Report for the second half of 2019
Vow ASA
26 February 2020

HIGHLIGHTS FOR 2019

Numbers in parentheses refer to the corresponding period in the previous year.

Second half year

- Vow had a record-high backlog of NOK 890 million at year-end, up from NOK 700 million at 30 June
- Vow recorded revenues of NOK 199.4 million for the second half of the year
- EBITDA before non-recurring items came in at NOK 23.2 million, a margin of 11.6 per cent
- The acquisition of ETIA Ecotechnologies was completed, broadening the portfolio and strengthening the access to land-based markets. The transaction has accounting effect from 1. October 2019.
- In November, Vow completed a private placement generating net proceeds of NOK 100.9 million

Full year

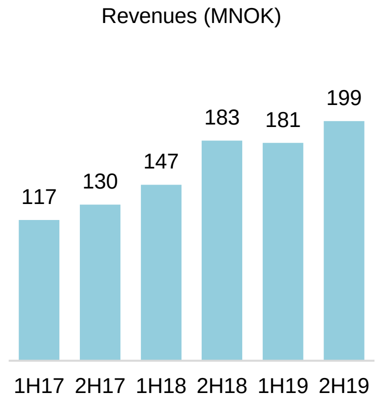
- Revenues amounted to NOK 380.8 million for 2019, representing a growth of 16 per cent
- EBITDA before non-recurring items was NOK 45.8 million
- In June, Vow was transferred from the marketplace Oslo Axess to the full stock exchange Oslo Børs

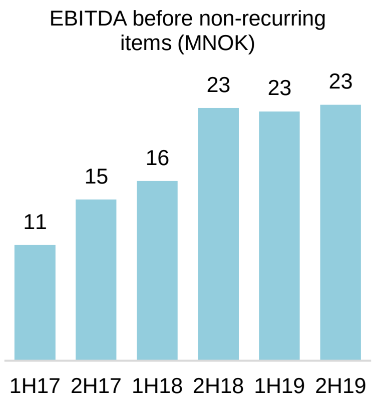
Recent events

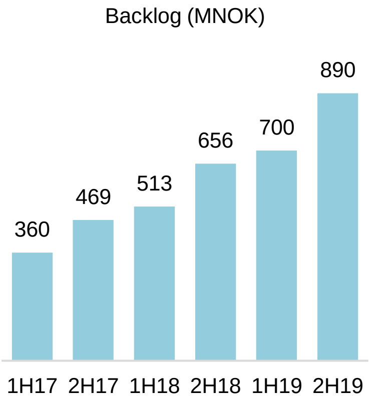
- At an extraordinary general meeting in January 2020, Scanship Holding ASA changed its name to Vow ASA.
- In January 2020, Vow was awarded a contract for a Biogreen system for biochar production in Helsingborg in Sweden with a project value of SEK 21 million.
- Contract in February for test unit in the petrochemical- and oil refinery industry.

Consolidated key figures

	Second Half year		**Full year**	
Amounts in million NOK (except percentages)	**2019**	**2018**	**2019**	**2018**
Revenues	199.4	183.1	380.8	329.6
EBITDA before non-recurring items	23.2	22.9	45.8	39.2
EBITDA before non-recurring items margin %	*11.6%*	*12.5%*	*12.0%*	*11.9%*
Project backlog	890	656	890	656
Total assets	600	194	600	194
Total equity	230	93	230	93







GROUP OVERVIEW

In August 2019, Vow ASA, then Scanship Holding ASA, signed an agreement to acquire ETIA Ecotechnologies (ETIA). As a result, Vow ASA will from the second half of 2019 report its operations in three segments; Projects (Norway), Aftersales and Landbased (ETIA, and certain operations in Norway).

The ETIA transaction was completed on 15 October 2019, and ETIA is consolidated into the accounts from this date. Comparable numbers for 2018 have not been restated accordingly.

The IFRS 16 accounting principle has been implemented in 2019 based on the modified retrospective approach. The comparable numbers for 2018 have not been restated accordingly. For further information, see the notes to the accounts.

Financial results

Information in parentheses refers to the corresponding period in the previous year.

Profit and loss

Revenues for Vow ASA amounted to NOK 199.4 million for the second half of 2019, an increase of 9 per cent from the NOK 183.1 million recorded for the second half of 2018. ETIA is included in the consolidated accounts from 1. October with NOK 19.1 million in revenue.

For the full year of 2019, Vow recorded revenues of NOK 380.8 million, an increase of 16 per cent from 2018.

Further comments are provided under each of the business segments.

The Gross Margin for Vow was recorded at 34.4 per cent for the second half of 2019, up from 29.8 per cent for the same period of 2018. The increase is related to both the inclusion of ETIA at a 40 per cent gross margin level, and higher margins both for Projects and Aftersales.

For the full year, the gross margin came in at 31.9 per cent compared to 30.3 per cent for 2018.

The company has seen a significant increase in revenues over the last couple of years. This has also resulted in a general increase in the operating expenses, following a larger and more complex organisation, as well as investments in future growth. At the same time, Vow has increased its operational efficiency considerably over the same years, resulting in a positive development in the EBITDA margin.

EBITDA before non-recurring items amounted to NOK 23.2 million for the second half of 2019, representing a margin of 11.6 per cent, compared to NOK 22.9 million and a margin of 12.5 per cent for the same period of 2018.

Vow had non-recurring costs related to the ETIA transaction of NOK 18.6 million for the second half of 2019. This includes acquisition cost, costs related to the integration process and cost related to evaluation of business opportunities for ETIA. After non-recurring items, EBITDA was recorded at NOK 4.6 million for the second half of 2019.

For the full year, EBITDA before non-recurring items came in at NOK 45.8 million, up from NOK 39.2 million for 2018. The company did not record any non-recurring items for 2018.

For further information about the non-recurring items, see the notes to the accounts.

Depreciation and amortisation amounted to NOK 7.4 million for the second half of 2019, compared to NOK 2.2 million for the same period of 2018. The increase is primarily a result of the inclusion of ETIA and the implementation of IFRS16 regarding right-of-use assets.

For the full year, depreciation and amortisation came in at NOK 11.0 million, up from NOK 3.4 million in 2018.

Net financial items for the second half of 2019 are affected by a fair value adjustment of the conversion rights on the convertible loan related to the ETIA transaction. The cost of NOK 20.3 million do not have any cash effect for the Vow ASA group. The other financial items are recorded with a net cost of NOK 6.2 million for the second half of 2019, compared to NOK 3.0 million for the second half of 2018.

For the full year of 2019, in addition to the fair value adjustment of the conversion rights, other financial items are recorded with a net cost of 4.5 million, compared to a net cost of NOK 2.4 million for 2018.

The result before tax came in at NOK –29.3 million for the second half of 2019, compared to NOK 17.7 million for the same period in 2018.

Cash flow

Operating activities generated a cash flow of NOK -1.8 million for the second half of 2019, compared to NOK 5.9 million for the same period of 2018. The cash flow for the period is affected by the incurred non-recurring costs of NOK 18.6 million. Net cash flow from operations excluding non-recurring costs was NOK 16.8 million for the second half of 2019.

For the full year of 2019, operating cash flow ended at zero, compared to NOK 31.1 million for 2018. In addition to the non-recurring costs in 2019, the increase in revenue level give a certain increase in the net working capital in the group.

Investing activities in the second half of 2019 primarily consists of the acquisition of ETIA. In addition to the ETIA transaction, investments have been made for NOK 11.7 million for the second half of 2019, and NOK 19.8 million for the full year 2019, primarily related to the ongoing R&D projects.

Financing activities in the second half of 2019 primarily consists of the debt financing raised in connection with the acquisition of ETIA, and the private placement completed in November, generating net proceeds of NOK 100.9 million. For more information on the capital raise, see Share information below. For the second half of 2019, cash flow from financing activities amounted to NOK 180.7 million. For the full year, cash flow from financing activities totalled NOK 200 million.

Financial position

As of 31 December 2019, Vow had total assets of NOK 600.0 million, compared to NOK 235.7 million at 30 June 2019 and NOK 194.1 million at the end of 2018. The main reason for the increase is the acquisition of ETIA. In addition to the effect of the inclusion of ETIA, the increase in operational activities also results in an increase in certain balance sheet items, such as the trade receivables from NOK 62.6 million at the end of 2018, to NOK 133.5 million at the end of 2019.

At the end of 2019, Vow had a total equity of NOK 229.8 million, representing an equity share of 38 per cent, up from NOK 93.3 million at the end of 2018, representing an equity share of 48 %. The increase in book value of equity is attributable to the private placement completed in November 2019, contributing with net proceeds of NOK 100.9 million.

SEGMENTS

Vow ASA is organized in three operating segments; Projects, Aftersales and Landbased. Projects and Aftersales are the same as the two previously reported segments and based on the business of Scanship, while Landbased includes the ETIA operations as well as certain land-based operations in Norway.

Segment Projects includes sales of systems to shipyards and the aquaculture industry for newbuild constructions or to ships in operations as retrofits, while Aftersales are related to sale of spares and consumables, as well as service on delivered systems.

Projects

KEY FIGURES

	Second Half year		Full year	
NOK million	**2019**	**2018**	**2019**	**2018**
Revenues	114.4	130.7	236.0	229.8
EBITDA	20.8	21.6	37.0	34.6
EBITDA margin (%)	*18.2%*	*16.5%*	*15.7%*	*15.1%*
Backlog	812.5	656.0	812.5	656.0

Revenues in the Projects segment amounted to NOK 114.4 million for the second half of 2019, compared to NOK 130.7 million for the same period of 2018. The revenues in Projects will vary between the periods based on the timing of system deliveries.

For the full year, the segment recorded revenues of NOK 236.0 million, up from NOK 229.8 million for 2018.

Vow had a total backlog of NOK 890.4 million at year-end 2019, of which NOK 812.5 million was related to the Projects segment.

EBITDA for the segment came in at NOK 20.8 million for the period, representing a margin of 18.2 per cent, compared to NOK 21.6 million for the corresponding period of 2018, equivalent a margin of 16.5 per cent.

Aftersales

KEY FIGURES

	Second Half year		Full year	
NOK million	**2019**	**2018**	**2019**	**2018**
Revenues	65.9	52.4	125.7	99.8
EBITDA	10.4	7.5	22.5	15.5
EBITDA margin (%)	*15.7%*	*14.3%*	*17.9%*	*15.5%*

Revenues for the Aftersales segment came in at NOK 65.9 million for the period, an increase of 26 per cent from the second half of 2018. With more ships being delivered to the market with Scanship systems, the market for sales of spares, consumables and service is growing.

For 2019, revenues for the segment amounted to a total of NOK 125.7 million, up from NOK 99.8 million for 2019.

EBITDA for the segment was NOK 10.4 for the second half of the year, representing a margin of 15.7 per cent. For the comparable period of 2018, EBITDA was NOK 7.5 million, equivalent to a margin of 14.3 per cent. The margin varies based on the mix of products and services sold in the period.

Landbased

KEY FIGURES

	Second Half year		Full year	
NOK million	**2019**	**2018**	**2019**	**2018**
Revenues	19.1		19.1	
EBITDA before non-recurring items	-1.5		-1.5	
EBITDA before non-recurring items margin (%)	*-7.8%*		*-7.8%*	
Backlog	77.9		77.9	

Revenues for the Landbased segment amounted to NOK 19.1 million. These revenues from ETIA is only for the period from 1 October to 31 December. For further information on the ETIA transaction, see notes to the accounts.

EBITDA for the segment came in at NOK -20.1 million. This includes non-recurring items of NOK 18.6 million related to the acquisition of ETIA. The segment therefore had an EBITDA before non-recurring items of NOK -1.5 million for the period.

At year-end 2019, the Landbased segment had a backlog of NOK 77.9 million.

Administration cost

Administration costs are costs that are not allocated to the segments, as the costs are more related to headquarter and to listing of the Group rather than to a specific segment.

Operational review

Vow ASA develops and delivers world leading technology and solutions that bring an end to waste and that are required in a truly sustainable circular economy.

Vow solutions purify wastewater and convert waste into valuable resources and clean energy for customers in cruise, aquaculture and a wide range of land-based industries and utilities. Vow solutions are scalable, standardized, patented and its delivery model is well proven.

The company's key markets for waste valorisation, prevention of pollution and decarbonization include cruise, biogas, metallurgical, minerals, plastic to energy, end-of-life tires, power to heat, waste management, agricultural, aquaculture and food processing.

In Vow we have a profound passion for climate change mitigation and the prevention of pollution.

Acquisition of ETIA

In August 2019, Vow (then Scanship Holding) announced the acquisition of ETIA Ecotechnologies, to broaden the technology portfolio and strengthen the access to land-based markets.

Scanship and ETIA, now subsidiaries of the Vow Group, will jointly target all markets where pyrolysis can be deployed to convert organic waste, biomass, plastic and polymers into energy, fuels, biogenic materials or molecules for the purpose of decarbonizing energy, capturing carbon, valorising waste and creating end-of-waste solutions.

The total purchase price for 100 per cent of the shares of ETIA was EUR 19.7 million. The transaction was completed with accounting effect from 1 October. Since mid-October, there has been an ongoing process to integrate Scanship and ETIA, to identify best practises and potential synergies for the organisation going forward.

Project Order Backlog

Vow had a total order backlog of NOK 890.4 million as per 31 December 2019, up from NOK 700.0 million at the end of the first half and from NOK 656.0 million at the end of 2018. The backlog is the highest backlog in the company's history. Of the total backlog, NOK 812.5 million relates to the Projects segment, while the remainder, NOK 77.9 million relates to the Landbased segment.

In addition to the firm backlog, shipowners have placed firm orders and options with shipyards on "Scanship equipped" sisterships amounting to NOK 590 million in future revenues.

In October 2019, Scanship was awarded a contract with a major European shipbuilder for the supply of a total clean ship system for two luxury and expedition class type of cruise ships. In addition, the contract included options for further deliveries to six newbuilds. The order intake continued in November, when Scanship both was awarded a multi series of contracts at Chantiers de l' Atlantique in France, and an AWP retrofit contract by Norwegian Cruise Line Holdings. Further, Scanship was awarded a clean ship system contract for the fourth Virgin Voyages cruise newbuild in December.

For the ETIA operations, the order intake after the inclusion in the Vow group has been significant. ETIA received an award in November of an equipment delivery contract to a major international corporation of consumer goods, who operates multiple production facilities worldwide. ETIA was also awarded a contract to deliver a first biogreen system in Germany in December. The combined order intake in Scanship and ETIA drives the order backlog to its record-high level of NOK 890.4 million at the end of 2019.

Operations

During the last six months of 2019, Scanship had high delivery activity towards seven cruise newbuilds, one aquaculture project and one retrofit project. In addition, Scanship commissioned five newbuild projects, one retrofit project and two aquaculture projects. The company also successfully completed the planned compliance tests on eight projects.

In total for the year 2019, Scanship had main equipment deliveries to 21 projects, performed commissioning on 14 projects and successfully completed compliance tests on 12 projects.

High demand for solutions for cleaner oceans continues to drive Scanship's growth. As also noted in the section on order backlog above, Scanship has signed contracts for a large number of cruise newbuilds during the last six months of 2019. And with the ongoing contract to deliver the company's first land-based industrial system with microwave assisted pyrolysis inside to the VOW (Valorisation of Organic Waste) research program at Lindum, we have also been investing in our organization within this area during the second half year.

Share information

In June 2019, Vow was transferred from the Oslo Axess to Oslo Børs. Listing on Oslo Børs represents a full stock exchange listing that complies with all EU requirements, while Oslo Axess gives companies access to an authorised and fully regulated marketplace.

Following completion of the ETIA transaction in October, the company successfully completed a private placement in November, generating net proceeds of NOK 100.9 million. In the placement, 6 500 000 new shares were issued at a price of NOK 16.50 per share. The net proceeds from the private placement will be used to accelerate the company's growth within landbased products and services, with a focus on plastic waste handling, the European biogas market, and metallurgic applications of biocoke from pyrolysis.

During the second half of 2019, the Vow share traded between NOK 15.65 and NOK 31.50 per share, with a closing price of NOK 30.00 per share at 30 December 2019, representing an increase of 76 per cent from the closing price of the first half of 2019 of NOK 17.00.

As of 31 December 2019, the company had a total of 106,563,566 outstanding shares, divided between 3 087 shareholders. The 20 largest shareholders held a total of 81.4 per cent of the shares.

A total of 83.7 million shares were traded during the second half of 2019, representing 79 per cent of the total number of shares outstanding. The average volume traded daily was approximately 653 600 shares.

Recent events

On 9 January 2020, Scanship Holding ASA held an extraordinary general meeting. The objective of the meeting was to change the name of the company to Vow ASA. The general meeting approved the new name, and the name change was registered in the Norwegian register of business enterprises on 10 January 2020. The company started trading under the new name and ticker symbol VOW at the Oslo Børs from 13 January 2020.

On 15 January 2020, Vow announced that the company was expanding its presence on land-based markets in Scandinavia through a new biochar project in Helsingborg. The contract is to deliver a Biogreen system for biochar production to NSR (Nordvästra Skånes Renhållnings AB) in their facilities Helsingborg.

On 25 February 2020, Vow ASA, through its subsidiary ETIA, was awarded a contract to provide a pyrolysis testing unit for processing of waste plastics and polymers for Unipetrol in the Czech Republic.

Outlook

Vow will continue to benefit from the environmental megatrend in the cruise and aquaculture industry. With the acquisition of ETIA, the company is now also increasingly relevant towards a wide range of land-based industries.

Cruise market

The cruise industry continues to grow as cruise liners place new orders at European yards and now also Chinese yards. The total industry orderbook to date is 125 cruise ships to be delivered until 2027. Scanship has firm orders on 38 newbuilds, additional options for 9 vessels and sister vessels, and is currently tendering for a significant number of newbuilds and retrofits.

The cruise market measured in number of passengers has tripled in size the last twenty years, translating into the continued growth in the industry orderbook. If the industry continues its growth pattern with an 5-6 per cent CAGR, according to Scanship's estimates, there will be a need to further build approximately 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. CLIA, Cruise Line International Association, the words largest cruise industry association, has announced that 53 per cent of the global fleet of cruise ships is equipped with AWP systems and only 7 per cent is equipped with the new IMO standard for special area Baltic Sea.

As noted in the report for the first six months of 2019, a major breakthrough was made in the commercialization of the Waste to Energy (MAP) technology through the contract for the two mega sized cruise ships, and the contract 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 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 per cent by 2050, and the cruise industry aims to reach this level already by 2030.

Acquaculture

Attention to sustainability and cleaner oceans will also continue to create opportunities for the company within the aquaculture industry, where Scanship delivers technology for sustainable fish farming and circular economy.

Aftersales

The company has an increasing base of systems installed on the fleet of cruise vessels worldwide, which in turn strengthens and builds up the recurring revenue stream with the Aftersales segment. The revenue in this business segment increased with 26 per cent from 2018 to 2019, building on the growth of 22 per cent achieved from 2017 to 2018.

Landbased

The acquisition of ETIA in October has given Vow access to both expertise, technology and strengthened the access to land-based markets. ETIA accelerates the company's access both to new geographies and entry into new verticals. The metallurgical industry is one example where Vow see significant market opportunities. Another example is land-based biogas plants, where 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

To support a sustainable growth strategy the board will not propose to the annual general meeting any payment of dividends.

Lysaker, Norway, 25 February 2020,
The Board of Directors and CEO
Vow ASA

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

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES NOT DEFINED BY IFRS

EBITDA before non-recurring items	Normalised earnings before interest, tax depreciation and amortization. Non-recurring items, like for instance transaction costs and costs related to acquisitions, are not included
EBITDA margin (%) before non-recurring items	EBITDA before non-recurring items as a percentage of net sales, is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies.
EBITDA	Earnings before interest, tax, depreciation and amortization. EBITDA is a key performance indicator that the company considers relevant for understanding the generation of profit before investments in fixed assets.
EBIT	Earnings before interest and tax. EBIT is a key performance indicator that the company considers relevant, as it facilitates comparisons of profitability over time independent of corporate tax rates and financing structures. Depreciations are included, however, which is a measure of resource consumption necessary for generating the result.
EBIT margin (%)	EBIT as a percentage of net sales. The EBIT margin is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies.
Equity ratio (%)	Total equity in relation to total assets. The equity ratio is a key performance indicator that the company considers relevant for assessing its financial leverage.
Backlog	The group’s order backlog consists of future value of remaining revenue on ongoing projects and projects signed but not started
Aftersales	Aftersales is revenue related to life cycle services as services, support and spare parts for the equipment and systems delivered

VOW

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Note	2H 2019	2H 2018	2019	2018
Revenue	3	199.4	183.1	380.8	329.6
Total operating revenue		**199.4**	**183.1**	**380.8**	**329.6**
Cost of goods sold		-131.0	-128.5	-259.3	-229.8
Gross Profit		**68.5**	**54.6**	**121.5**	**99.8**
Gross Margin		*34.4%*	*29.8%*	*31.9%*	*30.3%*
Employee expenses		-29.3	-19.6	-47.8	-37.3
Other operating expenses		-16.0	-12.0	-27.8	-23.3
EBITDA before non-recurring items		**23.2**	**22.9**	**45.8**	**39.2**
- EBITDA margin before non-recurring items		*11.6%*	*12.5%*	*12.0%*	*11.9%*
Non-recurring items	**2**	-18.6		-19.2	
EBITDA		**4.6**	**22.9**	**26.6**	**39.2**
Depreciation and amortisation		-7.4	-2.2	-11.0	-3.4
Operating result (EBIT)		**-2.8**	**20.7**	**15.6**	**35.8**
Sum Financial Items		-6.2	-3.0	-4.5	-2.4
Fair value adjustment conversion rights	5	-20.3		- 20.3	
Net Financial items		**-26.4**	**-3.0**	**-24.8**	**-2.4**
Result before tax		**-29.3**	**17.7**	**-9.2**	**33.4**
Income tax revenue (+) /expense (-)		-0.7	-3.4	-5.4	-7.1
Result for the period		**-29.9**	**14.3**	**-14.6**	**26.3**
Other comprehensive income					
Exchange differences or trans. of foreign op.		*-3.3*	*-0.2*	*-3.7*	*0.9*
Total comprehensive income, net of tax		***-33.2***	***14.1***	***-18.3***	***27.2***
Attribute to					
Owners of the parent		-33.3	14.1	-18.4	27.2
Non-controlling interest	2	0.0		0.0	
		33.2	14.1	-18.3	27.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK million)	Note	Unaudited 2019	Audited 2018
Property, plant and equipment		20.5	3.2
Intangible assets	2	100.5	38.3
Goodwill	2	136.1	-
Leasing	4	21.2	-
Total non-current assets		**278.2**	**41.5**
Inventories		18.2	4.5
Trade receivables		133.5	62.6
Contracts in progress	3	51.9	62.5
Other receivables		32.6	16.0
Cash and cash equivalents		85.5	7.0
Total current assets		**321.8**	**152.6**
Total assets		**600.0**	**194.1**
Share capital	2	10.7	9.6
Share premium	2	240.7	77.9
Other capital reserves		1.0	0.3
Translation difference		-2.0	1.7
Retained earnings		-20.6	3.9
Total equity		**229.8**	**93.3**
Attributable to owners of the parent		*228.9*	*93.3*
Attributable to non-controlling interest	2	*1.0*	-
Total equity		**229.8**	**93.3**
Deferred tax liabilities	2	25.7	14.0
Long term borrowings	6	92.7	0.9
Non-current lease liability	4	14.9	-
Total non-current liabilities		**133.3**	**14.9**
Current borrowings	6	16.5	-
Trade creditors		67.2	44.3
Convertible loan	2,5	65.0	-
Contract accruals	3	36.8	25.7
Unrealised change fair value FX derivatives		-0.1	3.4
Income tax payable		1.7	-0.3
Bank overdraft -/ Trade finance facility	6	22.4	2.1
Lease Liability	4	6.6	-
Other Current liabilities		20.7	10.7
Total Current Liabilities		**236.8**	**85.9**
Total liabilities		**370.1**	**100.8**
Total equity and liabilities		**600.0**	**194.1**

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited (NOK million)	Share Capital	Share Premium	Other cap. Reserves	Trans. Diff.	Retained Earnings	Total
31.12.19						
Equity at 31.12.2018	9.6	77.9	0.3	1.7	4.2	93.6
Result for the period	-	-	-	-	-14.6	-14.6
Other Comprehensive income	-	-		-3.7	-0.5	-4.2
Total Comprehensive income	**-**	**-**	**-**	**-3.7**	**-15.1**	**-18.8**
Stock Options	-	-	0.8	-	-	0.8
Share capital increase*	1.1	162.9	-	-	-	164.0
Dividends paid	-	-	-	-	-9.6	-9.6
Equity at end of period	**10.7**	**240.7**	**1.0**	**-2.0**	**-20.6**	**229.8**
Attributable to Non-controlling interest						*1.0*
Attributable to Owners of the parent						228.8
						229.8

*Share capital increase was made in March in connection with excercise of employee stock option program from 2014.
See also Note 2, Business Combination

Audited (NOK million)	Share Capital	Share Premium	Other cap. Reserves	Trans. Diff.	Retained Earnings	Total
31.12.18						
Equity at 31.12.2017	9.6	77.5	0.3	0.8	-30.1	57.9
Effect of IFRS 15 implementation					*6.8*	*6.8*
Result for the period	-	-	-	-	26.3	26.3
Other Comprehensive income	-	-	-	0.9	1.0	1.9
Total Comprehensive income	**-**	**-**	**-**	**0.9**	26.6	**27.4**
Share capital increase *	-	0.4	-	-	-	0.4
Equity at end of period	**9.6**	**77.9**	**0.3**	**1.7**	*3.9*	**93.3**

CONSOLIDATED STATEMENT OF CASH FLOW

(NOK million)	Unaudited **2H 2019**	Unaudited **2H 2018**	Unaudited **2019**	Audited **2018**
Result before tax	-29.3	17.7	*-9.2*	*33.4*
Net cash flow from operating activities	-1.8	5.9	0.0	31.1
Net cash flow from investing activities	-103.0	-5.7	-112.0	-11.3
Net cash flow from financing activities	180.7	0.5	200.0	-18.5
Dividends paid	-	-	-9.6	-
Net change in cash and cash equivalents	**75.9**	**0.7**	**78.4**	**1.2**
Effect of exchange rate changes on cash and cash equivalents	*-0.1*	-	*0.1*	*0.2*
Cash and cash equivalents at start of period	9.7	6.3	7.0	5.6
Cash and cash equivalents at end of period	**85.5**	**7.0**	**85.5**	**7.0**

NOTES TO THE ACCOUNTS

Note 1 General information

This interim financial information for the Second Half Year 2019 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 2018, 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 2018, this with the exception of the implementation of IFRS 16. The Board of Directors approved this Interim report February 25, 2020.

Note 2 Business combination

Acquisition of ETIA S.A.S (ETIA)
On 15 October 2019 the group acquired 100% of the shares in ETIA. ETIA is a French company that designs and provides plants for processing biomass, food products and industry residues. ETIA delivers products and technology for the valorization of waste and residues, that contributes to sustainable development and circular economy.

<u>Details of the purchase consideration, net assets acquired and goodwill:</u>

Purchase consideration (NOK million)	On acquisition
Cash	85.4
Share issued	61.4
Vendor notes	45.2
Total consideration	192.1

The cash consideration was paid on the transaction date. The share consideration was settled with an issue of 3 888 041 shares at a fair value of NOK 15.8 per share on closing. Vendor notes are payable 9 months after closing. The vendor notes are nominally interest free and include an option to convert (conversion rights) to Vow ASA ordinary shares. The vendor notes including the conversion rights were measured at fair value at transaction date. See note 5 regarding subsequent measurement.

The assets and liabilities recognised as a result of the acquisition are:

(NOK million)	Fair value
Intangible assets	48.5
Property, plant and equipment	28.4
Inventories	13.5
Cash and cash equivalents	12.8
Receivables	33.1
Long term liabilities	31.1
Deferred tax liabilities	9.4
Trade creditors and other payables	26.0
Other current liabilities	15.7
Net identifiable assets acquired	54.1
Non-controlling interest	1.0
Goodwill	138.9
	192.1

The group has chosen to recognise the non-controlling interest at its fair value for this acquisition.

The goodwill is attributable to the significant future market potential for the ETIA products, including identified market prospects. The market opportunities are driven by multiple global mega trends, driving demand for the ETIA products that can create value from biomass and waste.

Revenue and profit contribution
The acquired business contributed revenues of NOK 19.1 million and an EBITDA recurring of NOK 1.4 million in the consolidated statements for 2019. This is for Q4, the ownership period for Vow ASA of the ETIA operations. The EBIT contributed is NOK - 0.6 million and the net result is NOK – 0.8 million.

Acquisition-related costs, non-recurring items
The group has incurred non-recurring costs of NOK 18.6 million in 2H 2019.This is costs related to the acquisition of ETIA. This is a combination of costs for the acquisition process and costs for the further investments in and integration with ETIA. These costs are primarily strategic analyses and review work by an external party on the significant market opportunities.

Note 3 Revenue, contracts in progress and segment

(NOK million)	Unaudited 2H 2019	Unaudited 2H 2018	Unaudited 2019	Audited 2018
Project revenue	114.4	130.7	236.1	229.8
Aftersales	65.6	52.4	125.6	99.8
Land-based	19.1		19.1	
Revenue	**199.1**	**183.1**	**380.8**	**329.6**

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

Recognised and included in the financial statements as amount due:

(NOK million)	Unaudited 2H 2019	Unaudited 2H 2018	Unaudited 2019	Audited 2018
Contract in progress	51,9	62.5	10.4	62.5
Contract accruals	-36.8	-25.7	0.6	-25.7
Net work in progress	**15.2**	**36.8**	**11.0**	**36.7**

Segment information:

2H 2019

(NOK million)	Projects	Aftersales	Land-based	Admin.	Total
Revenue	114.4	65.9	19.1	-	199.4
Total revenue	**114.4**	**65.9**	**19.1**	**-**	**199.4**
Cost of sales	-75.4	-43.9	-11.5	-	-131.0
Employee expenses	-11.2	-6.9	-7.2	-3.7	-29.3
Other Operating expenses	-7.0	-4.8	-1.9	-3.1	-16.0
EBITDA before non-recurring items	**20.8**	**10.4**	**-1.5**	**-6.8**	**23.2**
EBITDA before non-recurring items margin	*18.2%*	*15.7%*	*7.8%*		*11.6%*
Non-recurring items			-18.6		-18.6
EBITDA	**20.8**	**10.4**	**-20.1**	**-6.8**	**4.6**
Depreciation and amortisation	-4.0	-0.8	-2.7		-7.4
Operating profit	**16.8**	**9.6**	**-22.8**	**-6.8**	**-2.8**

2H 2018

(NOK million)	Projects	Aftersales	Land-based	Admin.	Total
Revenue	130.7	52.4	-	-	183.1
Total revenue	**130.7**	**52.4**	**-**	**-**	**183.1**
Cost of sales	-93.4	-35.1	-	-	-128.5
Employee expenses	-9.3	-6.8	-	-3.5	-19.6
Other Operating expenses	-6.4	-3.0	-	-2.6	-12.0
EBITDA	**21.6**	**7.5**	**-**	**-6.1**	**23.0**
EBITDA margin	*16.5%*	*14.3%*	-	-	*12.6%*
			-	-	
Depreciation and amortisation	-2.2	-	-	-	-2.2
Operating profit	**19.6**	**7.6**	**-**	**-6.1**	**20.9**

2019

(NOK million)	Projects	Aftersales	Land-based	Admin.	Total
Revenue	236.0	125.7	19.1	-	380.8
Total revenue	**236.0**	**125.7**	**19.1**	**-**	**380.8**
Cost of sales	-165.5	-82.3	-11.5	-	-259.3
Employee expenses	-20.6	-13.2	-7.2	-6.8	-47.8
Other Operating expenses	-12.9	-7.7	-1.9	-5.3	-27.8
EBITDA before non-recurring items	**37.0**	**22.5**	**-1.5**	**-12.2**	**45.8**
EBITDA before non-recurring items margin	*15.7%*	*17.9%*	*-7.8%*		*12.0%*
Non-recurring items			-18.6	-0.6	-19.2
EBITDA	**37.0**	**22.5**	**-20.1**	**-12.8**	**26.6**
Depreciation and amortisation	-7.0	-1.3	-2.7		-11.0
Operating profit	**30.0**	**21.2**	**-22.8**	**-12.8**	**15.6**

2018

(NOK million)	Projects	Aftersales	Land-based	Admin.	Total
Revenue	229.8	99.8	-	-	329.6
Total revenue	**229.8**	**99.8**	**-**	**-**	**329.6**
Cost of sales	-163.4	-66.4	-	-	-229.8
Employee expenses	-19.1	-12.2	-	-6.1	-37.3
Other Operating expenses	-12.7	-5.7	-	-5.0	-23.3
EBITDA	**34.6**	**15.5**	**-**	**-11.1**	**39.2**
EBITDA margin	15.1%	15.5 %	-		11.9 %
Depreciation and amortisation	-3.4				-3.4
Operating profit	**31.4**	**15.7**	**-**	**-11.1**	**35.9**

Note 4 Leasing

Adoption of IFRS 16

The group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparative information for the 2018 reporting period, following the modified retrospective approach. The reclassification and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principle of IAS 17 leases. These liabilities were measured at the present value of the remaining lease payments, discounted with an interest rate of 3.26%. Leases with a lease term less than 12 months are accounted for as short-term leases. Low-value leases are also not capitalized.

Adjustments recognised on adoption of IFRS 16:

(NOK million)	Unaudited 1 January 2019
Operating lease commitments disclosed as at 31 December 2018	13.8
Short term leases recognised as expenses	0.8
Low value leases recognised as expenses	0.4
Renewal options and other adjustment	0.3
Discounting effect	0.4
Lease liability recognised as at 1 January 2019	12.5

Lease liabilities recognised

(NOK million)	Unaudited **31.12.2019**	Unaudited **01.01.2019**
Current lease liabilities	6.6	3.9
Non-current lease liabilities	14.9	8.6
	21.4	12.5

Right-of-use assets were measured at the amount equal to the lease obligation. The recognised right-of-use assets relate to the following type of assets:

Right of use assets

(NOK million)	Unaudited **31.12.2019**	Unaudited **01.01.2019**
Properties	18.8	11.1
Equipment	1.3	-
Cars	1.1	1.4
Total right of use assets	21.2	12.5

The change in accounting policies affected the following items in the balance sheet at 1 January 2019:

- Right of use assets - Increased by NOK 12.5 million
- Lease liabilities - Increased by NOK 12.5 million

For FY 2019 the implementation of IFRS 16 resulted in lower operating expense of NOK 5 million, an increased depreciation of NOK 4.9 million and increased finance costs of NOK 0.5 million.

Note 5 Convertible loan and fair value adjustment of conversion rights

A part of the settlement (as further described in the business combination note) of the purchase price for ETIA is a sellers' credit of EUR 4.2 million (vendor notes) payable 9 months after closing. The vendor notes are interest free and have an option to convert (conversion right) to Vow ASA's ordinary shares, at a conversion price of NOK 19.33 per share.

The vendor notes are valued at fair value at transaction, for both principal and the conversion right. Subsequently the principal is measured to its amortised cost and the conversion right are measured at its fair value as described:

- The vendor notes are discounted using an applied interest rate to reflect the net present value. If converted, the debt will be recognised as paid in equity.

- The conversion rights are valued using an option pricing model - if converted the value will be recognised as paid in equity. Change in the calculated value of the conversion rights is recognised in the P&L under financial items.

The change in fair value of the conversion rights, from the transaction date to year end, was NOK 20.3 million, mainly due to the significant increase in the share price of Vow ASA in the period from closing on 15 October 2019 at 15.80 per share to NOK 30.00 per share as of 31 December 2019. The change is recognised in the P&L as a fair value change under financial items.

This fair value adjustment of the conversion rights is therefore a calculatory finance cost, primarily due to the increase in our share price, in accordance with IFRS 9 / IAS 32 and will not have any cash effect for the Vow ASA group.

Balance sheet value of convertible debt at 31.12.2019

(NOK million)	Unaudited 31.12.2019
Fair value-vendor notes	40.1
Fair value-conversion rights	25.0
	65.0

Note 6 Borrowing

Long term borrowing:

(NOK million)	Unaudited 31.12.2019	Audited 31.12.2018
Other long term-interest bearing debt	83.3	0.9
Conditional loans related to R&D (ETIA)	9.4	-
Balance 31 December	92.7	0.9

Short term borrowing:

(NOK million)	Unaudited 31.12.2019	Audited 31.12.2018
Other long term-interest bearing debt	16.5	-
Balance 31 December	16.5	-

The group has a NOK 85 million loan (DNB ASA) which was used as financing for the cash consideration in the purchase of ETIA (as described in the business combination note) NOK 9.4 million out of this is classified as short-term as of 31 December 2019.

Bank overdraft / trade finance facility:

(NOK million)	Unaudited 31.12.2019	Audited 01.01.2018
Bank overdraft facility	18.0	0.5
Trade finance facility	4.3	2.6
Balance 31 December	22.4	2.1

The bank overdraft facility has a limit of NOK 50 million. The trade finance facility has a limit of NOK 15 million, in total NOK 65 million.

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 2019 for Vow 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, Norway, 25 February 2020,
The Board of Directors and CEO
Vow ASA

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