SCANSHIP HOLDING ASA

Financial Report

Second Half Year 2018 (2H 2018)

SCANSHIP HOLDING ASA

Financial report – 2H 2018

1. Key Financial Information 2H 2018

- Record high half year result, growth trajectory continues
- Revenue and EBITDA margin significantly improved
- All-time high orderbook
- Proposal of dividend

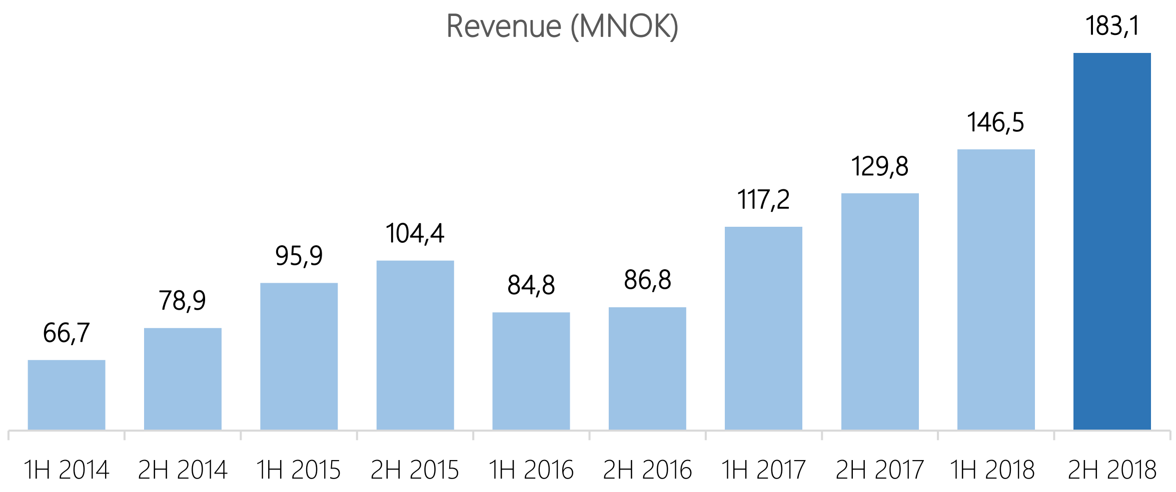
(NOK million)	*Unaudited* **2H 2018** (IFRS 15)	*Unaudited* **2H 2017** (IAS 18/11)	*Unaudited* **2018** (IFRS 15)	*Audited* **2017** (IAS18/11)
Total Revenue	183.1	129.8	329.6	247.0
EBITDA	22.9	14.6	39.2	25.1
EBITDA margin %	*12.5 %*	*11.2 %*	*11.9 %*	*10.2 %*
Operating Result (EBIT)	20.7	12.6	35.8	21.9
Result before tax	17.7	9.7	33.4	17.9
Project Backlog	656	469	656	469
Total Assets	194	155	194	155
Equity ratio	*48 %*	*37 %*	*48 %*	*37 %*

Scanship prepares its financial statements according to the accounting standard IFRS15, which is effective from 1 January 2018. In the financial notes to this report it is included information on the effect of the implementation of IFRS 15, and the financial results for 2H 2018 according to the former principle IAS 18/11 for comparison purposes.

1.1 Revenue

Scanship's total revenues were 41 % higher in 2H 2018 compared to 2H 2017. The significant increase in the revenue level relates to both the Project segment, with recorded revenue which was 50 % higher than in the same period in 2017, and the Aftersales segment with revenue 23 % higher.

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



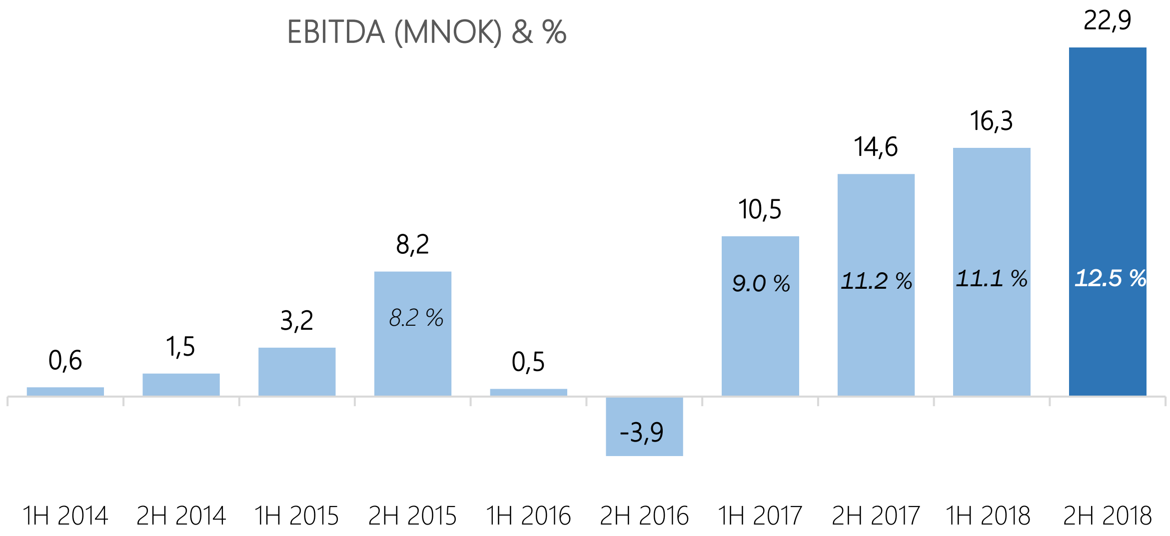
The 2018 figures are based on IFRS 15, while the 2017 figures are based on IAS 18. See further the financial note information

1.2 Gross Margin, Operating Cost, EBITDA

EBITDA in 2H 2018 was recorded at MNOK 22.9, compared to MNOK 14.6 in 2H 2017. This constitutes an increase of 57 % in the reported EBITDA level. For the year 2018 the EBITDA is MNOK 39.2 compared to MNOK 25.1 in 2017. The increase is driven by revenue growth, while at the same time increasing the operational efficiency.

With the significant increase in the revenue level, Scanship has also initiated a certain increase in the operating expenses during the period, but at the same time increased the EBITDA margin from the 11.2 % recorded in 2H 2017 to 12.5 % in 2H 2018.

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



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

1.3 Net financial items

The Net financial items in 2H 2018 was a net cost of MNOK 3.0, compared to a net cost of MNOK 2.9 in 2H 2017. For the year 2018 the net financial items was a net cost of MNOK 2.3, compared to a net cost of MNOK 4.0 in 2017. The difference is primarily related to lower net interest cost in 2018, and a more positive mark to market effect of the portfolio of forward currency contracts in 2018. The Group uses forward currency contracts in Euro to reduce the currency risk related to the Gross profit exposure in Euro.

The Result before tax is MNOK 17.7 in 2H 2018 compared to MNOK 9.7 in 2H 2017, an increase of 82 %.

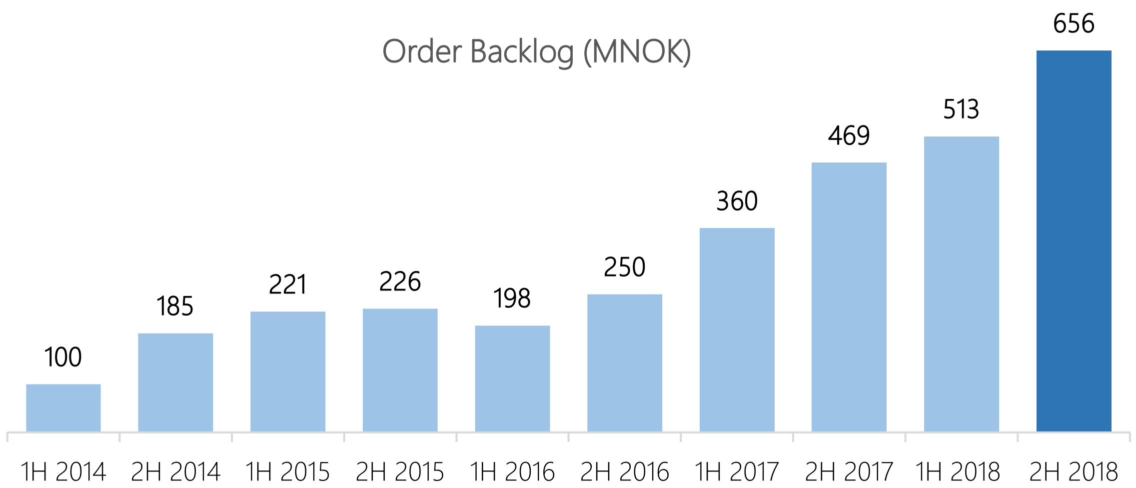
1.4 Cash Flow

The cash flow from operations was MNOK 31.1 in 2018 compared to MNOK 10.1 in 2017. The significant increase in the cash flow from operations is due to both improvements in the management of the net working capital in the group and the increased EBITDA level. Due to the timing of the customer and supplier payments, the majority of the cash flow from operations was recorded in the first half of 2018.

The cash flow from operations are primarily used for reducing the drawn amount on the group's short-term credit facilities, which at 31 December 2018 was recorded at MNOK 2.1 compared to MNOK 20.8 at 31 December 2017.

2. Project Order Backlog

The order backlog is recorded at an all-time high MNOK 656 as of 31 December 2018, compared to MNOK 469 at 31 December 2017, and MNOK 513 as per 30 June 2018. During the last six months of 2018, Scanship has entered into contracts for seven cruise newbuilds, one cruise retrofit and one aquaculture project. For the whole year 2018, Scanship has entered into contracts for 12 cruise newbuilds, three cruise retrofits and five aquaculture projects. In addition, shipowners have placed orders at shipyards on Scanship options for a total volume of MNOK 200.



3. Operations

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

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

In the second half year Scanship has had milestone deliveries of the equipment supply to twelve ongoing projects – both in cruise newbuild, cruise retrofit and aquaculture, and completed commissioning and handover on three cruise newbuilds that have entered service during the period.

High demand for solutions for cleaner oceans continues to drive Scanship's growth. During the last six months we have entered into contracts for seven cruise newbuilds at three different ship yards. Improving the environmental performance on cruise ships in service is another growing market for Scanship. In the first half this year, we signed contracts to retrofit advanced wastewater purification systems on two existing cruise ships, and in the second half year we signed another retrofit contract.

In aquaculture, fish farmers are discovering the benefits of effective sludge handling at their smolt facilities. In the second half year we signed a contract with Billund for delivery of a sludge handling system to Miami based Atlantic Sapphire.

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

4. Product Development (R&D)

Scanship's focus in research and development during 2018 has been the further development of the MAP Waste to Energy. MAP is a unique microwave assisted pyrolysis converting waste into energy with carbon capture. Scanship is now in 2019 in the process of commercialisation of the MAP Waste to Energy.

Scanship has invested MNOK 9.5 on its product development activities in 2018, compared to MNOK 4.9 for the year 2017, the difference being related to the higher investment level for the MAP Waste to Energy in the process towards commercialisation.

The product development cost consists to a large part of working hours performed by Scanship's own employees.

5. 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 core market for ship carrying more than 200 persons aboard. Shipowners ordered 16 new ships in the period. Scanship entered into shipyard contract 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 landbased salmon fishfarm. 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 attention on its propriety MAP technology in several markets. As the technology converts waste to energy, captures carbon and provides and end-of-waste solutions, it has become relevant for many landbased application outside Scanship's core markets in the Cruise and Aquaculture industries. Scanship is set out to deliver on its plan to commercialize the MAP technology in 2019 and expects to enter into contracts for the technology during the year. The MAP technology has a large potential in the cruise industry as it will substantially contribute to decarbonize ship 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 landbased biogas plants there is a rising concern around microplastics in its residues for fertilizer use. There are today more than 6000 biogas plants only in Europe processing sewage sludge and foodwaste, that are faced with microplastic challenges. As Scanship's MAP technology will degraded 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, 26 February 2019

The Board of Directors for Scanship Holding ASA

Consolidated Income statement

(NOK million)	Note	*Unaudited* 2H18	*Unaudited* 2H17	*Unaudited* 2018	*Audited* 2017
Revenue	2	183.1	129.8	329.6	247.0
Total operating revenue		**183.1**	**129.8**	**329.6**	**247.0**
Cost of goods sold		-128.5	-88.5	-229.8	-171.2
Gross Profit		**54.6**	**41.3**	**99.8**	**75.9**
Gross Margin		29.8 %	31.8 %	30.3 %	30.7 %
Employee expenses		-19.6	-15.7	-37.3	-29.0
Other operating expenses		-12.0	-11.0	-23.3	-21.8
EBITDA		**22.9**	**14.6**	**39.2**	**25.1**
-EBITDA margin		12.5 %	11.2 %	11.9 %	10.2 %
Depreciation and amortisation	3	-2.2	-2.0	-3.4	-3.2
Operating result (EBIT)		**20.7**	**12.6**	**35.8**	**21.9**
Net Financial items	4	**-3.0**	**-2.9**	**-2.3**	**-4.0**
Result before tax		**17.7**	**9.7**	**33.4**	**17.9**
Income tax revenue (+) /expense (-)		-3.4	-3.0	-6.8	-5.3
Result for the period		**14.3**	**6.7**	**26.6**	**12.6**

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

Consolidated statement of comprehensive income

(NOK million)	Note	*Unaudited* 2H18	*Unaudited* 2H17	*Unaudited* 2018	*Audited* 2017
Net result for the period		14.3	6.7	26.6	12.6
Items to be reclassified to profit or loss:					
Exchange differences or trans. of foreign op.		-0.2	1.5	0.3	-0.1
Net items to be reclassifies to profit or loss		-0.2	1.5	0.3	-0.1
Items not be reclassified to profit or loss					
Other comprehensive income net of tax		-	-	-	-
Total comprehensive income, net of tax		**14.1**	**8.2**	**26.9**	**12.5**
Attribute to					
Owners of the parent		14.1	8.2	26.9	12.5
Non controlling interest	5	-	-	-	-
		14.1	8.2	26.9	12.5
Earnings per share (NOK) 1)		0.15	0.09	0.28	0.13
Diluted earnings per share (NOK) 1)		0.15	0.09	0.28	0.13

1) Total shares: 01.01.18: 95 505 525
Total shares: 31.12.18: 95 640 525

Consolidated statement of financial position

(NOK million)	Note	*Unaudited* 31.12.18	*Audited* 31.12.17
ASSETS:			
Non-current assets:			
Property, plant and equipment	3	3.3	2.4
Intangible assets	3,6	38.3	31.3
Total non-current assets		**41.6**	**33.7**
Current assets:			
Inventories		4.5	3.9
Trade receivables		62.6	58.8
Contracts in progress	2	62.5	43.3
Other Receivables		15.9	10.1
Cash and cash equivalents		7.0	5.6
Total current assets		**152.4**	**121.6**
Total assets		**194.0**	**155.3**

(NOK million)		*Unaudited* 31.12.18	*Audited* 31.12.17
EQUITY AND LIABILITIES			
Equity:			
Share capital		9.6	9.6
Share premium		77.9	77.5
Other capital reserves		0.3	0.3
Translation difference		2.2	0.8
Retained earnings		3.5	-30.2
Total equity		**93.4**	**57.9**
Liabilities			
Deferred tax liabilities	7	14.0	7.2
Long term borrowings	8	0.9	1.1
Total non-current liabilities		**14.9**	**8.3**
Current liabilities			
Trade creditors		44.0	47.6
Contract accruals	2	25.7	10.6
Unrealised change fair value FX derivatives	4	3.4	1.5
Income tax payable		-0.3	1.4
Bank overdraft / Credit facility	8	2.1	20.8
Other Current liabilities		10.8	7.1
Total Current Liabilities		**85.7**	**89.0**
Total liabilities		**100.6**	**97.4**
Total equity and liabilities		**194.0**	**155.3**

Consolidated statement of changes in equity

Unaudited

(NOK million) 31.12.18	Share Capital	Share Premium	Other cap Reserves	Trans. Diff.	Retained Earnings	Total
Equity at 31.12.2017	9.6	77.5	0.3	0.8	-30.2	57.9
Effect of IFRS 15 implementation	-				6.8	6.8
Result for the period	-	-	-	-	26.7	26.7
Capital Increase (*)		0.5				0.5
Other Comprehensive income	-	-		1.3	0.2	1.5
Total Comprehensive income	**-**	**0.5**	**-**	**1.3**	**33.7**	**35.5**
Equity at end of period	**9.6**	**77.9**	**0.3**	**2.2**	**3.5**	**93.4**

(*) The capital increase was made in December in connection with the exercise of the employee stock option program from 2014.

Audited

(NOK million) 31.12.17	Share Capital	Share Premium	Other cap. Reserves	Trans Diff	Retained Earnings	Total
Equity at 31.12.16	9.6	77.5	0.5	0.8	-42.9	45.4
Result for the period	-	-	-	-	12.6	12.6
Other Comprehensive income	-	-	-	-	0.1	-0.1
Total Comprehensive income	**-**	**-**	**-**	**-**	**12.7**	**12.5**
Stock Options	-	-	-0.2	-	-	-0.2
Equity at end of period	**9.6**	**77.5**	**0.3**	**0.8**	**-30.2**	**57.9**

Consolidated cash flow statement

(NOK million)	*Unaudited* **2H18**	*Unaudited* **2H17**	*Unaudited* **2018**	*Audited* **2017**
Result before tax	*17.7*	*9.7*	*33.4*	*17.9*
Net cash flow from operating activities	5.9	17.6	31.1	10.1
Net cash flow from investing activities	-5.7	-2.7	-11.4	-4.8
Net cash flow from financing activities	0.5	-11.9	-18.5	-3.3
Net change in cash and cash equivalents	**0.7**	**3.0**	**1.2**	**2.0**
Effect of exchange rate changes on cash and cash equivalents	-	-	0.2	-0.2
Cash and cash equivalents at start of period	6.3	2.6	5.6	3.8
Cash and cash equivalents at end of period	**7.0**	**5.6**	**7.0**	**5.6**

Scanship had a strong cash flow from operations in 2018 of MNOK 31.1, compared to MNOK 10.1 in 2017. The significant increase in the cash flow from operations is due to both improvements in the managing of the net working capital in the group, and the increased EBITDA level. Due to the timing of the cash flow from customers and the supplier payments in 2018, most of the net cash flow from operations was recorded in the first half of 2018.

The cash flow from financing activities includes the down payments made to reduce the drawn amount on the credit facility. The drawn amount on the credit facilities was MNOK 2.1 as of 31.12.18, and MNOK 20.8 as of 31.12.17, a net reduction of MNOK 18.7 having been made during 2018.

Selected explanatory notes

Note 1 General information

This interim financial information for the Second Half Year 2018 has been prepared pursuant to IAS 34 "interim financial reporting". The interim Financial Reporting should be read in conjunction with the annual Financial Statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as adopted by European Union. The accounting policies implemented are consistent with those of the annual financial statements for the year ended December 2017, this with the exception of the implementation of IFRS 15. The Board of Directors approved this Interim report February 26, 2019.

Note 2 Sales

	Unaudited	*Unaudited*	*Unaudited*	*Audited*
(NOK million)	**2H18**	**2H17**	**2018**	**2017**
Project revenue	130.7	87.2	229.8	165.0
Aftersales	52.4	42.6	99.8	82.0
Sales	**183.1**	**129.8**	**329.6**	**247.0**

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

Project revenues

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

	Unaudited	*Audited*
(NOK million)	**2018**	**2017**
Contract in progress	62.5	43.3
Contract accruals	-25.7	-10.6
Net work in progress	**36.7**	**32.6**

Segment information

Our revenues are segmented into Project Revenues and Aftersales. Transactions between units are based on market terms. The company's management uses each segment's operating profit when assessing earnings in the segments. The figures for each segment include transactions between segments. Transactions within the various segments are eliminated. All transactions between business units are based on market terms.

Unaudited

(NOK million) **2018**	**Projects**	**Aftersales**	**Admin & other**	**Elimination**	**Total**
Revenue	229.8	105.5	-	-5.7	329.6
Total revenue	**229.8**	**105.5**	**-**	**-5.7**	**329.6**
Cost of sales	-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	**34.7**	**15.7**	**-11.1**	**-**	**39.2**
Depreciation and amortisation	-3.4	-	-	-	-3.4
OPERATING PROFIT	**31.2**	**15.7**	**-11.1**	**-**	**35.8**
Net Contracts in progress	36.7	-	-	-	36.7
Investments in non-current assets	9.7	-	-	-	9.7

Audited

(NOK million) **2017**	**Projects**	**Aftersales**	**Admin & other**	**Elimination**	**Total**
Revenue	165.0	88.9	-	-6.9	247.0
Total revenue	**165.0**	**88.9**	**-**	**-6.9**	**247.0**
Cost of sales	-118.0	-58.3	-	5.2	-171.2
Employee expenses	-14.0	-10.6	-4.3		-29.0
Other Operating expenses	-10.0	-9.1	-4.5	1.7	-21.8
EBITDA	**23.0**	**10.9**	**-8.9**	**-**	**25.1**
Depreciation and amortisation	-2.4	-0.5	-	-	-3.0
Impairment	-0.2				-0.2
OPERATING PROFIT	**20.4**	**10.4**	**-8.9**	**-**	**21.9**
Net Contracts in progress	32.6	-	-	-	32.6
Investments in non-current assets	4.9	-	0.1	-	5.0

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

Note 3 Depreciation and amortisation

(NOK million)	*Unaudited* **2H18**	*Unaudited* **2H17**	*Unaudited* **2018**	*Audited* **2017**
Depreciation - fixed assets	0.2	1.1	0.7	1.6
Amortisation - Product Development	0.7	0.7	1.4	1.4
Impairment - Product Development	1.3	0.2	1.3	0.2
Total Depreciation and amortisation	**2.2**	**2.0**	**3.4**	**3.2**

Note 4 Financial items

(NOK million)	*Unaudited* **2H18**	*Unaudited* **2H17**	*Unaudited* **2018**	*Audited* **2017**
Foreign exchange gain	1.5	2.8	3.9	6.1
Gain on FX derivatives	0.1		0.0	-
Total Finance Income	**1.6**	**2.8**	**3.9**	**6.1**
Interest Expense	-0.5	-0.7	-1.1	-1.5
Foreign exchange loss	-0.2	-2.7	-3.3	-4.5
Loss on FX derivatives	-	-3.9	-	-4.0
Other financial cost	-	-	-	-0.3
Total Finance costs	**-0.6**	**-7.3**	**-4.4**	**-10.4**
Net unrealised effect fair value of FX derivates	-4.0	1.6	-1.8	0.3
Net unrealised change in FX derivatives	**-4.0**	**1.6**	**-1.8**	**0.3**
Net Financial items	**-3.0**	**-2.9**	**-2.3**	**-4.0**

Liabilities – Financial Instruments

The Group is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly due to sales in different currencies. The Company has entered into forward currency contracts to reduce exchange rate risk in cash flows nominated in EUR, associated with sales in EUR in connection with cruise newbuilding contracts.

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

There is no initial transaction cost. The Group receives the fair value in cash when exercised at maturity. The contracts entered into per 31.12.18 have maturity from 2019 until 2022. The group uses level 2 in the IFRS 13 - hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Unaudited (NOK million)	**31.12.18 Level 2**	**31.12.17 Level 2**
Derivative financial assets/(liabilities)	-3.4	-1.5

In total the forward currency contracts have a nominal value of MEUR 13.2 per 31.12.18.

Note 5 Non-controlling interests

Scanship AS owns 70% of the company CHX Maritime Inc. CHX Maritime was founded in the fall of 2015 and included in the consolidated accounts from 4Q15. The company's sole activity is development of an exhaust gas management system. Total assets in CHX Maritime was MNOK 2.8 as of 31 December 2018.

Note 6 Intangible assets

Intangible assets consist of several different development projects related to new technologies in waste handling. They are still under development and amortisation will start at completion of each project. Impairment tests for the intangible assets are performed in accordance with IAS 36. The intangible assets are valued on estimated discounted cash flow. See also note 3.

Note 7 Deferred tax Liability

Calculation of deferred tax liabilities for the Norwegian entities are based on 22 % income tax.

Note 8 Interest-bearing debt

(NOK million)	*Unaudited* 31.12.18	*Audited* 31.12.17
Bank overdraft facility	-0.5	20.8
Trade Finance Facility	2.6	-
Long term debt - non-current	0.9	1.1
Balance at the end of Period	**2.9**	**21.9**

The Bank overdraft facility has a limit of MNOK 35, and the Trade Finance facility has a limit of MNOK 15. The net drawn amount of MNOK 2.1 as per 31.12.18 is recorded under Current liabilities.

Note 9 Subsequent events

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

Note 10 IFRS 15, and the results for 2H 2018 according to the former principle IAS 18/11

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 below, the financial results for 2H 2018 and 2018 are presented both under the present accounting standard IFRS 15 and the former principle IAS 18/11. See also the statement of changes in equity for the effect of implementation of IFRS 15.

	Unaudited	*Unaudited*	*Unaudited*
	IFRS 15	***IAS 18/11***	***IAS 18/11***
(NOK million)	**2H18**	**2H18**	**2H17**
Revenue	183.1	154.3	129.8
Total operating revenue	**183.1**	**154.3**	**129.8**
Cost of goods sold	-128.5	-103.9	-88.5
Gross Profit	**54.6**	**50.4**	**41.3**
Gross Margin	29.8 %	32.7 %	31.8 %
Employee expenses	-19.6	-19.6	-15.7
Other operating expenses	-12.0	-12.0	-11.0
EBITDA	**22.9**	**18.7**	**14.6**
-EBITDA margin	12.5 %	12.1 %	11.2 %
Depreciation and amortisation	-2.2	-2.2	-2.0
Operating result (EBIT)	**20.7**	**16.5**	**12.6**
Net Financial items	**-3.0**	**-3.0**	**-2.9**
Result before tax	**17.7**	**13.5**	**9.7**

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

(NOK million)	*Unaudited* ***IFRS 15*** **2018**	*Unaudited* ***IAS 18/11*** **2018**	*Audited* ***IAS 18/11*** **2017**
Revenue	329.6	293.5	247.0
Total operating revenue	**329.6**	**293.5**	**247.0**
Cost of goods sold	-229.8	-200.1	-171.2
Gross Profit	**99.8**	**93.3**	**75.9**
Gross Margin	30.3 %	31.8 %	30.7 %
Employee expenses	-37.3	-37.3	-29.0
Other operating expenses	-23.3	-23.3	-21.8
EBITDA	**39.2**	**32.7**	**25.1**
-EBITDA margin	11.9 %	11.1 %	10.2 %
Depreciation and amortisation	-3.4	-3.4	-3.2
Operating result (EBIT)	**35.8**	**29.3**	**21.9**
Net Financial items	**-2.3**	**-2.3**	**-4.0**
Result before tax	**33.4**	**27.0**	**17.9**

Note 11 IFRS 16 Leases (standard issued but not yet effective)

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. Scanship currently expects that the implementation of IFRS 16 on 1 January 2019 will increase the consolidated statements of financial position by adding lease liabilities with a range of approximately NOK 8 – 12 million, and corresponding right-of-use assets on the asset side. Consequently, equity is not expected to be impacted from the implementation of IFRS 16. The figure is a preliminary estimate, based on the Group's current policy interpretations.

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

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the consolidated financial statement for the period 1 July to 31 December 2018 and for 2018 for Scanship Holding ASA have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation. We also confirm, to the best of our knowledge, that the half year report includes a true and fair overview of the Company's and the Group's development, results and position, together with a description of the most important risks and uncertainty factors the Company and the Group are facing.

Lysaker, 26 February 2019

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

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