



# SCANSHIP HOLDING ASA 1H 2017 - Presentation

29 August 2017

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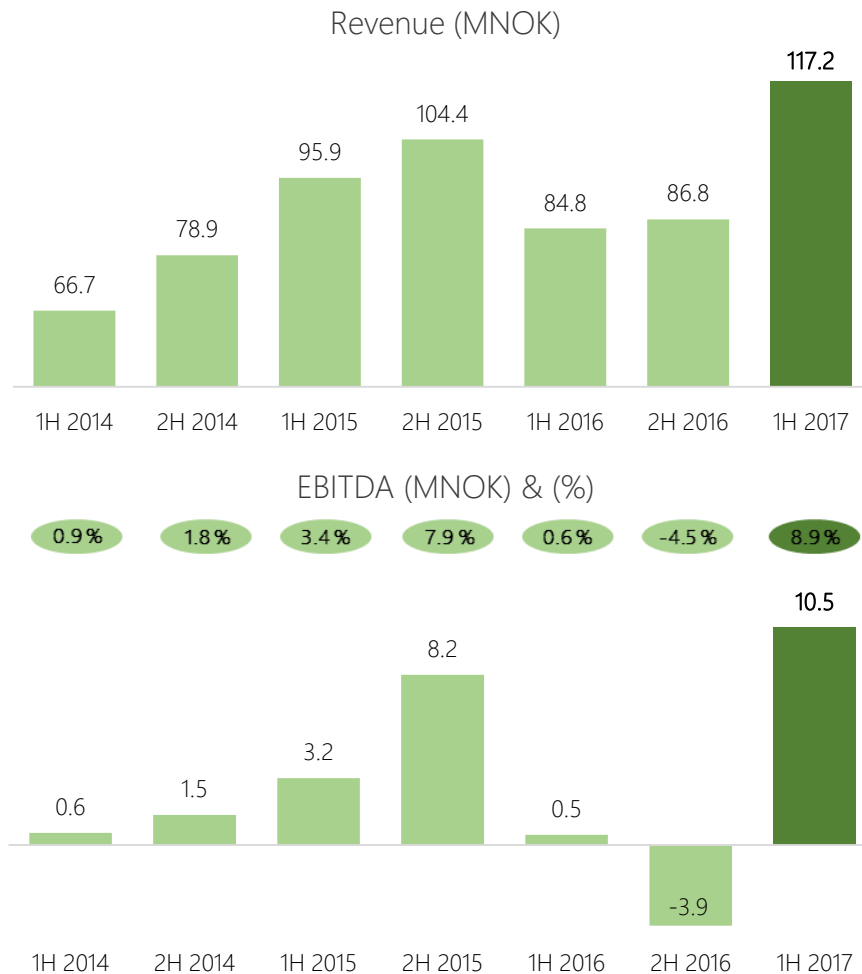
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## About the company



- We provide world leading solutions for cleaner oceans
- System portfolio includes wastewater purification, food waste processing, garbage handling and sludge treatment sold separately or bundled as total clean ship solutions
- We have equipped more than 100 cruise ships holding a historical share of a third of this market since 1995
- Forward order backlog includes systems to 25 new cruise ships for deliveries until 2022
- Every second cruise newbuild delivered from 2014 are equipped with our wastewater treatment systems
- We have recently entered the aquaculture market with sludge treatment as part of RAS technology on smolt facilities
- We are developing new technology to convert waste into energy improving environmental impact and reducing cost of operations

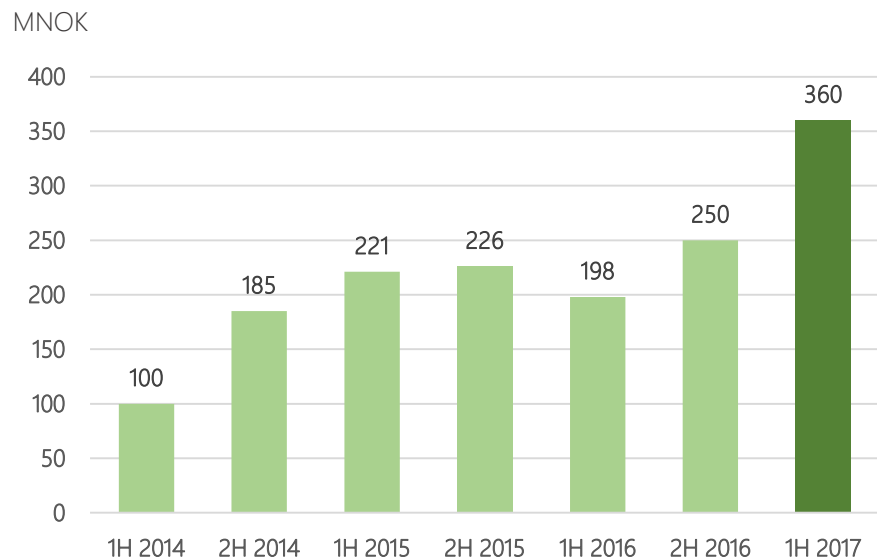
## Strong financial improvement



- Best half year result since listing in 2014
- Back on growth-track driven by system deliveries to newbuilds
- EBITDA margin reaching acceptable levels and on its way to double digit
- Last years "drop" caused by temporary aggressive competition in cruise newbuild space

## All-time high order backlog

Order backlog development



Orderbook does not include the activities within the Aftersales segment

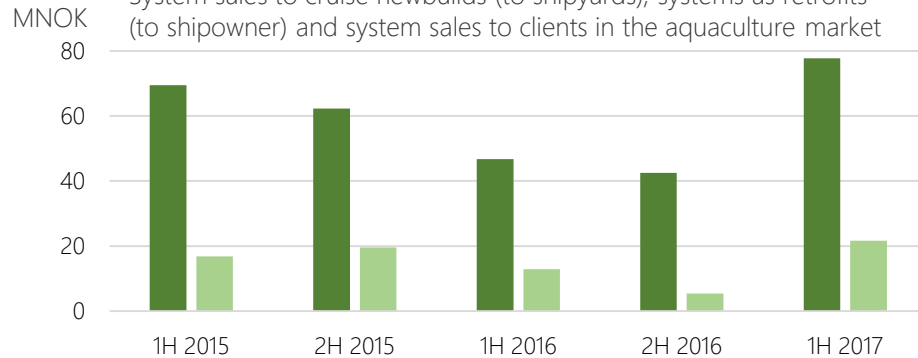
- All-time high backlog at MNOK 360
- Seven total clean ship contract awards for cruise newbuilds during first half year:
  - 3 off Virgin Voyages at Fincantieri
  - 2 off MSC Meraviglia Plus at STX France
  - 2 off Hapag Lloyd Cruises at Vard (Fincantieri)
- Two sludge treatment contract awards in Aquaculture during first half year:
  - Salangfisk & Sjøtroll/Lerøy
- One foodwaste contract award with STX France for Aircraft Carrier in June



## Increased revenues within Cruise newbuilds

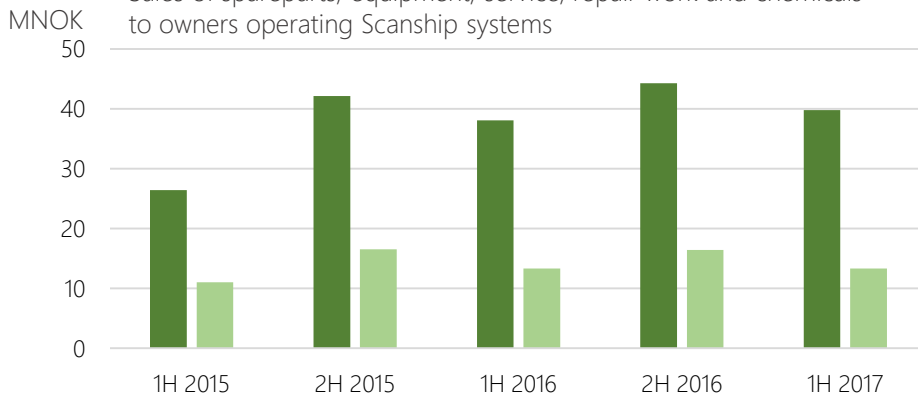
### Business area: Projects

System sales to cruise newbuilds (to shipyards), systems as retrofits (to shipowner) and system sales to clients in the aquaculture market



### Business area: Aftersales

Sales of spareparts, equipment, service, repair work and chemicals to owners operating Scanship systems



■ Revenue (MNOK) ■ Gross profit

- Revenue growth in Projects with system delivery to cruise newbuilds
- Aquaculture revenue was ~10% in the period
- Without AWP (wastewater treatment) retrofit revenue during first half year as market is "slow" (temporary shift of investments towards Exhaust Gas Cleaning)
- Aftersales expected to increase steadily as installed base of Scanship systems is increasing (+20% next two years)
- Seasonal effects are present in Aftersales as more purchases are being made in second half of the year
- Last year's restructuring within Aftersales has improved net margins in operations significantly, however some short term effects has reduced revenues in service and repair jobs
- Total sales volume in Aftersales is increased with higher sale of spare parts and chemicals

Profit & Loss statement

(MNOK)	Unaudited 1H 17	Unaudited 1H 16	Audited 2016
<b>Total operating revenue</b>	<b>117.2</b>	<b>84.8</b>	<b>171.6</b>
Cost of goods sold	-82.7	-58.5	-123.6
Employee expenses	-13.3	-14.4	-28.1
Other operating expenses	-9.4	-11.4	-22.5
<b>EBITDA before non-recurring items</b>	<b>11.9</b>	<b>0.5</b>	<b>-2.6</b>
<i>EBITDA margin before non-recurring items</i>	<i>10.2 %</i>	<i>0.6 %</i>	<i>-1.5 %</i>
Non-recurring items	-1.4	0.0	-0.8
<b>EBITDA</b>	<b>10.5</b>	<b>0.5</b>	<b>-3.4</b>
<i>EBITDA margin</i>	<i>8.9 %</i>	<i>0.6 %</i>	<i>-2.0 %</i>
Depreciation and amortisation	-1.2	-1.1	-2.4
<b>Operating result (EBIT)</b>	<b>9.2</b>	<b>-0.6</b>	<b>-5.8</b>
Net Financial items	-1.1	0.8	0.7
<b>Result before tax</b>	<b>8.2</b>	<b>0.3</b>	<b>-5.1</b>

## Improved efficiency in execution

- Significant stronger EBITDA from improved efficiency in operations and higher revenues
- Reduced operating expenses from restructuring during second half of last year
- Non-recurring costs of MNOK 1.4 related to the strategic review process concluded in May 2017 reduced EBITDA down to 8.9% from 10.2%

## Statement of financial position

### Balance sheet

(MNOK)	Unaudited 30.06.17	Unaudited 30.06.16	Audited 31.12.16
<b>ASSETS:</b>			
<b>Total non-current assets</b>	<b>33.8</b>	<b>31.5</b>	<b>32.6</b>
<b>Current assets:</b>			
Inventories	4.9	7.1	3.5
Trade receivables	66.9	53.1	57.8
Contracts in progress	25.0	29.0	14.2
Other Receivables	16.5	15.5	13.9
Cash and cash equivalents	2.8	2.0	3.6
<b>Total current assets</b>	<b>116.1</b>	<b>106.8</b>	<b>93.0</b>
<b>Total assets</b>	<b>149.9</b>	<b>138.3</b>	<b>125.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>51.1</b>	<b>50.1</b>	<b>45.4</b>
<b>Total non-current liabilities</b>	<b>6.0</b>	<b>5.1</b>	<b>4.1</b>
<b>Current liabilities</b>			
Trade creditors	27.2	28.9	31.5
Contract accruals	17.6	13.5	8.2
Financial instruments	3.5	4.9	1.8
Income tax payable	0.9	0.3	0.5
Bank overdraft	31.7	24.1	23.9
Other Current liabilities	11.9	11.3	10.2
<b>Total Current Liabilities</b>	<b>92.8</b>	<b>83.1</b>	<b>76.1</b>
<b>Total liabilities</b>	<b>98.8</b>	<b>88.2</b>	<b>80.2</b>
<b>Total equity and liabilities</b>	<b>149.9</b>	<b>138.3</b>	<b>125.6</b>

- The non-current assets per 30.06.17 includes:
  - MNOK 3.5 in fixed assets
  - MNOK 30.3 in intangible assets, of which the development costs for the MAP system is the most significant
- Payment of MNOK 19 (Euro 2.0 mill) received from one customer just subsequent to Q2 (on 5 July) related to overdue trade receivable as per 30.06.17
- Non-current liabilities per 30.06.17 primarily consist of deferred tax liability of MNOK 4.7
- Equity ratio is 34 % per 30.06.17



### Cash flow statement

(MNOK)	<i>Unaudited</i> 1H 17	<i>Unaudited</i> 1H 16	<i>Audited</i> 2016
<i>Result before tax</i>	8.2	0.3	-5.1
Net cash flow from operating activities	-6.1	-10.3	-5.8
Net cash flow from investing activities	-2.5	-5.1	-7.4
Net cash flow from financing activities	7.8	-2.0	-2.8
<b>Net change in cash and cash equivalents</b>	<b>-0.8</b>	<b>-17.4</b>	<b>-16.0</b>
Cash and cash equivalents at start of period	3.6	19.5	19.5
<b>Cash and cash equivalents at end of period</b>	<b>2.8</b>	<b>2.0</b>	<b>3.6</b>

## Cash flow in current operations

- Cashflow from operations in 1H 2017 improved to MNOK 12.9 when including payment received early July on overdue receivable per 30.06.17
- Compared to the reported EBITDA of MNOK 10.5 in 1H 2017, the MNOK 12.9 adjusted level gives a positive EBITDA to operating cash flow conversion in 1H 2017
- Long-term outstanding receivable on German VAT (MNOK 5) also collected in July 2017
- Positive cash flow from financing activities is the increase in the bank overdraft, including the increased limit

# Outlook Innovations & Markets

## Game changing technology being developed

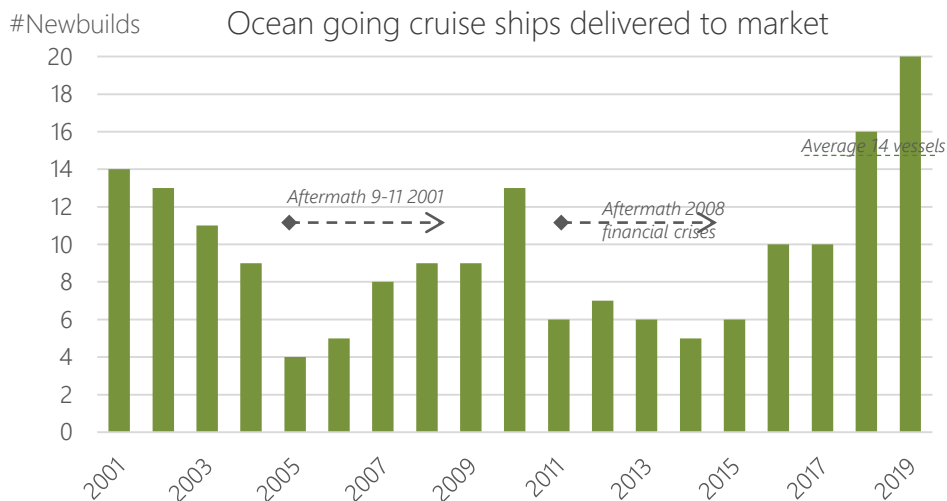
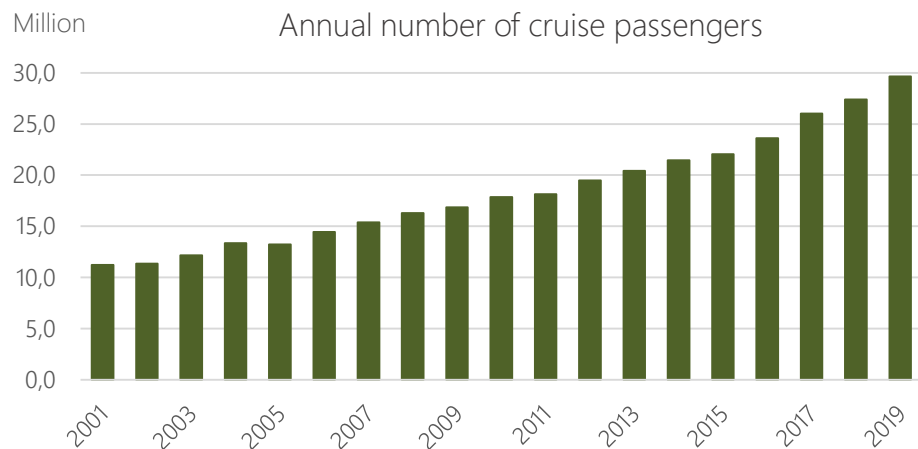


Scanship MAP test facility in Norway

- We are developing a game changing technology for waste handling representing future growth opportunity not only in cruise but several other markets
- Our innovation is based on microwave assisted pyrolysis, hence the name Scanship MAP
- The solution converts garbage, foodwaste and sludge from wastewater into energy that will significantly reduce aboard fuel consumption (HFO and MGO) and eliminate discharge to sea
- A full scale Scanship MAP test facility is up and running in Norway to complete development and commercialization
- There is strong interest in MAP, and several of largest shipowners and yards is currently evaluating for future newbuilds and retrofits



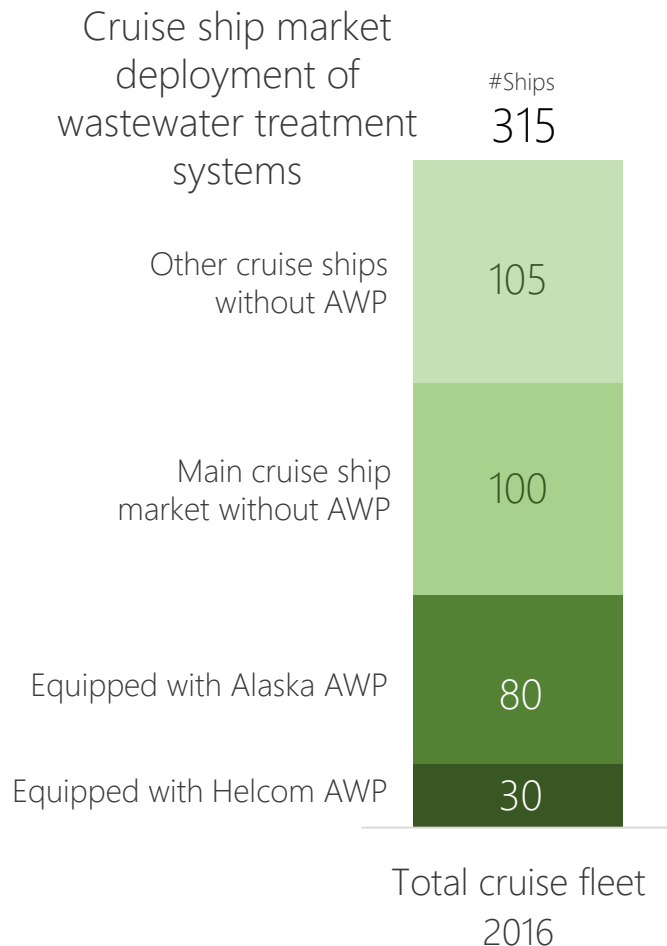
## Cruise industry is growing with more newbuilds



- A steady ~ 7% growth of passenger drives the market for newbuilds and ship upgrades
- Industry orderbook comprises 87 vessels with delivery until 2026
- More ships are being built to meet supply demand in Asia Pacific region
- There is an increased demand for high-end waste and wastewater management systems to improve overall environmental sustainability in industry
- Annual forward newbuild market for clean ship systems is expected to reach ~NOK 400 in which Scanship in recent years has increased market share
- Future deployment on waste to energy systems will increase market size for clean tech solutions

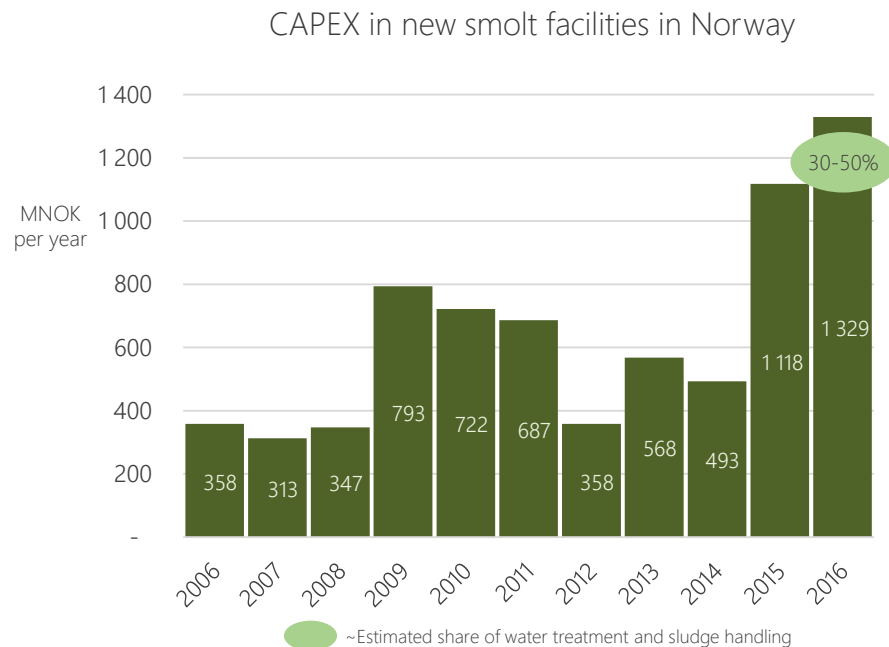


## Huge untapped potential for retrofits in Cruise



- IMO Marpol has enforced new discharge standard for wastewater in the Baltic sea (2021) referred to as the Helcom standard
- Scanship is the only supplier to date having wastewater treatment systems in Helcom compliant operations on large cruise ships
- Total market for wastewater treatment on existing world cruise fleet is estimated at Billion NOK ~ 4 - 5
- Implementation of Helcom standards is expected to be adopted as industry standard for existing ships as already adopted on newbuilds from 2012
- We have delivered 26 turn-key AWP retrofits as market leader
- Scanship's MAP technology with attractive ROI and high environmental impact will be applicable for future retrofits on all existing cruise ships

## Growth opportunities in Aquaculture



### Number of licensed production units in Norway

Smolt facilities (2016): **220**  
 Salmon Fishfarms (2016): **990**  
 Recirculating Aquaculture Systems (RAS) on smolt (2015): **70**

- We are positioning in the Norwegian aquaculture market, with orders to some of the largest smolt facility newbuilds to date; Steinsvik, Salangfisk and Sjøtroll
- Aquaculture market for water treatment and sludge handling is growing as the industry is moving towards a more environmental sustainable production
- Long term industry growth targets will require an annual increase of production between 7 – 10% (3-5 million tons by 2030)
- Growth in water treatment and sludge handling will in addition be driven by large investments in post smolt production, upgrades of existing facilities, and how fast fishfarming will move onshore or towards seabased closed cage systems to reduce mortality (down from ~ 20% mortality level)
- Sludge treatment on fishfarms (full grow out) is expected to require ~20 times more capacity compared to smolt facilities





## Key takeaways



Scanship wastewater treatment system on RCCL Quantum of the Seas

- Best half year results since listing in 2014, EBITDA margin reaching acceptable levels and on its way to double digit
- Improved efficiency in execution has reduced other operating expenses and employee costs while revenues have increased by 38%
- Order backlog at all time high at MNOK 360
- Strong interest from world leading players for our game changing MAP technology

*Thank you for your attention!*

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