b>9 459</b>	<b>-2 642</b>	<b>-599</b>	<b>11 295</b>
Depriciation and amortisation	-1 399	-489	-	-	-1 889
Impairment	-794	-	-	-	-794
<b>OPERATING PROFIT</b>	<b>2 883</b>	<b>8 750</b>	<b>-2 642</b>	<b>-599</b>	<b>8 612</b>
Net Contracts in progress	14 686	-	-	-	14 686
Total assets 2)	161 328	21 157	119 377	-133 431	168 431
Investments in non-current assets	6 866	-	-	-	6 866

1) In the segment of "Projects" the revenue is basically from five approximately equalized customers. There are no significant customers in the segment of "Aftersale".

2) Elimination includes NOK -99m as value of the shares in the subsidiaries.

A geographic area can not be determined as deliveries are made to vessels in international trade.

#### Note 4 - Segments, Sales and contracts in progress (continued)

1.1. - 31.12.2014	Projects	Aftersales	Admin & other	Elimination	Total
Revenue 1)	106 768	49 039	123	-10 299	145 631
<b>Total revenue</b>	<b>106 767</b>	<b>49 040</b>	<b>123</b>	<b>-10 299</b>	<b>145 631</b>
Cost of sales	-75 489	-33 508	-	9 689	-99 309
Employee expenses	-18 093	-4 536	-573	-	-23 201
Other Operating expenses	-13 266	-5 375	-676	603	-18 714
<b>EBITDA before non-recurring items</b>	<b>559</b>	<b>4 659</b>	<b>-1 160</b>	<b>-</b>	<b>4 407</b>
Non- recurring items	-	-	-2 363	-	-2 363
<b>EBITDA</b>	<b>559</b>	<b>4 659</b>	<b>-3 521</b>	<b>-</b>	<b>2 044</b>
Depreciation and amortisation	-1 016	-174	-	-	-1 179
<b>OPERATING PROFIT</b>	<b>-457</b>	<b>4 485</b>	<b>-3 521</b>	<b>-</b>	<b>865</b>
Net Contracts in progress	39 685	-	-	-	39 685
Total assets 2)	128 799	11 660	246 965	-244 339	143 085
Investments in non-current assets	7 754	-	-	-	7 754

1) In the segment of "Projects" the revenue is basically from five approximately equalized customers. There are no significant customers in the segment of "Aftersale".

2) Elimination includes NOK -222m as value of the shares in the subsidiaries.

A geographic area can not be determined as deliveries are made to vessels in international trade.

#### Note 4 - Segments, Sales and contracts in progress (continued)

Amounts in NOK 1 000	2015	2014
Revenue from Projects	131 725	106 768
Revenue from Aftersales	68 568	38 863
Sales	200 293	145 630

#### Revenue from Projects

##### All contracts:

The table below shows the revenue from ongoing projects as recognised in the "Consolidated Income Statement" in 2015 and 2014.

Amounts in NOK 1 000	2015	2014
Total construction contract revenue recognised as revenue	131 725	106 768

##### Contracts in progress:

The table below shows the total accumulated revenue and costs incurred from ongoing contracts recognised in the "Consolidated Financial Statement" since the contracts were started.

Amounts in NOK 1 000	2015	2014
Acc. construction contract revenue recognised	323 378	277 384
Acc. related costs incurred	218 284	190 640
Acc. recognised profit or loss on contracts in progress	105 094	86 744

##### Recognised and included in the financial statements as amount due:

Amounts in NOK 1 000	2015	2014
Due from customers for contract work	42 354	75 064
Due to suppliers for contract work	-27 668	-35 379
Net work in progress	14 686	39 685

The Company has no contracts where the total amount of prepayment is higher than the total amount of incurred costs and recognised margin. None of the ongoing contracts are onerous contracts.

## Note 5 - Employee expense, remuneration to management and board of directors and share option plan

Amounts in NOK 1 000	2015	2014
Salaries	35 942	29 184
Social security tax	3 509	3 594
Pension costs	1 404	1 346
Other benefits	311	580
Option Program	391	-
<b>Total employee expenses</b>	<b>41 166</b>	<b>34 705</b>
Employee expenses recognised within cost of goods sold	-13 031	-11 504
<b>Total costs recognised as employee expenses</b>	<b>28 135</b>	<b>23 201</b>
Average number of employees	54	50

### Remuneration to management and board of directors in 2015:

Amounts in NOK 1 000	Salaries	Pension	Other 1)	Total
CEO	1 768	66	290	2 124
CFO	1 403	66	143	1 612
CTO	1 355	66	112	1 533
COO	944	66	21	1 031
MD Scanship Americas INC	1 517	-	82	1 600
Board of directors 2)	817	-	684	1 501
<b>Total</b>	<b>6 287</b>	<b>264</b>	<b>1 333</b>	<b>9 401</b>

Management and board of directors have no agreements covering severance payment or bonus. No loans have been granted or guarantees pledged to management or Board of directors. One member of the management has a share based option plan. See further information below.

1) Includes: company car if applicable, insurances, electronic communication, etc.

2) Includes: fee invoiced by TECO Group AS for working chairman services of NOK 0.7m.

### Remuneration to management and board of directors in 2014:

Amounts in NOK 1 000	Salaries	Pension	Other 2)	Total
CEO	1 752	66	302	2 120
CFO 1)	375	16	63	454
CFO (former, 1.1-30.09)	1 244	49	146	1 439
CTO	1 346	66	114	1 526
MD Scanship Americas INC	1 184	-	64	1 248
Board of directors 3)	573	-	689	1 271
<b>Total</b>	<b>5 290</b>	<b>197</b>	<b>1 387</b>	<b>8 058</b>

Management and board of directors have no agreements covering severance payment, share based payments or bonus. No loans have been granted or guarantees pledged to management or Board of directors.

1) New CFO was appointed in Oct. 2014. The remuneration to the CFO is for the period Oct. to Dec.

2) Includes: company car if applicable, insurances, electronic communication, etc.

3) Includes: fee invoiced by TECO Maritime Group AS for working chairman services of NOK 0.7m.

## Note 5 - Employee expense, remuneration to management and board of directors and share option plan (continued)

### Option program

The Company has a share option program covering certain employees in senior positions. As of 31.12.2015, six employees were included in the option programme. The option vests yearly over 3 years. The fair value of options granted in 2015 was NOK 0.00 per option. The share option programme liability is NOK 0.1m as of 31.12.15

### Method of settlement:

Options that have been exercised shall, in the discretion of the Company, be settled by either:

- (i) the issuance by the Company of new shares to the Option Holder,
- (ii) the sale by the Company of treasury shares to the Option Holder; or
- (iii) the transfer to the Option Holder of a NOK amount for each exercised Option equal to the market price of the shares in the Company less the Exercise Price.

### Vesting requirements:

The Options granted shall vest with 1/3 on the first anniversary of the grant date (i.e. 31.03.2015), 1/3 on the second anniversary of the grant date (i.e. 31.03.2016) and 1/3 on the third anniversary of the grant date (i.e. 31.03.2017). Options held by an Option Holder do only vest if the Option Holder at the vesting date is employed by a company in the Group and the employment is not in a notice period. Any Option not exercised on or prior to 31.03.2019 shall terminate without any compensation being payable to the Option Holder.

### Overview of outstanding options:

	2015	2014
Outstanding options 1.1	870 000	-
Options granted	300 000	1 470 000
Options forfeited	-150 000	-600 000
Options exercised	-	-
Options expired	-	-
Outstanding options 31.12	1 020 000	870 000
Of which exercisable	240 000	-

### The outstanding options are subject to the following conditions:

Expiry date	Average strike price	Number of share options
2019	3,20	1 020 000

The fair value of the options has been calculated using Black & Scholes option-pricing model. The average fair value of the options granted in 2015 is NOK 0.00.

The calculations are based on the following assumptions: Share price on the grant date. The share price is set to the stock exchange price on the grant date. The strike price per option. The strike price is the share price on the grant date.

Volatility: It is assumed that historic volatility of comparable shares is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equals a volatility of 27.8%.

The term of the option: It is assumed that 100% of the employees will exercise the options once they are exercisable. The options are expected to have a term of 1-3 years.

Dividend: The estimated dividend per share is NOK 0 per annum.

Risk-free interest rate: The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option.

## Note 6 - Other operating expenses and remuneration to auditor

Other operating expenses include:

Amounts in NOK 1 000	2015	2014
Travelling expenses	3 716	3 436
Lease expenses 1)	5 035	4 329
Consultants and other fees 1)	8 028	3 499
Other office expenses	3 107	3 637
Other expenses	4 608	3 812
<b>Total</b>	<b>24 494</b>	<b>18 713</b>

1) Some services purchased from related parties, see note 15.

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2015	2014
Statutory audits	580	530
Other assurance services	-	-
Tax consultancy	644	117
Other services	-	-
<b>Total</b>	<b>1 224</b>	<b>647</b>

## Note 7 - Inventories

Inventories include:

Amounts in NOK 1 000	31.12.2015	31.12.2014
Cost of goods (at cost)1)	5 677	5 684
<b>Total inventories at the lower of cost and net realisable value</b>	<b>5 677</b>	<b>5 684</b>

1) Inventory is used both for input in construction contracts (raw materials) and for separate sales.

## Note 8 - Trade receivables

Amounts in NOK 1 000	31.12.2015	31.12.2014
<b>Gross trade receivables</b>	<b>61 185</b>	<b>32 577</b>

Trade receivables are non-interest bearing debt and are generally on 30-90 day terms. The Group has no loss on trade receivables either in 2014 or 2015. It is considered that there is no impairment on trade receivables in 2014 or 2015. The management has close contact and good knowledge of all the customers. They have gone through all the trade receivables and made an individual judgement of impairment needed. As of 31.12., the aging analysis of trade receivables is as follows:

Amounts in NOK 1 000	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	0-60 days	61-90 days	> 90 days
31.12.2015	61 185	35 540	14 072	2 427	1 556	7 589
31.12.2014	32 577	14 853	9 914	4 088	3 030	693

There are no disputes of the total amounts past due 60 days. NOK 6.8m of overdue >90 days has been paid in January 2016.

## Note 9 - Other receivables

### Other receivables include:

Amounts in NOK 1 000	31.12.2015	31.12.2014
VAT receivable	8 595	2 312
Prepaid expenses and other items	1 787	1 567
Receivables "Skattefunn"	843	970
Receivables related parties	213	220
Other items	765	188
<b>Total</b>	<b>12 202</b>	<b>5 258</b>

VAT receivables as of 31.12.2015 include a provision of NOK 5.1m related to German output VAT. During 2015 Scanship AS was registered in the German VAT register and all transactions for the years 2012-2015 liable for German VAT were restated. The VAT amount is payable in 1Q16 and will be claimed from the customers. The VAT amount payable is booked under Other short term liabilities, see note 13.

## Note 10 - Cash and cash equivalents

Amounts in NOK 1 000	31.12.2015	31.12.2014
Bank deposits	19 478	3 821
<b>Total cash and cash equivalents</b>	<b>19 478</b>	<b>3 821</b>

Of this: Restricted cash for withheld taxes from employee salaries	1 236	1 132
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## Note 11 - Share capital and shareholder information

Amounts in NOK 1 000	31.12.2015	31.12.2014
Number of outstanding shares at 1.1.	95 505 525	2 400
Number of outstanding shares at 31.12.	95 505 525	95 505 525
Nominal value NOK per share at 31.12.	0,10	0,10
Share capital NOK at 31.12.	9 550 552	9 550 552

Scanship Holding ASA has one class of shares with equal rights of all shares.

In Q2 2014 the Board decided to raise share capital by approx. NOK 6.8m, transferred from other equity. The stock issue in relation to the conducted IPO and listing on Oslo Stock Exchange (Axess) in April 2014, raised share capital with another NOK 2.5m. Following the share capital increases the share capital amounts to NOK 9.5m.

### Largest shareholders of Scanship Holding ASA > 1% : 31.12.15

Name	Number	% Share
TECO GROUP AS	35 000 000	36,6%
BADIN INVEST LIMITED	10 500 000	11,0%
DALER INN LIMITED	10 500 000	11,0%
EXPROCO LIMITED	10 500 000	11,0%
PERSHING LLC	3 500 000	3,7%
GOLDMAN SACHS INTERNATIONAL EQUITY	3 133 666	3,3%
SKANDINAVISKA ENSKILDA BANKEN AB	2 732 500	2,9%
BERGEN KOMMUNALE PENSJONSKASSE	2 000 000	2,1%
CACEIS BANK LUXEMBOURG	1 803 989	1,9%
TRETHOM AS	1 733 333	1,8%
FONDSAVANSE AS	1 562 500	1,6%
FLU AS	1 000 000	1,0%
MP PENSJON PK	1 000 000	1,0%
VERDIPAPIRFONDET DNB SMB	1 000 000	1,0%
<b>Total</b>	<b>83 965 988</b>	<b>87,9%</b>

### Number of shares owned by management and Board of directors:

	Number of shares in Name	% Share
Henrik Badin (CEO)	10 500 000	11,0%
Asgeir Wien (CTO )	10 500 000	11,0%
Bettina Nowak (MD Scanship Americas Inc)	3 133 666	3,3%
Christian Fr. Thyholdt (CFO) 1)	3 430 000	3,6%
Per Stensli (COO)	26 696	0,0%
Tore Enger (Chairman) 2)	27 440 000	28,7%
<b>Total</b>	<b>55 030 362</b>	<b>57,6%</b>

1) Christian Fr. Thyholdt has indirect ownership through his 9.8% ownership in TECO Group AS.

2) Tore Enger has indirect ownership through his 78.4% ownership in TECO Group AS.

## Note 12 - Borrowings

Amounts in NOK 1 000	31.12.2015	31.12.2014
Bank overdraft facility	27 330	27 674
Other long term debt	683	-
Balance 31.12.	28 013	27 674

### Covenants

The overdraft facility has the following financial covenants in Scanship AS:

- Minimum equity ratio of 8% of the yearly gross sales. Equity ratio was 18% at 31.12.2015
- Minimum equity and/or subordinate loan of NOK 20m. Equity was NOK 28.8m at 31.12.2015
- Any additional borrowing must be pre-approved by DnB ASA.
- The utilisation of the bank overdraft facility is lower than 50% of receivables and contracts in progress combined. Utilisation at 31.12.2015 was 32%.

The Group is not in breach with the covenants as of 31.12.2015.

### Mortgages

#### Book value of assets securing the bank loan and overdraft facility:

Amounts in NOK 1 000	31.12.2015	31.12.2014
Property plant and equipment	3 289	1 957
Inventory	5 677	5 684
Trade receivables	61 185	32 577
Total value of assets pledged:	70 151	40 218

## Note 13 - Other current liabilities

Amounts in NOK 1 000	31.12.2015	31.12.2014
Public duties payable	7 344	2 079
Other payables and accruals for incurred costs	5 160	4 100
Total	12 504	6 179

Public duties payable as of 31.12.2015 includes a provision of NOK 5.1m related to German VAT for the years 2012-2015 to be paid in 1Q16. See note 9.

## Note 14 - Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on exercise of the share options into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2015	2014
Profit for the year (NOK 1 000)	4 447	-9 279
Weighted average number of shares outstanding	94 560 525	71 260 245
Earnings per share (NOK per share):		
- Basic	0.05	-0.13
- Diluted	0.05	-0.13



## Note 15 - Related party disclosures

The Consolidated Financial Statement is prepared for Scanship Holding ASA as is the ultimate parent. Scanship Holding ASA is the owner, direct or indirect, of the 100% shares of Scanship AS, Scanship Americas Inc. and Scanship Canada Inc. The other companies in the table below are owned by TECO Group AS, as is the owner of 36.6% of the shares in Scanship Holding ASA.

### (a) Purchases of services:

Amounts in NOK 1 000

By	Purchase of services from	Description of services	2015	2014
Scanship AS	TECO Solutions AS	Management/Consultancy	29	22
Scanship AS	TECO Maritime Group AS 1)	Management/Consultancy	26	859
Scanship AS	TECO Group AS 1)	Management/Consultancy	684	-
Scanship AS	TECO Maritime Poland	Management/Consultancy	-	112
Scanship AS	TECO Coating Poland sp.z o.o	Management/Consultancy	-	166
Scanship AS	Nordic Made AS	Project Services	72	1 533
Scanship AS	Nordic Made Inc.	Goods	-	40
Scanship AS	Nedre Langgate 19 AS	Office Rental	1 245	979
Scanship AS	3D Scanning AS	Project Services	70	-
Scanship Americas Inc.	Nordic Made Inc.	Project Services	22	-

1) The services purchased include working chairman.

### (b) Balance with related parties:

Amounts in NOK 1 000

Assets in	Assets	31.12.2015	31.12.2014
Scanship Holding ASA	Short term receivable from M.Rasmussen (CEO in Nordic Made)	24	24
Scanship AS	Receivables TECO Management AS	89	90
Scanship AS	Receivables TECO Maritime Group AS	45	46
Scanship AS	Receivables TECO Solutions AS	134	164
Scanship AS	Receivables TECO Middle East LLC	10	10
Scanship AS	Receivables TECO Electronics AS	68	89
Scanship AS	Receivables TECO Maritime Benelux BV	5	5
Scanship AS	Receivables TECO Group AS	42	51
Scanship AS	Receivables 3D Scanning AS	9	70
Scanship AS	Receivables Nordic Made AS	-	61
Scanship AS	Receivables Nedre Langgate 19 AS	-	55
Scanship Americas Inc.	Receivables Nordic Made Inc.	13	204
Scanship Americas Inc.	Receivables Nordic Made AS	64	-
Scanship Americas Inc.	Receivables 3D Scanning AS	65	-
Scanship Americas Inc.	Receivables 3D Scanning Inc.	179	-
Scanship Americas Inc.	Receivables TECO Group AS	18	-
Scanship Americas Inc.	Receivables TECO Solutions AS	10	-
Scanship Canada Inc.	Receivables Nordic Made AS	22	16
Total receivables from related parties		797	869

## Note 15 - Related party disclosures (continued)

Liabilities in	Liabilities	31.12.2015	31.12.2014
Scanship AS	TECO Maritime Group AS	-	61
Scanship AS	Nedre Langgate 19 AS	329	-
Scanship AS	Nordic Made AS	39	-
Scanship AS	3D Scanning AS	19	-
Scanship Americas Inc.	TECO Maritime Group AS	12	-
Scanship Americas Inc.	Nordic Made Inc.	300	101
<b>Total liabilities to related parties</b>		<b>699</b>	<b>163</b>

Neither receivables, nor liabilities toward related parties are interest bearing.

### (c) Overview of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Date of acquisition/ Incorporation	Country of incorporation	% equity and voting share
Scanship Americas Inc.	01.12.2008	USA	100%
Scanship Canada Inc.	14.07.2011	Canada	100%
Scanship AS 1)	01.03.2007	Norway	100%
Scanship Poland Sp z o.o.	12.08.2014	Poland	100%
Scanship Italy s.r.l. 2)	17.05.2015	Italy	100%
CHX Maritime Inc. 3)	06.07.2015	USA	70%

1) As further described in note 2.2, Scanship AS was the parent company in the Scanship Group before Scanship Holding ASA in 2011 was established as the new parent company of the Group.

2) Scanship Italy is a subsidiary of Scanship Americas Inc.

3) The Company's main objective is to develop an exhaust gas management system.

### (d) Remuneration to management and Board of directors

See note 5.

## Note 16 - Tax

### Specification of income tax:

Amounts in NOK 1 000	2015	2014
Income tax payable	653	5
Change in deferred tax	1 916	-3 343
Total income tax expenses	2 569	-3 338

### Specification of temporary differences and deferred tax:

Amounts in NOK 1 000	31.12.2015	31.12.2014
Property, plant and equipment	-4 688	-2 274
Construction contracts	105 094	57 793
Financial instruments and other receivables	-9 434	-10 536
Tax loss carryforward	-65 087	-26 280
Prepaid taxes "Korreksjonsskatt"	-14 146	-14 927
Total temporary differences	11 739	3 776
Not recognized tax loss carryforward	2 704	2 502
Total basis for deferred tax	14 444	6 278
Net deferred tax liability 25% (27%)	3 611	1 695

### Reconciliation of effective tax rate:

Amounts in NOK 1 000	2015	2014
Profit before income tax	7 016	-12 617
Expected income tax assessed at the tax rate for the parent company (27%)	1 894	3 407

### Adjusted for tax effect of the following items:

Permanent differences	45	-289
Effect of other tax rate in subsidiaries in the U.S and Canada	865	220
Effect of change of tax rate from 27% to 25%	-235	-
Total income tax expenses	2 569	3 338

## Note 17 - Property, plant and equipment

2015

Amounts in NOK 1 000 Office furniture and equipment

### Cost:

At 1.1.2015	5 916
Additions	2 507
Disposals	-
At 31.12.2015	8 423

### Depreciation and impairment:

At 1.1.2015	-3 959
Depreciation this year	-1 175
Impairment this year	-
Disposals	-
Effect of exchange differences	-
At 31.12.2015	-5 134
Carrying amount at 31.12.2015	3 289
Useful life	3-5 years
Depreciation method	linear

2014

Amounts in NOK 1 000 Office furniture and equipment

### Cost:

At 1.1.2014	4 752
Additions	1 164
Disposals	-
Effect of exchange differences	-
At 31.12.2014	5 916

### Depreciation and impairment:

At 1.1.2014	-3 178
Depreciation this year	-781
Impairment this year	-
Disposals	-
Effect of exchange differences	-
At 31.12.2014	-3 959
Carrying amount at 31.12.2014	1 957
Useful life	3-5 years
Depreciation method	linear

## Note 18 - Intangible assets

### 2015

Amounts in NOK 1 000	Development
<b>Cost:</b>	
At 1.1.2015 1)	19 287
Additions 2)	6 866
Disposals	-
At 31.12.2015	26 153
<b>Amortisation and impairment:</b>	
At 1.1.2015	-398
Amortisation 2)	-715
Impairment 3)	-794
Disposals	-
At 31.12.2015	-1 907
Carrying amount at 31.12.2015	24 246

1) This consists of 19 different projects developing waste to energy. Six projects were finalised during 2015. Funding from "Skattefunn" has reduced the total cost with NOK 3.3m.

2) Useful life is expected to be 3 to 15 years.

3) The Group decided in 2015 to terminate six different development projects in order to have a stronger focus on the remaining ongoing projects. The six projects terminated are in total impaired with an amount of NOK 0.8m, all charged to the operating segment for Projects. None of the projects has been part of any refund arrangements, such as e.g. "Skattefunn".

Additions consist of internally developed intangible assets and purchase of goods and services related to the internally developed intangible assets. No intangible assets are acquired through business combinations.

### 2014

Amounts in NOK 1 000	Development
<b>Cost:</b>	
At 1.1.2014 1)	12 503
Additions 2)	6 784
Disposals	-
At 31.12.14	19 287
<b>Depreciation and impairment:</b>	
At 1.1.2014	-
Amortisation	-202
Impairment	-196
Disposals	-
At 31.12.2014	-398
Carrying amount at 31.12.2014	18 889

1) This consists of 22 different projects developing waste to energy. Nine projects were finalised in 2014. Funding from "Skattefunn" has reduced the total cost with NOK 2.5m.

2) Useful life is expected to be 3 to 15 years.

Additions consist of internally developed intangible assets and purchase of goods and services related to the internally developed intangible assets. No intangible assets are acquired through business combinations.

## Note 19 - Finance income and costs

### Finance income:

Amounts in NOK 1 000	2015	2014
Interest income	10	392
Foreign exchange gain	6 361	9 274
<b>Total finance income</b>	<b>6 371</b>	<b>9 666</b>

### Finance costs:

Amounts in NOK 1 000	2015	2014
Interest expense	705	2 893
Foreign exchange loss	4 436	2 269
Loss on FX derivatives	3 923	7 767
Other financial costs	4	80
<b>Total finance costs</b>	<b>9 068</b>	<b>13 010</b>



## Note 20 - Financial instruments

### (a) Categories of financial instruments

Amounts in NOK 1 000	Category	31.12.2015	31.12.2014
Financial assets:			
Trade receivables	Loans and receivables	61 185	32 577
Other receivables 1)	Loans and receivables	1 056	1 190
Cash and cash equivalents	Loans and receivables	19 478	3 821
<b>Total financial assets</b>		<b>81 719</b>	<b>37 588</b>
Financial liabilities:			
Non-current borrowings	Financial liabilities measured at amortised cost	683	-
Financial instruments (derivates)	Financial liabilities measured at amortised cost	9 434	10 536
Trade creditors	Fair value through project and loss	36 706	16 669
Bank overdraft facility	Financial liabilities measured at amortised cost	27 330	27 674
Other current liabilities 2)	Financial liabilities measured at amortised cost	-	-
<b>Total financial liabilities</b>		<b>74 153</b>	<b>54 879</b>

All amounts in the table are booked values

1) VAT receivables and prepaid expenses are excluded since they are not defined as financial instruments. See note 9.

2) Accruals for incurred costs and Public duties payable are excluded since they are not defined as financial instruments. See note 13.

### (b) Fair value of financial instruments

The carrying amount of trade receivables, other receivables and cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors and other current liabilities are approximately equal to fair value since the effect of discounting is not significant. Fair value of the bank overdraft facility with DNB ASA is equal to the book value since a floating interest is agreed.

### (c) Financial risk

The most significant financial risks which affect the Group are listed below. The management performs a continuous evaluation of these risks and determines policies related to how these risks are to be handled within the Group.

#### Credit risk:

Carrying amounts of financial assets presented above represent the maximum credit exposure. The Group is mainly exposed to credit risk related to trade receivables. The customers are basically large cruise ship owners and shipyards in Europe with satisfactory credit history. The credit risk is mainly related to new building contracts where a few yards are counterpart. This is increasing the credit risk. However, due to the nature of new building financing the management considers the overall risk of loss on receivables to be relatively low. The Group has not provided any guarantees for third parties' liabilities.

See note 8 for information about the aging analysis of trade receivables.

## Note 20 - Financial instruments (continued)

### Liquidity risk:

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's reputation. If the level of income from the subsidiaries is not sufficient, loans from group companies can be used to enable the Company to pay financial liabilities as they fall due.

The Group has increased liquidity risk on Newbuild projects as the Company receives payments late in the projects. In Retrofit projects, the Company receives payments after meeting certain milestones. Although the milestones are setup to enable a positive net cashflow on the projects, a delay in the projects can increase the liquidity risk.

Amounts in NOK 1 000	0-6	6-12	1-5
31.12.2015	months	months	years
Payments on long term borrowings	52	52	521
Trade creditors	36 706	-	-
Bank overdraft facility	-	27 330	-
<b>Total</b>	<b>36 758</b>	<b>27 382</b>	<b>521</b>

### Foreign exchange rate risk:

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. Both in 2014 and in 2015 the Company entered into several derivative instruments to reduce the exchange rate risk in cash flows nominated in EUR, associated with the sale in EUR in connection with several construction contracts. See note 21 for information about these option contracts.

Costs are mainly in NOK, hence not secured.

1% change in the NOK/EUR exchange rate would have an effect of NOK 0.9m in revenue, and NOK 0.6m on result before tax.

### Interest rate risk:

The interest rate on the long term bank loan and the overdraft facilities are floating. Hence, the Group has an exposure to interest rate fluctuations. The Company does not have any interest rate derivatives.

A change in interest rate of 1% point would have an effect of NOK 0.2m on financial items.

### Capital Management

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

## Note 21 - Unrealised change fair value FX derivatives

Amounts in NOK 1 000	31.12.2015	31.12.2014
Forward exchange option contracts	-9 434	-10 536

The foreign currency options are mark to market, based on an external valuation provided by the contractual counterpart. The contracts are valued using option pricing techniques, which employ the use of various inputs including foreign exchange spot and forward rates, the time to maturity and volatility.

To some extent, the Company uses derivative contracts to reduce the currency exposure on sales in EUR. See note 20 for discussion of currency risk. The Group does not apply hedge accounting for its derivative contracts, hence the contracts are measured at fair value through profit and loss.

The Group has entered into several EUR FX European single barrier knock-in options to reduce currency risk as described above. An FX European single barrier knock-in option is an agreement giving the buyer (the holder) the right, but not the obligation, to buy (call) or sell (put) a given amount of one currency against another currency at a specified price (strike price) on a specified future date (expiry date), if and only if the underlying FX spot rate is trading at or beyond a specified barrier at the exact time of expiration of the option.

There are no initial transaction costs. At expiry the Group receives the fair value in cash if exercised. Contracts has a maturity until 2017. In total these contracts have a nominal amount of EUR 8.1m.

### Fair value measurements recognised in the statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Amounts in NOK 1 000		Level 1	Level 2	Level 3
Derivative financial assets/(liabilities)	31.12.2015	-	-9 434	-

The Company has signed derivatives of EUR 8.1m, where EUR 4.0m are due in 2016, EUR 4.1m are due in 2017.

## Note 22 - Leases

The Group has no financial leases.

The Group has entered into different operating leases for cars, office premises and other facilities, office furniture and office equipment. The major lease contracts are contracts with related parties. These contracts are further described in note 15.

The leases do not contain any restrictions on the Company's dividend policy or financing opportunities.

The lease costs consist of ordinary lease payments and include:

Amounts in NOK 1 000	2015	2014
Lease cars	760	851
Lease office premises and other facilities (inclusive joint costs)	3 599	3 143
Lease office furniture and equipment	676	293
<b>Total lease costs</b>	<b>5 035</b>	<b>4 287</b>

The future minimum rents related to non-cancellable leases fall due as follows:

Amounts in NOK 1 000	2015	2014
Within 1 year	3 252	3 295
1 to 5 years	9 024	5 631
After 5 years	-	820
<b>Total</b>	<b>12 276</b>	<b>9 747</b>



## Note 23 - Pension

The Company in the Group domiciled in Norway is required to have an occupational pension scheme in accordance with the Norwegian law of mandatory occupational pension (lov om obligatorisk tjenestepensjon). The Group's pension scheme fulfils the requirements of that law.

The Group's pension scheme covers all employees which are subject to these requirements. The scheme is based on a contribution plan.

The Group has no other pension arrangements.

Amounts in NOK 1 000	2015	2014
Service cost	1 404	914
Social security tax	293	61
Net pension costs	1 698	975

## Note 24 Contingent liabilities

### Contingent liabilities:

The Company has not received any claims nor is it involved in any disputes.

### Guarantees:

For late deliveries, Scanship can be liable to penalties according to contract.

All customer contracts for system deliveries include 1-2 years limited warranty against product failure.

## Note 25 Events after the reporting period

There has been no significant event after the end of the reporting period.

## Note 26 Going concern

### Equity

The consolidated Annual Accounts for 2015 show a positive equity of NOK 49.9m. The board assesses the equity to be sufficient.

### Liquidity

The Group has a positive working capital and the liquidity situation is sufficient to meet the growth for ongoing projects.

### Outlook

The market outlook for the industry is good and the Company has a good position in the market.



# Financial Statement 2015 – Parent Company

## Income statement

Amounts in NOK 1 000	Note	2015	2014
Sales		-	-
<b>Total operating revenue</b>		<b>-</b>	<b>-</b>
Employee expenses	4	-932	-573
Other operating expenses	4	-1 592	-677
<b>Operating profit (EBIT) before non-recurring items</b>		<b>-2 524</b>	<b>-1 250</b>
Non-recurring items		-	-2 361
<b>Operating profit (EBIT)</b>		<b>-2 524</b>	<b>-3 611</b>
Finance income		862	377
Finance expenses	6	-126 675	-1 846
Net financial items		-125 813	-1 470
<b>Result before tax</b>		<b>-128 337</b>	<b>-5 081</b>
Income tax (expense)/ income	5	41	1 372
<b>Result for the year</b>		<b>-128 296</b>	<b>-3 709</b>
<b>Earnings per share (NOK per share)</b>			
- Basic	12	-1,34	-0,05
- Diluted	12	-1,34	-0,05

## Statement of comprehensive income

Amounts in NOK 1 000	Note	2015	2014
<b>Result for the year</b>		<b>-128 296</b>	<b>-3 709</b>
<b>Other comprehensive income:</b>			
Total other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-128 296</b>	<b>-3 709</b>

## Statement of financial position

### ASSETS

Amounts in NOK 1 000	Note	31.12.2015	31.12.2014
<b>Non-current assets</b>			
Deferred tax asset	5	5 100	5 059
Investment in subsidiaries	6	99 326	226 000
<b>Total non-current assets</b>		<b>104 426</b>	<b>231 059</b>
<b>Current assets</b>			
Other receivables	7	93	76
Receivables intercompany	13	15 056	20 424
Cash and cash equivalents	8	56	405
<b>Total current assets</b>		<b>15 204</b>	<b>20 905</b>
<b>Total assets</b>		<b>119 630</b>	<b>251 965</b>

### EQUITY AND LIABILITIES

Amounts in NOK 1 000	Note	31.12.2015	31.12.2014
<b>Equity</b>			
Share capital	9	9 551	551
Share premium		177 912	177 912
Retained earnings		-68 084	59 440
<b>Total equity</b>		<b>119 378</b>	<b>246 902</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowing	10	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Current portion of long term borrowing	10, 13	-	-
Intercompany borrowings		-	5 000
Trade creditors		-	-
Trade payables		186	2
Income tax payable	5	-	-
Other short term liabilities	11	66	61
<b>Total current liabilities</b>		<b>252</b>	<b>5 062</b>
<b>Total liabilities</b>		<b>252</b>	<b>5 062</b>
<b>Total equity and liabilities</b>		<b>119 630</b>	<b>251 965</b>

## Cash flow statement

Amounts in NOK 1 000	Note	2015	2014
<b>Cash flow from operating activities</b>			
Result before income tax		-128 337	-5 081
<i>Adjustments:</i>			
Change in trade payables		185	-243
Impairment of investment in subsidiaries		126 674	-
Changes in other accruals		-11	-3 137
<b>Net cash flow from operating activities</b>		<b>-1 490</b>	<b>-8 461</b>
<b>Cash flow from investing activities</b>			
Purchase of shares in subsidiaries		-	-
<b>Net cash flow from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuing stock		-	73 410
Long term borrowing	10	-	-44 121
Proceeds from borrowings		369	-20 424
Repayments		772	-
<b>Net cash flow from financing activities</b>		<b>1 141</b>	<b>8 865</b>
<b>Net change in cash and cash equivalents</b>		<b>-349</b>	<b>403</b>
Cash and cash equivalents at 1.1		405	2
Cash and cash equivalents at 31.12	8	56	405
Non restricted cash, 31.12		-	377
Restricted cash, 31.12		56	29
<b>Cash, 31.12</b>		<b>56</b>	<b>405</b>

## Statement of changes in equity

2015

Amounts in NOK 1 000	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity at 31.12.2014	9 551	177 912	-	59 440	246 902
Correction UB 31.12.14	-	-	-	772	772
Equity at 1.1.2015	9 551	177 912	-	60 212	247 674
Result for the year	-	-	-	-128 296	-128 296
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-128 296	-128 296
Transaction costs	-	-	-	-	-
Equity at 31.12.2015	9 551	177 912	-	-68 084	119 377

The correction of UB 31.12.14 is related to intercompany finance income which was omitted in the 2014 annual report.

2014

Amounts in NOK 1 000	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity at 1.1.2014	202	100 462	-	74 759	175 422
Result for the year	-	-	-	-3 709	-3 709
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-3 709	-3 709
Share capital increase from retained earnings	6 798	-	-	-6 798	-
Increase share capital paid in cash	2 551	77 450	-	-	80 001
Transaction costs	-	-	-	-4 812	-4 812
Equity at 31.12.2014	9 551	177 912	-	59 440	246 902

## **Note 1 - General information**

Scanship Holding ASA is a limited company incorporated 11 April 2011 and is domiciled in Norway, with its Head Office at Lysaker Torg 12, 1366 Lysaker. The Company was established as a part of a restructuring in the Scanship Group in 2011, and currently the Company's only business is ownership of shares in Scanship AS.

The company's board approved the financial statements on 31 March 2016.

## **Note 2 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### **2.1 Basis for preparation**

The financial statements of Scanship Holding ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis.

### **2.2 Investment in subsidiaries**

Investment in subsidiaries is recognised at cost, less any necessary impairment. Impairment to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Impairments are reversed when the cause and basis of the initial impairment is no longer present.

### **2.3 Transactions in foreign currency**

The functional currency and the presentation of the Company is Norske Kroner (NOK). Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from

the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **2.4 Cash and cash equivalents**

Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.5 Trade receivables and trade creditors**

Trade receivables and trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if the amortisation effect is material.

### **2.6 Borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction/issue costs associated with the borrowing. After initial recognition, interests-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the consideration received net of transaction/issue costs associated with the borrowing and the redemption value, is recognised in the income statement over the term of the loan.

### **2.7 Taxes**

Income tax expense for the period comprises current tax expense and deferred tax expense. The company is subject to 27% income tax in accordance with the Norwegian company tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax

assets and liabilities are calculated based on the tax rates and tax legislation that are expected to apply when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

### **2.8 Cost of equity transactions**

Transaction costs directly attributable to an equity transaction are recognised directly in equity, net after deducting tax.

### **2.9 Cash flow statement**

The cash flow statement is prepared by using the indirect method.

### **2.10 Events after the balance sheet date**

The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

### **2.11 Changes in accounting policy and disclosures**

New and amended standards and interpretations that has been effective for accounting periods starting on 1 January 2016 does not have any impact on the Company's financial statements.

Information regarding new and amended standards and interpretations are provided

in note 3 of the consolidated financial statements.

### Note 3 - Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered

to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an on-going basis.

Estimates and assumptions which represent a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities relates mainly to the Company's investments in subsidiaries. The investment in subsidiaries is recognised at cost, less any necessary impairment. Each year the management apply judgement to assess if there are any indication that the carrying amount is higher than its recoverable amount. If there are any indications of impairment,

the management calculate the recoverable amount which implies assessments regarding future cash flows from its subsidiaries. These assessments require substantial judgements.

### Discretionary valuation of shares in subsidiaries

The Company has a material investment in a subsidiary that represent the main part of the operations of the Scanship Holding ASA Group. The share price on Oslo Axess per 31 December 2015 for Scanship Holding ASA is assumed to be best estimate of fair value of the subsidiary.



## Note 4 - Other operating expenses and remuneration

### Board remuneration:

Amounts in NOK 1 000	2015	2014
Board remuneration	817	502
Social tax, expenses	115	71
<b>Total</b>	<b>932</b>	<b>573</b>

### Other operating expenses include:

Amounts in NOK 1 000	2015	2014
Auditor remuneration	185	125
External consultants	344	-
Cost related to own shares	340	-
Other operating expenses	722	552
<b>Total</b>	<b>1 592</b>	<b>677</b>

### Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2015	2014
Statutory audits	155	125
Other assurance services	30	-
Tax consultancy	-	-
Other services	-	-
<b>Total</b>	<b>185</b>	<b>125</b>

## Note 5 - Tax

Amounts in NOK 1 000	2015	2014
Income tax payable	-	-
Change in deferred tax	-41	-1 372
Total income tax expense/(income)	-41	-1 372

### Specification of temporary differences and deferred tax:

Amounts in NOK 1 000	2015	2014
Tax loss carryforward	-20 400	-18 737
Total basis for deferred tax	-20 400	-18 737
Deferred tax asset (25% / 27%)	-5 100	-5 059

### Specification of temporary differences and deferred tax:

There are no temporary differences as of 31.12.2015 and as of 31.12.2014:

### Reconciliation of effective tax rate:

Amounts in NOK 1 000	2015	2014
Result before income tax	-128 337	-5 081
Expected income tax	-34 651	-1 372
<i>Adjusted for tax effect of the following items:</i>		
Effect of change in tax rate from 27% to 25%	407	-
Permanent differences	34 203	-
Total income tax expense/(income)	-41	-1 372

## Note 6 - Investment in subsidiaries

Amounts in NOK 1 000

Company	Country of incorporation	% equity and voting share	Equity at 31.12.2015	Result for the year 2015
Scanship AS 1)	Tønsberg, Norway	100%	28 657	5 840

Company	Country of incorporation	% equity and voting share	Equity at 31.12.2014	Result for the year 2014
Scanship AS 1)	Tønsberg, Norway	100%	22 425	-5 720

1) Scanship AS was incorporated in 2007, and was the parent company in the Scanship Group before Scanship Holding AS in 2011 was established as the new Holding company.

The shares in Scanship AS have been valued at the market value of Scanship Holding ASA (SSHIP) on Oslo Axess as of 31.12.2015. The share price for SSHIP at 31.12.2015 was NOK 1,04 per share, in total NOK 99,3m. The booked value of Scanship AS as of 31.12.2014 was NOK 226m.

## Note 7 Other receivables

Other receivables include:

Amounts in NOK 1 000	31.12.2015	31.12.2014
Receivables on M. Rasmussen 1)	24	24
Prepaid expenses and other items	69	52
Total	93	76

1) M. Rasmussen owns 20% of the shares in Nordic Made AS. The amount was paid in January 2016.

## Note 8 Cash and cash equivalents

Amounts in NOK 1 000	31.12.2015	31.12.2014
Bank deposits	56	405
Total cash and cash equivalents	56	405

Restricted cash at December 31.12.2014 is NOK 29k.

## Note 9 Share capital and shareholder information

See note 11 in the consolidated financial statements.

## Note 10 - Borrowings

Amounts in NOK 1 000	2015	2014
Non-current borrowing consists of liabilities to Scanship AS1)	-	-
Loan agreement to DnB	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

1) Scanship AS is a 100% owned subsidiary.  
Total loan to DnB, NOK 29.9m, was paid in 2014.

## Note 11 Other current liabilities

Amounts in NOK 1 000	31.12.2015	31.12.2014
Other payables and accruals for incurred costs	66	61
<b>Total</b>	<b>66</b>	<b>61</b>

## Note 12 - Earnings per share

	2015	2014
Profit for the year (NOK 1 000)	-128 296	-3 709
Weighted average number of shares outstanding	95 505 525	71 260 245
<b>Earnings per share (NOK per share):</b>		
- Basic	-1.34	-0.05
- Diluted	-1.34	-0.05

## Note 13 - Financial instruments

### (a) Categories of financial instruments

Amounts in NOK 1 000	Category	31.12.2015	31.12.2014
<b>Financial assets:</b>			
Other receivables	Loans and receivables	93	76
Receivables intercompany	Loans and receivables	15 056	20 424
Cash and cash equivalents	Loans and receivables	56	405
<b>Total financial assets</b>		<b>15 204</b>	<b>20 905</b>
<b>Financial liabilities:</b>			
Other current liabilities 1)	Financial liabilities at amortised cost	66	61
<b>Total financial liabilities</b>		<b>66</b>	<b>61</b>

1) Accruals for incurred costs are excluded since they are not defined as financial instruments.

### (b) Fair value of financial instruments

The carrying amount of other receivables, receivables intercompany and cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of other current liabilities is approximately equal to fair value since the effect of discounting is not significant.

### (c) Financial risk

The most significant financial risks which affect the Company are listed below. The management performs a continuous evaluation of these risks and determines policies related to how these risks are to be handled.

#### Credit risk:

Carrying amounts of financial assets presented above represents the maximum credit exposure. The credit risk related to cash and cash equivalents and other receivables is considered to be immaterial.

#### Liquidity risk:

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's reputation. If the level of income from the subsidiaries is not sufficient, loans from group companies can be used to enable the Company to pay financial liabilities as they fall due.

Amounts in NOK 1 000	0-6	6 - 12	1-5
31.12.2015	months	months	years
Other current liabilities	66	-	-
<b>Total</b>	<b>66</b>	<b>-</b>	<b>-</b>

See note 20 in the Consolidated Financial Statement for further information of the liquidity risk.

#### Foreign exchange rate risk:

The Company has no currency risk since all income and all major expenses are nominated in NOK.

## **Note 14 - Contingent liabilities**

### **Contingent liabilities:**

The Company has not been involved in any legal or financial disputes in 2015.

### **Guarantees:**

There are no guarantees issued at 31.12.2015.

## **Note 15 - Events after the reporting period**

There has not been any significant events after the end of the reporting period.

# Directors`Responsibility Statement 2015

We confirm to the best of our knowledge that the financial statements for the group and for the parent company for 2015 have been prepared in accordance with the applicable accounting standards, and that the information presented in the financial statements give a true and fair view of the company's and the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the Board of Directors' report gives a true and fair view of the development, performance and financial position of the company and Group, and includes a description of the principle risks and uncertainties.



Tore Enger  
Chairman of the Board

Lysaker, 20. April, 2016



Herman Marcussen  
Member of the Board



Susanne L. R. Schneider  
Member of the Board



Henrik Badin  
CEO



Brita Eilertsen  
Member of the Board



# Auditors report



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of  
Scanship Holding ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Scanship Holding ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2015, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.



### *Opinion*

In our opinion, the financial statements of Scanship Holding ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

### **Report on other legal and regulatory requirements**

#### *Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 20 April 2016  
ERNST & YOUNG AS

Asbjørn Rødal  
State Authorised Public Accountant (Norway)

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**SCANSHIP**  
*Sustainable Solutions*