Scana
SCANA INDUSTRIER ASA

Interim report for the first quarter of 2015

Scana Industrier ASA is a Nordic industrial group whose key business is supplying products and system solutions to energy-related businesses. This encompasses oil and gas, energy, marine and other businesses. Scana also provides servicing, maintenance and repairs for customers in the same markets.

Scana's technology, unique expertise in engineering materials and extensive production experience form the basis of the group's competitiveness. Scana's aim is to be the preferred supplier for leading companies within our market segments. The majority of Scana's customers are located in Europe, America and South East Asia.

Scana Industrier ASA has subsidiaries in Norway, Sweden, China, the USA, Poland, Singapore, Brazil and South Korea. The group's head office is in Stavanger.

Operating activities deliver positive EBITDA

- *Revenue was NOK 313 million in the first quarter of 2015, with EBITDA of NOK 3 million.*
- *Energy and Offshore showing good order inflow in the first quarter*
- *The sale of Scana Steel Söderfors AB went through on 5 February*
- *Scana Steel Stavanger AS presented a petition for a winding-up order on Wednesday 4 March*
- *Continuing operations are better positioned to see profitable operations*

Profit/loss – excluding Söderfors and Stavanger

First quarter

The group's total revenue was NOK 313 million in the first quarter of 2015, compared with NOK 320 million for the same period in 2014. This is a fall of 2 per cent. EBITDA was positive at NOK 3 million, which is equivalent to an EBITDA margin of 1 per cent compared with 3 per cent for the corresponding period in 2014. Effects linked to Scana Steel Stavanger's petition for a winding-up order are shown on the line "Net profit/loss – discontinued operations".

Order inflow in the first quarter amounted to NOK 313 million, which is an improvement on the same period in 2014.

Net financial items amounted to NOK -9 million in the first quarter of 2015, compared with NOK -7 million in the first quarter of 2014. These consist mainly of net interest expenses amounting to NOK -5 million and net other financial items totalling NOK -3 million.

Financial instruments are valued at fair value. Changes in value that satisfy requirements for hedge accounting are recorded in comprehensive income together with translation differences. In the first quarter, these items rose in value by NOK 7 million.

Earnings per share were NOK -0.37 for the first quarter.

Performance of key figures:

	Quarters		*Year to date*		*Full year*
NOK million	*Q1 15*	*Q1 14*	*2015*	*2014*	*2014*
Operating revenue	*313*	*320*	*313*	*320*	*1 192*
EBITDA	*3*	*10*	*3*	*10*	*-66*
Operating profit EBIT	*-8*	*-2*	*-8*	*-2*	*-140*
Operating margin %	*-3%*	*-1%*	*-3%*	*-1%*	*-12%*
Profit before tax	*-17*	*-8*	*-17*	*-8*	*-149*
Order inflow	*313*	*279*	*313*	*279*	*973*
Order reserve	*532*	*738*	*532*	*738*	*530*

Cash flow

Net cash flow from operating activities was NOK 18 million in the first quarter of 2015, of which NOK 23 million can be attributed to a change in the amount of working capital tied up. Net cash flow from investing activities was NOK -2 million, of which NOK 1 million relates to the sale of shareholdings and assets associated with discontinued operations, while NOK -3 million is investment in non-current assets. Net cash flow from financing activities was NOK -13 million. With regard to financing activities, net interest paid amounted to NOK -7 million and change in current interest-bearing debt amounted to NOK -6 million. Net cash flow in the first quarter of 2015 amounted to NOK 3 million after this.

The group's total cash and cash equivalents are considered to be limited at the end of the first quarter.

A share issue and new financing solution will provide the group with a minimum gross of NOK 110 million in liquidity, and will ensure that the group is sufficiently robust in the future.

Balance sheet and capital position

The balance sheet total at the end of the first quarter of 2015 was NOK 950 million, compared with NOK 1,080 million at the end of 2014. The group's net interest-bearing debt (including adjustment for ring-fenced funds) amounted to NOK 348 million, compared with NOK 363 million at the end of 2014.
The recognised equity was NOK 133 million, which corresponds to NOK 1.78 per share and an equity ratio of 14 per cent.

As stated in the stock exchange notice from 4 May, the Board will propose a partially underwritten preferred rights issue of up to NOK 100 million at the General Meeting. There is also a negotiated term sheet with the bank syndicate to extend the existing loan and bank agreements by three years. The final loan agreement must be signed before 22 June 2015.

In connection with the petition to wind up Scana Steel Stavanger, any positive effect of realisations of non-current assets and receivables in the winding-up estate that accrues to the banks will be used to reduce the group's bank debt. This is due to the bank syndicate's lien on receivables and non-current assets.

Share price trend
The closing price for shares in Scana was NOK 0.75 at the end of the first quarter. The closing price at the end of 2014 was NOK 0.86.

Scana's holding of own shares is 10,508 out of a total of 75,118,301 shares. Scana has a Market Maker agreement to enhance the liquidity of its shares and ensure listing on the Oslo Børs Match list.

BUSINESS AREAS

Scana Energy

This business area includes the companies Scana Steel Björneborg AB, Scana Subsea AB and Scana Machining AB.

First quarter
Operating revenue amounted to NOK 153 million in the first quarter of 2015, compared with NOK 154 million in the corresponding period in 2014. EBITDA for the first quarter was NOK -1 million, which is equivalent to a -1 per cent EBITDA margin, compared with 6 per cent (NOK 10 million) for the corresponding period in 2014. The poor earnings were due to reduced demand in the oil and gas market.

Orders and market
The business area's net order inflow was NOK 148 million in the first quarter, which is an increase of approx. 30 per cent on the same quarter in 2014. Orders in hand amount to NOK 238 million.

Energy's orders in hand are lacking in high-grade component processing as a result of the decline in the oil and gas market. The level of orders in hand has improved for the marine and steel markets.

Scana Propulsion

Reporting for this area includes the production units Scana Volda AS and Scana Mar-El AS as well as service and sales offices in Poland, Singapore, China, Brazil and the USA.

First quarter
Operating revenue amounted to NOK 82 million in the first quarter of 2015, compared with NOK 87 million in the corresponding period in 2014. EBITDA for the first quarter was NOK 4 million, which is equivalent to a 5 per cent EBITDA margin, compared with -8 per cent (NOK -7 million) for the corresponding period in 2014.

Orders and market
The order inflow amounted to NOK 60 million in the first quarter. Orders in hand amount to NOK 134 million.

The business area is relying on entering into new sales contracts during the first half of the year to maintain the current level of activity.

Propulsion has begun a joint venture with the Japanese diesel engine manufacturer Niigata Power Systems to launch a joint Niigata and Scana propulsion package. This arrangement will open new markets for Propulsion.
Cost-reduction measures implemented in 2014 are beginning to have an effect. The implementation of approved cost reductions will continue in 2015.

Scana Offshore

Reporting for this area includes the companies Scana Offshore Vestby AS and Scana Skarpenord AS.

First quarter
Operating revenue for the business area amounted to NOK 59 million in the first quarter of 2015, compared with NOK 64 million in the corresponding period in 2014. EBITDA for the first quarter was NOK 3 million, which is equivalent to a 5 per cent EBITDA margin, compared with 7 per cent (NOK 4 million) for the corresponding period in 2014.

Orders and market
The order inflow amounted to NOK 81 million in the first quarter, which is a significant increase on the same period in 2014. Orders in hand amount to NOK 146 million.

Remaining work on the offloading contract in Brazil is mainly linked to the handover of manufactured equipment and assembly/commissioning. The progress of the contract is being affected by the situation at Petrobras.

Vestby signed an important contract with Yinson in the first quarter.

During the first quarter, Skarpenord had a good inflow of orders and experienced revenue growth of nearly 40 per cent on the first quarter of 2014, as well as delivering an operating profit.

Scana Property

First quarter
Operating revenue amounted to NOK 6 million in the first quarter of 2015, which is better than budgeted for the quarter. EBITDA for the first quarter amounted to NOK 3 million.

Final approval of the Jørpeland city centre plan, including the "Fjordbris apartment project" and the steelworks area, is expected during the second half of 2015.

Scana Eiendom SSA has signed a tenancy agreement with the buyers of Scana Steel Stavanger AS' winding-up estate. This will ensure the long-term operations of Scana Eiendom SSA.

Scana will continue to dispose of smaller, non-operational properties and properties in Karlskoga.

Scana Other Assets

Reporting for this area mainly covers the company Scana Steel Booforge AB. Scana Steel Söderfors AB was sold on 5 February 2015 and Scana Steel Stavanger presented a petition for a winding-up order on 4 March 2015. Profit/loss from these units has been reported as part of discontinued operations in the interim report as at 31 March 2015.

First quarter
Operating revenue amounted to NOK 27 million in the first quarter of 2015, compared with NOK 24 million for the corresponding period in 2014. EBITDA for the first quarter was NOK 2 million, which is equivalent to a 7 per cent EBITDA margin, compared with 5 per cent (NOK 1 million) for the corresponding period in 2014.

Orders and market
Order inflow amounted to NOK 24 million in the first quarter.

The sale of shares in Scana Steel Söderfors AB went through on 5 February 2015.

Scana Steel Stavanger presented a petition for a winding-up order on 4 March 2015.

Scana Steel Booforge is making a profit in a challenging market.

Receivables owed by Leshan Scana Machinery linked to trade credit issued on the sale of the company in July 2013 were written down to zero in the financial statements for 2014. Scana is maintaining a dialogue with the buyer to recover the debt and has initiated legal proceedings.

Going concern

The interim financial statements have been prepared on the basis of the going concern assumption and the Board confirms that this assumption is valid. In April 2015, a term sheet was signed relating to a new three-year financing plan with the current bank syndicate that also requires a capital increase. A new term sheet and related share issue are crucial for the group in terms of its operation as a going concern and the liquidity situation in the future.

The going concern assumption also contains the expectation that the financial outcome of and cash flow from operations will improve in future. There is still uncertainty linked to when the markets will improve and how quickly the implemented measures will have a positive effect on operations. The management and Board of Directors believe that the group's measures, forecasts and business plans for 2015 onwards will contribute to a gradual improvement in profit.

The Board believes that continuing operations will perform better as a result of Scana Steel Söderfors and Scana Steel Stavanger being removed from the portfolio. Continuing operations have less operational risk and significantly lower working capital compared with previous years.

Also see notes 11, 12 and 13.

Markets and outlooks

Energy

Energy is experiencing great demand and the inflow of orders is better than budgeted for the quarter. There has been a slight reduction in new orders for the oil and gas segment. The launch of Energy's new "VIP steel" was deemed a success, with more orders and a high level of interest from selected target groups within tool and ball bearing steel. Some markets are governed by positive currency effects.

Propulsion

Propulsion expects low activity within new construction in the offshore segment. This is in keeping with expectations that the oil price will remain low, operators will tighten their operating budgets and that there will be some overcapacity in the market within the segment.

The contracting market is expected to be split mainly between merchant vessels, well vessels and small tankers. These are segments in which Propulsion is working to enhance its position. Propulsion's existing bids reflect this to a great extent. The joint venture with Niigata is expected to have a positive effect on Propulsion's market share.

The service market saw some positive development in the first quarter. Service activity in the first quarter of 2015 has delivered revenue and a profit margin that are better than budgeted. Propulsion is expecting an increase in service activity compared to that seen in 2014.

Offshore

Vestby is generally finding that the decision-making processes for projects are taking longer. The contract with Yinson that was signed in April is considered to be positive. Vestby is experiencing increasing interest in its system solutions and project expertise.

During the first quarter, Skarpenord has had a good inflow of orders and also has a good level of orders in hand. The orders in Q1 are mainly from the LPG segment. The markets in China and South Korea are showing a rising trend. The market for service and spare parts has been good in the first quarter and is expected to see positive development in 2015.

Property

Scana Property is continuing its work on the development status of ongoing development projects to ensure that Scana is in the best possible position. The intention is to sell smaller operation-independent properties that are not critical to operations.

Other Assets

Scana will now focus on the further development of Scana Steel Booforge within fork-lift production and heat treatment. Booforge is the only operating company in the Other Assets business area.

Stavanger, 8 May 2015
Board of Directors and CEO
Scana Industrier ASA

Scana
SCANA INDUSTRIER ASA

Profit and Loss Account - Group

		Quarters		Year to date		Full year
NOK million	Note	Q1 15	Q1 14	2015	2014	2014
			Restated		Restated	Restated
Total operating revenues	2	**313**	**320**	**313**	**320**	**1 192**
Raw materials and consumables		108	106	108	106	438
Change in stocks and FG and WIP		10	-21	10	-21	-74
Wages and NI contributions		117	118	117	118	438
Other operating costs		76	106	76	106	458
EBITDA	2	**3**	**10**	**3**	**10**	**-66**
Depreciation/amortization/writedowns	7	11	12	11	12	73
Operating profit / (loss) - EBIT	2	**-8**	**-2**	**-8**	**-2**	**-140**
Interest income		1	1	1	1	4
Interest expense		-6	-8	-6	-8	-27
Net currency gain / loss (-)		-1	-0	-1	-0	26
Other financial income / expense (-)		-3	0	-3	0	-13
Net financial income / expense (-)		-9	-7	-9	-7	-10
Profit / (loss) before taxes		**-17**	**-8**	**-17**	**-8**	**-149**
Taxation	9	-2	2	-2	2	-12
Net profit / (loss) - continued operation	2	**-15**	**-11**	**-15**	**-11**	**-138**
Net profit / (loss) - discontinued operation	11	-13	2	-13	2	-128
Net profit / (loss)		**-28**	**-9**	**-28**	**-9**	**-265**
Attributable to:						
Equity holders of the parent		-28	-9	-28	-9	-265
Minority interests		0	0	0	0	0
Earnings per share - continued operation	10	-0,37	-0,12	-0,37	-0,12	-3,53
Diluted earnings per share - continued operation	10	-0,37	-0,12	-0,37	-0,12	-3,53
Other comprehensive income	8					
Net movement in value of cash flow hegdes		0	-2	0	-2	2
Net gain /loss on hegde of net investment		5	5	5	5	-0
Exchange difference on translations of foreign operations		2	-11	2	-11	13
Other comprehensive income		7	-8	7	-8	14
Total comprehensive income		**-21**	**-17**	**-21**	**-17**	**-251**
Key Figures:						
EBITDA		3	10	3	10	-66
EBITDA margin - %		1%	3%	1%	3%	-6%
EBIT margin - %		-3%	-1%	-3%	-1%	-12%
Order intake - continued operation	2	313	279	313	279	973
Order reserve - continued operation	2	489	738	489	738	530

Balance Sheet - Group

NOK million	Note	31.03.15	31.03.14	31.12.14
Intangible fixed assets	7	24	35	26
Deferred tax assets	9	0	0	0
Property, plant and equipment	7	393	512	406
Shares in associates		22	19	22
Other non-current assets		4	23	4
Total fixed assets		**444**	**588**	**458**
Inventories		171	250	205
Trade debtors		230	373	225
Derivates	4/5	0	1	0
Other current assets		26	90	46
Cash and cash equivalents	6	78	15	76
Assets held for sale		0	164	69
Total current assets		**506**	**894**	**622**
Total assets	2	**950**	**1 482**	**1 080**
Paid-in capital		612	612	612
Other equity		-479	-224	-459
Minority interests		0	0	0
Total shareholders' equity		**133**	**389**	**154**
Interest bearing loans and borrowings	3	1	9	5
Derivates	4/5	10	9	11
Deferred tax	9	19	27	23
Other non-current liabilities		2	2	3
Total non-current liabilities	2	**33**	**48**	**41**
Interest bearing loans and borrowings	3/6	425	474	434
Trade payables		123	179	162
Advances from customers		65	98	54
Derivates	4/5	4	10	3
Liabilities held for sale		0	73	56
Other current liabilities		166	211	175
Total current liabilities	2	**783**	**1 046**	**885**
Total liabilities and shareholders' equity		**950**	**1 482**	**1 080**
Key Figures:				
Equity ratio		14,0%	26,2%	14,3%
Gross debt		426	483	439
Net debt		348	468	363
Gearing (gross debt divided by shareholders' equity)		3,2	1,2	2,9

Cash Flow Statement - Group

		Quarters		Year to date		Full year
NOK million	Note	Q1 15	Q1 14	2015	2014	2014
			Restated		Restated	Restated
Profit / (loss) before tax		-17	-8	-17	-8	-149
Profit / (loss) before tax - discontinued operation	11	-10	3	-10	3	-116
Tax paid		-1	-1	-1	-1	-2
Gain / loss - continued operation	11	-0	-17	-0	-17	-26
Gain / loss - discontinued operation	11	0	0	0	0	-0
Currency exchange differences and gain/loss on sale of fixed assets and non cash element		13	1	13	1	3
Depreciation/amortization/writedowns	7/11	12	17	12	17	179
Net interest expense		5	7	5	7	24
Change in net working capital		18	-57	18	-57	76
Net cash flow from operating activities		**18**	**-55**	**18**	**-55**	**-11**
Proceeds from sale of property, plant and equipment		0	21	0	21	40
Purchase of property, plant and equipment		-3	-2	-3	-2	-46
Proceeds from sale of shares		2	30	2	30	138
Cash disposed as a part of discontinued operations		-1	0	-1	0	-4
Investments in business		0	-0	0	-0	-0
Net cash flow from investing activities		**-2**	**49**	**-2**	**49**	**128**
Repayment of long-term borrowings	3	0	-0	0	-0	-5
Net increase/(decrease) in short-term borrowings	3	-6	-30	-6	-30	-67
Paid other finance cost		-1	-3	-1	-3	-6
Net paid interest		-7	-9	-7	-9	-26
Net cash flow from financing activities		**-13**	**-42**	**-13**	**-42**	**-104**
Net cash flow		**3**	**-48**	**3**	**-48**	**13**
Cash and cash equivalents at beginning of period		76	63	76	63	63
Net foreign exchange difference		-0	-0	-0	-0	1
Cash and cash equivalents at end of period	6/11	**78**	**15**	**78**	**15**	**78**

Statement of change in shareholders equity - Group

NOK million	Issued capital	Own shares	Other paid-in capital	Retained earnings	Currency translation reserves	Reserves for change in value	Total equity ex. minority interests	Minority interest	Total equity
Equity at 1 January 2014		75	537	-204	12	-15	405	0	405
Total comprehensive income current period				-265	12	2	-251	0	-251
Equity at 31 December 2014		**75**	**537**	**-470**	**24**	**-13**	**154**	**0**	**154**

NOK million	Issued capital	Own shares	Other paid-in capital	Retained earnings	Currency translation reserves	Reserves for change in value	Total equity ex. minority interests	Minority interest	Total equity
Equity at 1 January 2015		75	537	-470	24	-13	154	0	154
Total comprehensive income current period				-28	7	0	-21	0	-21
Equity at 31 March 2015		**75**	**537**	**-497**	**31**	**-12**	**133**	**0**	**133**

The group has 10 508 own shares.

Notes to Q1 2015 report

Note 1 – General information

The consolidated financial statements for Scana Industrier ASA for the first quarter of 2015 were approved by the Board on 8 May 2015. The interim report was prepared in accordance with the rules of IAS 34 Interim Financial Reporting. The group has used the same accountin g policies and calculation methods as in the last set of annual financial statements. All figures are stated in NOK millions. The accounting figures have not been audited. For a complete overview of the accounting policies used, see note 1 to the financial statements for 2014. New and revised financial reporting standards will have no significant effect on the consolidated financial statements in 2015 or on comparative figures.

Note 2 – Segments

Scana is a Nordic industrial group operating in five business areas. The main products for the Scana Energy business area are customised steel forgings and castings for the oil and gas, energy, marine, engineering and tools industries. The Scana Propulsion business ar ea designs and manufactures propellers, propeller housing, axles, gears, thrusters and control systems for the global shipbuilding market. S cana Propulsion is marketed as a complete equipment package in the global ship equipment market. Scana Offshore supplies products, components an d servicing to the oil and gas industry. Scana Property encompasses the group's real estate companies. Scana Other Assets mainly encompasses Sca na Steel Booforge AB. Head Office is linked to the parent company. The presentation coincides with internal reporting to the Board. Revenue fro m sales to external customers and transactions with other segments are reported in each of the business areas, and internal deliveries are recogn ised at estimated market value. The "Eliminations" column refers to eliminations between the business areas. The figures below apply to the first quar ter of 2015 with comparative figures. The segments note was revised due to Scana Steel Stavanger AS (which was included in Scana Other Assets) presenting a petition for a winding-up order in March 2015. This is deemed to satisfy the requirements for reporting as discontinued operatio ns, and the company is thus not included in the segment reporting as at 31 March 2015. See note 11 on discontinued operations for further details. T he comparative figures have been amended accordingly.

2015 (NOK million)	Scana Energy	Scana Propulsion	Scana Offshore	Scana Property	Scana Other Assets	Scana Head Office	Elimination	Group
External operating revenue	146,9	81,6	59,0	3,4	22,4	0,0	0,0	313,3
Internal operating revenue	5,6	0,0	0,0	2,6	4,5	3,6	-16,3	0,0
Total operating revenue	152,5	81,6	59,0	6,0	26,9	3,6	-16,3	313,3
Operating expenses	153,6	77,6	56,1	3,5	24,9	11,2	-16,3	310,6
EBITDA	-1,1	4,0	2,9	2,5	2,0	-7,6	0,0	2,7
Depreciation	5,7	1,8	1,4	1,0	1,0	0,2	0,0	11,1
Write-downs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Operating profit/loss (EBIT)	-6,8	2,2	1,5	1,6	1,1	-7,9	0,0	-8,3
EBIT margin	-4%	3%	3%	27%	4%			-3%
Net financial income/expense (-)								-9,0
Profit/loss before tax - continued operations								-17,3
Tax expense								-2,4
Profit/loss for the year - continued operations								-14,9
Balance sheet figures:								
Assets	466,9	197,7	120,9	222,4	201,1	427,9	-687,2	949,7
Non-current liabilities	16,3	5,6	1,5	1,8	4,4	3,4	0,0	33,0
Current liabilities	212,9	68,1	67,7	-136,5	-25,0	366,0	230,1	783,3
Keyfigures								
Order Intake	148,1	59,8	81,4	0,0	23,5	0,0	0,0	312,8
Order Backlog	238,3	134,3	146,4	0,0	-29,9	0,0	0,0	489,1

Note 2 – Segments (cont.)

2014 (NOK million)	Scana Energy	Scana Propulsion	Scana Offshore	Scana Property	Scana Other Assets	Scana Head Office	Elimination	Group
External operating revenue	140,7	86,5	63,4	14,2	15,2	0,0	0,0	320,0
Internal operating revenue	13,4	0,5	0,7	3,1	9,0	1,9	-28,6	0,0
Total operating revenue	154,1	87,0	64,1	17,3	24,2	1,9	-28,6	320,0
Operating expenses	144,6	93,6	59,7	3,6	22,9	13,9	-28,6	309,7
EBITDA	9,5	-6,6	4,4	13,7	1,3	-12,0	0,0	10,3
Depreciation	6,9	2,4	1,6	0,5	1,0	-0,3	0,0	12,1
Write-downs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Operating profit/loss (EBIT)	2,6	-9,0	2,8	13,2	0,2	-11,6	0,0	-1,8
EBIT margin	2%	-10%	4%	76%	1%			-1%
Net financial income/expense (-)								-6,7
Profit/loss before tax - continued operations								-8,5
Tax expense								2,3
Profit/loss for the year - continued operations								-10,8
Balance sheet figures:								
Assets	485,9	234,1	294,1	223,5	479,2	531,4	-766,4	1 481,8
Non-current liabilities	17,4	8,3	8,3	1,1	10,0	2,4	0,0	47,5
Current liabilities	221,7	103,6	194,7	-81,8	370,9	216,9	19,7	1 045,7
Keyfigures								
Order Intake	115,0	93,0	46,2	0,0	24,9	0,0	0,0	279,1
Order Backlog	301,1	162,9	261,2	0,0	13,1	0,0	0,0	738,3

Note 3 – Interest-bearing debt

Pr. 31.12.14	Short-term	Long-term
Financial leasing obligations	1,9	1,4
Bank overdraft	100,8	
Factoring	47,4	
Syndicate loan SEK	274,5	
Unpaid interest	0,1	
Total interest-bearing debt	424,8	1,4

Pr. 31.12.13	Short-term	Long-term
Financial leasing obligations	3,8	5,2
Bank overdraft	90,6	
Factoring	63,2	
Syndicate loan SEK	313,6	
Bank loan, Handelsbanken	0,9	3,8
Unpaid interest	2,3	
Total interest-bearing debt	474,4	9,0

The group's interest-bearing debt mainly consists of a three-year syndicate loan for SEK 348 million including a rolling credit facility totalling NOK 280 million divided into an overdraft facility with a nominal value of NOK 130 million and a bank guarantee facility of NOK 150 million. The loan facilities were entered into in March 2012 with a maturity of three years and were due in full on 22 March 2015. A waiver has deferred the instalment due on 31 January 2015, which is now due on the date the loan is to be repaid. As part of the negotiation process relating to refinancing, the due date for the existing loan agreement was deferred to 22 June 2015. Other loan terms and conditions remain unchanged in 2015. See note 17 to the financial statements for 2014 for further details and information about the loan terms.

In 2015, the overdraft facility was reduced to NOK 110 million and the bank guarantee facility was reduced to NOK 90 million. This change in facilities is linked to reduced activity in connection with the sale and winding up of operations. At the end of the first quarter, the group was in breach of the loan terms relating to leverage ratio, equity ratio and minimum liquidity. As at 31 March 2015, the group has received a waiver for all loan terms, and the waiver applies until 22 June 2015. The debt is classified as a current liability as at 31 March 2015.

The equity ratio as at 31 March 2015 was 14 per cent and the liquidity reserve was NOK 34 million. The adjusted equity ratio was 11.8 per cent and was calculated in accordance with the definition in the loan agreement. The adjusted equity ratio is used to measure the loan terms.
In April, the group negotiated an agreement on loan refinancing and injection of new equity with the current bank syndicate. The agreement involves maintaining the current loan agreement with changes to certain conditions. See note 13 on events after the balance sheet date for further details.

Note 4 – Maturity analysis – financial obligations

The table below shows the maturity structure for financial obligations as at 31 March 2015. Future maturity in the next 12 months is broken down quarterly and then on an annual basis. The 2016 and 2017 columns refer to the full year. As at 31 March 2015, the group has no liabilities due for payment in 2018 or later.

	Per 31.03.15	2015.2Q	2015.3Q	2015.4Q	2016.1Q	2016	2017
Financial leases	3,3	0,5	0,5	0,5	0,4	1,2	0,6
Bank overdraft	100,8	100,8					
Factoring	47,4						
Syndicate loan SEK	274,5	274,5					
Forward currency contracts, derivates	14,4						
Interest	0,1	4,5					
Trade payables	122,8	122,8					
Total payments		503,1	0,5	0,5	0,4	1,2	0,6

The current loan agreement was initially due to be repaid on 22 March 2015. There has been an ongoing dialogue and negotiations between the banks and Scana regarding a new loan agreement, and as part of this process the group was granted a three-month extension to its existing loan and bank agreements, taking them up to 22 June 2015. See note 12 Going concern for further details.
Forward contracts and derivatives, except for the interest rate swap agreement, mature in the first quarter of 2015. The interest rate swap matures in 2016, provided that the loan financing is maintained. Recognised net obligations amount to NOK 14.4 million. These net obligations are unrealised values and do not have any effect on liquidity. Actual interest payments relating to the existing loan agreement are included in the table, but interest payments relating to the agreement that was negotiated in April are not included in the table. See note 13 on events after the balance sheet date for further details.

The group monitors the liquidity situation in the short term and the long term through active surveillance and management through the group bank and in close dialogue with its subsidiaries. The group monitors liquidity and the status of working capital on a weekly basis together with the subsidiaries. The group also actively follows up on overdue receivables and is working to optimise the working capital. As at 31 March 2015, the group had total outstanding trade receivables of NOK 230 million, of which NOK 168 million are due and expected to be paid during the second quarter of 2015. The group also has NOK 26 million in other receivables, the majority of which are due and expected to be paid during the second quarter of 2015.

In April, the group negotiated an agreement on loan refinancing and injection of new equity with the current bank syndicate, and the current loan agreement was continued with changes to certain conditions. As part of the negotiated agreement, the banks will release parts of the sales proceeds immediately after presentation of the guarantee agreement relating to injection of new capital. Funds from the sales proceeds are currently in a ring-fenced account for the bank syndicate. When the share issue is approved at the General Meeting, further ring-fenced funds will be released by the banks. Overall, these elements amount to at least NOK 27.5 million and it is expected that these funds will be available to Scana in the second quarter of 2015. It is expected that funds relating to injection of new equity will be made available to the group in the third quarter of 2015.
The group's liquidity will be significantly improved when parts of the ring-fenced funds are made available during the second quarter, new conditions are negotiated relating to the repayment structure in the negotiated agreement on refinancing and the group receives a new equity injection. These elements, together with payments relating to trade/other receivables and available liquidity of NOK 34 million as at 31 March 2015 (cf. note 3 Interest-bearing debt), mean that the group believes it can manage ongoing obligations in the future, in both the short and long term. See note 13 Events after the balance sheet date for further details.

Note 5 – Financial instruments – Fair value and value hierarchy

The fair value of forward currency contracts is calculated according to the closing rate on the balance sheet date adjusted for the interest rate difference between the respective currencies. For currency swaps and electricity derivatives, the basis is the present value of the cash flow. The fair value of cash, bank overdrafts and other interest-bearing debt is considered to be almost equal to the recognised value, since these have a short maturity period and thereby give floating interest rates that are adjusted in line with changes in the general interest rate level. Likewise, the fair value of trade receivables and payables is considered to be equal to the carrying amount, since both items have a short maturity period and were entered into under normal conditions.
The fair value of interest rate swaps is calculated using the estimated discounted cash flow based on the market's forward interest rates on the valuation date, with an addition to reflect the bank's profit margins.

Below is a statement of the carrying amount and fair value of the group's financial instruments. Fair value is considered to be almost equal to the carrying amount due to the short maturity period for all items, and the values are shown in the column "2015/Q1 Total" in the table below. The table also shows the valuation hierarchy for assets and obligations together with how the different financial instruments are categorised.

		Fair value – value hierarchy	Held for sale					2015.1Q	2014.1Q
	Note	Level	Change in value through profit and	Hedge instrument	Lending and receivables	Available for sale	At amortised cost	Total	Total
Financial assets									
Bank deposits	6				78,3			78,3	15,2
Trade receivables	4				230,4			230,4	373,2
Other financial assets	4				26,1			26,1	89,7
Forward currency contracts	4	Nivå 2	0,0					0,0	0,9
Total			0,0	0,0	334,8	0,0	0,0	334,8	479,1
Financial liabilities									
Trade payables	4						122,8	122,8	179,2
Advances from customers							65,3	65,3	98,4
Bank overdraft	3/4						100,8	100,8	90,6
Financial leases	3/4						3,3	3,3	8,9
Interest-bearing loans	3/4						274,5	274,5	313,6
Forward currency contracts	4	Nivå 2						0,0	0,1
Interest rate swaps	4	Nivå 2		10,2				10,2	9,2
Electricity derivatives	4	Nivå 2	1,2	3,1				4,3	7,4
Total			1,2	13,3	0,0	0,0	566,6	581,1	707,5

Fair value – value hierarchy
Scana applies the following hierarchy when assessing and presenting the fair value of the financial instruments.
Level 1: Trading prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: Input other than trading prices from active markets that are included in level 1, which can be observed for the asset or liability, either directly (as prices) or indirectly (derived from prices). In order to calculate the value of the electricity derivatives, the prices are obtained from Nord Pool and the exchange rates for calculating the value of open currency contracts are obtained from Norges Bank on the balance sheet date.
Level 3: Input for the asset or liability that is not based on observable market data.
There were no transfers in 2015 between the different value hierarchy levels, and no change in the assessment of fair value.

Note 6 – Bank deposits

The group's bank deposits as at 31 March 2015 amounted to NOK 78.3 million, of which NOK 53.1 million is ring-fenced funds.
As part of the negotiated agreement with the banks, parts of the ring-fenced funds are only released after presentation of the guarantee agreements relating to the share issue and thereafter once the share issue is approved at the General Meeting on 26 May 2015. In total, these elements amount to at least NOK 27.5 million. Remaining ring-fenced funds can be used to pay instalments. For further details, see note 13 on events after the balance sheet date.
The group has drawn on NOK 101 million of the NOK 110 million overdraft facility as at 31 March 2015. The total liquidity reserve that can be used freely by the group amounted to NOK 34 million as at 31 March 2015. The group's total liquidity reserve is considered to be limited. See also note 12 on operation as a going concern and note 13 on events after the balance sheet date.

Note 7 – Valuation relating to loss of value

See notes 1, 8 and 9 to the financial statements from 2014 on principles and methods for valuations of intangible assets and non-current assets.

The group shows a positive EBITDA for continuing operations in the first quarter of 2015, and a further need for write-downs has not been identified. Intangible assets and property, plant and equipment were thus not written down in the first quarter of 2015.

Note 8 – Other revenue and costs under the table of comprehensive income

The statement shows a change in value relating to cash flow hedging for hedging electricity prices in parts of the companies and interest rate hedging for parts of the group financing. In addition, hedging of the net investment associated with Swedish business activities and translation differences is presented. All of these items may be reclassified depending on profit/loss in later periods. Translation differences of NOK 1 million relating to the sale of Scana Steel Söderfors AB have been reclassified to profit/loss in the first quarter.

Note 9 – Tax

Future cash flows plan for the group's business areas exiting the downturn they are currently experiencing, but the operations in Norway have for several years returned negative tax results. There is uncertainty associated with the future use of the tax losses, with the deferred tax asset consequently not being recognised in the balance sheet. In the tax regime where the group is based with companies that have net deferred tax in the balance sheet, the tax cost is calculated on the basis of profit/loss before tax multiplied by the tax rate. For further details, see note 6 to the financial statements for 2014.

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Note 10 – Earnings per share

	Quarters		Year to date	
NOK	**Q1 15**	**Q1 14**	**2015**	**2014**
		Restated		Restated
Earnings per share – continued operations	-0,20	-0,14	-0,20	-0,14
Earnings per share – discontinued operations	-0,17	0,02	-0,17	0,02
Earnings per share	-0,37	-0,12	-0,37	-0,12

Earnings per share and earings per diluted share is equal.

Note 11 – Discontinued operations

Scana Steel Söderfors AB

The group signed a contract with Garden Growth Industries AB on the sale of all shares in Scana Steel Söderfors AB on 30 January 2015. The transaction was carried out on 5 February 2015, and the shares were transferred to the buyer at the same time. The sale was the result of a sales process that had begun in the summer of 2014. The company reported revenue corresponding to NOK 191 million in 2014 and had 141 employees at the end of 2014. Scana Steel Söderfors AB supplies niche products and the main products are forged or rolled bars, sections, profiles and open die forged components with a high technical content. Typical open die forged components in addition to bars include shafts, rotors, pole plates and connectors. Rolled products are manufactured in high-alloy steel, such as round and flat profiles, with bars as the most common product, in different stainless grades with an emphasis on various grades of Duplex and Super Duplex. High-alloy tool steel and PM steel in the form of bars, as well as round and flat profiles, are also important products. The company represented a significant and special part of the group's activities. In light of this, the management's assessment is that the profit/loss should be presented as part of "Net profit/loss – discontinued operations" in the income statement. Comparative figures have been revised accordingly.

The purchase price was SEK 30 million based on the Enterprise Value (EV), with a cash and debt-free balance sheet. The purchase price less debt and transaction costs measured against the assets on the balance sheet led to a write-down in 2014 corresponding to NOK 92.2 million, with deferred tax assets accounting for NOK 10.8 million and property, plant and equipment for NOK 81.4 million of this figure. The write-downs are an effect of the sale transaction and are presented in the profit/loss related to discontinued operations in 2014. The sale gave the group a positive liquidity effect corresponding to NOK 1.9 million after adjustments for debt and transaction costs.

Scana Steel Söderfors AB's profit/loss for the first quarter of 2015 with comparative figures is shown in the table on the next page. During the first quarter of 2015, the company's revenue amounted to NOK 16.2 million (2014/Q1: NOK million 47.3) and a loss before tax of NOK -0.8 million (2014/Q1: NOK -4.5 million). The company contributed cash flow from operations corresponding to NOK 5.9 million in the first quarter of 2015 (2014/Q1: NOK -12.9 million). Cash flow relating to investing activities was NOK -0.3 million (2014: NOK 0.0 million). Cash flow before financing activities was NOK -6.3 million (2014/Q1: NOK 0.4 million). Translation differences of NOK 1.0 million have been reclassified from other revenue and costs to discontinued operations in the first quarter of 2015.

Scana Steel Stavanger AS

The management of Scana Steel Stavanger AS announced at the end of February 2015 that the company would need more liquidity in future. Based on this announcement, the Board of Scana Steel Stavanger AS asked the General Meeting of the company (the Group Board) to inject further liquidity. The response of the General Meeting was that no further funds were available to the subsidiary. It was decided that an application should be made to the banks for the liquidity required to carry out a controlled winding-up under the rules of the Norwegian Limited Liability Companies Act. The banks rejected the application. This meant that there was no basis for voluntary winding-up of the company and the Board of Scana Steel Stavanger AS decided at a board meeting to present a petition for a winding-up order. The company made this petition in Stavanger District Court on 4 March 2015. The company reported revenue corresponding to NOK 278 million in 2014 (2013: NOK 340 million) and had 121 employees at the end of 2014. Scana Steel Stavanger AS supplied special steel and high-alloy steel with stringent requirements for design and documentation. The company's customers were in the markets for oil and gas, energy and marine, as well as in the mining and mechanical industries. The company competed in markets for high-alloy forged products and complex, cast special components. Scana Steel Stavanger AS was the only company in the group with a foundry. The company represented a significant and special part of the group's activities. In light of this, the management's assessment is that the profit/loss should be presented as part of "Net profit/loss – discontinued operations" in the income statement. Comparative figures have been revised accordingly.

Note 11 – Discontinued operations (cont.)

Scana Steel Stavanger AS (cont.)

Scana Steel Stavanger AS' profit/loss for the first quarter of 2015 with comparative figures is shown in the table below. In the first quarter of 2015, until the petition for a winding-up order was filed, the company's revenue amounted to NOK 45 million (2014/Q1: NOK 97 million) and it posted a profit/loss before tax of NOK -9.7 million (2014/Q1: NOK 0.4 million). The company contributed cash flow from operations corresponding to NOK -11.5 million in the first quarter of 2015 (2014/Q1: NOK -20.3 million). Cash flow relating to investing activities was NOK 0 million (2014/Q1: NOK 0 million). Cash flow before financing activities was NOK -11.5 million (2014/Q1: NOK -20.3 million). See table in the note for other cash flow details for 2015.

Accounting effects due to the petition to wind up Scana Steel Stavanger AS comprise a net loss of NOK 1.8 million in the first quarter of 2015 that includes provisions relating to bank guarantees corresponding to NOK 5.6 million.

Assets in Scana Steel Stavanger AS have been pledged as collateral for the syndicate loan, and it is assumed that the values realised in connection with settlement of the estate will accrue to the bank. In the loss calculation, it is thus assumed that the group will not realise any share of the recognised values linked to the company on the wind-up date.

Scana Steel Stavanger AS was part of the group's group account arrangement under the syndicate loan and had withdrawn NOK 33 million from the group account arrangement on the wind-up date. It is expected that the banks will use collateral pledged by Scana Steel Stavanger fully and that the sales proceeds from these will be used for a downward adjustment of bank debt. Any downward adjustment of debt as a result of this will lead to a positive effect in the financial statements when settlement takes place.

Table

Discontinued operations relating to Scana Steel Söderfors AB and Scana Steel Stavanger AS are presented in the table below. Please note that last year's figures apply for three months. The financial statements for the first quarter of 2015 for Scana Steel Söderfors AB are presented for January and for Scana Steel Stavanger AS until 4 March 2015. The first quarter of 2014 includes earnings of NOK 5.7 million related to businesses that were sold in 2014 and are not included in the table.

NOK million			**2015.1Q**			**2014.1Q**
	Söderfors	Stavanger	Total	Söderfors	Stavanger	Total
Sales revenues	15,8	44,9	60,6	43,7	96,5	140,2
Other revenues	0,4	0,1	0,6	3,6	0,5	4,1
Total operating revenue	**16,2**	**45,0**	**61,2**	**47,3**	**97,0**	**144,3**
Raw materials and consumables	7,4	27,3	34,7	21,2	46,1	67,3
Wages and NI contributions	5,8	14,9	20,7	18,1	34,4	52,5
Other operating costs	3,4	10,8	14,1	10,3	16,5	26,8
Depreciation/amortization/writedowns	0,9	0,0	0,8	2,3	0,7	3,0
Operating profit / (loss) - EBIT	**-1,2**	**-8,0**	**-9,2**	**-4,7**	**-0,7**	**-5,4**
Net financial income / expense (-)	**0,4**	**-1,6**	**-1,3**	**0,2**	**1,1**	**1,3**
Net profit / (loss) discontinued operation	-0,8	-9,7	-10,5	-4,3	0,4	-3,9
Amortization/write down and gain/loss	-0,5	-1,8	-2,3	0,0	0,0	0,0
Profit / (loss) for the year	**-1,4**	**-11,4**	**-12,8**	**-4,3**	**0,4**	**-3,9**
Cash Flow Statement						
Net cash flow from operating activities	6,5	-11,5	-5,0	2,3	-20,3	-18,0
Net purchase of property, plant and equipment	-0,3	0,0	-0,3	0,0	0,0	0,0
Cash disposed as a part of discont. oper	-1,1	0,0	-1,1	0,0	0,0	0,0
Net cash flow from investing activities	-1,4	0,0	-1,4	0,0	0,0	0,0

Note 12 – Going concern

The interim financial statements have been prepared on the basis of the going concern assumption and the Board confirms that this assumption is valid. In April 2015, the group negotiated an agreement on loan refinancing and injection of new equity. The negotiated agreement relating to refinancing means that the loan agreement with the bank syndicate is extended by three years and that the banks will release funds that are currently in a ring-fenced account for the bank syndicate. There will also be a share issue where selected shareholders guarantee a minimum amount of NOK 50 million.

The biggest shareholders expected to participate in the targeted issue have been involved in the negotiations with the banks at all stages. It is expected that the agreements relating to the loan agreement and share issue will be formally signed in the second quarter of 2015.

The basis for the going concern assumption is also an assumption that profit/loss and cash flow from operations will improve in the future, but there is still uncertainty linked to when the market will improve and how quickly the measures will have a positive effect on operations. The management and Board of Directors believe that the group's forecasts and business plans for 2015 onwards will contribute to a gradual improvement in profit. Implementing the negotiated agreements relating to loan refinancing and injection of new equity, as well as profit and liquidity improvements, will be crucial for the future operation of the group as a going concern.

Refinancing
To enhance the capital structure, Pareto Securities has assisted in the dialogue with the bank syndicate. Scana has been granted an extension to its existing loan and bank agreements, taking them up to 22 June 2015. In April 2015, the group negotiated a new agreement on loan refinancing and injection of new equity. See note 13 Events after the balance sheet date for further details.

Improvements in profit levels from underlying operations and cash flows
The challenges faced by the group as a result of the financial crisis and the subsequent European debt crisis have lasted longer and been greater than the group expected. This is due to the extent and duration of the market weakness. The Board of Directors is of the opinion that the group will gradually regain profitability in its market segments through ongoing and implemented strategic and operational measures. One such measure is the sale of companies and the sale of smaller properties in Norway to help strengthen the group's capital structure. Work is ongoing to dispose of smaller non-operational properties that will add liquidity to the group, and part of the proceeds will be used for future instalments. Cost-reducing measures will also be implemented to ensure profitability as discussed below.

The measures that are being implemented are expected to ensure a positive cash flow in the future. The Board will continue to focus on profitable operations and has approved further cost-reduction programmes within Scana Energy (aiming for an annual effect of SEK 25 million) and within Scana Propulsion (aiming for an annual effect of NOK 10 million) in addition to the measures already implemented in 2014.

The Board of Directors thinks that implementing measures will gradually contribute to profitable operations, but there is uncertainty linked to when the market will change and how quickly the measures will have a positive effect on operations. Measures implemented within Scana Propulsion are based on measures to build up the level of orders in hand for new sales projects as well as increased revenue for service assignments. Cost reductions approved in 2014 that are designed to increase competitiveness are estimated to have a total positive annual effect of NOK 17 million with gradual effect from 2015.

The sale of Scana Steel Söderfors AB and the petition to wind up Scana Steel Stavanger AS have reduced the group's liquidity and operational risk. Scana Steel Söderfors AB has been operating at a loss in recent years with a negative effect of NOK 2.7 million on EBITDA in the group in 2014. The group has provided Scana Steel Söderfors AB with significant funds over time, and over the course of 2013 and 2014 this amounted to a total of NOK 33 million. Scana Steel Stavanger had an EBITDA of NOK -10.2 million in 2014. See notes 28 and 30 to the financial statements for 2014 for further information.

Note 12 – Going concern (cont.)

The figures for the first quarter of 2015 show underlying operations that are better than expected. In the group's forecast for 2015, it is expected that the positive trend will continue and that results will improve, especially towards the end of the year. The reason for the positive trend is that a somewhat higher inflow of orders is expected, and cost reductions and measures implemented should have an effect throughout 2015. It is also thought that new measures, as described above, will have a gradual effect during 2015 although mainly towards the end of the year.
In 2015, the group aims to achieve revenue of approx. NOK 1,200 million and an annual EBITDA in excess of pro forma figures for continuing operations in the period 2011–14. Pro forma EBITDA for continuing operations for the period 2011–14 was NOK 81 million in total.

Note 13 – Events after the balance sheet date

Refinancing
The current loan agreement was initially due to be repaid on 22 March 2015. There has been an ongoing dialogue and negotiations between the banks and Scana regarding a new loan agreement, and as part of this process the group was granted a three-month extension to its existing loan and bank agreements, taking them up to 22 June 2015. In April 2015, the group negotiated an agreement on loan refinancing and injection of new equity.

The negotiated agreement relating to refinancing means that the loan agreement with the bank syndicate is extended by three years and that the banks will release funds that are currently in a ring-fenced account for the bank syndicate. There will also be a share issue where a grouping guarantees a minimum amount of NOK 50 million.

The biggest shareholders expected to participate in the targeted issue have been involved in the negotiations with the banks at all stages. It is expected that the agreements relating to the loan agreement and share issue will be formally signed in the second quarter of 2015.

Implementing the negotiated agreement relating to refinancing involves maintaining the current loan agreement with changes to certain conditions. The current term loan of SEK 292 million will be refinanced with a five-year down payment profile, but with a waiver until 31 December 2016. The overdraft facility of NOK 110 million and guarantee limit of NOK 90 million will also be extended. The guarantee limit will be gradually reduced as the guarantees issued for Scana Steel Stavanger are redeemed or expire. The loan condition linked to new financing is a minimum liquidity reserve of NOK 20 million that is measured quarterly until 31 December 2016. A loan condition linked to EBITDA will also be introduced with effect from the first quarter of 2017. The level of this will be negotiated between the parties before 31 December 2016.

The negotiated agreement requires a share issue of at least NOK 50 million and up to NOK 100 million. A guarantee consortium to guarantee a subscription of NOK 50 million has been established. As part of the negotiated agreement, the banks will release parts of the sales proceeds immediately after presentation of guarantee agreements. Once the share issue is approved at the General Meeting, further ring-fenced funds will be released by the banks. These elements together total at least NOK 27.5 million. The group will also receive further funds if the share issue is subscribed for more than the guaranteed amount.