ANNUAL REPORT 2018

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Scanship Holding ASA

BOARD OF DIRECTORS REPORT 2018

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". In March 2019 Scanship also entered into its first contracts for its proprietary Microwave Assisted Pyrolysis ("MAP") Waste to Energy technology, both towards the cruise industry and towards land based applications.

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 aftersales activities. Systems are either sold to shipyards for newbuild constructions or to ships in operations as retrofits. When the Group 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 Group 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 Group 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 in operation, equal to one third of the total cruise market measured by the number of vessels. Two thirds of this installed base have been delivered to shipyards building new ships, while one third have been delivered as retrofit projects.

Of the Scanship systems in operation onboard cruise ships, half of this installed base are advanced wastewater purification systems, and the other half are garbage handling systems with incinerators and foodwaste treatment. Modern cruise ships generate a substantial amount of wet and dry waste which needs to be properly treated. Scanship's technology processes this into recyclables, clean flue gas and treated wastewater which meets the highest international effluent discharge standards.

Scanship has also in recent years delivered sludge treatment systems to several aquaculture projects in Norway and abroad, including both the world's largest smolt facility and what is to be the world's largest land based fish farm. The market potential for Scanship's technology for preventing pollution to sea and recovering nutrients within the aquaculture market is expected to continue to increase substantially going forward.

2018 Highlights

Scanship experienced significant improvements and growth in many areas in 2018. These were among others high activity level on equipment deliveries to cruise newbuilds, high order

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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.

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intake and all time high backlog buildup, strong growth in project- and aftersales revenues, and significantly improved EBITDA level reaching 11.9 %. Both the revenue and EBITDA was recorded at record levels in 2018.

During the year, Scanship has had milestone deliveries of equipment supply to 23 ongoing projects – both in cruise newbuild, cruise retrofit and aquaculture. In addition, the Group completed commissioning and handover of 8 cruise newbuilds that have entered service during the period.

In 2018, Scanship had a high project order intake amounting to MNOK 368. These orders are for systems to be installed on 12 cruise newbuilds, three cruise retrofits and five aquaculture facilities. Most of the cruise contracts signed are for systems where all the Scanship subsystems are bundled together in a total clean ship configuration processing waste-water, garbage and food waste. Among the contracts awarded was the retrofit contract with Carnival Cruise Line, to support their ongoing commitment to advanced wastewater purification systems in accordance with the IMO MARPOL regulations. The Group also entered into a contract for delivery of a sludge handling system to Atlantic Sapphire based in Miami. This salmon fish farm will be the world's largest with an annual production capacity of 90 000 tonn when completed.

The order backlog at year end was MNOK 656 compared to MNOK 469 at the end of 2017. The all time high order backlog includes system supplies to 36 new cruise ships to enter service onwards until 2026, three AWP retrofit turnkey projects with shipowners and five aquaculture projects.

In December the CEO Henrik Badin and Scanship won the prestigious EY Entrepreneur Of the Year award in the category "Services" in the Norwegian national final. The award was presented to Henrik Badin as the leading entrepreneur in accordance with the statutes of the award, and it was at the same time underlined that the growth over the last years is a result of a team effort by all Scanship employees.

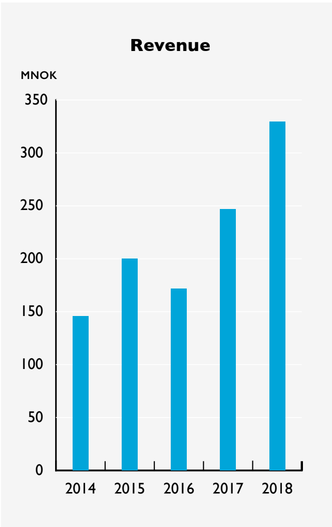
Turning into 2019, Scanship achieved a breakthrough milestone in March with a contract with a European ship-yard to deliver the MAP waste to energy carbon capture technology to two mega sized cruise ships. This was followed by the contract in early April to deliver the first full scale land based industrial MAP as part of a research program on valorization of biochar from pyrolysis of organic waste. The primary objective for the project is to create a sustainable and valuable biochar sorbent product for soil, air and waste treatment from pyrolyzed organic waste fractions. The project consortium with Scanship as MAP technology provider consist further of the waste and sewage companies Lindum and Veas together with NGI and Sintef.

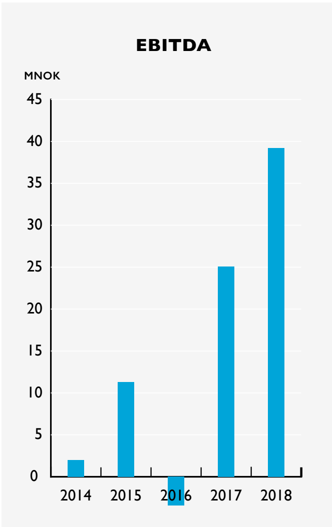
Product development/Innovation

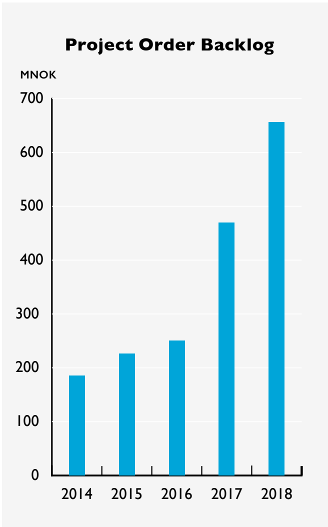
Scanship's main development projects during 2018 have been Microwave Assisted Pyrolysis ("MAP") Waste to Energy and Software tool for improved P&ID construction (PID). The highest priority and focus has been on the MAP development.

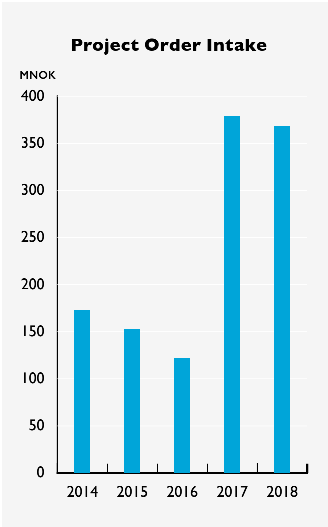
Scanship has invested MNOK 9.4 in 2018 on its product development activities compared to MNOK 4.1 in 2017, the difference being related to a higher investment level on the MAP system. The MAP system has now been commercialized through the contract in March 2019 to deliver the technology to two mega sized cruise ships, and the contract in the beginning of April 2019 to deliver the first full scale land based industrial MAP as part of a research program on valorization of biochar from pyrolysis of organic waste, as noted above.

Scanship has in 2018 a portfolio of five ongoing product development projects, which are included as intangible assets. All of these projects are ongoing into 2019.









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Intangible assets from product development activities were as of 31.12.18 MNOK 38.3 compared to MNOK 31.3 as of 31.12.17. A significant part of the product development cost consists of working hours performed by Scanship's own employees.

Going concern, Future outlook

At the end of 2018 the Group had a record-high order backlog of MNOK 656, up from MNOK 469 at the beginning of the year. After year-end 2018, new contracts have also been signed with a contract value of approximately MNOK 90. 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 5-6 % 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 and EMEA regions growing significantly in importance in the 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 cruise newbuilding market, Scanship is experiencing higher tendering activity within the AWP retrofit market. During the second half of 2018, Scanship has been executing three retrofit projects, including the retrofit project signed with Carnival Cruise Line in October. Scanship is now tendering for several retrofit projects, and it is expected that the addressable market for ship ugrades will continue to increase.

Scanship has also signed five contracts within the aquaculture market in 2018, and is presently tendering for additional new contracts. The aquaculture market for Scanship's 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.

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 2018 (2017) amounted to MNOK 329.6 (MNOK 247.0). The significant increase in the revenue level relates to both the Project segment and the Aftersales segment. The increase in Project revenues are driven by high activity, both related to new contracts awarded during the period, as well as by equipment deliveries and activity on the existing portfolio. The revenue from the Aftersales segment is growing based on the increasing number of cruise vessels with Scanship systems onboard. See also further details on the revenue development in note 4.

EBITDA (operating profit before depreciation and amortisation) for the Group constituted MNOK 39.2 (MNOK 25.1). The gross margin was recorded at 30.3 %, at the relatively same level as the 30.7 % in 2017. The significant 33 % increase in the Group's revenue level compared to 2017, combined with improvements in operational efficiency, resulted in an increase in the EBITDA margin from 10.2 % in 2017 to 11.9 % in 2018.

After depreciation and amortisation, the EBIT (operating profit) was recorded at MNOK 35.8 in 2018 compared to MNOK 21.9 in 2017. Depreciations are made on the Group's equipment and other fixed assets, while the historic development projects which have been finalised are amortised over the respective products estimated useful life.

The net financial items in 2018 were MNOK –2.4, compared to MNOK - 4.0 in 2017. The difference primarily being related to lower net effect of realized and unrealized currency effects during the year. The Group uses forward currency contracts to reduce the currency exposure on sales in Euro. See further the financial information in note 19.

After tax, the result for the year amounted to MNOK 26.3, compared to MNOK 12.6 in 2017.

Following the improvements in the operating results, the net cash flow from operating activities was also significantly improved to MNOK 31.1 in 2018, compared to MNOK 10.1 in 2017. The net change in cash for the year, following also the down-payments on the bank overdraft facility, was MNOK 1.2 in 2018, compared to MNOK 2.0 in 2017.

The Group had booked value of total assets at MNOK 194.1 as of 31.12.18, compared to MNOK 155.3 per 31.12.17. The book value of equity was MNOK 93.3 as of 31.12.18 constituting an equity ratio of 48.1 %.

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 – 2.8 in 2018 compared to MNOK – 3.9 in 2017. Included in the 2017 operating profit is a non-recurring cost of MNOK 1.1 related to the strategic structured process described in the 2017 Annual Report.

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 was reversed 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 positive with MNOK 0.2 in 2018. The result for the year ended at MNOK – 2.3 in 2018 and MNOK 123.6 in 2017.

The Company had booked value of total assets at MNOK 240.4 as of 31.12.18, compared to MNOK 241.6 as of 31.12.17, the assets mainly consisting of shares in subsidiaries. The book value of equity was MNOK 239.1 as of 31.12.18 constituting an equity ratio of 99.5 %.

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 - 2.3

If the proposed dividend is approved by the annual general meeting, this transaction will be recorded in 2019 in accordance with the IFRS principles.

Financing

The Group has a bank overdraft facility with a limit of MNOK 35.0 with DNB. The facility was paid down as of year end 2018 and had a positive cash balance of MNOK 0.5. In addition the Group has a Trade Finance facility with a limit of MNOK 15.0, which was utilised with MNOK 2.6 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, shipowners may have reduced capacity to finance newbuilds with the effect of lowering newbuild constructions.

Currency risk

The Group's revenue, 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 2016, 2017 or in 2018.

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 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. 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 were the payments are delayed from the customers. Management of the liquidity risk is a prioritized task by Scanship management.

The Group also has a different structure of 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. Given the shorter time cycle on the retrofit projects from the contract is signed and initiated, the supplier payments are, however, also being incurred relatively earlier on retrofit projects. 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 retrofit activity has increased from 2016 and into 2017 and 2018.

Estimation risk

The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates

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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 absence in the group is insignificant and was less than 2% in 2018.

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 four persons, of which two are women. The Group has 66 employees whereof 10 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 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

Scanship will continue to benefit from the environmental megatrend in the cruise and aquaculture industry.

The cruise industry continues to grow, and during the second half of 2018, the industry orderbook increased to 108 ships in Scanship's core market for ships carrying more than 200 persons aboard. Shipowners ordered 16 new ships in the period. Scanship entered into shipyard contracts for 7 newbuilds, ending the year with an order backlog of system supplies to 36 cruise newbuilds to be delivered in the period from 2019 until 2026. In addition, Scanship has options in contracts yet to be called for system supplies to 8 newbuilds and are currently tendering its technology to additionally 22 newbuilds that are contracted by shipowners and included in the industry orderbook. If the industry continues its growth pattern with an 5-6% CAGR, according to Scanship's estimates, there will be the need to further build approx. 100 cruise ships for deliveries to the market from 2023 until 2030.

Cruise industry shipowners are becoming ever more concerned about the environmental impact of their business. This continues to drive demand for Scanship systems both for newbuilds and ship retrofits. In September, CLIA (Cruise Line International Association) the words largest cruise industry association, publicly announced that 53% of the global fleet of cruise ships were equipped with AWP systems and only 7% were equipped with the new IMO standard for special area Baltic Sea. The global cruise fleet counted 386 vessels by the end of 2018 according to the Cruise Industry News annual report.

Subsequently, Scanship has experienced larger demand for ship retrofits to upgrade with AWP systems. In October, Scanship signed a retrofit contract with Carnival Cruise Line and during the last months, Scanship has been executing three retrofit projects. Scanship is tendering for several retrofit projects and it is expected that the addressable market for ship upgrades will increase.

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

Scanship delivers sludge processing systems to the domestic and international aquaculture industries. In September, the company was awarded a contract for its technology on the Miami based Atlantic Sapphire, what is said to become the world's largest land based salmon fish farm. As the aquaculture industry is set out to reach an annual production of 4 million tons, almost doubling its current production level, combined with increased attention on environmental sustainability, market potential for Scanship's technology preventing pollution to sea and recovering nutrients is expected to increase substantially going forward.

Scanship is receiving considerable attention on its propriety MAP technology in several markets. As the technology converts waste to energy, captures carbon and provides an end-of-waste solutions, it has become relevant for many land based applications outside Scanship's core markets in the Cruise and Aquaculture industries. Scanship has commercialized the MAP technology through entering into a contract in March 2019 with a European shipyard to deliver this new waste to energy carbon capture technology for two mega sized cruise ships. In addition, in the beginning of April a contract was signed to deliver the first full scale land based industrial MAP as part of a research program on valorization of biochar from pyrolysis of organic waste. The Norwegian Research Council has granted 50 % funding for the research program.

The MAP technology has a large potential in the cruise industry as it will substantially contribute to decarbonize ship

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operations. The maritime industry targets to reduce CO_2 emissions with 50% by 2050, and the cruise industry aims to reach this level already by 2030. Against this backdrop, Scanship expects increased demand for MAP both on cruise newbuilds and for upgrades on the existing global cruise fleet.

On land based biogas plants there is a rising concern around microplastics in its residues for fertilizer use. There is today more than 17 000 biogas plants in Europe, and a substantial number of these are processing sewage sludge and food waste, that are faced with microplastic challenges. As Scanship's MAP technology will degrade microplastics into bio-char as an end-of-waste solution, along with improving the energy production at the biogas plants, the addressable markets for Scanship MAP technology will substantially increase.

Dividend

The cash flow from operations has increased, and the backlog of contracts is strong. On this basis the Board will propose to the annual general meeting a payment of dividend of NOK 0.10 per share amounting to a total of MNOK 9.6 and ask for an authorization to pay an additional dividend in second half of 2019. The Company will target bi-annual dividend payments going forward considering a continued growth strategy.

Lysaker, 25. April 2019

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 2018

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Consolidated Income Statement

(NOK million)	Note	2018	2017
Revenues	4	329.6	247.0
Total operating revenues		**329.6**	**247.0**
Cost of goods sold	4, 15	-229.8	-171.2
Employee expenses	5, 23	-37.3	-29.0
Other operating expenses	6, 22	-23.3	-20.4
EBITDA before non-recurring cost		**39.2**	**26.5**
Non-recurring cost	6	-	-1.4
EBITDA		**39.2**	**25.1**
Depreciation	17	-1.0	-1.6
Amortisation	18	-2.4	-1.4
Impairment	18	0.0	-0.2
Operating profit (EBIT)		**35.8**	**21.9**
Finance income	19	3.9	6.1
Fair value change FX derivatives	21	-1.9	0.3
Finance costs	19	-4.5	-10.4
Net financial items		**-2.4**	**-4.0**
Result before tax		**33.4**	**17.9**
Income tax expenses	16	-7.1	-5.3
Result for the year		**26.3**	**12.6**
Attributable to:			
Owners of the parent		26.3	12.6
		26.3	12.6

Earnings per share (NOK 1 000 per share)	Note	2018	2017
- Basic	14	0.28	0.13
- Diluted	14	0.28	0.13

Consolidated Statement of Comprehensive Income

(NOK million)	Note	2018	2017
Result for the year		**26.3**	**12.6**
Other comprehensive income:			
Exchange differences on translation of foreign operations		0.9	-0.1
Total other comprehensive income, net of tax		**0.9**	**-0.1**
Total comprehensive income for the year		**27.2**	**12.5**
Attributable to: Owners of the parent		27.2	12.5
		27.2	12.5

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Consolidated Statement Of Financial Position

(NOK million)	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	17	3.2	2.4
Intangible assets	18	38.3	31.3
Total non-current assets		**41.5**	**33.7**
Current assets			
Inventories	7	4.5	3.9
Trade receivables	8, 12	62.6	58.8
Contracts in progress	4	62.5	43.3
Other receivables	9	16.0	10.1
Cash and cash equivalents	10	7.0	5.6
Total current assets		**152.6**	**121.6**
Total assets		**194.1**	**155.3**

(NOK million)	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Share capital	5, 11	9.6	9.6
Share premium	5, 11	77.9	77.5
Other capital reserves		0.3	0.3
Translation differences		1.7	0.8
Retained earnings		3.9	-30.2
Equity attributable to owners of the parent		**93.3**	**57.9**
Total equity	26	**93.3**	**57.9**
Liabilities			
Non-current liabilities			
Deferred tax liability	16	14,0	7,2
Long term borrowings	12	0,9	1,1
Total non-current liabilities		**14,9**	**8,3**
Current liabilities			
Trade creditors		44,3	47,6
Contract accruals	4	25,7	10,6
Unrealised change fair value FX derivatives	19, 20, 21	3,4	1,5
Income tax payable	16	-0,3	1,4
Bank overdraft	12	2,1	20,8
Other current liabilities	13	10,7	7,1
Total current liabilities		**85,9**	**89,0**
Total liabilities		**100,8**	**97,4**
Total equity and liabilities		**194,1**	**155,3**

Lysaker, 25. April 2019

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Member of the Board

Benedicte Bakke Agerup
Member of the Board

Henrik Badin
CEO

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Consolidated statement of changes in equity

31.12.2018 *(NOK million)*	Note	Share capital	Share premium	Other cap. reserves	Translation differences	Retained earnings	Total	Non contr. interest	Total Equity
Equity at 1 January 2018		9.6	77.5	0.3	0.8	-30.1	57.9	-	57.9
IFRS 15 - Implementation effect						6.8	6.8		6.8
Result for the year						26.3	26.3		26.3
Other comprehensive income					0.9	1.0	1.9		1.9
Total comprehensive income		-	-	-	0.9	26.6	27.4	-	27.4
Share capital increase paid in cash 11.12.18	5		0.4				0.4		0.4
Equity at 31 December 2018		**9.6**	**77.9**	**0.3**	**1.7**	**4.2**	**93.4**	**-**	**93.3**

31.12.2017 *(NOK million)*	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**	**-30.1**	**57.9**	**0.0**	**57.9**

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Consolidated cash flow statement

(NOK million)	Note	2018	2017
Cash flow from operating activities			
Result before income tax		33.4	17.9
Adjustments:			
Stock option	5	-	-0.2
Income tax paid	16	-1.3	-0.7
Changes in work in progress	4	0.2	-26.6
Depreciation. amortisation and impairment	17,18	3.4	3.6
Changes in Fair value FX derivatives	19, 21	1.9	-0.3
Changes in inventories, trade receivables and trade creditors		-5.6	15.6
Interest paid to trade creditors		-0.1	-0.1
Changes in other accruals		-0.9	1.0
Net cash flow from operating activities		**31.1**	**10.1**
Cash flow from investing activities			
Purchase of property, plant and equipment	17	-1.9	-1.5
Investment in intangible assets	18	-9.4	-3.3
Net cash flow from investing activities		**11.3**	**-4.8**
Cash flow from financing activities			
Proceeds from issuing stock	5, 11	0.4	-
Proceeds from borrowings	12	-0.1	-0.1
Bank Overdraft facility	12	-17.9	-1.8
Interest paid		-0.9	-1.3
Repayment of loans	12	-0.1	-0.1
Net cash flow from financing activities		**-18.5**	**-3.3**
Net change in cash and cash equivalents		**1.2**	**2.0**
Effect of exchange rate changes on cash and cash equivalents		0.2	-0.2
Cash and cash equivalents at 1 January		5.6	3.8
Cash and cash equivalents at 31 December		**7.0**	**5.6**
Non restricted cash, 31.12		5.3	4.3
Restricted cash, 31.12		1.7	1.3
Cash 31.12	10	**7.0**	**5.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Scanship Holding ASA

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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 life 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 2019.

> Scanship delivers advanced technologies for processing waste and purifying wastewater in the cruise and aquaculture industries.

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 under-standing, 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 2018 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 any 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 a cost-to-cost model in accordance with IFRS 15. 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.

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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 2017 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 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 16 Leases
IFRS 16 Leases replaces IAS 17 Leases and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard will be implemented on 1 January 2019. The Group plans to follow the modified retrospective approach, which requires no restatement of comparative information.

During 2018, the Group has performed a preliminary impact assessment of IFRS 16. This assessment is presented in a separate financial note to these consolidated financial statements.

In the consolidated statements of income, operating lease expense will be replaced by depreciation and interest expense.

There are no other changes in accounting policy and disclosures that are assessed 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.

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IFRS 9 Financial Instruments
The Group has implemented IFRS 9 in 2018 with no significant impact to the financial statements.

(a) Classification and measurement.
The Group has had no 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 record expected losses on a 12-months basis. The Group has had very limited losses on its trade receivables in recent years, and has had 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.

Revenue recognition for contracts under the cost-to-cost method (IFRS 15)
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 on the amount of revenue that has been recognized. The uncertainty is highest in relation to these factors:

Project – sales:
• Total estimated costs
• Percentage of completion estimates
• Total hours estimated

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 prepares 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 in relation 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 31.12.18, there were no intangible assets that were evaluated to be 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 Group to utilize the tax asset. Similarly, the Group will reduce the deferred tax assets to the extent Scanship 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 in relation to the following estimates:
• Expected taxable revenue

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NOTE 4 – Segments, Revenue 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 reported as Projects, which also include aquaculture. 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.

IFRS15 1.1-31.12.18	Projects	Aftersales	Admin & other	Elimination	**Total**
Revenue [1]	229.8	105.5	-	-5.7	329.6
Total revenue	**229.8**	**105.5**	**-**	**-5.7**	**329.6**
Cost of goods sold	-163.4	-68.3	-	1.9	-229.8
Employee expenses	-19.1	-12.2	-6.1	-	-37.3
Other Operating expenses	-12.7	-9.3	-5.0	3.6	-23.3
EBITDA	**34.6**	**15.7**	**-11.1**	**-**	**39.2**
Depreciation and amortisation	-3.4	-	-1.1	-	-3.4
OPERATING PROFIT	**31.2**	**15.7**	**-11.1**	**-**	**35.8**
Net Contracts in progress	36.7	-	-	-	36.7
Total assets [2]	172.0	29.2	366.3	-373.5	194.2
Investments in non-current assets	10.3	-	1.9	-	12.2

1) 61.9% 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 subsidaries.

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

IAS 8/11 01.01. - 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	**23.4**	**10.9**	**-7.8**	**-**	**26.5**
Restructuring 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**	**-7.3**	**-**	**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 subsidaries.

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Continued

NOTE 4 – Segments, Revenue and contracts in progress

Amounts in NOK million	2018	2017
Revenue from Projects	229.8	165.0
Revenue from Aftersales	99.8	82.0
Total Revenue	**329.6**	**247.0**

REVENUE FROM ONGOING PROJECTS

REVENUE IN FINANCIAL YEAR:
The table below shows revenue from ongoing projects 31.12. as is recognised in the Consolidated Income Statement in 2017 and 2018.

Amounts in NOK million	2018	2017
Total construction contract revenue recognised as revenue	142.3	144.7

TOTAL ACCUMULATED REVENUE AND COSTS:
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	2018	2017
Acc. Construction contract revenue recognised as revenue	471.3	279.7
Accumulated related costs incurred	331.9	187.2
Acc. Recognised profit or loss on contracts in progress	**139.4**	**92.5**

RECOGNISED AND INCLUDED IN THE FINANCIAL STATEMENTS AS AMOUNT DUE:

Amounts in NOK million	2018	2017
Contracts in progress (due from customers)	62.5	43.3
Contract accruals (due to suppliers)	-25.7	-10.6
Net work in progress	**36.7**	**32.6**

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.

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NOTE 5 – Employee expense, remuneration to management and Board of directors and share option plan

Amounts in NOK million	2018	2017
Salaries	47.0	38.5
Social security tax	5.6	4.5
Pension costs	1.6	1.3
Other benefits	1.4	0.8
Option Program	-	-0.2
Total employee expenses	**55.5**	**45.0**
Employee expenses recognised within cost of goods sold	-13.8	-12.9
Employee expenses capitalised as R&D	-4.4	-3.1
Total costs recognised as employee expenses	**37.3**	**29.0**
Full Time Equivalents	59	53

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REMUNERATION TO MANAGEMENT AND BOARD OF DIRECTORS IN 2018:

Amounts in NOK 1 000	Salaries	Pension	Other 1)	Total
CEO, Henrik Badin	1 798.3	68.8	314.3	2 181.4
CFO, Erik Magelssen	1 367.9	66.7	136.5	1 571.1
CTO, Henning Mohn	1 281.3	67.4	20.0	1 368.7
CDO, Asgeir Wien	1 390.1	68.8	146.4	1 605.3
CCO, Bjørn Abraham Bache	925.8	49.8	13.7	989.3
COO, Jonny Hansen	1 228.0	49.1	161.9	1 439.0
Narve Reiten, Chairman of the Board	300.0	-	-	300.0
Susanne L.R. Schneider, Board member	200.0	-	-	200.0
Bård Brath Ingerø, Board member	200.0	-	-	200.0
Benedicte Agerup, Board member	200.0	-	-	200.0
Total	**8 891.3**	**370.5**	**792.9**	**10 054.7**

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

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

REMUNERATION TO MANAGEMENT AND BOARD OF DIRECTORS IN 2017:

Amounts in NOK 1 000	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 2)	1 214.3	66.0	31.9	1 312.2
CDO, Asgeir Wien 2)	1 365.1	67.9	124.6	1 557.5
COO, Per Stensli	1 313.3	68.3	10.4	1 392.0
COO 2), Jonny Hansen	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 4), 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	**9 389.2**	**351.7**	**1 123.1**	**10 863.9**

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, replacing Per Stensli.
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.

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 31.12.2018, five employees were included in the option programme. The option vests yearly over three years. No options were granted in 2018. The share option programme liability is NOK 0.1m as of 31.12.18

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 an 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 30.04.2019 shall terminate without any compensation being payable to the Option Holder.

OVERVIEW OF OUTSTANDING OPTIONS:

	2018	2017
Outstanding options 1.1	720 000	1 020 000
Options granted		
Options forfeited		-300 000
Options exercised	-185 000	
Options expired		
Outstanding options 31.12	**535 000**	**720 000**
Of which exercisable	**535 000**	**620 000**

EQUITY TRANSACTION

During 2018, 185 000 of the outstanding options were exercised. 50 000 of the options were settled by transferring the option gain as a salary element. The transactions was further settled by issuing 135 000 new shares, by a capital increase of NOK 13 500, at the exersice price of NOK 3.20. Following the issuance of new shares, the issued share capital of Scanship Holding ASA is 9 564 052.5, consisting of 95 640 525 shares, each with a par value of NOK 0.10.

THE OUTSTANDING OPTIONS ARE SUBJECT TO THE FOLLOWING CONDITIONS:

Expiry date	Average strike price	Number of share options
30.04.2019	3.20	535 000
		535 000

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 31.12.18 expire 30.04.2019.

DIVIDEND

The estimated dividend per share is NOK 0 per annum.

RISK-FREE INTEREST RATE

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

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NOTE 6 – Other operating expenses and Remuneration to auditor

OTHER OPERATING EXPENSES INCLUDE:

Amounts in NOK million	2018	2017
Travelling expenses	4.3	3.0
Lease expenses	5.3	4.7
Consultant's and other fees	7.5	6.6
Other office expenses	3.8	3.0
Other expenses	2.3	3.1
Total	**23.3**	**20.4**

REMUNERATION TO AUDITOR IS ALLOCATED AS SPECIFIED BELOW:

Amounts in NOK million	2018	2017
Statutory audits	1.1	0.6
Tax consultancy	0.3	0.4
Total	**1.4**	**1.1**

NON-RECURRING COST:

No non-recurring cost was recorded during 2018. 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.

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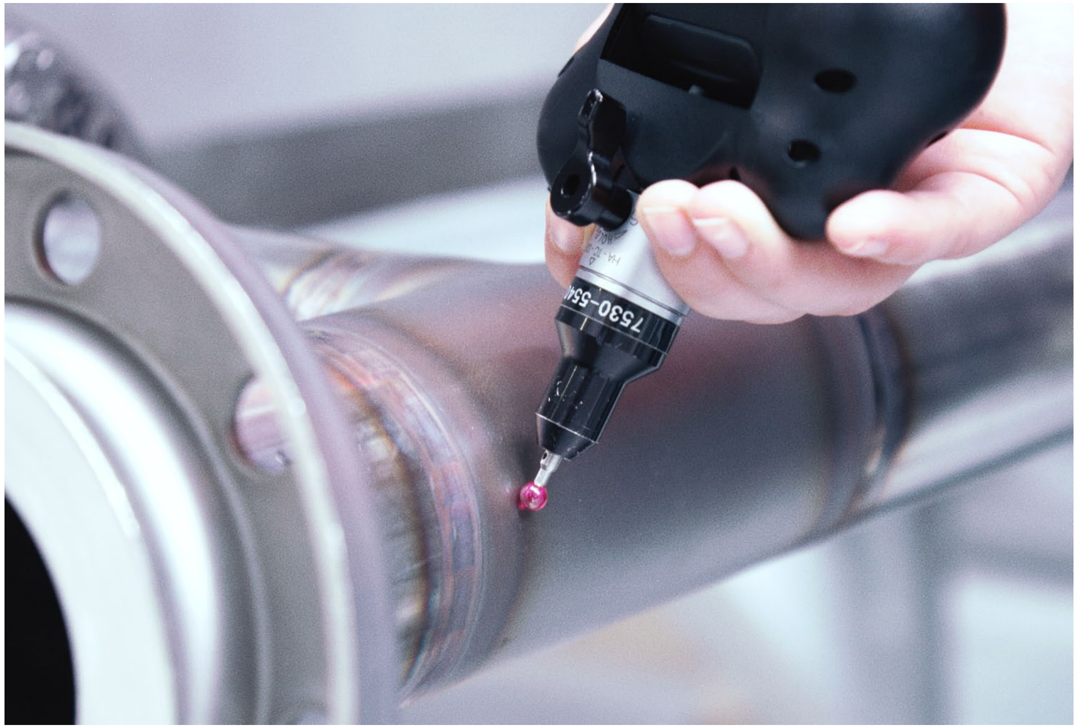
NOTE 7 – Inventories

INVENTORIES INCLUDE:

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Cost of goods (at cost)[1)]	4.5	3.9
Total inventories at the lower of cost and net realisable value	4.5	3.9

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



NOTE 8 – Trade receivables

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Gross trade receivables	62.6	58.8

Trade receivables are non-interest bearing and generally on 30-90 day terms.
It is considered that there is no impairment on trade receivables in 2017 or in 2018. 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 recivable 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 2018	62.6	33.3	7.2	6.1	1.7	14.2
31.Dec 2017	58.8	19.7	16.9	4.8	3.0	14.5

There are no disputes of the total amounts past due 60 days.
NOK 32.7m of the past due balance per 31.12.18 has been paid subsequent to 31.12.18.

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NOTE 9 – Other receivables

OTHER RECEIVABLES INCLUDE:

Amounts in NOK million	31. Dec 2018	31. Dec 2017
VAT receivable	5.5	5.2
Prepaid expenses and other items	5.6	3.2
Receivables "Skattefunn" (tax refund scheme)	1.4	0.9
Other items	3.5	0.9
Total	**16.0**	**10.1**

NOTE 10 – Cash and cash equivalents

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Bank deposits	7.0	5.6
Total cash and cash equivalents	**7.0**	**5.6**
Of this: Restricted cash for withheld taxes from employee salaries	1.7	1.3

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NOTE 11 – Share capital and shareholder information

	31. Dec 2018	31. Dec 2017
Number of outstanding shares at 1 January	95 505 525	95 505 525
Number of outstanding shares at 31 December	95 640 525	95 505 525
Nominal value NOK per share at 31 December	0.10	0.10
Share capital NOK at 31 December	9 564 053	9 550 552

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

LARGEST SHAREHOLDERS OF SCANSHIP HOLDING ASA > 1% : 31.12.18

NAME	Number	% Share
Ingerø Reiten Investment Company AS	31 500 000	32.94 %
Exproco Limited (Jonny Hansen)	10 500 000	10.98 %
Badin Invest Limited (Henrik Badin)	10 500 000	10.98 %
Daler Inn Limited (Asgeir Wien)	10 500 000	10.98 %
Trethom as [1]	4 211 111	4.40 %
Goldman Sachs International	2 408 246	2.52 %
Vicama	1 812 500	1.90 %
Fondsavanse as	1 562 500	1.63 %
Bergen Kommunale Pensjonskasse	1 500 000	1.57 %
Citibank. N.A.	1 490 932	1.56 %
DZ Privatbank S.A.	1 150 000	1.20 %
MP Pensjon PK	1 028 225	1.08 %
Total	**78 163 514**	**81.7 %**

1) Eigel Ingvar Thom has full ownership of Trethom AS, and a total ownership, direct and indirect, of 5,3 % 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	32.94 %
Henrik Badin (CEO)	10 500 000	10.98 %
Asgeir Wien (CTO)	10 500 000	10.98 %
Johnny Hansen (COO)	10 500 000	10.98 %
Total	**63 000 000**	**65.9 %**

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

Note 12 – Borrowing

LONG-TERM BORROWING

The Group has long-term borrowings of NOK 0.9m (DnB ASA), related to financing of company cars.

BANK OVERDRAFT FACILITY

The Group has a bank overdraft facility with a limit NOK 35m, all of which is available as of 31.12.2018. The facility is floating interest based, currently NIBOR + 3,00 % p.a. The Group also entered into a NOK 15.0m trade finance facility during 2018. Net drawn amount of the facilities was NOK 2.1m as of 31.12.18.

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Bank overdraft facility	-0.5	20.8
Trade finance facility	2.6	-
Other long term debt	0.9	1.1
Balance 31. December	**3.0**	**21.9**

COVENANTS

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

- Minimum equity ratio of 8 % of the yearly gross sales. Equity ratio of gross sales was 26,2 % at 31.12.2018
- Minimum equity and/or subordinate loan of NOK 20 mill. Equity NOK 79,1m at 31.12.2018
- 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 31.12.2018 was 2,3%.

Scanship AS, and the Group, is not in breach with the covenants as of 31.12.2018.

MORTGAGES

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

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Property, plant and equipment	3.2	2.4
Inventory	4.5	3.9
Trade receivables	62.6	58.8
Total value of assets pledged	**70.3**	**65.0**

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NOTE 13 – Other current liabilities

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Public duties payable	3.1	2.5
Other payables and accruals for incurred cost	7.6	4.6
Total	**10.7**	**7.1**

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:

	2018	2017
Profit for the year (NOK million)	26.3	12.6
Weighted average number of shares outstanding	95 512 963	95 505 525
Earnings per share (NOK per share):		
- Basic	0.28	0.13
- Diluted	0.28	0.13

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NOTE 15 – Related party disclosures

The Consolidated Financial Statement is prepared for Scanship Holding ASA as 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. In addition, Scanship AS has 70% ownership in CHX Maritime Inc.

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. [2)]	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.

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NOTE 16 – Tax

Specification of income tax:

Amounts in NOK million	2018	2017
Income tax payable	0.3	1.0
Change in deferred tax	6.8	4.4
Total income tax expenses	**7.1**	**5.3**

Specification of temporary differences and deferred tax:

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Property, plant and equipment	-11.6	-8.9
Construction contract	142.3	92.5
Inventories	-1.8	-2.6
Financial instruments and other receivables	-3.4	-1.5
Tax loss carryforward	-69.1	-55.3
Total temporary differences	**56.4**	**24.2**
Not recognised tax loss carry forward	2.9	4.1
Not recognised temporary differences on Government funding ("Skattefunn")	4.3	2.9
Total basis for deferred tax	63.6	31.3
Net deferred tax liability 22% (23%)	**14.0**	**7.2**

Reconciliation of effective tax rate:

Amounts in NOK million	2018	2017
Profit before income tax	33.4	17.9
Expected income tax assessed at the tax rate for the parent company 24% (25%)	7.7	4.3
Adjusted for tax effect of the following items:		
Permanent differences	-0.3	-
Effect of other tax rate in subsidaries in the U.S and Canada	0.3	0.3
Effect of change of tax rate from 23% (22%) to 24% (23%)	-0.6	0.3
Unrecognised deferred tax assets	-	0.3
Total income tax expenses	**7.1**	**5.3**

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NOTE 17 – Property, plant and equipment

Amounts in NOK million	**Office furniture and equipment**
2018	
Cost:	
At 1.1.2018	10.1
Additions	1.9
At 31.12.2018	**12.0**
Depreciation and impairment:	
At 1.1.2018	-7.7
Depreciation this year	-1.0
At 31.12.2018	**-8.7**
Carrying amount at 31.12.2018	**3.2**
Useful life	3-5 years
Depreciation method	linear

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

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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 industry standards.

The Group assesses yearly each project whether there is any indication that the asset may be impaird. A discounted cash-flow analysis is prepared for each on-going project and compared with the asset's booked value. No impairment for 2018 has been identified.

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

Amounts in NOK million	**Development**
2018	
Cost:	
At 1.1.2018 1)	36.1
Additions 2)	9.4
At 31.12.2018	**45.5**
Amortisation and impairment:	
At 1.1.2018	-4.8
Amortisation 2)	-2.4
At 31.12.2018	**-7.2**
Carrying amount at 31.12.2018	**38.3**

1) This consists of 9 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 6.8m and NOK 1.4m respectively.
2) Useful life is expected to be 3 to 15 years.

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

As of 31.12.18, approx. NOK 32.6m of carrying amount are still under development, while NOK 5.7m are related to finalised projects which are amortised.

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 1.1.2017	**-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 intangibly 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.

NOTE 19 – Finance income and costs

FINANCE INCOME:

Amounts in NOK million	2018	2017
Foreign exchange gain	3.9	6.1
Total finance income	**3.9**	**6.1**

FINANCE COSTS:

Amounts in NOK million	2018	2017
Interest expense	1.1	1.5
Foreign exchange loss	3.4	4.5
Loss on FX derivatives	-	4.0
Other financial cost	-	0.5
Total finance costs	**4.5**	**10.4**

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NOTE 20 – Financial instruments

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

Amounts in NOK million	Category	31. Dec 2018	31. Dec 2017
Financial assets:			
Trade receivables	Loans and receivables	62.6	58.8
Other receivables [1]	Loans and receivables	1.4	0.9
Cash and cash equivalents	Loans and receivables	7.0	5.6
Total financial assets		**70.0**	**65.3**
Financial liabilities:			
Non-current borrowings	Financial liabilities measured at amortised cost	0.9	1.1
Financial instruments (derivates)	Financial liabilities measured at amortised cost	3.4	1.5
Trade creditors	Financial liabilities measured at amortised cost	44.3	47.6
Share option plan [2]	Financial liabilities measured at amortised cost	0.3	0.3
Bank overdraft facility	Financial liabilities measured at amortised cost	-0.5	20.8
Trade finance facility	Financial liabilities measured at amortised cost	2.6	-
Total financial liabilities		**50.9**	**71.3**

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 insignificant. Fair value of the bank overdraft facility and trade finance 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 risk mitigating factor.

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

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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 during the reporting period. 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 were 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 2018	0 – 6 months	6 – 12 months	1 – 5 years
Payments on long term borrowings	0.1	0.1	0.7
Trade creditors	44.3	-	-
Trade finance facility	2.6		-
Bank overdraft facility	-	-0.5	-
Leases [1]	6.9	4.4	29.3
Total	**53.8**	**4.0**	**30.0**

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 forward currency 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 1.2m in revenue, and NOK 0.8m on result before tax.

(G) INTEREST RATE RISK:
The interest rate on the long term bank loan, overdraft and trade credit facilitues 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 0.3m on the financial statement.

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

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

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NOTE 21 – Unrealised change fair value FX derivatives

Amounts in NOK million	31. Dec 2018	31. Dec 2017
Forward currency contracts	-3.4	-1.5

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 it's derivative contracts, hence the contracts are measured at fair value through profit and loss. In total these contracts have a nominal value of EUR 13.2m as of 31.12.18, where EUR 4.8m matures in 2019, EUR 3.2m matures in 2020, EUR 3.6m and EUR 1.6m are due in 2021 and 2022 respectively.

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.
- 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)	31.12.2018	0.0	-3.4	0.0
Derivative financial assets/(liabilities)	31.12.2017	0.0	-1.5	0.0

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NOTE 22 – Leases

The Group has no financial leases.
The Group has entered into different operating leases for cars, office premises and other facilities, office furniture and office equipment.

The 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	2018	2017
Lease cars	0.9	0.4
Lease office premises and other facilities (incl. joint costs)	3.1	3.4
Lease office furniture and equipment	1.2	1.0
Total Lease costs	**5.2**	**4.8**

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

Amounts in NOK million	2018	2017
Within 1 year	4.9	3.7
1 to 5 years	8.9	10.7
After 5 years	-	-
Total	**13.8**	**14.4**

IFRS 16 implementation

The Group plans to use the modified retrospective implementation approach, and will therefore not restate last years reported statements upon adoption.

The right-of-use assets with the corresponding liability will be presented seperately in the Consolidated Financial Statement.

The Group has certain user rights (e.g. printers, other office equipment) which are planned to be handled as off-balance sheet leases.

Preliminary calculations show that liabilities would increase with approx. NOK 15.4m for the Group as of 31.12.18.

Depreciation for the right-of-use assets would amount to approx. NOK 5.1m, while the Group would incur interest expenses of approx. NOK 0.3m.

Together with a decrease in other operating expenses, the effect of IFRS 16 for the Group on EBITDA is preliminary calculated to be approx. +12.9% , while the result before tax would be affected with approx. - 0.9%.

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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 tjenestepensjon). The Group's pension scheme fulfils the requirements of that law.

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

The Group has no other pension arrangements in place.

Amounts in NOK million	2018	2017
Service cost	1.5	1.3
Social security tax	0.2	0.2
Net Pension costs	**1.7**	**1.5**

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NOTE 24 – Contingent liabilities

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

GUARANTEES:
For late delivieres the customers can give Scanship penalties according to contract.

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

NOTE 25 – Events after the reporting period

NEW CONTRACTS SIGNED
Scanship has signed contracts after 2018 that amounts to approx. NOK 90m in revenue. Scanship has in 2019 also entered into its first contracts for its proprietary MAP technology, both towards the cruise industry and towards land based applications.

There are no other significant events after reporting period that are assessed to have a material impact on the Group's financial position.

NOTE 26 – Going concern

EQUITY
The consolidated Annual Accounts for 2018 show a positive equity of NOK 93.3 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 (kassekreditt).

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 have incurred during the reporting period. 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 were 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 656m per 31.12.18, and additional options of NOK 200m, where orders have been placed at yards, but yet to be ordered from Scanship AS. The market outlook for the industry is good and the company has a strong position in the market.

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NOTE 27 – IFRS 15 Applied

IFRS 15 is the new accounting standard effective from 1 January 2018, to account for revenue from contracts with customers. The new standard establishes a five-step model to determine the principles for revenue recognition, and the application of these principles. Scanship has adopted the new standard using the modified retrospective approach. Under this approach the financial results for the reporting periods in 2018 will also be presented using the former principle IAS 18/11. The revenue recognition for the Group's operations in the Aftersales segment will generally not be affected by this new accounting standard.

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

01.01. – 31.12.18	Projects IFRS 15 applied	Projects IAS8/11	Total IFRS 15 applied	Total IAS8/11
Revenue	229.8	193.8	329.6	293.6
Total revenue	**229.8**	**193.8**	**329.6**	**293.6**
Cost of sales	-163.4	-133.8	-229.8	-200.2
Gross profit	**66.4**	**60.0**	**99.8**	**93.4**
- Gross margin	*28.9 %*	*31.0 %*	*30.3 %*	*31.8 %*
Employee expenses	-19.1	-19.1	-37.4	-37.4
Other Operating expenses	-12.7	-12.7	-23.4	-23.4
EBITDA	**34.6**	**28.2**	**39.1**	**32.6**
- EBITDA margin	*15.1 %*	*14.6 %*	*11.9 %*	*11.1 %*

Including historic effects of the project portfolios total accumulated progress, calculated net effect on the Group's equity 31.12.17 is approx. NOK 6.8m. increase.

FINANCIAL STATEMENT 2018

Parent Company

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Income Statement

NOK million	Note	2018	2017
Revenues		-	-
Total operating revenues		-	-
Employee expenses	4	-0.9	-0.8
Other operating expenses	4	-1.9	-2.0
Operating profit (EBIT) before non-recurring items		**-2.8**	**-2.9**
Non-recurring cost		-	-1.1
Operating profit (EBIT)		**-2.8**	**-3.9**
Finance income	6	0.2	126.9
Finance expenses	6	-	-
Net financial items		**0.2**	**126.9**
Result before tax		**-2.6**	**123.0**
Income tax (expense)/income	5	0.3	0.6
Result for the year		**-2.3**	**123.6**

Earnings per share *NOK per share*	Note	2018	2017
- Basic	12	-	1.3
- Diluted	12	-	1.3

Statement of Comprehensive Income

NOK million	Note	2018	2017
Result for the year		-2.3	123.6
Other comprehensive income:		-	-
Total other comprehensive income		**-**	**-**
Total comprehensive income for the year		**-2.3**	**123.6**

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Statement of Financial Position

NOK million	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Deferred tax asset	5	6.4	6.1
Investment in subsidiaries	6	226.0	226.0
Total non-current assets		**232.4**	**232.1**
Current assets			
Other receivables	7	-	0.2
Receivables intercompany	13	7.4	9.2
Cash and cash equivalents	8	0.5	0.1
Total current assets		**8.0**	**9.5**
Total assets		**240.4**	**241.6**

NOK million	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Share capital	9	9.6	9.6
Share premium	9	178.3	177.9
Retained earnings		51.2	53.5
Total equity		**239.1**	**241.0**
Liabilities			
Current liabilities			
Trade payables		0.1	0.4
Other current liabilities	11	1.2	0.2
Total current liabilities		**1.3**	**0.6**
Total liabilities		**1.3**	**0.6**
Total equity and liabilities		**240.4**	**241.6**

Lysaker, 25. April 2019

Narve Reiten
Chairman of the Board

Susanne L. R. Schneider
Member of the Board

Henrik Badin
CEO

Bård Brath Ingerø
Member of the Board

Benedicte Bakke Agerup
Member of the Board

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Cash Flow Statement

NOK 1000	Note	2018	2017
Cash flow from operating activities			
Result before income tax		-2 614	122 950
Adjustments:			
Change in trade payables		-356	118
Change in investment in subsidiaries		-	-126 674
Changes in other accruals		1 179	-40
Net cash flow from operating activities		**-1 791**	**-3 646**
Cash flow from financing activities			
Proceeds from issuing stock	9	432	-
Proceeds from borrowings		1 773	3 642
Net cash flow from financing activities		**2 205**	**3 642**
Net change in cash and cash equivalents		**414**	**-3**
Cash and cash equivalents at 1 January		97	100
Cash and cash equivalents at 31 December	8	**511**	**97**
Non restricted cash, 31.12		511	82
Restricted cash, 31.12		-	15
Cash 31.12		**511**	**97**

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Statement of Changes in Equity

2018 *NOK 1000*	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity at 31.12.2017	9 551	177 912	-	53 537	241 000
Result for the year				-2 303	-2 303
Other comprehensive income					-
Total comprehensive income				-2 303	-2 303
					-
Increase share capital, paid in cash	14	419			432
Equity at 31 December 2018	**9 564**	**178 331**	**-**	**51 235**	**239 129**

2017 *NOK 1000*	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**

NOTES TO THE FINANCIAL STATEMENT

Scanship Holding ASA

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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 2019.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

2.8 Cost of equity transactions

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

2.9 Cash flow statement

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

2.10 Events after the balance sheet date

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

2.11 Changes in accounting policy and disclosures

New and amended standards and interpretations that has been effective for accounting periods starting on 1st January 2018 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

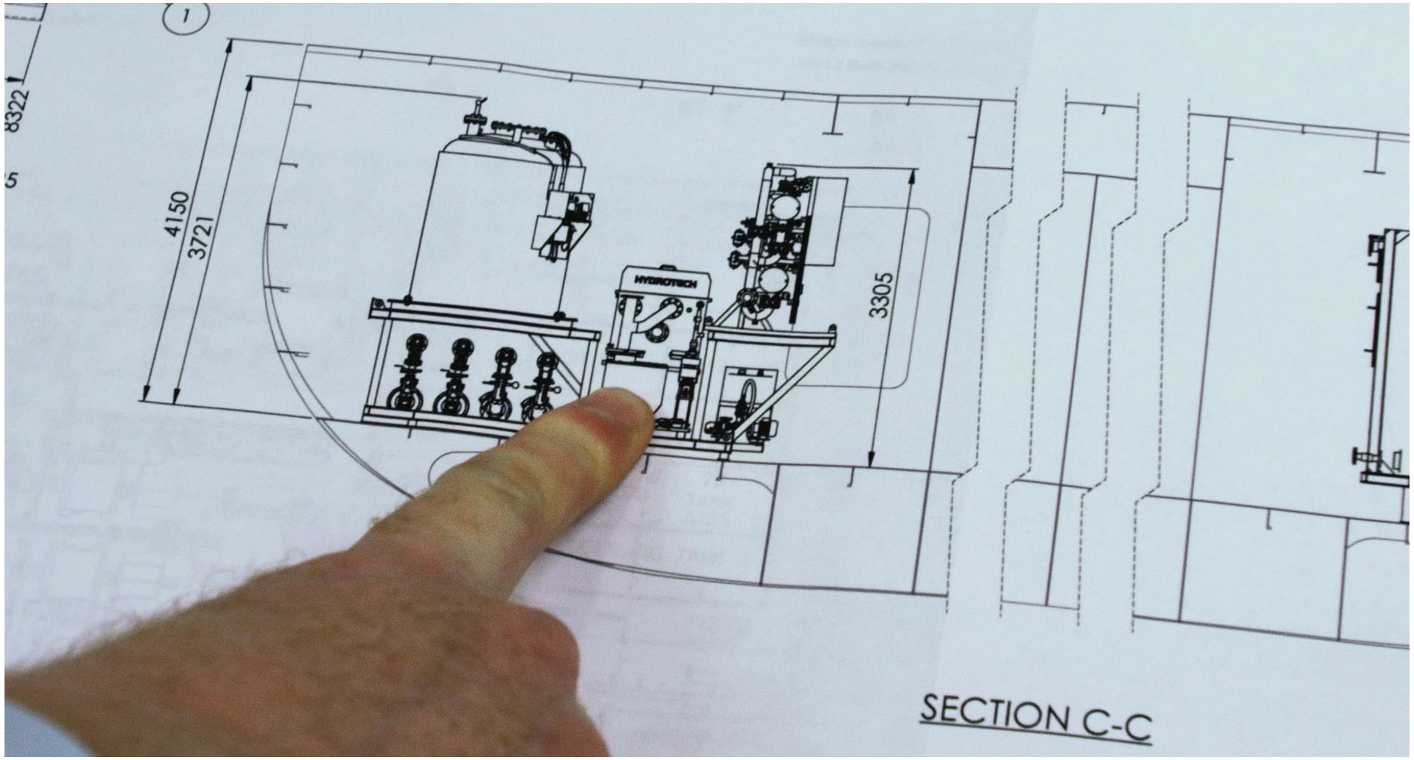
The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

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 2018 and the subsequent development in the share price after this time is assumed to be the best estimate of fair value of the subsidiary.



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NOTE 4 – Other operating expenses and remuneration

BOARD REMUNERATION:

Amounts in NOK 1 000	2018	2017
Board remuneration	900	717
Social tax, expenses	-29	101
Total	**871**	**818**

OTHER OPERATING EXPENSES INCLUDE:

Amounts in NOK 1 000	2018	2017
Auditor remuneration	535	555
Consultancy	706	756
Cost related to own shares	494	555
Other operating expenses	211	177
Total	**1 947**	**2 042**

REMUNERATION TO AUDITOR IS ALLOCATED AS SPECIFIED BELOW:

Amounts in NOK 1 000	2018	2017
Statutory audits	535	519
Other assurance services	-	36
Total	**535**	**555**

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NOTE 5 – Tax

SPECIFICATION OF INCOME TAX:

Amounts in NOK 1 000	2018	2017
Change in deferred tax	-311	-629
Total income tax expense/(income)	**-311**	**-629**

SPECIFICATION OF TEMPORARY DIFFERENCES AND DEFERRED TAX ASSET:

Amounts in NOK 1 000	2018	2017
Tax loss carry forward	-29 042	-26 424
Total basis for deferred tax	-29 042	-26 424
Deferred tax asset (22% / 23%)	**-6 389**	**-6 078**

SPECIFICATION OF TEMPORARY DIFFERENCES AND DEFERRED TAX LIABILITY:

There are no temporary differences as of 31 December 2018 or 2017.

RECONCILIATION OF EFFECTIVE TAX RATE:

Amounts in NOK 1 000	2018	2017
Result before income tax	-2 614	122 950
Expected income tax	-601	29 508
Adjusted for tax effect of the following items:		
Effect of change in tax rate from 23% (24)% to 22% (23%)	290	264
Permanent differences	-	-30 401
Total income tax expense/(income)	**-311**	**-629**

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NOTE 6 – Investment in subsidiaries

Amounts in NOK 1 000 Company	Country of incorporation	% equity and voting share	Equity at 31.12 2018	Result for the year 2018
Scanship AS [1)]	Tønsberg, Norway	100 %	72 576	25 132

Amounts in NOK 1 000 Company	Country of incorporation	% equity and voting share	Equity at 31.12 2017	Result for the year 2017
Scanship AS [1)]	Tønsberg, Norway	100 %	40 456	16 525

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

NOTE 7 – Other receivables

OTHER RECEIVABLES INCLUDE:

Amounts in NOK 1 000	31 Dec 2018	31 Dec 2017
VAT receivable	16	176
Prepaid expenses and other items	30	45
Total	**46**	**221**

NOTE 8 – Cash and cash equivalents

Amounts in NOK 1 000	31 Dec 2018	31 Dec 2017
Bank deposits	511	97
Total cash and cash equivalents	**511**	**97**

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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 31.12.18 no loan agreements.

NOTE 11 – Other current liabilities

Amounts in NOK 1 000	31 Dec 2018	31 Dec 2017
Public duties payable	-	53
Other payables and accruals for incurred costs	1 166	104
Total	**1 166**	**157**

Other payables and accruals for incurred costs consist mainly of remuneration to the Board in 2018.

NOTE 12 – Earnings per share

	2018	2017
Profit for the year (NOK 1 000)	-2 303	123 579
Weighted average number of shares outstanding	95 512 963	95 505 525
Earnings per share (NOK per share):		
- Basic	-0.02	1.29
- Diluted	-0.02	1.29

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NOTE 13 – Financial instruments

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

Amounts in NOK 1 000	Category	31 Dec 2018	31 Dec 2017
Financial assets:			
Other receivables	Loans and receivables	46	221
Receivables intercompany	Loans and receivables	7 430	9 203
Cash and cash equivalents	Loans and receivables	511	97
Total financial assets		**7 987**	**9 521**
Financial liabilities:			
Other current liabilities	Financial liabilities at amortised cost	1 166	157
Total financial liabilities		**1 166**	**157**

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 1 000 **31 Dec 2018**	0-6 months	6-12 months	1-5 years
Other current liabilities	1 166	-	
Total	**1 166**	**-**	

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.

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NOTE 14 – Contingent liabilities

Contingent liabilities:
The Company has not been involved in any legal or financial disputes in 2018.

Guarantees:
There are no guarantees issued at 31 December 2018.

NOTE 15 – Events after the reporting period

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

DIRECTORS' RESPONSIBILITY STATEMENT 2018

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We confirm to the best of our knowledge that the consolidated financial statements for 2018 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 2018 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 2019

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

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Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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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 sheets as at 31 December 2018, 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 2018 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 2018. 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.

Revenue recognition on construction contracts involves significant judgment

In 2018, the Group implemented IFRS 15 with modified retrospective effect. 70 % of the Group's revenues are derived from construction contracts. We have assessed the contracts in connection with revenue recognition criteria's in IFRS 15 in connection with the implementation of the standard. We have also recalculated the implementation effects of the new standard.

Revenues and costs from construction contracts are recognized in accordance with the percentage of completion method, determining the contract's total revenues, costs and progress on the basis of estimates. The duration of the contracts can be 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.

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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 assessed and tested 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 of Directors 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;

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- 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.

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Opinion on registration and documentation

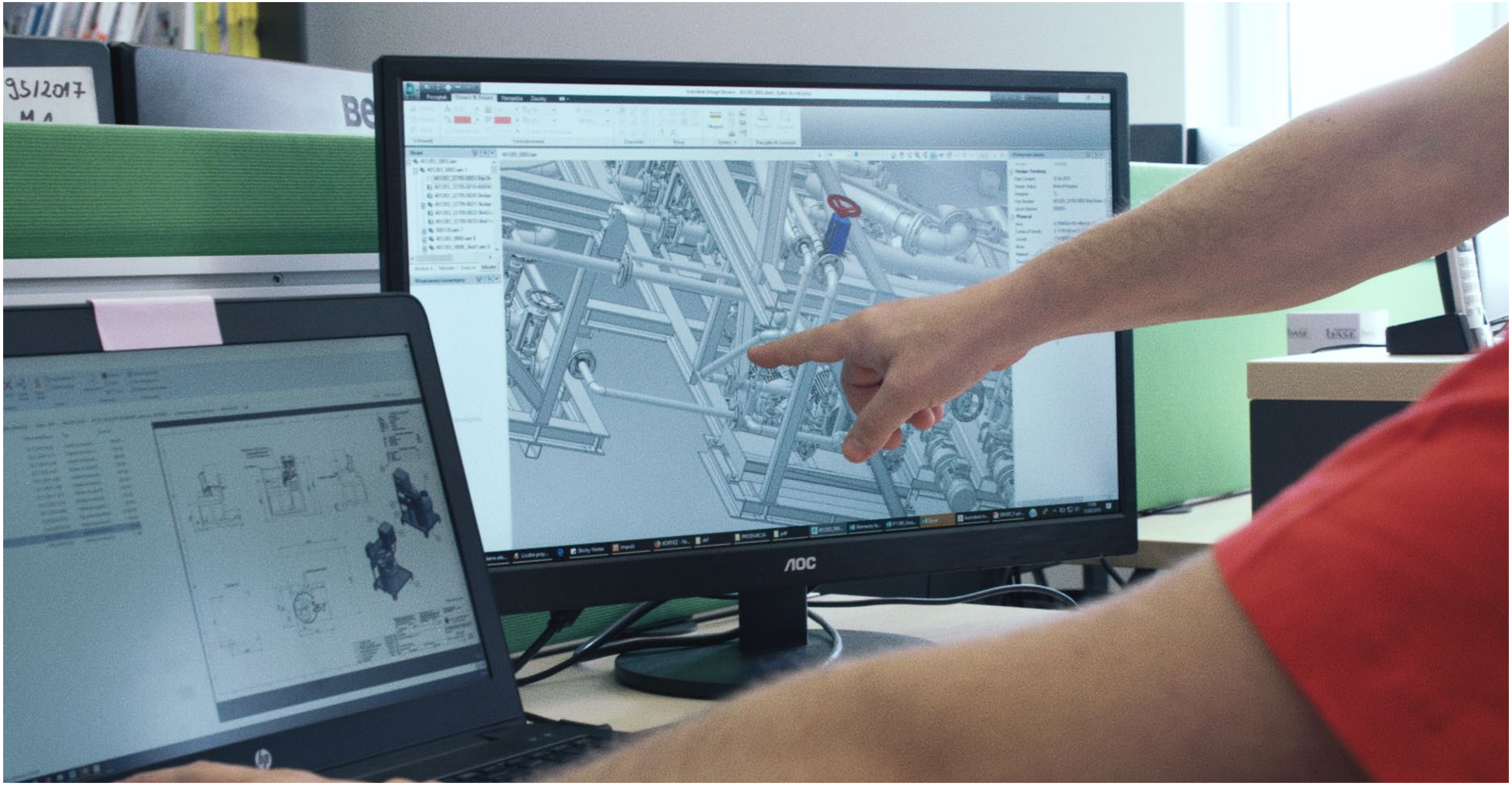
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is 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 2019
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 2019 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.

The Business

Scanship is a maritime industry leader in advanced technologies for processing and purifying waste water, food waste, solid waste and bio sludge. Scanship is a supplier to most major cruise liners, and the products are increasingly being requested from the merchant fleet and off-shore industry. Modern cruise ships generate substantial amount of wet and dry waste which should be properly treated. Scanship's technology processes this into recyclables, clean flue gas and treated waste water which meets the highest international effluent discharge standards. Scanship has main office at Lysaker (Norway) as well as offices in Tønsberg (Norway), Gdynia (Poland) and Miami (USA).

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

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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. The Company shall provide information of the Nomination Committee and any deadlines for submitting proposals to the committee.

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

Board of Directors

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

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

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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 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 part of the decision basis. The key risk factors and action plans are integral parts of the various Board presentations to be made by management. 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. Historically, the policy in relation to share options have been that they 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 half yearly 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 the 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.

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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

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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 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 Group'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 Group, and hired consultants acting on behalf of the Group. The Group has developed separate conduct principles that apply to the Group's suppliers.

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

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

Strong corporate culture
Scanship shall strive to promote an open corporate culture that fosters interaction and is based on Scanship's values. In promoting Scanship's principles for good business operations, we shall respect local values and norms, and achieve success by bridging the divide between different cultures and interests. Scanship companies shall always comply with local regulatory requirements in the countries in which we operate.

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

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

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

Anti-corruption
Corruption is the abuse of a position of trust to acquire personal or business benefits. Scanship does not tolerate corruption, and expects that all managers and procurement officers promote a strong anti-corruption culture in their department. The companies shall make active efforts to prevent undesirable conduct and ensure that their employees are capable of dealing with 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 Group'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 Group.

Notification is beneficiary for each employee, for the Group 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 Group.

Compliance with legislation and regulation

The Group 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 current share option program was adopted in 2014 and expires on 30 April 2019. Awarded options pursuant to program of 2014 were earned (become exercisable) over a period of 3 years, where 1/3 was earned each year. The last exercise period of the 2014 share option program has been closed, and no more options are exercisable under 2014 program. The 2014 share option program is described in note 5 of the annual report 2018. Pending approval from the general meeting on 23 May 2019, there will be a new share option program launched for the CEO, executive management and key employees during 2019. Further details regarding the new share option program will be set out in the notice of general meeting.

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 2018, the previous fiscal year

Remuneration to the CEO and other senior executives for the 2018 financial year was based on the same general guidelines as described above for the coming financial year. The Company's annual report for 2018, note 5 to the consolidated financial statements provide details of the remuneration received by members of the executive management in 2018, as well as give further details about the share-based payment (option program).

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

As of 31.12.18, there were 535,000 outstanding share options in the Group based on the 2014 share option program, 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, 25 April 2019

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

Scanship Holding ASA
Lysaker Torg 12
1366 Lysaker. Norway
E: post@scanship.no

Scanship AS
Nedre Langgate 19
3126 Tønsberg. Norway
E: post@scanship.no

Scanship Americas Inc.
3711 SW 47th Avenue
201 Davie, FL 33314. USA
P: +1 954 651 6205
F: +1 954 651 6210
E: mailusa@scanship.no

www.scanship.no