

SCANSHIP HOLDING ASA

**ANNUAL
REPORT
2017**

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Board of Directors Report 2017



About Scanship

Scanship provides world leading solutions for cleaner oceans. The company is a cruise industry leader in advanced technologies for purifying wastewater and processing garbage and foodwaste. In recent years, Scanship has entered the Aquaculture industry with technology to prevent pollution to sea and to enable recirculation of valuable resources from fish production. In this report Scanship Holding ASA is termed “the Company” with its subsidiaries together “Scanship” or the “Group”.

Scanship is headquartered at Lysaker, Norway, and the Group has offices in Tønsberg (Norway), Davie in Florida (USA) and Gdynia (Poland). The company has warehouse facilities in Tønsberg and Davie.

Scanship’s main activities are R&D, sales & marketing, engineering, procurement, project management and service. Systems are either sold to shipyards for newbuild constructions or to ships in operations as retrofits. When the company is delivering to shipyards, the yard is installing with supervision from Scanship. When systems are delivered to shipowners on ships in operations, these are delivered from Scanship as “turn key”, where the company in addition will be responsible for installation. All systems

delivered from the company are commissioned by Scanship personnel undergoing full compliance testing. Production of Scanship systems is outsourced to subcontractors. The Group’s activities within the Aftersales segment includes sales of chemicals, spare parts and services within operational assistance, maintenance, and repairs. The company conducts similar delivery model in the Aquaculture market.

Scanship is a supplier to most of the major cruise line companies and has delivered its technology to more than 100 cruise ships equal to one third of the total cruise market. Two thirds of this installed base have been delivered to shipyards building new ships, while one third have been delivered as retrofit projects.

Today, there are more than 120 Scanship systems in operation onboard cruiseships, whereas half of this installed base are advanced wastewater purification systems, and the other half are garbage handling systems with incinerators and foodwaste treatment. The company has also recently delivered sludge treatment systems to three aquaculture projects in Norway, and previously delivered garbage handling equipment to two airports in Jamaica. Most of the installed based are being serviced frequently by Scanship.

Modern cruise ships generate substantial amount of wet and dry waste which needs to be properly treated. Scanship’s technology processes this into recyclables, clean flue gas and treated wastewater which meets the highest international effluent discharge standards.



31.10.2017 Keel Laying: Sir Richard Branson and Virgin Voyages CEO Tom McAlpin (right) together with Scanship’s Chairman Narve Reiten, CEO Henrik Badin and CDO Asgeir Wien.

2017 Highlights

Scanship experienced significant progress in many areas in 2017. These were among others high activity level on equipment deliveries to cruise newbuilds, all time high order intake and backlog buildup, strong growth in project revenues, and improved EBITDA level reaching 10%.

During the year, seven new cruise ships entered service equipped with Scanship systems. In the same period, the Company delivered its main equipment to European shipyards for ongoing constructions to nine newbuilds that will enter service the next two years. The Company also delivered equipment to one smolt facility in Norway.

In 2017, Scanship had an all-time high project order intake amounting to MNOK 384. These orders are for systems to be installed on thirteen cruise newbuilds, to aquaculture smolt facilities and on one aircraft carrier. Most of the contracts signed are for systems where all the Scanship subsystems are bundled together in a total clean ship configuration processing wastewater, garbage and foodwaste. Among the Scanship awards, there were highly prestigious wins such as the Virgin Voyages and Norwegian Cruise Line newbuilds with the Italian shipbuilding group Fincantieri. The Company also entered into contract with the Norwegian shipyards Vard for smaller cruise ships to be operated in the expedition segment of the industry. In the Aquaculture market, Scanship won a contract for the Sjøtroll smolt facility, to be the world's largest smolt facility measured by its capacity to produce smolt.

The order backlog at yearend was MNOK 469 compared to MNOK 250 at the end of 2016. The all-time high orderbook included systems supplies to 31 new cruise ships to enter service onwards until 2025.

Scanship did also enter into an important cooperation agreement with Virgin Voyages for the MAP Waste to Energy technology. The agreement was announced at a keel laying ceremony in Genova on the 31st of October, and press release about this cooperation were widely distributed by Virgin Voyages to media around the world.

In the Aquaculture market, Scanship signed a cooperation agreement with Skretting, Høst and IVAR to reuse the product from the Scanship process at Marin Harvest

as an additive for a fertilizer product. The agreement has no immediate commercial value, but positions the company as a key enabler for circular economy concepts in Aquaculture. Such concepts may enable growth and create opportunities for other revenue models. The company did also participate in a production license application together with Skretting, Seafarming Systems, Nutreco, Høst and IVAR for a concept on seabased fishfarming. On this application, Scanship would be the technology provider to separate out bio residues as dried sludge for reuse. In the event such production license will be granted, Scanship will deliver its equipment for filtration, dewatering and drying. The cooperation agreement and joint application process in the aquaculture market has been announced in several publications, and has given Scanship substantial publicity.

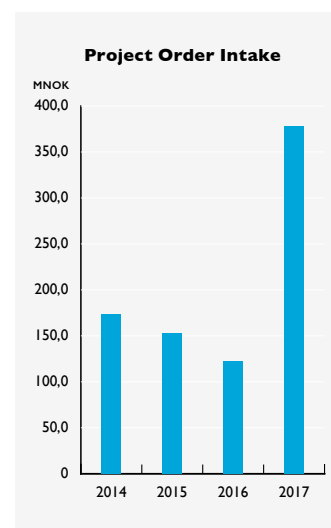
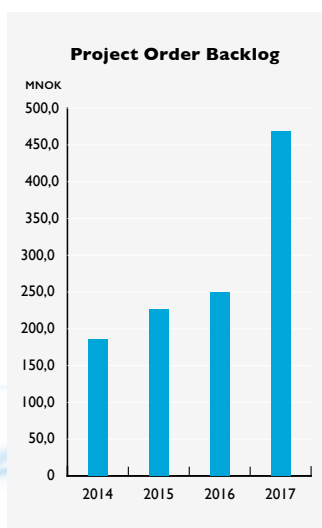
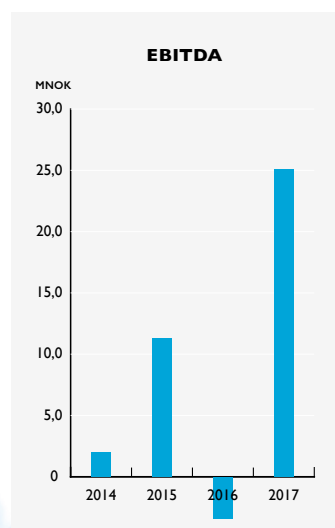
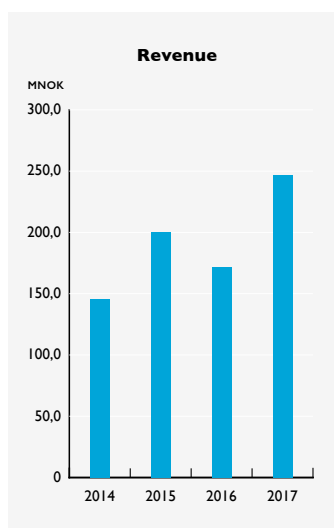
Product development and Innovation

Scanship's main development projects during 2017 have been Microwave Assisted Pyrolysis ("MAP") Waste to Energy and Software tool for improved P&ID construction (PID). The highest focus has been on the MAP development.

Scanship has invested MNOK 4.1 in 2017 on its product development activities compared to MNOK 5.9 in 2016, the difference primarily being related to the timing of equipment cost for the development projects.

Scanship has in 2017 a portfolio of five ongoing product development projects, which are included as intangible assets in the balance sheet. All of these projects are ongoing into 2018. One project was terminated during 2017 as the future value was assessed to be insignificant, and the activated intangible asset on this project was impaired with MNOK 0.2 in 2017. In addition, Scanship has worked on three development projects that, based on evaluation of commercial feasibility at this stage, have been recognised in profit and loss as incurred.

Intangible assets from product development activities were as of 31.12.17 MNOK 31.3 compared to MNOK 28.8 as of 31.12.16. A significant part of the product development cost consists of working hours performed by Scanship's own employees.



Going concern

At the end of 2017 the Company had a record-high order backlog of MNOK 469, up from MNOK 250 at the beginning of the year. After year-end 2017, new contracts have also been signed with a contract value of approximately MNOK 100. The order backlog consists of remaining revenue on ongoing projects and projects signed but not started. The cruise newbuilding market continues to grow at a significant pace. Underlying the high cruise newbuilding and tendering activity is a strong global cruise passenger growth, which has seen an annual growth rate of 7,2% from 1990 until today, and is foreseen by market participants to grow at the same or even higher rate in the years to come. The US is still important for the cruise passenger demand, but the customer base has become more diversified in recent years, with the APAC (Asia Pacific) and EMEA (Europe, Middle East, and Africa) regions growing significantly in recent years. The growth of the APAC and EMEA regions in relation to cruise passengers is expected to be particularly strong in the coming years.

In addition to the tendering in the mainstream cruise market, Scanship is experiencing larger tendering activity towards passenger ships in the expedition segment. Scanship has also signed two contracts within the aquaculture market, and are presently tendering for additional new contracts within this market. The aquaculture market for Scanship technology is expected to grow. This will be driven by an overall growth target for producing farmed fish worldwide and by the need to reduce the environmental impact. Only in Norway, the industry target is to increase farmed fish by 3-5 times over the next 20 years.

Scanship is also experiencing a higher tendering activity within AWP retrofit projects, and signed in March 2018 a retrofit contract with Norwegian Cruise Line Holdings to deliver and install a Scanship AWP system on their Insignia vessel operated under their Oceania Cruises brand. The retrofit market is believed to be driven by higher industry focus on wastewater treatment, shipowners implementing sustainability targets for their operations, and enforcement of new environmental regulations especially in the Baltic Sea.

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. See also the section on Market Outlook below.

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 2017 (2016) amounted to MNOK 247.0 (MNOK 171.6). The significant increase in the revenue level primarily relates to the Project segment. The increase in Project revenues are driven by high

activity, both related to engineering and planning of the new contracts awarded during the period, as well as by equipment deliveries and activity on the existing portfolio. The revenue from the Aftersales segment was relatively in line between 2016 and 2017, see also further details on the revenue development in note 4.

EBITDA (operating profit before depreciation) for the Group constituted MNOK 25.1 (MNOK – 3.4). The gross margin was increased from 28.0 % in 2016 to 30.7 % in 2017. The increase in gross margin follows efficiency improvements in both execution of the projects and the sales within the Aftersales segment. In addition, there was a write-down of part of the book value of inventory done in 2016, explaining part of the lower gross margin in that year.

The increase in revenue and gross profit level in 2017 has been achieved with a lower operating cost base in 2017 compared to 2016, giving a significant increase in the EBITDA margin to 10.2 %, from the negative 2 % in 2016.

The Group incurred non-recurring costs of MNOK 1.4, during the first six months of 2017, related to the strategic structured process that was announced in November 2016 and ended in April 2017.

Operating profit for the Group in 2017 (2016) was MNOK 21.9 (MNOK -5.8).

The Net financial items in 2017 was MNOK –4.0, compared to MNOK 0.7 in 2016, the difference primarily being related to net effect of F/X derivate contracts. The F/X contracts per 31.12.17 have a maturity date in 2018, and a negative value compared to market rate 31.12 of MNOK 1.5. The financial year 2016 included a positive revaluation of prior year effects of currency contracts. After tax cost, the Result for the year amounted to MNOK 12.6, compared to MNOK – 4.8 in 2016.

Following the improvements in the operating results, the net cash flow from operating activities was also significantly improved to MNOK 10.1 in 2017, compared to MNOK – 5.8 in 2016. The net change in cash for the year, following also the down-payments on the bank overdraft facility, was MNOK 2.0 in 2017, compared to MNOK – 16.0 in 2016.

The Group had booked value of total assets at MNOK 155.3 as of 31.12.17, compared to MNOK 125.6 per 31.12.16. The book value of equity was MNOK 57.9 as of 31.12.17 constituting an equity ratio of 37.3 %.

Parent company

In the parent company Scanship Holding ASA there is primarily administrative costs related to the Oslo Stock Exchange listing, audit and legal fees and board of director fees. The operating profit was recorded at MNOK – 3.9 in 2017 compared to MNOK – 2.6 in 2016. Included in the 2017 operating profit is a non-recurring cost of MNOK 1.1 related to the strategic structured process noted above.

In 2015 the finance costs included a write down of the fair value of the shares in Scanship AS with MNOK 126.7, due to lower market valuation of the Group at that time. Following the positive development in the share price of the Company on the Oslo Stock Exchange, and the positive market outlook in general, this write-down has been

reversed now per 31.12.17. This is the reason for the net financial items for the Company being positive with MNOK 126.9 in 2017, and the Result for the year being positive with MNOK 123.6. The Result for the year was MNOK – 2.0 in 2016.

The Company had booked value of total assets at MNOK 241.6 as of 31.12.17, compared to MNOK 117.9 as of 31.12.16, the assets mainly consisting of shares in subsidiaries. The book value of equity was MNOK 241.0 as of 31.12.17 constituting an equity ratio of 99.8 %.

Allocation of the profit for the year

The Board recommends the following allocation of the profit of the year in the Company (Scanship Holding ASA): Retained Earnings MNOK 123.6

Financing

The Group had as of 31.12.17 a bank overdraft facility with a limit of MNOK 35.0 with DNB. MNOK 20.8 of the bank overdraft facility was utilised at year end. The overdraft facility is subject to annual renewal, and has been renewed. The operations in Scanship Americas in the US are financed through their own bank accounts, and their own net positive cash flow operations.

The Board is of the opinion that the Group has adequate funds in order to meet Scanship'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 the key risks being related to 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 future revenues.

If the cruise industry will experience overcapacity and pressure on consumer pricing, the 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 the net foreign currency exposure in connection with major projects. The Group has bank deposits, receivables and short-term liabilities in foreign currencies.

Credit risk

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 newbuilding contracts where a few yards are counterpart. This is increasing the credit risk. However due to nature of newbuilding 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. The actual losses on trade receivables have historically been very low, and no losses were incurred on trade receivables either in 2015, 2016 or in 2017.

The Group has with effect from 1 April 2017 also entered into a credit risk insurance agreement (kredittforsikring) on its trade receivables. This agreement with a Nordic insurance company covers the potential losses incurred by Scanship AS on its trade receivables, subject to certain restrictions, and reduces the ultimate credit risk for the Group substantially. This insurance agreement is entered into as an additional risk-mitigating factor.

Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The liquidity risk for the Group is primarily related to the timing of the payments on its trade receivables from the shipyards in Europe on the Newbuild projects. Certain of the shipyards exercises longer payment terms than other shipyards. Scanship has a close and ongoing contact with all its shipyard customers, and have had so for many years. Managing this relationship is one of the key factors for Scanship in the daily management of its liquidity risk. Historically Scanship has had very limited losses on its accounts receivable. So even though the payments from the shipyards in certain periods have been delayed beyond the agreed credit term, they have historically always paid their liabilities. Scanship also has a certain flexibility in its own supplier base, whereby longer payment terms sometimes are agreed with suppliers in periods where the payments are delayed from the customers. Management of the liquidity risk is a prioritized task by Scanship management.

The Group also has relatively higher liquidity risk on Newbuild projects as Scanship receives payments late in the projects, as compared to Retrofit projects, where Scanship 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 retrofit projects will naturally also increase the liquidity risk. The newbuild-activity has increased from 2015, while the retrofit-activity has been reduced in the same period. This has increased somewhat the need for working capital and the liquidity risk for the Group. There are now signs that the retrofit market is increasing again, as noted above.

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 in relation to the project evaluations and 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 sick leave in the group is insignificant and was less than 2% in 2017.

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

The Company has a Board of Directors consisting of 4 persons, of which two are women. The Group has 55 employees whereas 8 are women.

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. Scanship 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, with reference to the Norwegian Accounting Act § 3-3c. The guidelines can also be found on the Group's website www.scanship.no. Please also see the separate statement of Corporate Governance that appears as a section of the Annual Report, and which also can be found on the Group's website, with reference to § 3-3b in the the Accounting Act.

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.

Market Outlook

The cruise industry market continues to grow, and more ships are being ordered. Currently the total industry newbuilding order book includes more than 100 vessels to be delivered to the market until 2025. The newbuilding market is driven by an underlying growth of passengers to the industry, undersupply of ships in past years, and expectations of forward growth in the Asian Pacific region. Scanship forward orderbook includes system deliveries to 31 vessels in the next years, and the company is actively tendering for a significant part of the forward cruise industry orderbook.

The cruise industry is more focused on environmental initiatives and "cleaner oceans" than ever before. Combined with stricter enforcement of new regulations in the Baltic Sea, Scanship is seeing more focus from the industry when it comes to planning for future retrofits. This has translated into higher tendering activity within retrofit, and the company has signed a retrofit contract with Norwegian Cruise lines now in March 18, and is currently working with several other leads that can convert into retrofit contracts.

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

Scanship is continuing to tender for more systems to smolt facilities and seabased closed systems in the Aquaculture industry. With successful operations on the first Scanship system delivered to Marin Harvest at Steinsvik in 2016, followed by the orders for Salangfisk, Sjøtroll and Follafoss (Salmar), the company is about to position itself for growth within this new business area. With an industry focus on sustainable fishfarming, reduced pollution to sea and circular economy, Scanship is experiencing higher demand for the company's offering both on landbased and seabased systems. In the short run, it has translated to a higher tendering activity within Aquaculture for Scanship.

Lysaker, 25. April 2018

Narve Reiten
Chairman of the Board

Susanne L. R. Schneider
Member of the Board

Bård Brath Ingerø
Member of the Board

Benedicte Bakke Agerup
Member of the Board

Henrik Badin
CEO

Consolidated Financial Statement 2017



Consolidated Income Statement

<i>(NOK million)</i>	Note	2017	2016
Revenues	4	247.0	171.6
Total operating revenues		247.0	171.6
Cost of goods sold	4, 15	-171.2	-123.6
Employee expenses	5, 23	-29.0	-28.1
Other operating expenses	6, 22	-20.4	-22.5
EBITDA before non-recurring cost		26.5	-2.6
Non-recurring cost	6	-1.4	-0.8
EBITDA		25.1	-3.4
Depreciation	17	-1.6	-1.1
Amortisation	18	-1.4	-1.2
Impairment	18	-0.2	-0.1
Operating profit (EBIT)		21.9	-5.8
Finance income	19	6.1	1.8
Fair value change FX derivatives	21	0.3	7.6
Finance costs	19	-10.4	-8.7
Net financial items		-4.0	0.7
Result before tax		17.9	-5.0
Income tax expenses	16	-5.3	0.2
Result for the year		12.6	-4.8
Attributable to:			
Owners of the parent		12.6	-4.8
Earnings per share <i>(NOK 1 000 per share)</i>	Note	2017	2016
- Basic	14	0.13	-0.05
- Diluted	14	0.13	-0.05

Consolidated Statement of Comprehensive Income

<i>(NOK million)</i>	Note	2017	2016
Result for the year		12.6	-4.8
Other comprehensive income:			
Exchange differences on translation of foreign operations		-0.1	0.8
Total other comprehensive income, net of tax		-0.1	0.8
Total comprehensive income for the year		12.5	-4.0
Attributable to:			
Owners of the parent		12.5	-4.0
		12.5	-4.0

Consolidated Statement Of Financial Position

(NOK million)	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	17	2.4	3.8
Intangible assets	18	31.3	28.8
Total non-current assets		33.7	32.6
Current assets			
Inventories	7	3.9	3.5
Trade receivables	8, 12	58.8	57.8
Contracts in progress	4	43.3	14.2
Other receivables	9	10.1	13.9
Cash and cash equivalents	10	5.6	3.6
Total current assets		121.6	93.0
Total assets		155.3	125.6
EQUITY AND LIABILITIES			
Equity			
Share capital	11	9.6	9.6
Share premium		77.5	77.5
Other capital reserves		0.3	0.5
Translation differences		0.8	0.8
Retained earnings		-30.2	-42.9
Equity attributable to owners of the parent		57.9	45.4
Total equity	26	57.9	45.4
Liabilities			
Non-current liabilities			
Deferred tax liability	16	7.2	2.8
Long term borrowings	12	1.1	1.3
Total non-current liabilities		8.3	4.1
Current liabilities			
Trade creditors		47.6	31.5
Contract accruals	4	10.6	8.2
Unrealised change fair value FX derivatives	19, 20, 21	1.5	1.8
Income tax payable	16	1.4	0.5
Bank overdraft	12	20.8	23.9
Other current liabilities	13	7.1	10.2
Total current liabilities		89.0	76.1
Total liabilities		97.4	80.2
Total equity and liabilities		155.3	125.6

Lysaker, 25. April 2018


Bård Brath Ingers
Member of the Board


Narve Reiten
Chairman of the Board


Benedicte Bakke Agerup
Member of the Board


Susanne L. R. Schneider
Member of the Board


Henrik Badin
CEO

Consolidated statement of changes in equity

31.12.2017 <i>(NOK million)</i>	Note	Share capital	Share premium	Other cap. reserves	Translation differences	Retained earnings	Total	Non contr. interest	Total Equity
Equity at 1 January 2017		9.6	77.5	0.5	0.8	-42.8	45.4	-	45.5
Result for the year						12.6	12.6		12.6
Other comprehensive income					-0.1	0.1	-0.1		-0.1
Total comprehensive income		-	-	-	-0.1	12.7	12.6	-	12.6
Stock options	5			-0.2			-0.2		-0.2
Equity at 31 December 2017		9.6	77.5	0.3	0.8	-30.2	57.9	0.0	57.9

31.12.2016 <i>(NOK million)</i>	Note	Share capital	Share premium	Other cap. reserves	Translation differences	Retained earnings	Total	Non contr. interest	Total Equity
Equity at 1 January 2016		9.6	77.5	0.4	0.0	-37.6	49.8	-	49.8
Result for the year						-4.6	-4.6		-4.6
Other comprehensive income					0.8	-0.6	0.2		0.2
Total comprehensive income		-	-	-	0.8	-5.2	-4.4	-	-4.4
Stock options	5			0.1			0.1		0.1
Equity at 31 December 2016		9.6	77.5	0.5	0.8	-42.8	45.5	-	45.5

Consolidated cash flow statement

(NOK million)	Note	2017	2016
Cash flow from operating activities			
Result before income tax		17.9	-5.0
Adjustments:			
Stock option	5	-0.2	0.1
Income tax paid	16	-0.7	-0.7
Changes in work in progress	4	-26.6	8.7
Depreciation, amortisation and impairment	17	3.6	2.4
Changes in Fair value FX derivatives	19,21	-0.3	-7.6
Changes in inventories, trade receivables and trade creditors		15.6	0.4
Interest paid to trade creditors		-0.1	-0.2
Changes in other accruals		1.0	-3.8
Net cash flow from operating activities		10.1	-5.8
Cash flow from investing activities			
Purchase of property, plant and equipment	17	-1.5	-1.6
Investment in intangible assets	18	-3.3	-5.9
Net cash flow from investing activities		-4.8	-7.4
Cash flow from financing activities			
Proceeds from issuing stock			
Proceeds from borrowings	12	-0.1	0.5
Bank Overdraft facility	12	-1.8	-2.6
Interest paid		-1.3	-0.8
Repayment of loans	12	-0.1	0.2
Net cash flow from financing activities		-3.3	-2.8
Net change in cash and cash equivalents		2.0	-16.0
Effect of exchange rate changes on cash and cash equivalents		-0.2	-0.1
Cash and cash equivalents at 1 January		3.8	19.6
Cash and cash equivalents at 31 December		5.6	3.6
Non restricted cash, 31.12		4.3	2.4
Restricted cash, 31.12		1.3	1.2
Cash 31.12	10	5.6	3.6

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 ASA was incorporated as a new parent company of the Group during 2011.

Scanship delivers advanced technologies for processing waste and purifying wastewater in the cruise and aquaculture industries. Owners operating Scanship systems have the solution to convert all waste and wastewater into clean energy and purified water which meets the highest international discharge standards. Valuable residuals and nutrients from the processes can be recovered for reuse. Scanship provides lice cycle services in terms of parts, consumables, and operational assistance to the installed base worldwide.

The financial statements were approved by the company's board on 25 April 2018.

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.

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 2017 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 is recognised by reference to the labour hours delivered and direct expenses that have incurred.

Project sale (Construction contract)

Revenue from the sale of services and long-term manufacturing projects is recognised under the percentage-of-completion method. The system 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 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. The Company has a share based option plan covering certain employees in senior positions. The method of settlement is at the discretion of the company, and which is described in more detail in note 5. The share option plan is therefore accounted for as equity settlement.

2.17 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.

2.18 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.

2.19 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 financial position and statement of changes in equity.

2.20 Cost of equity transactions

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

2.21 Cash flow statement

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

2.22 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.

2.23 Changes in accounting policy and disclosures

New and amended standards and interpretations that became effective for the accounting period starting on 1 January 2016 did not have any major impact on the Group's financial statements.

2.24 IFRS and IFRIC issued, and to be adopted by the Group in 2018 and 2019

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.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2017, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group

expects no significant impact on its balance sheet and equity from IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to record expected losses on a 12-months basis. The Group has had very limited losses on its trade receivables in recent years, and expects no significant impact in relation to this.

(c) Hedge accounting

The Group currently has no hedge accounting, but will periodically assess whether certain economic relationships qualify for hedge accounting under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new accounting standard effective from 1 January 2018, to account for revenue from contracts with customers. The new standard establishes a five-step model to determine the principles for revenue recognition, and the application of these principles.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Scanship plans to adopt the new standard on the required effective date using the full retrospective method. The revenue recognition for the Group's operations in the Aftersales segment will generally not be expected to be affected by this new accounting standard.

The revenue recognition for the Project segment will be affected by IFRS 15. At this stage Scanship's preliminary assessment is that the company can recognise revenue from current contracts with customers over time, according to IFRS 15 and point 15.35 c. Scanship is recognising revenue over time today. Based on the preliminary assessment made, the revenue recognition model under IFRS 15 will be a "cost to cost" model; recording revenue in accordance with the incurred costs on the project. For 2017 and in earlier years, Scanship has utilised a model based on the total estimated hours to complete the project, compared to the actual hours incurred per the reporting date.

Note 27 gives more details on the preliminary estimated effects of the IFRS 15 accounting standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17

Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Company plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

There are no other changes in accounting policy and disclosures that is relevant for the Group.

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 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 are made to calculate the stage of completion. These estimates have a direct influence over the amount of revenue that has been recognized. 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 Group prepare a discounted cash flow analysis for each intangible asset which is either under development or in use. The cash flow analysis contains the expected increase in revenue and expected cost to develop 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

As of 31.12.17 the Group found that one of the intangible assets indicated no future positive value, and subsequently was impaired.

Deferred tax assets

Deferred tax assets are recognised when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilize the tax asset. Similarly, the Group will reduce the deferred tax assets to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset. At each year end the Group assesses whether there are any indications that the asset may be impaired. To estimate the recoverable, the Group prepares a discounted cash flow analysis for taxable revenue.

The uncertainty is highest to the following estimates:

- Expected taxable revenue



Note 4 – Segments, Sales and contracts in progress

All amounts in NOK million

The majority of the revenue is generated through project sales and aftersales delivered to vessels. Retrofit and Newbuild are two separate operating segments and are aggregated to one reporting segment named Project. The Aftersales segment comprises sales of spare parts, consumables and services toward shipowners.

The Group'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.

I.1-31.12.17	Projects	Aftersales	Admin & other	Elimination	Total
Revenue ¹⁾	165.0	88.9	-	-6.9	247.0
Total revenue	165.0	88.9	-	-6.9	247.0
Cost of goods sold	118.0	-58.3	-	5.2	-171.2
Employee expenses	-14.0	-10.6	-4.3	-	-29.0
Other Operating expenses	-9.6	-9.1	-3.4	1.7	-20.4
EBITDA before non-recurring cost	23.4	10.9	-7.8	-	26.5
Non-recurring cost	-0.4	-	-1.1	-	-1.4
EBITDA	23.0	10.9	-8.9	-	25.1
Depreciation and amortisation	-2.4	-0.5	-	-	-3.0
Impairment	-0.2	-	-	-	-0.2
OPERATING PROFIT	20.4	10.4	-8.9	-	21,9
Net Contracts in progress	32.6	-	-	-	32.6
Total assets ²⁾	148.2	41.8	241.6	-276.4	155.3
Investments in non-current assets	4.9	-	0.1	-	5.0

1) 67.1% of the Project revenue originates from customers with more than 10% share of the total sales.

There are no significant customers in the segment of Aftersale.

2) Elimination includes NOK 226m. as value of the shares in the subsidiaries.

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

01.01. - 31.12.16	Projects	Aftersales	Admin & other	Elimination	Total
Revenue ¹⁾	89.2	104.0	-	-21.6	171.6
Total revenue	89.2	104.0	-	-21.6	171.6
Cost of goods sold	-70.9	-67.9	-	15.2	-123.6
Employee expenses	-13.7	-12.4	-4.7	2.6	-28.1
Other Operating expenses	-10.0	-14.1	-2.2	3.8	-22.5
EBITDA before restructuring cost	-5.4	9.6	-6.9	-	-2.6
Restructuring cost	-0.4	-	-0.4	-	-0.8
EBITDA	-5.8	9.6	-7.3	-	-3.4
Depreciation and amortisation	-2.2	-	-	-	-2.2
Impairment	-0.1	-	-	-	-0.1
OPERATING PROFIT	-8.1	9.6	-7.3	-	-5.8
Net Contracts in progress	6.0	-	-	-	6.0
Total assets ²⁾	118.6	41.5	117.4	-152.0	125.4
Investments in non-current assets	7.2	-	1.6	-	8.7

1) 78.5% of the Project revenue originates from customers within Europe with more than 10% share of the total sales. Approx. 12% originates from retrofit.

There are no significant customers in the segment of Aftersale.

2) Elimination includes NOK 99.3m. as value of the shares in the subsidiaries.

Continued

Note 4 – Segments, Sales and contracts in progress

Amounts in NOK million	2017	2016
Revenue from Projects	165.0	89.2
Revenue from Aftersales	82.0	82.5
Total Revenue	247.0	171.6

Revenue from Projects

All contracts:

The table below shows revenue from ongoing projects 31.12. as is recognised in the “Consolidated Income Statement” in 2016 and 2017.

Amounts in NOK million	2017	2016
Total construction contract revenue recognised as revenue	144.7	70.3

Contracts in progress:

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

Amounts in NOK million	2017	2016
Acc. Construction contract revenue recognised as revenue	279.7	234.2
Acc. Related costs incurred	187.2	159.0
Acc. Recognised profit or loss on contracts in progress	92.5	75.2

Recognised and included in the financial statements as amount due:

Amounts in NOK million	2017	2016
Contracts in progress (due from customers)	43.3	14.2
Contract accruals (due to suppliers)	-10.6	-8.2
Net work in progress	32.6	6.0

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

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

Amounts in NOK million	2017	2016
Salaries	38.5	38.0
Social security tax	4.5	4.4
Pension costs	1.3	1.4
Other benefits	0.8	0.9
Option Program	-0.2	0.1
Total employee expenses	45.0	44.8
Employee expenses recognised within cost of goods sold	-12.9	-12.4
Employee expenses capitalised as R&D	-3.1	-4.3
Total costs recognised as employee expenses	29.0	28.1
Full Time Equivalents	53	55

Remuneration to management and board of directors in 2017:

Amounts in NOK 1000	Salaries	Pension	Other ¹⁾	Total
CEO, Henrik Badin	1 776.4	67.9	291.6	2 135.9
CFO, Erik Magelssen	1 181.0	64.9	102.5	1 348.4
CTO, Henning Mohn	1 214.3	66.0	31.9	1 312.2
CDO, Asgeir Wien	1 365.1	67.9	124.6	1 557.5
COO, Per Stensli	1 313.3	68.3	10.4	1 392.0
VP Strategic Initiatives, Jonny Hansen ²⁾	275.0	16.7	21.2	312.9
MD Scanship Americas Inc., Bettina Nowak	1 547.3	-	259.7	1 807.0
Board of directors ³⁾	-	-	281.3	281.3
Narve Reiten, Chairman of the Board	186.7	-	-	186.7
Susanne L.R. Schneider, Board member	200.0	-	-	200.0
Bård Brath Ingerø, Board member	16.7	-	-	16.7
Benedicte Agerup ⁴⁾ , Board member	16.7	-	-	16.7
Tore Enger, Former Chairman	221.1			221.1
Herman Marcussen, Former Board member	75.6			75.6
Total	9 313.6	351.7	1 123.1	10 788.3

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. Two members of the management have a share based option plan.

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

2) New position 2H 2017.

3) Includes: fee invoiced by The Maritime Group AS for services of former working Chairman.

4) Elected member of the Board at the end of November 2017.

Remuneration to management and board of directors in 2016:

Amounts in NOK 1 000	Salaries	Pension	Other ¹⁾	Total
CEO, Henrik Badin	1 776.4	69.0	290.6	2 136.0
CFO, Christian Fr. Thyholdt	1 520.9	68.0	112.9	1 701.8
CTO, Henning Mohn ²⁾	1 139.7	69.0	42.2	1 250.9
CDO, Asgeir Wien ²⁾	1 228.5	68.0	117.1	1 413.6
COO, Per Stensli	1 365.1	67.0	18.7	1 450.7
MD Scanship Americas Inc., Bettina Nowak	1 609.8	-	87.9	1 697.8
Board of directors ³⁾	-	-	733.5	733.5
Tore Enger, Chairman of the Board	300.0	-	-	300.0
Susanne L.R. Schneider, Board member	200.0	-	-	200.0
John Herman Marcussen, Board member	200.0	-	-	200.0
Brita Eilertsen ⁴⁾ , Board member	67.0	-	-	67.0
Total	9 407.4	341.0	1 402.9	11 151.2

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.

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

2) Reorganisation in October 2016 appointing new CTO and CDO positions, yearly salary level included

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

4) Resigned May 2016

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

Share option plan

The company has a share option plan covering certain employees in senior positions.

As of 31.12.2017, six employees were included in the option programme. The option vests yearly over three years.

No options were granted in 2017. The share option programme liability is NOK 0,1m as of 31.12.17

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.

The method of settlement is at the discretion of the Company. The share option plan is therefor accounted for as a equity settlement.

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 30.04.19 shall terminate without any compensation being payable to the Option Holder.

Overview of outstanding options:

	2017	2016
Outstanding options 1.1	1 020 000	1 020 000
Options granted		
Options forfeited	-300 000	
Options exercised		
Options expired		
Outstanding options 31.12	720 000	1 020 000
Of which exercisable	620 000	580 000

The outstanding options are subject to the following conditions:

Expiry date	Average strike price	Number of share options
2019	3.20	720 000
		720 000

The fair value of the options has been calculated using Black & Scholes option-pricing model.

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 37.54 %.

The term of the option

It is assumed that 100 % of the employees will exercise the options once they are exercisable.

Granted options as of 31.12.17 expires 30.04.2019.

Dividend

The estimated dividend per share is NOK 0.0 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, Remuneration to auditor and Non-recurring costs

Other operating expenses include:

Amounts in NOK million	2017	2016
Travelling expenses	3.0	4.1
Lease expenses	4.7	5.4
Consultant's and other fees	6.6	4.8
Other office expenses	3.0	3.1
Other expenses	3.1	5.2
Total	20.4	22.5

Remuneration to auditor is allocated as specified below:

Amounts in NOK million	2017	2016
Statutory audits	0.6	0.6
Tax consultancy	0.4	0.4
Total, excl. VAT	1.1	1.0

Non-recurring cost:

The Scanship Group incurred non-recurring costs of NOK 1.4m. during the first six months of 2017 related to the strategic structured process during the period from November 2016 till May 2017. This was costs incurred by the parent company Scanship Holding ASA. The financial year 2016, the total restructuring costs, were NOK 0.8m. NOK 0.4m. were related to the strategic structured process.

Note 7 – Inventories

Inventories include:

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Cost of goods (at cost) ¹⁾	3.9	3.5
Total inventories at the lower of cost and net realisable value	3.9	3.5

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

In 2016 Scanship performed a write-down of the book value of inventory with NOK 2.6m.

Note 8 – Trade receivables

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Gross trade receivables	58.8	57.8

Trade receivables are non-interest bearing and generally on 30-90 day terms. The Group has no loss on trade receivables either in 2016 or 2017.

It is considered that there is no impairment on trade receivables in 2016 or 2017.

Scanship has close on-going contact with and good knowledge of the customers.

The trade receivables are reviewed regularly and evaluated for possible impairment.

As of 31.12, the aging analysis of trade receivable is as follows:

Amounts in NOK million	Past due but not impaired					
	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	> 90 days
31.Dec 2017	58.8	19.7	16.9	4.8	3.0	14.5
31.Dec 2016	57.8	27.4	10.2	4.8	2.1	13.3

There are no disputes of the total amounts past due 60 days.

NOK 30.7m of the past due balance per 31.12.17 has been paid subsequent to 31.12.17.

Note 9 – Other receivables

Other receivables include:

Amounts in NOK 1 000	31. Dec 2017	31. Dec 2016
VAT receivable	5.2	8.0
Prepaid expenses and other items	3.2	2.2
Receivables "SkatteFUNN"	0.9	1.3
Receivables on related party	-	0.1
Other items	1.9	2.3
Total	10.1	13.9

VAT receivables as of 31 December 2016 includes a receivable of NOK 6.3m related to German output VAT (where NOK 5.4m relates to 2012-2015).

During 2015 Scanship AS got registered in the German VAT register and all transactions for the years 2012-2015 liable for German VAT were restated.

This VAT refund was received during Q317. The balancee also includes Norwegian VAT, which has increased in relative amount during 2017.

Note 10 – Cash and cash equivalents

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Bank deposits	5.6	3.6
Total cash and cash equivalents	5.6	3.6
Of this:		
Restricted cash for withheld taxes from employees salaries	1.3	1.2

Note II – Share capital and shareholder information

	31. Dec 2017	31. Dec 2016
Number of outstanding shares at 1 January	95 505 525	95 505 525
Number of outstanding shares at 31 December	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.

Largest shareholders of Scanship Holding ASA > 1% : 31.12.17

Name	Number	% Share
INGERØ REITEN INVESTMENT COMPANY AS	31 500 000	32.9 %
EXPROCO LIMITED	10 500 000	10.9 %
BADIN INVEST LIMITED	10 500 000	10.9 %
DALER INN LIMITED	10 500 000	10.9 %
TRETHOMAS ¹⁾	4 111 111	4.3 %
Merrill Lynch, Pierce, Fenner & Sm	3 500 000	3.7 %
TECO GROUP AS	3 065 000	3.2 %
Goldman Sachs International	2 408 246	2.5 %
BERGEN KOMMUNALE PENSJONSKASSE	1 750 000	1.8 %
FONDSAVANSE AS	1 562 500	1.6 %
Thom, Eigel Ingvar ¹⁾	1 011 111	1.1 %
Total	80 407 968	84.2 %

1) Eigel Ingvar Thom has full ownership of Trethom AS, and therefor a total ownership, direct and indirect, of 5,4 % of the shares.

Number of shares owned by management and Board of directors:

Name	Number of shares in	% Share
INGERØ REITEN INVESTMENT COMPANY AS ¹⁾	31 500 000	32.9 %
Henrik Badin (CEO)	10 500 000	10.9 %
Asgeir Wien (CTO)	10 500 000	10.9 %
Johnny Hansen (VP Strategic initiatives)	10 500 000	10.9 %
Bettina Nowak (MD Scanship Americas Inc)	3 500 000	3.7 %
Per Stensli (COO)	26 696	0.0 %
Total	66 526 696	72.1 %

1) Ingerø Reiten Investment Company AS is owned by Chairman of the Board Narve Reiten (65 %), and Board member Bård Brath Ingerø (35 %).

Note I2 – Borrowing

Long-term borrowing

The Group has long-term borrowings of NOK 1.1m (DnB ASA), related to financing of company cars.

Bank overdraft facility

The Group has a bank overdraft facility with a limit NOK 35.0 m. The Company has drawn NOK 20.8 m. of the facility as of 31.12.2017. The facility is floating interest based, currently NIBOR + 1,95 % p.a.

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Bank overdraft facility	20.8	23.9
Other long term debt	1.1	1.3
Balance 31. December	21.9	25.2

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 19.7 % at 31.12.2017
- Minimum equity and/or subordinate loan of NOK 20 mill. Equity NOK 40.5m at 31.12.2017
- Any additional borrowing must be pre-approved by DnB ASA.
- The utilisation of the bank overdraft facility lower than 50 % of receivables and contracts in progress combined. Utilisation at 31.12.2017 was 23.2 %.

Scanship AS, and the Group, is not in breach with the covenants as of 31.12.2017.

Mortgages

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

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Property, plant and equipment	2.4	3.8
Other long term debt	3.9	3.5
Trade receivables	58.8	57.8
Balance 31. December	65.0	65.1

Note 13 – Other current liabilities

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Public duties payable	2.5	3.9
Other payables and accruals for incurred costs	4.6	6.3
Total	7.1	10.2



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:

	2017	2016
Profit for the year (NOK million)	12.6	-4.7
Weighted average number of shares outstanding	95 505 525	95 505 525
Earnings per share (NOK per share):		
- Basic	0.13	-0.05
- Diluted	0.13	-0.05



Note 15 – Related party disclosures

All amounts in NOK million

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 100 % of the shares in Scanship AS, Scanship Americas Inc., Scanship Poland Sp z o.o., and has 70 % ownership in CHX Maritime Inc. The other companies in the table below are owned by TECO Group AS, which was the owner of 3.2 % of

the shares in Scanship Holding ASA as of 31.12.17. From November 24 2017 Tore Enger resigned as board member in Scanship Holding ASA, and the companies owned wholly or partly by Teco Group is therefore no longer considered to be related parties after this date, The purchase of services and goods in 2017 is included for information purposes.

(a) Purchases of services:

By	Purchase of services from	Description of services	2017	2016
Scanship AS	TECO Maritime Group AS	Management/Consultancy	0.5	7.4
Scanship AS	TECO Group AS ¹⁾	Management/Consultancy	-	0.2
Scanship AS	Blom Maritime AS ²⁾	Goods / man-hours	0.1	0.1
Scanship AS	Nordic Made Inc.	Goods	-	0.1
Scanship AS	Nordic Made Poland Sp. z o.o	Goods	-	0.1
Scanship AS	Nedre Langgate 19 AS	Office Rental	1.3	0.8
Scanship Americas Inc.	Nordic Made Inc.	Project Services	0.5	1.4
Scanship Americas Inc.	TECO Maritime Group AS	Management/Consultancy	-	0.1

1) The services purchased from TECO Group AS includes working chairman and services related to financial advisory.

2) Previous Name 3D Scanning AS

2) Nordic Made AS, changed name to "The Maritime Group AS" in 2016



(b) 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. ¹⁾	14.07.2011	Canada	100 %
Scanship AS	01.03.2007	Norway	100 %
Scanship Poland Sp z o.o.	12.08.2014	Poland	100 %
CHX Maritime Inc. ³⁾	06.07.2015	USA	70 %

1) The company is under liquidation

2) The company's main objective is to develop an exhaust gas management system.

(c) Remuneration to management and Board of directors:

See note 5.



Note 16 – Tax

Specification of income tax:

Amounts in NOK million	2017	2016
Income tax payable	1.0	0.5
Change in deferred tax	4.4	-0.8
Total income tax expenses	5.3	-0.2

Specification of temporary differences and deferred tax:

Amounts in NOK million	31. Dec 2017	31. Dec 2016
Property, plant and equipment	-8.9	-5.9
Construction contract	92.5	75.2
Inventories	-2.6	-2.6
Financial instruments and other receivables	-1.5	-1.8
Tax loss carryforward	-55.3	-44.7
Prepaid taxes "Korreksjonsskatt"	-	-14.1
Total temporary differences	24.2	6.1
Not recognised tax loss carry forward	4.1	3.6
Not recognised temporary differences on Government funding ("Skattefunn")	2.9	2.1
Total basis for deferred tax	31.3	11.8
Net deferred tax liability 23% (24%)	7.2	2.8

Reconciliation of effective tax rate:

Amounts in NOK million	2017	2016
Profit before income tax	17.9	-5.0
Expected income tax assessed at the tax rate for the parent company 24% (25%)	4.3	-1.2
<i>Adjusted for tax effect of the following items:</i>		
Permanent differences	-	0.3
Effect of other tax rate in subsidiaries in the U.S and Canada	0.3	-0.2
Effect of change of tax rate from 24% (25%) to 23% (24%)	0.3	-0.1
Unrecognised deferred tax assets	0.3	0.8
Correction tax	-	0.2
Total income tax expenses	5.3	-0.2

Note 17 – Property, plant and equipment

Amounts in NOK million	Office furniture and equipment
2017	
Cost:	
At 1.1.2017	10.0
Additions	0.1
At 31.12.2017	10.1

Depreciation and impairment:

At 1.1.2017	-6.2
Depreciation this year	-1.6
At 31.12.2017	-7.7
Carrying amount at 31.12.2017	2.4

Useful life 3-5 years
 Depreciation method linear

NOK million	
2016	
Cost:	
At 1.1.2016	8.4
Additions	1.6
Disposals	
Effect of exchange differences	
At 31.12.2016	10.0

Depreciation and impairment:

At 1.1.2016	-5.1
Depreciation this year	-1.1
At 31.12.2016	-6.2
Carrying amount at 31.12.2016	3.8

Useful life 3-5 years
 Depreciation method linear

Note 18 – Intangible assets

The Group has several different ongoing development projects developing waste to energy/waste- and waste water solutions, in order to strengthen the competitiveness and meet the new and stricter requirements and new industry standards.

The Group assesses yearly each project whether there is any indication that the asset may be impaired. A discounted

cash-flow analysis is prepared for each ongoing project and compared with the asset's booked value.

In 2017, the Group has impaired one of the projects in the portfolio with a total amount of NOK 0.2 m. No additional impairment was identified.

A significant part of the product development cost consists of working hours.

Amounts in NOK million	Development
2017	
Cost:	
At 1.1.2017 ¹⁾	32.0
Additions ²⁾	4.1
At 31.12.2017	36.1

Amortisation and impairment:

At 1.1.2017	-3.2
Amortisation ²⁾	-1.4
Impairment ³⁾	-0.2
At 31.12.2017	-4.8
Carrying amount at 31.12.2017	31.3

1) This consists of 7 different projects focusing on energy generation, water reuse and optimizing waste management. Funding from "Skattefunn" and "Innovasjon Norge" has reduced the total cost with NOK 5.4m and NOK 0.5m respectively. "Skattefunn" – funding has reduced the cost for 2017 with NOK 0.8m

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

3) The Group impaired NOK 0.2m, related to one project, as it was assessed to have no future value. The project has not 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.

As of 31.12.17, approx. NOK 22.1m of carrying amount are still under development, while NOK 9.2m are related to finalised projects which are amortised.

Amounts in NOK million	Development
2016	
Cost:	
At 1.1.2016 ¹⁾	26.2
Additions ²⁾	5.9
At 31.12.2016	32.0

Amortisation and impairment:

At 1.1.2016	-1.9
Amortisation ²⁾	-1.2
At 31.12.2016	-3.2
Carrying amount at 31.12.2016	28.8

1) This consists of 7 different projects focusing on energy generation, water reuse and optimizing waste management. Funding from "Skattefunn" and "Innovasjon Norge" has reduced the total cost with NOK 4.6m and NOK 0.5m respectively.

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

3) The Group impaired NOK 0.1m, related to one project, as it was assessed to have no future value. The project has not 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 intangibly assets. No intangible assets are acquired through business combinations.

As of 31.12.16, approx. NOK 18.0m of carrying amount are still under development, while NOK 10.9m are related to finalised projects which are amortised.

Note I9 – Finance income and costs

Finance income:

Amounts in NOK million	2017	2016
Foreign exchange gain	6.1	1.8
Total finance income	6.1	1.8

Finance costs:

Amounts in NOK million	2017	2016
Interest expense	1.5	1.2
Foreign exchange loss	4.5	3.0
Loss on FX derivatives	4.0	4.3
Other financial cost	0.5	0.1
Total finance costs	10.4	8.7



Note 20 – Financial instruments

(a) Categories of financial instruments

Amounts in NOK million	Category	31. Dec 2017	31. Dec 2016
<i>Financial assets:</i>			
Trade receivables	Loans and receivables	58.8	57.8
Other receivables ¹⁾	Loans and receivables	0.9	1.4
Cash and cash equivalents	Loans and receivables	5.6	3.6
Total financial assets		64.3	62.8
<i>Financial liabilities:</i>			
Non-current borrowings	Financial liabilities measured at amortised cost	1.1	1.3
Financial instruments (derivates)	Financial liabilities measured at amortised cost	1.5	1.8
Trade creditors	Financial liabilities measured at amortised cost	47.6	31.5
Share option plan ²⁾	Financial liabilities measured at amortised cost	0.3	0.5
Bank overdraft facility	Financial liabilities measured at amortised cost	20.8	23.9
Total financial liabilities		71.3	59.0

All amounts in the table are booked values.

1) VAT receivable and prepaid expenses are excluded since they are not defined as financial instruments.

2) See note 5

(b) Fair value of financial instruments

The carrying amount of trade receivables, other receivables and cash and cash equivalents are approximately equal to fair value since these instruments have a short term 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.

(d) Credit risk:

Carrying amounts of financial assets presented above represents 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 newbuilding contracts where a few yards are counterpart. This is increasing the credit risk. However due to nature of newbuilding 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.

The Group has with effect from 1.4.2017 also entered into a credit risk insurance agreement (kredittforsikring) on its trade receivables. This agreement with a Nordic insurance company covers the potential losses incurred by Scanship AS on its trade receivables, subject to certain restrictions, and reduces the ultimate credit risk for the Group substantially. This insurance agreement is entered into as an additional riskmitigating factor.

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

Continued

Note 20 – Financial instruments

(e) Liquidity risk:

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The liquidity risk for the Group is primarily related to the timing of the payments on its trade receivables from the shipyards in Europe on the Newbuild projects. Certain of the shipyards exercises longer payment terms than other shipyards. Scanship has a close and on-going contact with all its shipyard customers, and have had so for many years. Managing this relationship is one of the key factors for Scanship in the daily management of its liquidity risk. Historically, Scanship has had very limited losses on its accounts receivable, and no losses were incurred either in 2016 or in 2017. So even though the payments from the shipyards in certain periods have

been delayed beyond the agreed credit term, they have historically always paid their liabilities. Scanship also has a certain flexibility in its own supplier base, whereby longer payment terms sometimes are agreed with suppliers in periods where the payments are delayed from the customers. Management of the liquidity risk is a prioritised task by Scanship management.

The Group also has relatively higher liquidity risk on Newbuild projects as the Group receives payments late in the projects, as compared to Retrofit projects, where the Group receives payments after meeting certain milestones. Although the milestones are setup to enable a positive net cashflow on the projects, a delay in the retrofit projects will naturally also increase the liquidity risk.

Amounts in NOK million	31. Dec 2017	0 – 6 months	6 – 12 months	1 – 5 years
Payments on long term borrowings		0.1	0.1	1.1
Trade creditors		47.6	-	-
Bank overdraft facility		-	20.8	-
Leases ¹⁾		2.5	1.2	10.7
Total		50.2	22.1	11.8

1) See note 22

(f) Foreign exchange rate risk:

The Group is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly due to sales in different currencies.

The Group has from 2012 onwards 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.

The cost are mainly in NOK, hence not secured.

1%-point change in the NOK/EUR exchange rate would had an effect of NOK 1.1m in revenue, and NOK 0.7m on result before tax.

(g) 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 Group does not have any interest rate derivatives.

A change in interest rate of 1%-point would have an effect of NOK 0.5m on the financial statement.

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, 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 million	31. Dec 2017	31. Dec 2016
Forward currency contracts	-1.5	-1.8

The foreign currency contracts are mark to market, based on an external valuation provided by the contractual counterpart. The contracts are valued based on various inputs including foreign exchange spot and forward rates, the time to maturity and volatility.

The Group uses forward currency 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. In total these contracts have a nominal value of EUR 4.8 m. as of 31.12.17

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
- 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 million		Level 1	Level 2	Level 3
Derivative financial assets/(liabilities)	31.12.2017	-	-1.5	-
Derivative financial assets/(liabilities)	31.12.2016	-	-1.8	-

The company has signed derivatives of EUR 4.8 m, all of which are due in 2018.

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.

There was certain lease contracts with related parties in 2017.

See note 15.

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

The lease costs consist of ordinary lease payments and include:

Amounts in NOK million	2017	2016
Lease cars	0.4	0.6
Lease office premises and other facilities (incl. joint costs)	3.4	3.8
Lease office furniture and equipment	1.0	0.8
Total lease costs	4.8	5.2

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

Amounts in NOK million	2017	2016
Within 1 year	3.7	3.5
1 to 5 years	10.7	9.5
After 5 years	-	-
Total	14.4	13.0

Note 23 – Pension

The companies in the Group domiciled in Norway are required to have an occupational pension scheme in accordance with the Norwegian law of mandatory occupational pension (lov om obligatorisk tjenstepensjon). 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 in place.

Amounts in NOK million	2017	2016
Service cost	1.3	1.5
Social security tax	0.2	0.2
Net pension costs	1.5	1.7



Note 24 – Contingent liabilities

Contingent liabilities:

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

Guarantees:

For late deliveries the customers can give Scanship penalties according to contract.

All customer contracts for system deliveries included 1-2 years limited guarantee against product failure.

Note 25 – Events after the reporting period

New Contracts signed

Scanship has signed contracts after 31 December 2017 that amounts to approx. NOK 100m in revenue. There are no other significant events after reporting period that is assessed to have a material impact on the Group's financial position.

Note 26 – Going concern

Equity

The consolidated Annual Accounts for 2017 show a positive equity of NOK 57.9 m

The board assess the equity level to be sufficient for the operations of the Group.

Liquidity

The Group has a positive working capital level, the current assets being higher than the current liabilities. The aftersales operations in Scanship Americas in the US are financed through their own bank accounts, and their own net positive cash flow operations. In addition the operations in Norway are primarily financed through a bank overdraft facility (kasskreditt).

The liquidity risk for the Group is primarily related to the timing of the payments on its trade receivables from the shipyards in Europe on the Newbuild projects. Certain of the shipyards exercises longer payment terms than other shipyards. Scanship has a close and on-going contact with all its shipyard customers, and have had so for many years. Managing this relationship is one of the key factors for Scanship in the daily management of its liquidity risk.

Historically Scanship has had very limited losses on its accounts receivable, and no losses were incurred either in 2016 or in 2017. So even though the payments from the shipyards in certain periods have been delayed beyond the agreed credit term, they have historically always paid their liabilities. Scanship also has a certain flexibility in its own supplier base, whereby longer payment terms sometimes are agreed with suppliers in periods where the payments are delayed from the customers. Management of the liquidity risk is a prioritized task by Scanship management.

The Group also has relatively higher liquidity risk on Newbuild projects as the company receives payments late in the projects, as compared to Retrofit projects, where 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 retrofit projects will naturally also increase the liquidity risk.

Outlook

The Group had a record high order backlog of NOK 469m per 31.12.17, and subsequent to year-end 2017 new contracts have been signed with a contract value of NOK 100m. The market outlook for the industry is good and the company has a strong position in the market.

Note 27 – IFRS 15 Applied

IFRS 15 is a new accounting standard effective from 1 January 2018, to account for revenue from contracts with customers. The new standard establishes a five-step model to determine the principles for revenue recognition, and the application of these principles. Scanship will adopt the new standard using the full retrospective method. The revenue recognition for the Group's operations in the Aftersales segment will generally not be exposed by this new accounting standard.

The revenue recognition for the Project segment will be affected by IFRS 15. At this stage Scanship's preliminary assessment is that the Group can recognise revenue from contracts with customers over time according to IFRS 15 and point 15.35 c. in this standard. Scanship is recognising revenue over time today, when following the standards applicable for 2017. Based on the preliminary assessment made, the revenue recognition model under IFRS 15 will be a "cost to cost" model; recording revenue in accordance with the incurred costs on the projects. For 2017 and in

earlier years, Scanship has based progress calculation on total estimated hours to complete the project, compared to the actual hours incurred per reporting date.

Over the total lifetime of a project, the sum of revenue and cost recognised on the project will be the same, whether it is accounted for under the principles applicable for 2017 or the new IFRS 15 applicable for 2018.

Preliminary calculated total net effect of IFRS 15 is shown in table below. The change of applied principle will effect progress to some extent for all ongoing projects. Historic revenue recognition will be restated according to new progress and 2017 restated will therefore include alteration of recorded revenue for all relevant years. The change in gross margin is due to the relative mix of the projects and their relative effect on income recording. The current principle for the 2017 Annual report is according to IAS12.

01.01. – 31.12.17	Projects Current principle	Projects IFRS 15 applied	Total Current principle	Total IFRS 15 applied
Revenue ¹⁾	165.0	190.2	247.0	272.2
Total revenue	165.0	190.2	247.0	271.9
Cost of sales	-118.0	-132.0	-171.2	-185.2
Gross profit	47.0	58.2	75.8	87.0
- <i>Gross margin</i>	28.5 %	30.6 %	30.7 %	32.0 %
Employee expenses	-14.0	-14.0	-29.0	-29.0
Other Operating expenses	-9.6	-9.6	-20.4	-20.4
EBITDA before restructuring cost	23.4	34.6	26.5	37.6
Non-Recurring cost	-0.4	-0.4	-1.4	-1.4
EBITDA	23.0	34.2	25.1	36.2
- <i>Gross margin</i>	14.0 %	18.0 %	10.2 %	13.3 %

Including the historic effects of the project portfolios total accumulated progress, preliminary calculated net effect on the Group's booked value of equity 31.12.17, from the transition to IFRS 15 is an increase of approximately NOK 6.5m.

Financial Statement 2017

Parent Company



Income Statement

NOK million	Note	2017	2016
Revenues		-	-
Total operating revenues		-	-
Employee expenses	4	-0.8	-0.9
Other operating expenses	4	-2.0	-1.3
Operating profit (EBIT) before non-recurring items		-2.9	-2.2
Non-recurring cost		-1.1	-0.4
Operating profit (EBIT)		-3.9	-2.6
Finance income	6	126.9	0.3
Finance expenses	6	-	-
Net financial items		126.9	0.3
Result before tax		123.0	-2.3
Income tax (expense)/income	5	0.6	0.3
Result for the year		123.6	-2.0
Earnings per share <i>NOK per share</i>			
- Basic	12	1.29	-0.02
- Diluted	12	1.29	-0.02

Statement of Comprehensive Income

NOK million	Note	2017	2016
Result for the year		123.6	-2.0
Other comprehensive income:		-	-
Total other comprehensive income, net of tax		-	-
Total comprehensive income for the year		123.6	-2.0

Statement of Financial Position

NOK million	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Deferred tax asset	5	6.1	5.4
Investment in subsidiaries	6	226.0	99.3
Total non-current assets		232.1	104.8
Current assets			
Other receivables	7	0.2	0.2
Receivables intercompany	13	9.2	12.8
Cash and cash equivalents	8	0.1	0.1
Total current assets		9.5	13.1
Total assets		241.6	117.9
EQUITY AND LIABILITIES			
Equity			
Share capital	9	9.6	9.6
Share premium		177.9	177.9
Retained earnings		53.5	-70.0
Total equity		241.0	117.4
Liabilities			
Current liabilities			
Trade payables		0.4	0.3
Other current liabilities	11	0.2	0.1
Total current liabilities		0.6	0.5
Total liabilities		0.6	0.5
Total equity and liabilities		241.6	117.9

Lysaker, 25. April 2018



Narve Reiten
Chairman of the Board



Susanne L. R. Schneider
Member of the Board



Bård Brath Ingersø
Member of the Board



Benedicte Bakke Agerup
Member of the Board



Henrik Badin
CEO

Cash Flow Statement

NOK 1000	Note	2017	2016
Cash flow from operating activities			
Result before income tax		122 950	-2 306
Adjustments:			
Change in trade payables		118	137
Change in investment in subsidiaries		-126 674	-
Changes in other accruals		-40	2
Net cash flow from operating activities		-3 646	-2 167
Cash flow from financing activities			
Proceeds from borrowings		3 642	2 211
Net cash flow from financing activities		3 642	2 211
Net change in cash and cash equivalents		-3	45
Cash and cash equivalents at 1 January		101	56
Cash and cash equivalents at 31 December	8	97	101
Non restricted cash, 31.12		83	68
Restricted cash, 31.12		15	33
Cash 31.12		97	101

Statement of Changes in Equity

2017					
<i>NOK 1000</i>	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity at 31.12.2016	9 551	177 912	-	-70 042	117 420
Result for the year				123 579	123 579
Other comprehensive income					-
Total comprehensive income	-	-	-	123 579	123 579
Equity at 31 December 2017	9 551	177 912	-	53 537	241 000

2016					
<i>NOK 1000</i>	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity at 31.12.2015	9 551	177 912	-	-68 084	119 378
Result for the year				-1 957	-1 957
Other comprehensive income					-
Total comprehensive income	-	-	-	-1 957	-1 957
Equity at 31 December 2016	9 551	177 912	-	-70 042	117 420

Notes to the Financial Statement

Scanship Holding ASA



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 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 25 April 2018.

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 23% 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 tax 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 1st January 2017 does not have any material 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 2017 and the subsequent development in the share price after balance date is assumed to be the best estimate of fair value of the subsidiary.

Note 4 – Other operating expenses, remuneration and Non-recurring costs

Board remuneration:

Amounts in NOK 1000	2017	2016
Board remuneration	717	767
Social tax, expenses	101	108
Total	818	875

Other operating expenses include:

Amounts in NOK 1000	2017	2016
Auditor remuneration	555	199
Consultancy	756	142
Cost related to own shares	555	639
Other operating expenses	177	369
Total	2 042	1 349

The increase in Auditor remuneration is due to a change in the allocation of audit fee from the auditor between Scanship Holding ASA and its subsidiary Scanship AS. On a Group level the audit fee is on the same level, see note 6 to the Group accounts.

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1000	2017	2016
Statutory audits	519	199
Other assurance services	36	-
Total, excl. VAT	555	199

Non-recurring costs

The Company incurred non-recurring costs of TNOK 1065 during the first six months of 2017 related to the strategic structured process during the period from November 2016 till May 2017.

Note 5 – Tax

Specification of income tax:

Amounts in NOK 1000	2017	2016
Change in deferred tax	-629	-349
Total income tax expense/(income)	-629	-349

Specification of temporary differences and deferred tax asset:

Amounts in NOK 1000	2017	2016
Tax loss carry forward	-26 424	-22 703
Total basis for deferred tax	-26 424	-22 703
Deferred tax asset (23% / 24%)	-6 078	-5 449

Specification of temporary differences and deferred tax liability:

There are no positive temporary differences as of 31 December 2017 or as of 31 December 2016:

Reconciliation of effective tax rate:

Amounts in NOK 1000	2017	2016
Result before income tax	122 950	-2 306
Expected income tax	29 508	-576
Adjusted for tax effect of the following items:		
Effect of change in tax rate from 24% (25) % to 23% (24 %)	264	227
Permanent differences	-30 401	I
Total income tax expense/(income)	-629	-349

Note 6 – Investment in subsidiaries

Amounts in NOK 1000	Country of incorporation	% equity and voting share	Equity at 31.12 2017	Result for the year 2017
Scanship AS ¹⁾	Tønsberg, Norway	100 %	40 656	16 525

Amounts in NOK 1000	Country of incorporation	% equity and voting share	Equity at 31.12 2016	Result for the year 2016
Scanship AS ¹⁾	Tønsberg, Norway	100 %	24 022	-4 947

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 has been valued at the market value of Scanship Holding ASA (SSHIP) on Oslo Axess as of 31.12.2017. The share price for SSHIP at 31.12.2017 was NOK 4,25 per share, with a market cap. of approx. NOK 405m. The booked value of Scanship AS as of 31.12.2016 was NOK 99m. Given the positive outlook in the market in general, and for Scanship AS specifically, together with the positive development in the share price over time, the write-down of value of the shares in Scanship AS from 2015 has been reversed.

Note 7 – Other receivables

Other receivables include:

Amounts in NOK 1000	31 Dec 2017	31 Dec 2016
VAT receivable	176	-
Prepaid expenses and other items	45	153
Total	221	153

Note 8 – Cash and cash equivalents

Amounts in NOK 1000	31 Dec 2017	31 Dec 2016
Bank deposits	97	100
Total cash and cash equivalents	97	100

Restricted cash at December 31, 2017 is TNOK 15.

Note 9 – Share capital and shareholder information

See note 11 in the consolidated financial statements.

Note 10 - Long term borrowing

Scanship Holding ASA has per 31.12.17 no loan agreements.

Note 11 – Other current liabilities

<i>Amounts in NOK 1000</i>	31 Dec 2017	31 Dec 2016
Public duties payable	53	49
Other payables and accruals for incurred costs	104	80
Total	157	129

Note 12 – Earnings per share

	2017	2016
Profit for the year (NOK 1000)	123 579	-1 957
Weighted average number of shares outstanding	95 505 525	95 505 525
Earnings per share (NOK per share):		
- Basic	1.29	-0.02
- Diluted	1.29	-0.02



Note 13 – Financial instruments

(a) Categories of financial instruments

Amounts in NOK 1000	Category	31 Dec 2017	31 Dec 2016
Financial assets:			
Other receivables	Loans and receivables	221	153
Receivables intercompany	Loans and receivables	9 203	12 845
Cash and cash equivalents	Loans and receivables	97	100
Total financial assets		9 521	13 098
Financial liabilities:			
Other current liabilities	Financial liabilities at amortised cost	157	129
Total financial liabilities		157	129

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.

(d) 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.

(e) 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 1000	0-6 months	6-12 months
31 Dec 2017		
Other current liabilities	157	-
Total	157	-

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

(f) Foreign exchange rate risk:

The Company has no currency risk since 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 2017.

Guarantees:

There are no guarantees issued at December 31, 2017.

Note 15 – Events after the reporting period

There are no events after the reporting period that is assessed to have a material impact on the Company's financial situation.



Directors' responsibility statement 2017

We confirm to the best of our knowledge that the consolidated financial statements for 2017 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, that the financial statements for the parent company for 2017 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Scanship Holding ASA and the Scanship Holding Group for the period.

We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development, performance and financial position of Scanship Holding ASA and the Scanship Holding Group, together with a description of the principal risks and uncertainties that they face.

Lysaker, 25. April 2018



Narve Reiten
Chairman of the Board



Susanne L. R. Schneider
Member of the Board



Bård Brath Ingerø
Member of the Board



Benedicte Bakke Agerup
Member of the Board



Henrik Badin
CEO

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Scanship Holding ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Scanship Holding ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's *responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recognition on construction contracts

Revenues and costs from construction contracts are recognised in accordance with the percentage of completion method, determining the contract's total revenues, costs and progress on the basis of estimates. The contracts can continue for several years. The accounting of construction contracts has been a key audit matter due to the estimation uncertainty, the complexity of the contracts and the significance of the amounts involved.

We assessed the application of accounting principles, routines for monitoring the projects and tested controls related to project evaluations and the accounting. We discussed the status of projects under construction with management, finance, and technical staff of the Company. We considered the accuracy of management's prior year assumptions by comparing the actual outcome of prior period estimates. For all new contracts, we tested estimated revenues against agreements. We have reviewed the Company's process to record contract costs, hours and contract revenues and recalculated the calculation of the stage of completion. We also performed test of details e.g. vouching to invoices and hours incurred to assess the status of the project. We refer to the Group's disclosures included in note 4 in the consolidated financial statements for revenues on construction contracts.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 26 April 2018
ERNST & YOUNG AS



Asbjørn Rødal
State Authorised Public Accountant (Norway)

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 25 April 2018 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 will report annually on the principles and practices related to corporate governance. The report is published as a part of this 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.

Through good governance of its business, the company intends to create profitability and increased shareholder value.

The Business

Scanship provides world leading solutions for cleaner oceans. The company is a cruise industry leader in advanced technologies for purifying wastewater and processing garbage and foodwaste. In recent years, Scanship has entered the Aquaculture industry with technology to prevent pollution to sea and to enable recirculation of valuable resources from fish production.

Scanship is headquartered at Lysaker, Norway, and the Group has offices in Tønsberg (Norway), Davie in Florida (USA) and Gdynia (Poland). The company has warehouse facilities in Tønsberg and Davie.

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 material 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 will be conducted

on market terms. Transactions with related parties will be enclosed 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). 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. As a main rule all members of the Nomination Committee shall be independent of the Board and executive personnel. Currently Bård Brath Ingerø is both a member

of the Nomination Committee and the Board. 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

The constitution of the Board reflects a strong background that balances specific industry experience with a combination of financial background, management experience and industrial experience.

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 two 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 constitution of the Board reflects a strong background that balances specific industry experience with a combination of financial background, management experience and industrial experience.

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 six regular meetings each year, but typically holds additional meetings as circumstances dictate. Two of the scheduled board

meetings deals with strategic Company issues and all 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 Company has a defined structure for approval levels within its chart of accounts.

The executive management make risk evaluations on a continual basis as part of the day to day operations. In connection with major strategic and operational decisions to be made the potential factors to be evaluated will always be an important of the decision basis. The key risk factors and action plans are integral parts of the various Board presentations to be made by management. The Company has established internal control processes to ensure an effective and efficient operation, sound risk management, reliable financial reporting and compliance with laws and regulation. On the finance and accounting side the Company's internal control is also subject to an

independent review by the external auditor EY, were the findings will be presented annually in a Board meeting. The Board will carry out reviews 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 number 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 four-year period starting on third 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 www.scanship.no. The Company submits semi-annually and annual financial reports to Oslo Axess. In addition, significant information will be distributed at 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 if there are significant assessments outside the normal scope of services, this shall also be discussed with the Chairman of the Board. The Board of Directors shall receive an annual statement from the external auditor of services other than auditing provided to Scanship. The Auditors 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

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.

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.

Scanship follows all the relevant EHS rules and guidelines of the shipyards when performing site work.

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

External resources and references

International Labour Organization: www.ilo.org
 UN Convention on Human Rights: www.un.org

Declaration regarding the determination of salary and other remuneration to management employees, pursuant to the Norwegian Public Limited Liability Companies Act § 6-16a

1. Determination of salary and other remuneration to the CEO and other senior executives (PLLCA § 6-16a, 1st paragraph)

The salary level for CEO and other senior executives is set according to current employment contracts. Increases in salary and bonus payments to the CEO and CFO is determined by the Board of Directors, possibly by elected board members based on delegation from the Board.

The increase in salary and bonus payments to other senior executives is determined by the CEO.

All employees, including CEO and senior executives, are included in the company's collective pension scheme.

The management of Scanship Holding ASA has not received any remuneration or financial benefits from other companies in the Group. There is no additional remuneration for special services outside of the normal function of a manager.

The Company's share option program was approved by the Board on March 14, 2014 prior to the transformation into a public company (ASA). All outstanding options were granted in the Board meeting on March 14, 2014. Awarded options are earned (become exercisable) over a period of 3 years, where 1/3 is earned each year. The options have a duration until 30.04.19.

Retained options may only be exercised in the exercise period, which consists of 15 business days starting the day after each publication of annual and semi-annual reports. In the event of termination of employment, earned options can only be exercised in the consecutive two exercise periods. The Board has been authorized to assign options based on certain criteria.

The option program is limited to a total of 1,500,000 outstanding options. Forfeited options may be reallocated to other employees. The option program is also described in note 5 of the annual report 2017.

2. Guidelines for the determination of salary and other remuneration for the coming financial year (PLLCA § 6-16a, 2nd paragraph)

Compensation to the CEO and senior management of Scanship Holding ASA in the form of salary and other remuneration shall be in accordance with the following principles:

- Compensation shall be competitive in relation to management remuneration in industrial companies in Norway.
- The compensation must contain a fixed portion and may contain a variable part. The fixed part shall consist of basic salary and some standard additional benefits. If a variable part is given, it must consist of a bonus. Total compensation also includes pension schemes and participation in the option program in accordance with paragraph 1 above. Bonus payments require that the Scanship Group achieves a certain profit and, as a general rule, shall not be paid if the audited EBITDA for the Group is less than a set target for the current year. However, even if the Group's revised EBITDA for the current year should be less than the stated target, a bonus may be paid for extraordinary efforts.

3. Statement on 2017, the previous fiscal year

Remuneration to the CEO and other senior executives for the 2017 financial year was based on the same general guidelines as described above for the coming financial year.

4. Management's share-based remuneration (share option plan)

As of 31.12.17, there were 720,000 outstanding options in the Group, all of which had an exercise price of NOK 3.20. Two members of the management participate in the company's share option plan, in addition to certain other key employees.

Oslo, 25th of April 2018


Narve Reiten
Chairman of the Board


Susanne L. R. Schneider
Member of the Board


Bård Brath Ingersø
Member of the Board


Benedicte Bakke Agerup
Member of the Board



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