SCANA INDUSTRIER ASA

Annual Report 2014

THE SCANA GROUP

Scana Industrier ASA is a Nordic industrial group whose key business is supplying products and system solutions to energy-related businesses, in the first instance to the oil and gas industry, but also to other energy and marine industry. The group has a substantial property portfolio, the value of which is developed through the Scana Property business area.

Scana also provides service and carries out repairs and maintenance for customers in the same markets.

Scana's technology, unique materials knowledge and extensive production experience form the basis of our competitive power. Scana's aim is to be the preferred supplier for leading companies within the Group's market segments. The majority of our customers are located in Europe, the Americas and Southeast Asia.

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

At the end of 2014, the Scana group had 817 employees.

OBJECTIVE AND MEANS

Business concept

The objective of the Scana Group is to own and manage manufacturing industry, commercial activities and related activities. The objectives of the group also include investing in other companies that can promote the company's primary activities.

Scana shall be a market-driven industrial group with niche products for growing markets.

Vision

Scana creates progress.

Scana shall have a reputation for robust quality, delivery reliability, excellent customer response and strong competition. The group's companies shall be an attractive workplace where our employees flourish and are challenged. Finances shall be sufficient to develop the group industrially and commercially.

Direction of development

- Scana's main markets shall be within energy and offshore-related services and products.
- Scana is moving towards supplying more advanced products and components.
- Scana shall cooperate with core customers for a more cost-efficient value chain.
- Scana shall have a presence close to customers in selected markets.
- Scana is moving from having investment-based customers to having more maintenance-based customers.

Main aim and strategy

The main aim of the group is to increase the values for shareholders. To achieve this, the following primary strategies have been determined:

- Regain profitability and ensure proper financial management.
- Increase focus on the structure and development of the business areas.
- Grow organically in all business areas.
- Develop the repair and service concept within the business areas.
- Strengthen the group's strategic position through strategic cooperation and acquisitions.
- Reduce exposure outside the group's priority areas.
- Develop property value.

In 2015, the Board emphasises regaining profitability and improving the group's financial robustness.

GROUP MANAGEMENT AND BOARD OF DIRECTORS

Scana has a decentralised organisation, with most of the group's technical and commercial expertise located at the companies. Scana's group management team and finance and accounts functions are based at the head office in Stavanger, Norway.

Group management

Jan Henry Melhus, Acting CEO

Jan Henry Melhus (born 1963) is a trained production engineer with additional education within marine technology. He has more than 25 years of experience from Scana's focus areas. Melhus came to Scana from the position of director for GE Oil & Gas. He has previously held leading positions at Vetco Gray, GMC group, NAT and ABB Group.

Kjetil Flesjå, Group Director / CFO

Kjetil Flesjå (born 1967) has a Master of Science in Finance and came to Scana from Fokus Bank. Flesjå has a solid background in banking and extensive experience with corporate finance processes, including acquisitions and sales processes, financial risk analyses, balance and liability strategies, plus extensive analysis experience.

Board of Directors

Bjørn Torkildsen, Chairman of the Board

Bjørn Torkildsen (born 1962) has extensive experience in strategy and management and 25 years' experience in the oil and gas industry. He was CEO of Skangass 2009–2013 and CEO of Lyse Infra 2005–2008. Torkildsen has an MSc from the Norwegian University of Science and Technology, with additional education within finance and management.

Elisabeth Saupstad

Elisabeth Saupstad (born 1968) has extensive experience of the hotel industry and has held a number of management positions at Nordic Choice Hotels. In recent years she has been the Director of Operations for Comfort Hotels in Norway. She has also worked for Figgjo AS, as director of sales, both nationally and internationally. Saupstad is currently Director of Tourism at Region Stavanger.

Martha Kold Bakkevig

Martha Kold Bakkevig (born 1963) has extensive experience in management, strategy and R&D within technology and business development. She holds a doctorate (dr. scient) from NTNU (1995) and a doctorate (dr. oecon) from Handelshøyskolen BI (2007). Bakkevig is CEO at well service company DeepWell in Haugesund.

John Arild Ertvaag

John Arild Ertvaag (born 1955) runs his own investment business through his company Camar AS. The investments are primarily within petroleum, industry and commerce. Ertvaag holds a number of board positions at both listed and unlisted companies. Camar AS is the largest shareholder in Scana Industrier ASA.

Per Ravnestad

Per Ravnestad (born 1952) has more than 30 years' experience from the oil and gas industry. Up until 2010, Ravnestad was Scana's group director for business development. He previously held the position of Managing Director at IOS Tubular Management. Ravnestad is a major shareholder in Scana.

COMMENTS FROM THE CEO

2014 was a year of major changes for the Scana group. The markets were characterised by great uncertainty, mainly due to the fall in oil and gas activity. Yet some other markets have showed signs of a tentative upturn, partly aided by currency fluctuations.

The group has struggled with earnings somewhat over the years, resulting in liquidity challenges in a difficult capital market. The poor level of earnings in 2014 was mainly caused by losses at individual companies that were sold off in early 2015. Now that cost-reduction measures have been implemented and loss-making companies wound up and sold, we believe that the group's continuing operations will see an improvement.

2014 also saw large accounting write-downs of balance sheet items in conjunction with the sale and discontinuation of production lines; in addition to this, parts of the effect from the sale of Scana Steel Söderfors and the winding-up petition for Scana Steel Stavanger were recognised. Alongside these actions, we decided to write down the non-current receivable in connection with the sale of the Chinese operations in 2013. The legal process to collect this debt is ongoing.

Major cost reductions were implemented at the business throughout 2014. Numerous cutbacks were made at the company ahead of the petition to wind up Scana Steel Stavanger. The number of FTEs was cut at Scana Volda, a decision was made in Poland to consolidate locations, and operational improvements were implemented at the Swedish companies at the same time as making reductions in FTEs. Some of these measures will continue into 2015.

2014 was a year in which the group made further adjustments to its legal structure in an attempt to clarify results areas and plan for the future financing of the individual subgroups.

In the first quarter of 2014, the decision was made to sell off the group's business providing service and repairs to the oil and gas industry. This included selling the companies Scana Offshore Technology AS and Scana Offshore Services Inc., as well as the workshop part of Scana Offshore Vestby AS.

Over time, the companies Scana Steel Söderfors and Scana Steel Stavanger have presented the group with major challenges in terms of both financial performance and their need for liquidity. This is why they were sold in parallel with the implementation of significant cost reductions and staff cutbacks in 2014. Operations in Söderfors were sold off at the start of February 2015, while a petition to wind up the company in Stavanger was filed at the start of March 2015. For the group as a whole, the sale and winding up has specifically meant a reduction in current liabilities and operational risk. The group also sold some properties not used for operations in 2014. Scana still possesses considerable assets within property that are gradually being developed for future realisation.

The group's liquidity was limited throughout 2014. The group paid off debt during this period as well as implementing an extensive restructuring programme. The group's refinancing in the form of a new banking agreement and share issue will be completed in 2015.

Following on from all the measures implemented in the past year, continuing operations at Scana have enhanced the potential for future earnings; the scene is now set for further value development or realisation in the company portfolio. The Board of Directors has consequently decided to change the current group structure to an industrial investment company, as this will better serve the shareholders' interests.

We have improved our underlying operations over the course of the year, although we do have some way to go before we can generate shareholder values. The cost base also appears to be approaching a level at which we can meet the existing competition on the markets.

The markets for Scana Energy are still characterised by overcapacity; 2014 saw us implement cost reductions that together with the exchange rate trend have boosted the business area's competitiveness. Scana expects the oil and gas market to remain challenging in 2015. There was a slight improvement in the marine and industrial markets in 2014 that is likely to continue in 2015.

Scana Propulsion has a year of cost reductions and consolidation behind it. Several strategic initiatives were implemented in 2014 that led to marketing, sales and service being organised across the companies to a much greater degree. The service segment has been cultivated, while a focus on cost-effective product development within gear and propulsion systems has been vital for our competitive position. The inflow of orders for the business area is still characterised by low contracting within offshore, while other areas such as the fishing vessel and working boat market appear to be stable. The service market is showing tentative signs of improvement.

In the Scana Offshore business area, Scana Skarpenord experienced a good order inflow over the course of 2014. This trend is expected to continue in 2015. Scana Offshore Vestby improved its order inflow somewhat in 2014. Both Skarpenord and Vestby are working on several global projects that may contribute to their further positive development in 2015 in terms of market positions and financial results.

The main focus for the group in 2015 is to improve profitability. Cost-reduction measures and organisational adjustments are expected to help the group generate satisfactory earnings in the current market situation.

Scana started to focus on developing key customers in order to work together with them to develop and increase the refinement ratio of products back in 2013. This development has been vital to maintaining the level of activity and will be continued into 2015.

We will carry on our journey to becoming a system player within Propulsion as well as the journey from steel to component and product within Energy. At the same time, the remaining oil and gas companies plus the companies in the Other Assets business areas need further development.

Scana still believes the markets will improve gradually and that our reduced cost base will put us in a good position to win orders from now on.

In order to be successful, we have to focus strongly on our competitiveness: our expertise in materials, delivery reliability, quality and proximity to customers. We are small and flexible, and we have employees who make a huge effort every day to generate added value for the customer, which in turn benefits Scana. In the long term, this will secure jobs and create value for our shareholders.

We will continue to maintain a point of contact close to customers in selected areas. Local field offices are important marketing channels, and we will be focusing on further improving our position by developing the local service and sales skills base.

Scana understands that change is necessary. We have to focus on profitable companies, jobs and shareholder values. Good team spirit and substantial value in the form of the expertise and commitment of employees are strengths that we need to nurture. In 2015, our capacity for internal cooperation and communication will be essential to ensuring quality, flexibility and speed in a challenging market. Recapturing profitability at all our companies is an absolute must, and we are now well on our way with continuing operations in 2015. We have an organisation that is focused and motivated to accomplish this task!

I would like to thank all our customers, employees and business partners for their great efforts and for their positive attitude throughout a demanding year, and I look forward to working with you in 2015!

Regards

Jan Henry Melhus
Acting CEO

HISTORICAL HIGHLIGHTS

1652
Scana's oldest company, Scana Booforge, is established in Karlskoga.

1656
Permission is granted to build a forge hammer at the Vismes estuary. This forms the basis for Björneborg's growth and development.

1911
Stavanger Electro-Stålverk is established. Today, Scana Steel Stavanger AS is Norway's only special steel works and is located in Strand municipality.

1987
Scana Industrier is founded through the merger of ScanArmatur AS and ScanPaint AS.

1989
The actuator and valve control system manufacturer Scana Skarpenord AS is taken over by Scana Industrier.

1991
Scana Industrier acquires Stavanger Staal AS, now Scana Steel Stavanger AS.

1993
Scana Industrier buys Björneborgs Järnverk AB, now Scana Steel Björneborg AB.

1994
Scana Industrier buys a company steeped in tradition: Booforge AB, now Scana Steel Booforge AB. Production was previously run by Alfred Nobel's Bofors.

1995
Scana Industrier is listed on the Oslo Stock Exchange.

1996
Scana Steel Stavanger AS secures its own power supply through the licence allocation to Jørpeland Kraft AS, a third of which is owned by Scana.

1997
Scana establishes a foothold in China through the joint venture company Leshan Scana Machinery Company Ltd.

1998
Scana buys Volda Mekaniske Verksted AS, now Scana Volda AS.

1999
Scana signs an agreement with Caterpillar, making Scana Volda a preferred supplier of propellers, reduction gears and control systems for Caterpillar's diesel engines.

2000
The first complete year of operation for Scana Korea Hydraulic Ltd. This company has increased Scana's market share considerably in one of the world's largest shipbuilding nations.

2001
Scana increases its capital, which gives the company NOK 106 million in new share capital.

2002
Smedvig sells his majority shareholding in Scana to senior employees at Scana Industrier.

2004
Scana Korea Hydraulic becomes one of five subcontractors to be given the prestigious "Quality Gold Mark" by Samsung Heavy Industries, one of the world's largest shipyards.

2005
Scana establishes the company Scana Offshore Technology AS in collaboration with International Oilfield Services AS. The new company aims to further develop the group's activities within service and maintenance.

2006
Scana acquires the companies Brødrene Johnsen AS and AMT AS, now merged to form Scana Offshore Vestby AS. These acquisitions confirm the group's objective of growth within oil and gas.

2008
Scana's revenue reaches almost NOK 2.9 billion after a high level of activity in all of the group's business areas.
Scana Offshore Services is established following the acquisition of a company in Houston.

2009
Scana buys ABB's marine activities in Poland and establishes Scana Zamech Sp. zo. o.
Scana establishes a business in Brazil.
Scana also establishes Scana Subsea, supplying subsea and riser components to the oil and gas industry.

2011
Scana buys the property of the liquidated Axels Components in Kristinehamn, Sweden, and establishes Scana Machining AB.
Scana sells its shares in Jørpeland Kraft AS.
Through Scana Offshore Vestby, Scana wins a contract worth NOK 350 million in Brazil.

2012
Scana refinances through a targeted share issue for existing shareholders, with a gross value of NOK 150 million. The existing loan facility is also refinanced through a multi-currency loan of SEK 348 million and a credit facility of NOK 280 million. Existing loan facility at Leshan Scana Machinery is refinanced through a new loan of USD 8.7 million.

2013
Scana strengthens its capital base through a targeted share issue for existing shareholders, with a gross value of NOK 139 million.
Scana sells its 80 per cent shareholding in Leshan Scana Machinery to a local operator in China.
The "Veiskjær" department at Scana Steel Stavanger is split off to form a separate company called Scana Industrial Products AS, and is then sold to employees and local investors in Q4.
Scana's property portfolio in Strand Municipality is split into two newly formed property companies in order to reinforce the focus on property development.

2014
Scana is selling parts of the Offshore business area through the sale of Scana Offshore Technology AS, Scana Offshore Services Inc in Houston and the service part of Scana Offshore Vestby AS.
Scana's property in Volda Municipality has been transferred to a recently established property company.


-2014

BUSINESS AREAS

The Scana group is organised into five business areas where the production units in each area are organised into separate legal entities.

SCANA ENERGY

Scana Steel Björneborg AB, Sweden
Manufacture and sales of forged special components.

Scana Machining AB, Sweden
Machining, assembly and testing of components and products.

Scana Subsea AB, Sweden
Sales and project management for subsea and riser systems for the oil and gas industry.

SCANA PROPULSION

Scana Volda AS, Norway
Design, engineering, manufacture and sales of gears, propellers and propulsion systems.

Scana Mar-El AS, Norway
Design, manufacture and sales of electronic remote control systems for propulsion and navigation of vessels.

Scana Zamech sp. zo. o, Poland
Sales and service related to thrusters and propeller systems.

Scana Singapore Pte. Ltd.
Sales and service related to propulsion systems.

Scana Shanghai Trading Co. Ltd.
Sales and service related to propulsion systems.

SCANA OFFSHORE

Scana Offshore Vestby AS, Norway
Engineering, design, manufacture and sales of special equipment for the oil and gas industry.

VALVE CONTROL SYSTEMS

Scana Skarpenord AS, Norway
Design, manufacture and sales of hydraulic actuators and valve control systems.

Scana Korea Hydraulics Ltd, South Korea
Manufacture and sales of hydraulic actuators and valve control systems. Scana owns 49 per cent.

Scana Skarpenord Shanghai Service Station, China
Service of hydraulic actuators and valve control systems.

SCANA PROPERTY

Manages and develops Scana's properties in Norway and Sweden.

Scana Eiendom Jørpeland AS, Norway
Manages one of Scana's properties in Jørpeland in Strand Municipality outside Stavanger, Norway.

Scana Eiendom SSA AS, Norway
Manages one of Scana's properties in Jørpeland in Strand Municipality outside Stavanger, Norway.

Scana Property AB, Sweden
Manages Scana's real estate in Karlskoga, Sweden.

Scana Eiendom Volda AS, Norway
Manages Scana's real estate in Volda Municipality, Norway.

Fjordbris AS, Norway
Development project in Jørpeland in Strand Municipality outside Stavanger, Norway. Scana owns 51 per cent of the company.

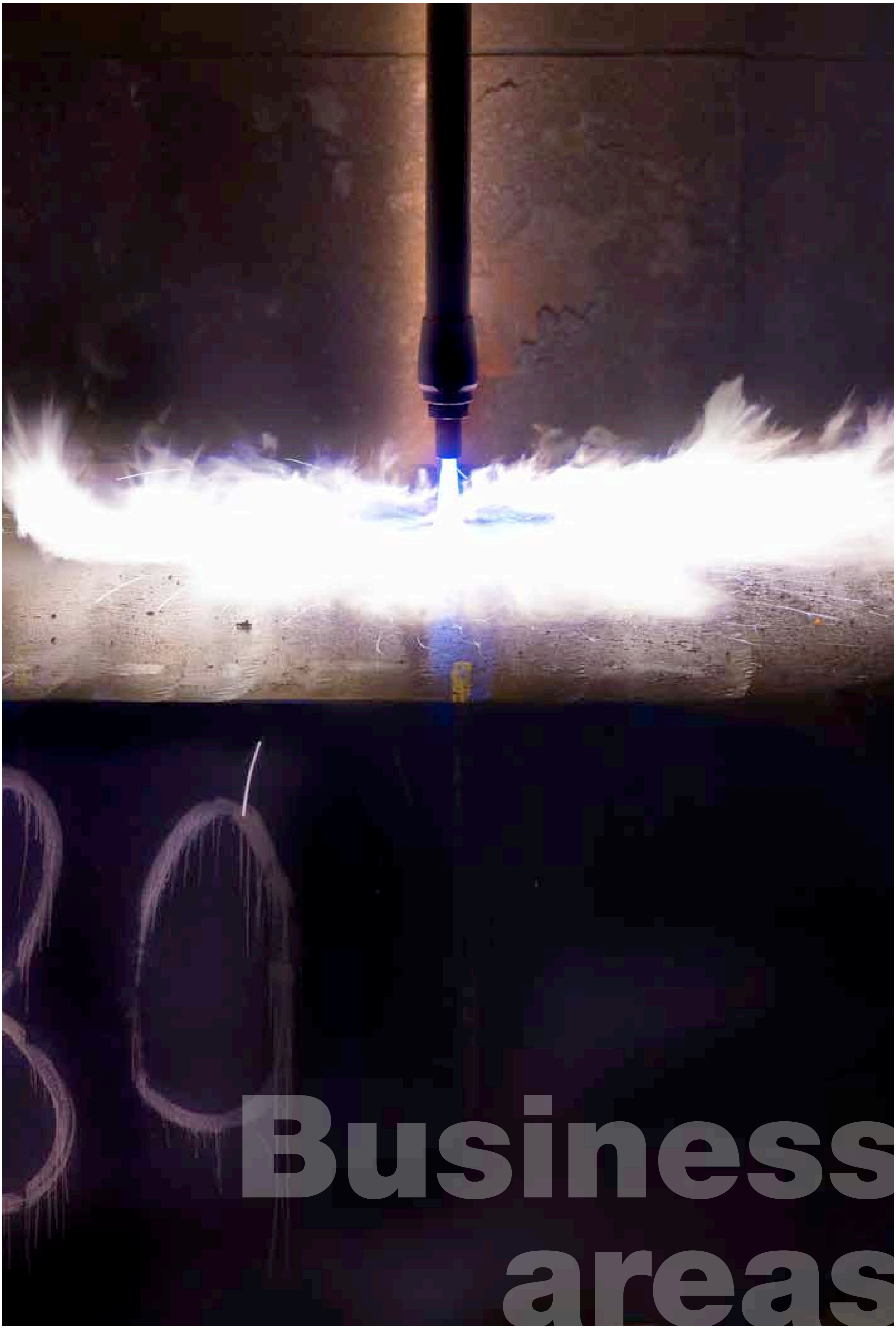
SCANA OTHER ASSETS

Scana Steel Söderfors AB, Sweden
Manufacture and sales of rolled special profiles and rolled/forged rods and billetts, mainly in special steel.

Scana Steel Booforge AB, Sweden
Manufacture and sales of arms for forklift trucks. Specialised forging and heat treatment services.

Scana Steel Stavanger AS, Norway
Manufacture and sales of high-alloy castings and forgings, and wear-resistant steel for the mining industry.

Scana Do Brazil Industrias Ltda., Brazil
Representative sales office for the Scana Group's target area, focusing on the oil and gas industry, as well as the marine market.



Business areas

BUSINESS AREA **SCANA ENERGY**

The companies in Scana Energy represent a long tradition in the Swedish steel industry spanning several hundred years. Among them are Scana Steel Björneborg, Scana Subsea and Scana Machining. The companies each have independent and long histories, as well as many years of experience in different production areas.

Scana Energy focuses on forged components, where the main markets are the oil, gas and marine industries, as well as the machine, defence and car industries. Production takes place at Scana's own production facilities, which include smelting plants, forges, rolling mills, and heat treatment and machining workshops. The business area is characterised by a high level of metallurgical expertise. Production is of a high standard, and complies with ISO-certified quality assurance systems.

Strategic position

Scana is one of the few players with fully integrated production facilities that include both smelting and production of steel, as well as heat treatment and preparation of components. Few of Scana's competitors within finished products for the oil and gas industry and other energy products have their own metallurgic expertise and manufacturing facilities. A high level of control over the value chain gives Scana a competitive advantage and a much greater ability to research and develop products that customers want and will need in the future. Scana Energy's main focus for 2015 will be on customers, quality and lead times, which are also key elements of the business area's three-year plan.

During 2008–2013, a total of more than NOK 300 million has been invested in the companies forming Scana Energy. The investments increase our competitive power, as a result of increased capacity and delivery precision, and reduce our operational risk and production costs.

In recent years, Scana Energy has increased its commitment to the oil and gas market. Almost half of revenues come from this interesting but demanding market. The companies have also gone further along the value chain in recent years by also offering services within complete machining, coating, testing and, to some extent, assembly. These newly gained positions differentiate Scana Energy from other equivalent companies.

Products

Scana is a leading supplier of specialised steel products and customises solutions for various uses. Key elements are close collaboration with our customers and high quality results. Scana's technological expertise is pivotal to the production and in the development of new, customised products. Scana's production capacity in terms of steel produced in-house is around 150,000 tonnes of melted material. To Scana, creating new and advanced components and products for demanding customers is more important than the number of tonnes we manufacture.

Scana offers a broad range of products, weighing from 50 kg to 75 tonnes, and in lengths of up to 24 metres. Scana is a market leader in the upper weight and length range for cylindrical products. Scana has a large capacity within heat treatment. This makes it possible to produce specific material qualities and achieve extended tensile strength in materials, which is an important competitive advantage for the business area.

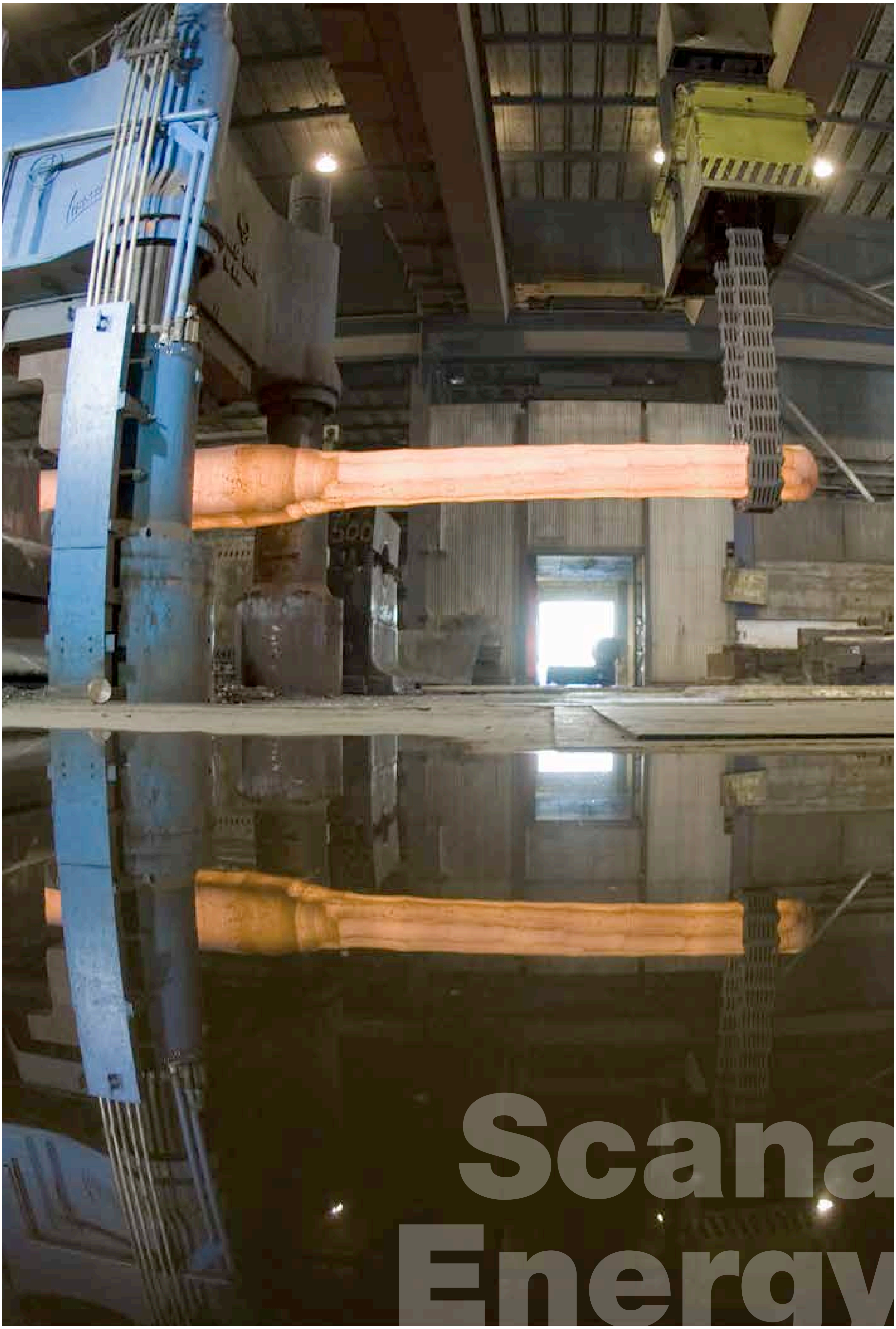
Markets and customers

The main market for the business area is oil and gas, marine and energy. Our specialised products are delivered to market-leading customers around the world. Scana offers optimum design and material alternatives, which, combined with a more refined product, provide a competitive total solution.

Global activity levels within oil and gas are high. Scana Energy delivers products such as riser components for offshore development projects, which are demanding projects involving significant leading-edge development work. Several of the projects are now nearing completion, and the results from both the development work and the market in general provide a basis for good profitability for future projects.

Over the past 20 years, Scana Energy has also become the market leader in long marine shafts of up to 24 metres, which are part of propulsion systems for ships. The number of contracts for ships has been very low since 2008, although the market improved gradually towards the end of 2013. Scana Energy is well positioned in this market segment and increased activity within shipbuilding will have a major positive effect on Scana Energy's profitability.

Customers for other steel products are primarily machine manufacturers, tool steel companies, major wholesalers and end users. Scana has several long-term cooperation agreements in place with many of the major users in Europe, the USA and Asia. Scana has increased its focus on high-quality tool steel during 2013. This will increase the companies' revenues and better exploit the production capacity at the plants, which in turn will improve overall profitability.


Scana
Energy

Managing director: Sören Andersson

SCANA STEEL BJÖRNEBORG

Scana Steel Björneborg refines steel in an integrated chain that includes steelworks, heat treatment, a forge with a 4,500-tonne press and a well-equipped machining workshop. Scana Steel Björneborg was founded as far back as 1656 and is one of the world's oldest forges.

Production and quality

2014 has seen significant productivity improvements across all parts of the company. Continued development through the use of Lean processes and the systematic follow-up of deliveries has resulted in improvements in terms of both lead times and quality costs. Some individual periods saw a slight decline in quality, but for the year as a whole it is clear that the positive trend continued in 2014. The company has a strong focus on continuing in this vein.

Markets and customers

The market situation was once again characterised by strong competition and low demand for forged steel in 2014. Oil and gas saw a fall in demand in the second half of 2014, which resulted from the cancellation and postponement of projects. The company is carrying out strategic work to secure volumes within steel and forged special components and is increasing the proportion of its own contribution by offering finished machining within marine market segments. The international market for tool steel improved again in 2014, primarily because there are now more distributors, including in China, Taiwan, the USA, India and Europe. The markets in China and the USA have fared particularly well, where the end users of tool steel are in the car industry or the oil and gas industry.

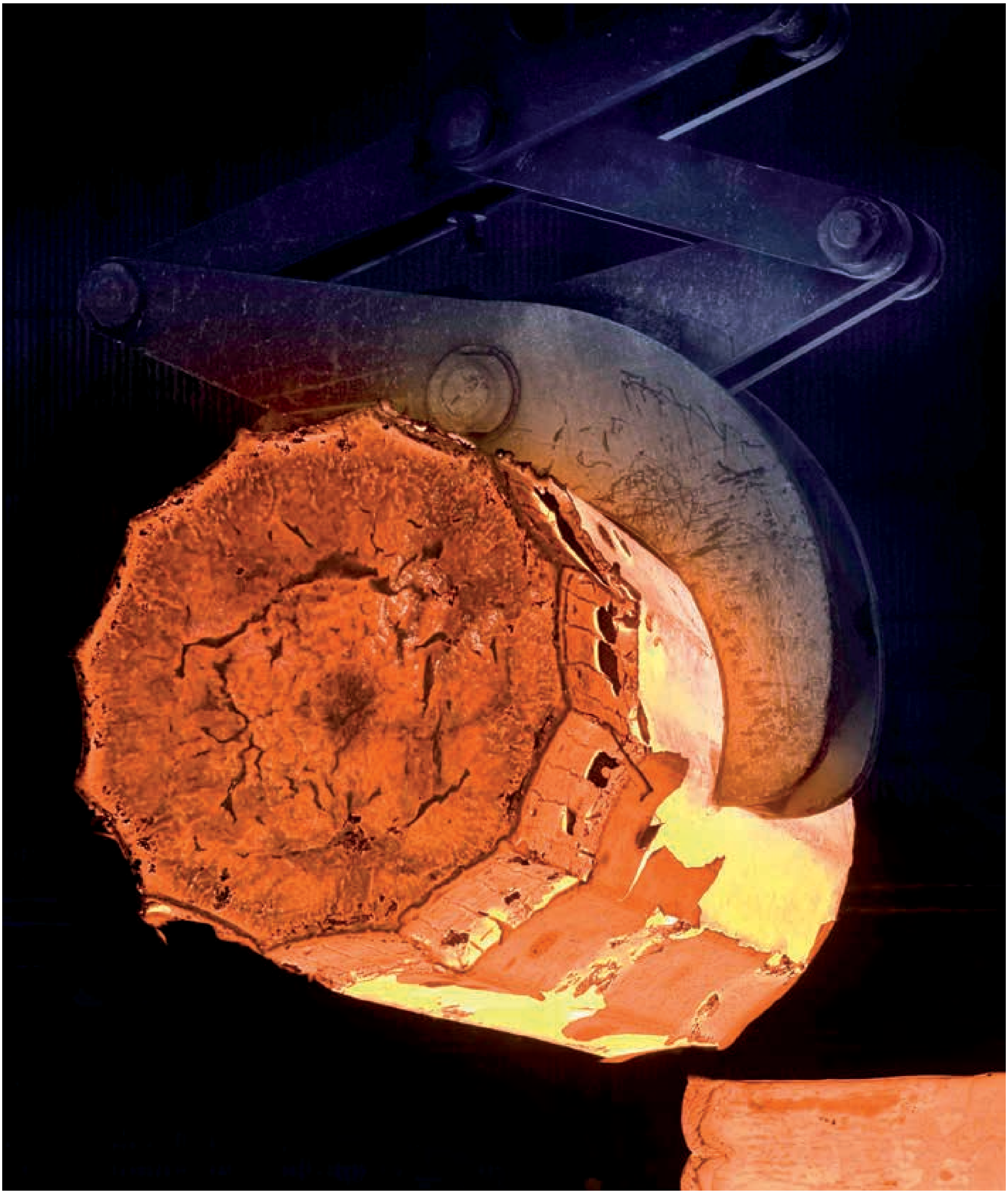
The company also utilised the organisation's expertise, specialist knowledge and flexibility in 2014 to adjust and fine-tune the material properties offered to customers. Several material development projects are underway, where the company is pro-actively seeking to offer cost-effective alternatives and practical material solutions for selected applications.

The company also expects 2015 to be a demanding year and it will therefore further increase the focus on products with a high technical content and on developing new customer relationships on both new and existing markets.

Products

Scana Steel Björneborg delivers customised products for four market segments: industrial, marine, machine and energy. The company's main products are forged, rotation symmetrical, large and long steel components with a high technical content. Scana Steel Björneborg also supplies raw forged and semi-lathed components. Products include axles, rotors, joints, risers, poles and sheet metal.

The products are often key components for the company's customers, and are delivered with different degrees of completion, depending on customer specifications and requirements. The company works with subcontractors within the group to finish the products to the degree the customer requires.



Managing director: Peter Jansson

SCANA SUBSEA

Scana Subsea is a company that delivers subsea and riser components to the oil and gas industry. With strong materials technology and production skills, the company takes on overall responsibility for the manufacture, assembly and testing of complex products. The company adds value for customers through optimal production solutions.

The company works with sales, project handling and product development. A significant portion of value creation is carried out by companies within Scana Energy, and is completed with high-quality workmanship from Scana Machining. In addition, cooperation has been established with partners and sales teams for these services outside the group. The company will utilise Scana's strong market position within steel and forged production of long and heavy components.

Markets and customers

Scana Subsea exports 100% of its revenue. Customers range from international oil companies to system/ product suppliers. The USA is the largest market, although the North Sea, Brazil and South-East Asia are also important focus areas.

In 2014 Scana Subsea had reduced revenue compared with the previous year owing to low order inflow. This in turn was the result of fewer contacts being awarded on the markets in which the company operates. Increased competition on these markets also led to a significant reduction in prices, which Scana's competitive advantage of being able to handle long and heavy products was unable to offset. The company is working to strengthen its sales network on primary markets globally.

Risers will continue to be the company's most important product, although it is also working hard to expand the product range. The anticipated increase in activity during the second half of 2014 failed to materialise and the outlook for 2015 is not encouraging. The company is convinced that the measures it has implemented to improve its competitiveness will bring an increased order inflow over the next few years.

Products and services

The company's main products are forged, rotation-symmetrical, long and thin components with a high technical content for the oil and gas industry, for use in riser and tendon systems. Material technology and metallurgical skills are also part of the services offered by the company.

The company's products are often key components for the customers. Scana Subsea delivers components at different completion degrees, depending on the customers' require-ments. Scana Subsea places emphasis on research and development to further strengthen the quality of its products.

Managing director: Sören Andersson

SCANA MACHINING

Scana Machining sells and performs services in assembly, machining, welding and testing of system deliveries for heavy components in an extensive range of steel and other metals: everything from low-alloy to advanced stainless steels, as well as aluminium alloys and other high-performance materials.

Scana Machining can provide the processing of large and complex parts, individually or in combination, and often intended for use in environments with very stringent quality requirements. The company can handle products up to 20 metres in length and components up to 60 tonnes.

Markets and customers

Scana Machining's most prominent markets are within oil and gas, energy and marine, as well as in paper, heavy industry and military defence products. Sales are made through our subsidiaries and larger international groups with affiliated industry in Sweden and Norway. The products manufactured are largely destined for onward export by the company's customers.

The market is expected to strengthen slightly in 2015. Order inflow in 2014 was lower than in 2013, when the company had several orders from the defence industry, as well as the oil and gas market. The sales team was bolstered in Q1 2014 in order to strengthen the company's position going forward. The company expects the marine market to stabilise in 2015, as well as continued growth on the market for defence products.

Products and services

Scana Machining supplies subdeliveries within welding, machining, assembly and testing of systems for heavy components of different steel qualities and aluminium alloys. We also supply production technical services, as well as the manufacture of smaller structures.

Scana Machining possesses an advanced calibration operation with regard to national and international standards. The company also sells calibration services to several external customers.

Scana Machining is ISO 3834-2 certified.

Managing director: Inge G. Bøen

BUSINESS AREA **SCANA PROPULSION**

Scana Propulsion was established to coordinate and increase market interest in Scana's propulsion technology for propellers, gears, thrusters and remote control. Scana Propulsion is marketed as a complete equipment package in the global ship equipment market.

Scana Propulsion is structured as a separate business area within the group, comprising the companies supplying equipment and services for ship propulsion and manoeuvring. The core markets are in the marine segment, and key customers are shipyards, shipping companies, ship designers and other suppliers of ship equipment.

Strategic position

Scana Propulsion is a market leader in complete and technically sophisticated solutions and is represented on the most important global markets.

The business area coordinates sales, marketing, purchases, product development and manufacturing of propellers, gears, thrusters and remote control systems. The steel companies in the division have products that are included in the propulsion companies' products, giving substantial control over the value chain and added value within the entire group.

In recent years, Scana has experienced strong growth on the service market. Over the same period, this has partly compensated for lower profits in the highly competitive new manufacture market. Growth within service and repairs is expected to continue in 2014.


Scana
Propulsion

SCANA VOLDA

Managing director: Hallvard Pettersen

Steeped in tradition, Scana Volda, formerly Volda Mekaniske Verksted, celebrated its centenary in 2013. Volda Mekaniske Verksted started life as an engine factory and later expanded to include shipbuilding and the production of propellers and gears. Shipbuilding came to an end in the late 1980s, when the last hull was delivered. Since 1996, gears and propulsion systems have been the most important products. The company was acquired by Scana Industrier in 1998.

SCANA MAR-EL

Managing director: Bjønn Tveito

Scana Mar-El is located in Dalen in Telemark, Norway, and has been a part of Scana Industrier since 1996. The company is one of Europe's leading manufacturers of maritime control systems for ship propulsion and manoeuvring, in addition to control systems for special applications.
Since it began in 1974, the company has delivered almost 3,000 control and navigational systems.

SCANA ZAMECH

Managing director: Jacek Pabian

The history of Scana Zamech goes back to 1837, when Ferdinand Gotlob Schichau opened the machine workshop “Schichau Werke”. The workshop manufactured elements for steam engines, equipment for sugar factories, oil wells and lumber mills, as well as hydraulic presses and rollers. In 1855, the world's first seagoing ship with a steel hull and a propeller was launched from “Schichau Werke”. Scana acquired the company in 2009. In recent years, the company's key products have been tunnel thrusters and large propellers. During 2012 and 2013, all manufacture of new products was moved to Scana Volda. Today, Scana Zamech is a sales and service company. In addition, the company provides purchasing services for Scana Volda.

SCANA SINGAPORE

Managing director: Lars Alvsvåg

Scana Singapore is responsible for sales and service of Scana's marine products in South-East Asia. Local staff perform product servicing and installation, in addition to servicing related products for external companies. The company was established in 1996.

SCANA SHANGHAI TRADING

Managing director: Lars Alvsvåg

Scana Shanghai Trading, which was established in 2011, was registered initially as a representation office for Scana Propulsion. The company is now a self-contained company, responsible for its own revenue and profit. Its main business is new sales and service for the Chinese shipbuilding market.

SCANA PROPULSION US INC.

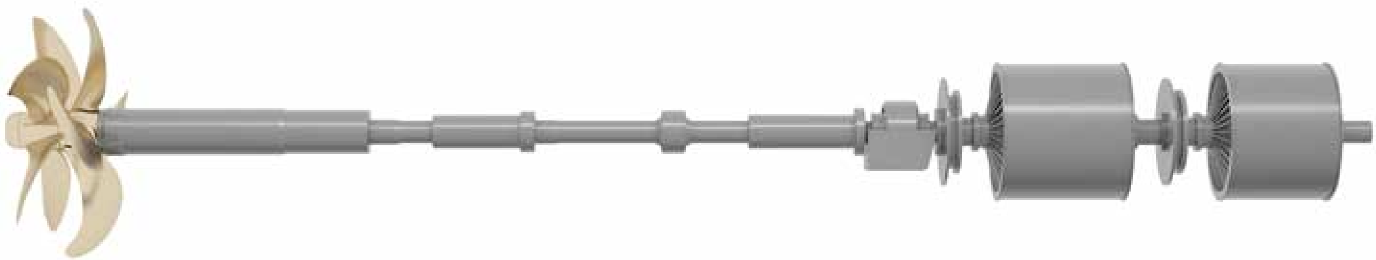
Managing director: Dan Macri

Scana Propulsion U.S.A INC is a sales and service office located in Mandeville, close to New Orleans on the Gulf of Mexico. The company was established in 2009 on the basis of a historically large order volume and promising market prospects.

SCANA PROPULSION SERVICE

VP Scana Propulsion Service: Martin Barstad

Scana Propulsion Service is a separate profit centre within the group and performs service and after-sales activities within the product area. Scana Propulsion Service has permanent service personnel located in Norway, Poland, Singapore, China, USA and Brazil in addition to service agreements with independent companies in selected countries and markets.



Markets and customers

Scana Propulsion is represented through offices, strategic partners and agents throughout Norway, Poland, Iceland, the Netherlands, Turkey, the United Arab Emirates (UAE), Singapore, India, China, Korea, USA, Brazil and Chile. By structuring our organisation in this manner, Scana Propulsion can nurture closer relationships with customers with regard to both sales follow-up and service readiness for the marine fleet.

The companies constituting Scana Propulsion have gained a good international reputation and typically export 80% of their products.

Scana Propulsion's core segments are offshore vessels, merchant vessels, speedboats, passenger ships and fishery. Geographically, the main activity takes place in Asia, Europe and the USA. European ship owners and design companies are particularly important customers for the markets on which Scana Propulsion operates. In Brazil, there is bustling activity in the offshore and merchant segment as a result of Petrobras' extensive development programme. Brazil is an important market for Scana Propulsion.

Scana Propulsion's hallmark is technologically advanced solutions and it occupies a strong market position for ships for demanding operations, such as anchor handling vessels and other special vessels.

Scana Propulsion markets complete equipment packages in the global ship equipment market, but the products are also sold as independent units. Gears from Scana Volda are an example of a strong brand on the market, as are control systems from Scana Mar-El.

In co-operation with engine manufacturers, Scana offers complete propulsion packages for ships, consisting of engine, gears, propellers, shafts, tunnel thrusters and propulsion control. Close co-operation with ship designers and leading electronic suppliers has created a clear focus on developing products that are a part of eco-friendly hybrid and diesel-electric propulsion systems.

Among our partners, there is a great interest in developing propulsion solutions in co-operation with Scana. A continued commitment to complete packages within hybrid and diesel-electric solutions is expected to yield increased results. Scana Propulsion's product line is incorporated at several design companies, and they market these products in the various ship designs for their customers.

Scana Propulsion Service has a strong commitment to selling services to the global market. This commitment has yielded positive results. Synergies between the propulsion companies and a continued international commitment are expected to increase revenue and improve profit for the service organisation. Sales and marketing of services is aimed mainly at Scana's own products related to commissioning, maintenance, retrofit and breakdown, as well as inspection and other special services. Scana expects to see continued growth in service and repairs in 2015, as new technology will create opportunities on the retrofit market.

2014 was, in general, a challenging year for the industry, mostly due to excess contracting in 2007 and 2008 and the resulting excess tonnage. The financial crisis, and the resulting limitations on the desire to invest and finances in shipping, exacerbated an already weak contracting situation over subsequent years. Scana Propulsion was also affected by this situation, but in 2014 signed several strategically important contracts within the offshore business in Brazil, Norway and Europe.

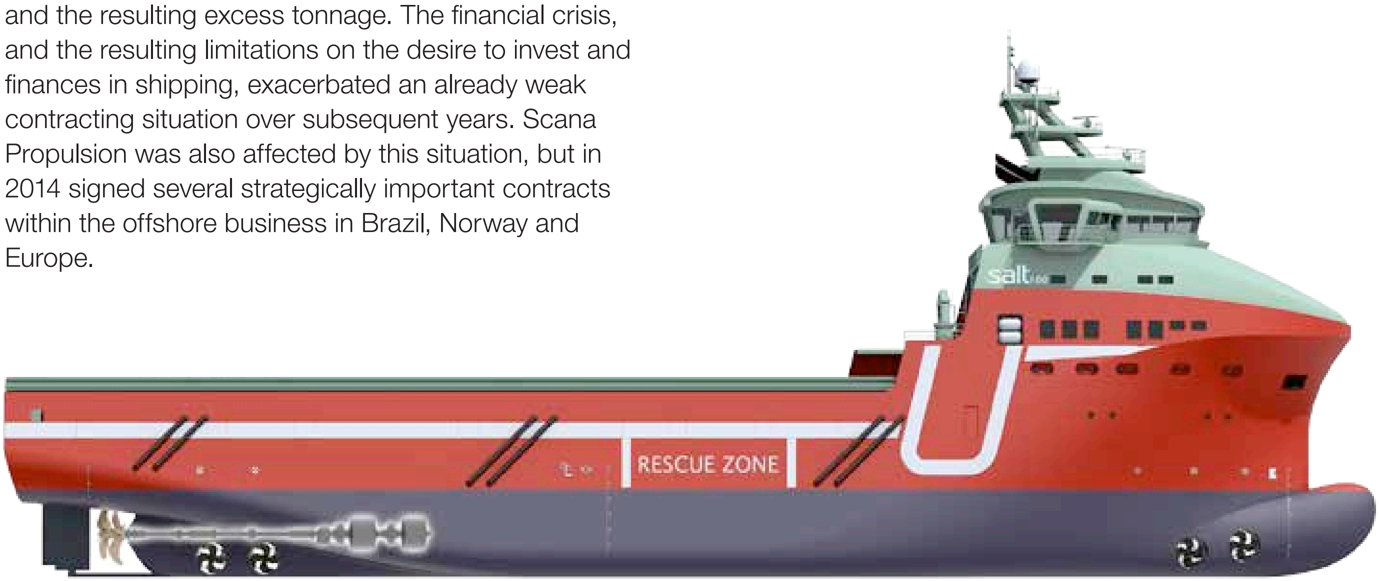
The weak market is expected to continue into 2015. Nevertheless, the demand from customers operating vessels within offshore and windmills is expected to increase, particularly in view of the new and innovative products that Scana Propulsion now offers. These markets are important for Scana Propulsion. The lower activity levels currently being seen at the shipyards have resulted in shorter delivery times for propulsion products, reduced from typically 2–3 years to less than one year at the moment. One positive effect of this is that new contracts entered into today are having a more rapid effect in terms of value creation at the company.

On the basis of the anticipated development of the offshore market and an expansion of the product and service portfolio at Scana Propulsion, a moderate increase in revenue growth is expected in 2015 and 2016.

Products

The product line of Scana Propulsion:

- Controllable pitch propellers from 520–1900 mm hub diameter (8 m max outer diameter).
- Fixed propellers in diesel-electric propulsion systems with gears.
- Reduction gears up to 20,000 kW engine output.
- Tunnel thrusters up to 3,000 mm diameter and 3,000 kW.
- NEW: Contra-rotating propellers (CRP) in combination with permanent magnet electrical motors.



- NEW: Permanent magnet electrical motors directly connected to controllable pitch propellers.
- Maritime control systems for ship propulsion and manoeuvring.
- Rudder control, control machines, thruster controls.
- Joystick systems.
- Agency agreements for positioning sensors, joysticks and instrumentation.
- Service and customer support:
  - Planned repairs and maintenance at dry docks.
  - Service according to customer wishes and demands.
  - Rebuilding and modernisation for increased safety and better operations economy, plus eco-friendly solutions.
  - Spare parts.
  - Training, consultation and surveillance services.

Product development

On the market for high-tech solutions, the further development of technology and products is of paramount importance – especially development to customer specifications. Consequently, Scana Propulsion has continuous product development and upgrading as an integral part of the group's work. Deliveries are adapted to each ship and are detailed in collaboration with ship owners and ship designers. The development team at Scana Propulsion develops, project plans, manufactures and sells propulsion solutions for all ship types, in sizes up to 20,000 kW engine output. The group also has a department for the development and manufacture of remote control systems.

Scana Mar-El's agency department sells very high quality components. These components are utilised offshore, in telecommunications, energy, sea- and land-based defence installations and in other industry. This department represents large international players in advanced, high-tech components, while technological companies in Norway are in the customer portfolio.

Scana Propulsion has a strong market focus and frequently commercialises new products. There is a clear focus in the group on products adapted for hybrid and diesel-electric solutions. 2013 saw delivery of a pilot system to Kleven shipyard, with contra-rotating propellers (CRP) in combination with permanent magnet electric motors. The project was carried out in cooperation with Salt Ship Design and Inpower. The ship was delivered to Ugland Supplier AS in April 2014. Measurements are taken in order to verify and document the fuel savings made by using this kind of technology. The product has generated massive interest world-wide and the future looks bright in terms of future sales opportunities. The product is also suitable for supply vessels serving platforms and rigs. A market segment to which Scana Propulsion previously had only limited access with its former product portfolio.

For several years now, Scana Propulsion has been developing a new generation of tunnel thrusters, with optimised strength and reduced noise. These thrusters have been delivered since 2013 and several new orders have since been won with delivery in 2014 and 2015, to China and Korea among other places.

Important new orders of 2014

In 2014, Scana Propulsion entered into the majority of its contracts within offshore, with Norway, Brazil and China as the main players in the form of shipping companies, shipyards or design companies. Brazil, Asia, including China, and Norway are all strategically important areas for offshore activities globally. Norway holds an exceptional position globally as a trendsetting designer. China, by virtue of its economic size, has an extensive offshore programme and is therefore a particularly important player on the market.

The cooperation between shipping companies, shipyards, design companies and equipment suppliers within the maritime Norwegian cluster is also of major importance for the further development of advanced, eco-friendly and fuel-saving vessel design.

Strategically important orders in 2014 include:

- Complete system consisting of gear, propeller and remote control for Offshore Construction vessel built at Flensburg for Siem Offshore.
- Complete system consisting of gear, propeller and remote control system to Vard Brattvåg for shipping company Bourbon Offshore. The design is Vard DesignAH12.
- Gear systems for four anchor handling vessels for the shipping company CBO. The ships are built in Brazil and the design is Havyard Design.
- Orders for tunnel thrusters from Samsung for six Arctic Shuttle Tankers built by Samsung Heavy Industries CO.

BUSINESS AREA **SCANA OFFSHORE**

Scana Offshore consists of Scana Offshore Vestby, Scana Skarpenord, and Scana Korea Hydraulic, as well as a service office and a representative office in Shanghai. Vestby supplies products and services to the global oil and gas industry, as well as the marine industry. Skarpenord is now among the market's leading suppliers of hydraulic and pneumatic valve systems for the oil, gas and shipbuilding industries.

Products

The main products for the business area are the design and manufacture of components and systems for the oil and gas industry.

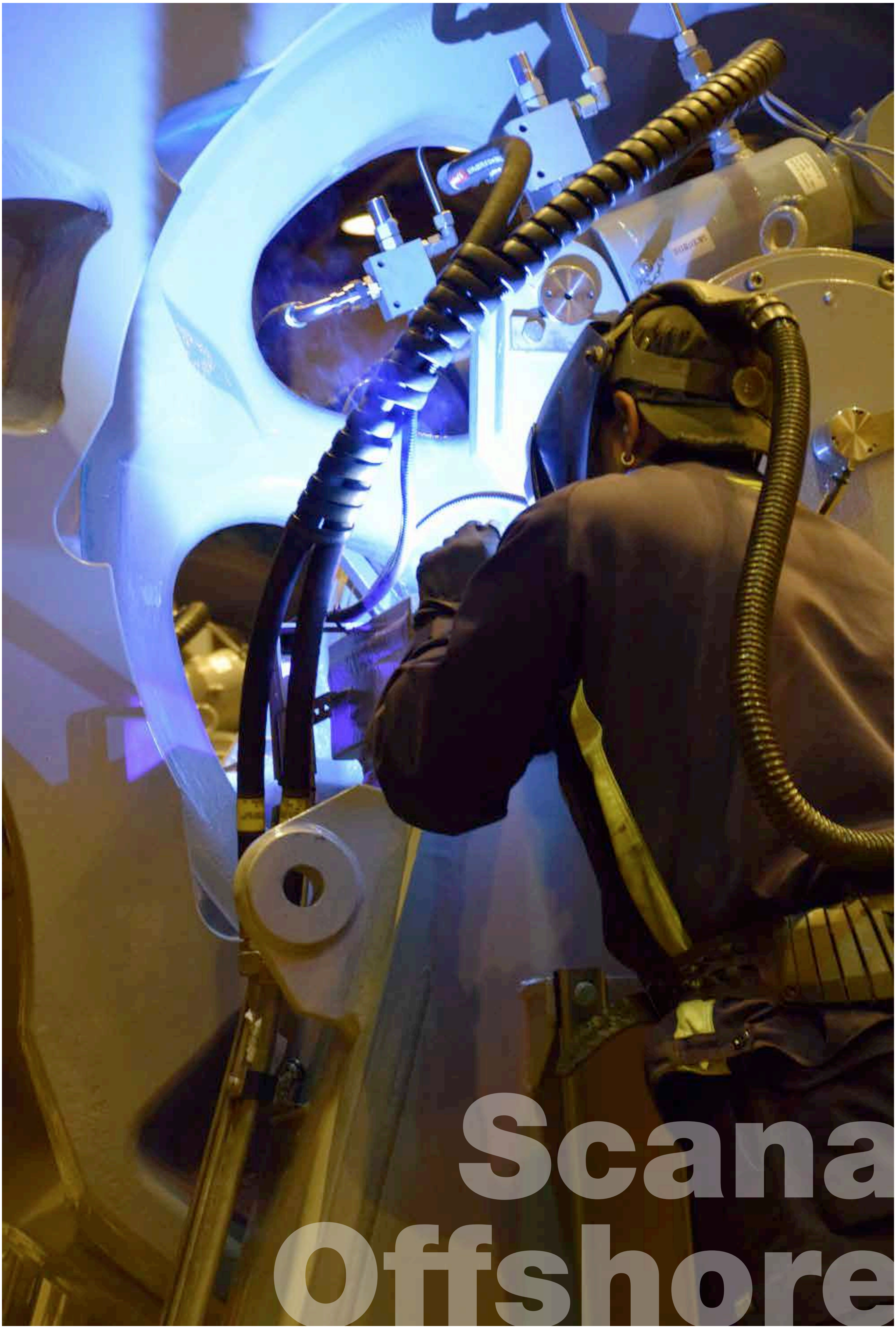
Scana Offshore Vestby offers established products and systems for anchoring, cargo loading and unloading.

Scana Skarpenord manufactures and delivers hydraulic systems for remote control of valves for production vessels, rigs and fixed installations constructed for the oil and gas industry. Remote control systems are also supplied for cargo handling, ballast, pump and coolant systems for gas tankers, chemical ships, oil tankers, product tankers and dry cargo ships. One of the key products is hydraulic actuators. The company is established in South Korea through the subsidiary Scana Korea Hydraulic.

Markets and customers

Scana's ambition is to establish a strong market position within the supply of special solutions to the oil and gas industry. Many of Scana's customers are global players in the design, production and/or operation of production facilities, drilling and production equipment. The customers' head offices and production facilities are located in the USA, Europe and South-East Asia, and are served by Scana's offices for sales, projects and service.

It is Scana's goal to increase the level of activity with regard to these customers and to establish long-term contractual relationships with customers in order to reduce vulnerability and enhance value creation by increasing the refinement ratio within the business area.



Scana Offshore

Managing director: Torkjell Lisland

SCANA OFFSHORE VESTBY

Scana Offshore Vestby stands for innovation, expertise and quality. The company supplies products and services to the global oil and gas industry, as well as the marine industry. The company develops and delivers its own systems and components and carries out maintenance and service assignments on its own equipment.

The business areas and products cover:
- Offloading systems
- Anchoring systems and components for floating production
- Swivels for production and oil loading
- Turret anchoring systems and components
- Engineering contracts

Scana Offshore Vestby traces its roots back to 1953. The company continuously develops its expertise within design, engineering, purchasing, project management, manufacture and installation aimed at the oil and gas industry. The company's customers operate within the energy and industry market.

Markets and customers

Scana Offshore Vestby delivers advanced products and systems. Activity in 2014 was characterised by the implementation of ongoing projects and operational changes resulting from the sale of the production element of the company. This resulted in a significant improvement in financial results. The company has switched the focus of its sales and marketing work again in 2014, to target primarily offloading and anchoring. The company has also increased its international activities with regard to new customer groups. Increased customer interest and market activity throughout 2014 is expected to yield further positive results in the future.

Products and services

The company focuses primarily on utilising the expertise and references it has gained from previous deliveries of offloading and anchoring systems, as well as from individual products.

The company's main products and services are:
- Anchor winches, chain stoppers and fairleads.
- Multipath swivels for production.
- Swivels for oil loading and unloading systems.
- Hose reels for unloading oil from floating production and storage units.
- Service, maintenance and modification of previously delivered equipment.

Managing director: Tony Andre Håvelsrud

SCANA SKARPENORD

Scana Skarpenord was originally established in the late 1960s as a subsidiary of Norsk Hydro, Rjukan Fabrikker. The company is now among the market's leading suppliers of hydraulic and pneumatic valve systems for the oil, gas and shipbuilding industries. Scana Industrier acquired the company in 1989.

In recent years, the company has strengthened its competitive power by continuously increasing efficiency at all stages and it now occupies a strong market position.

Scana Skarpenord develops, manufactures and supplies hydraulic and pneumatic systems for the remote control of valves in permanent oil and gas installations, and for production ships and rigs. Remote control systems are also manufactured for cargo handling, ballast, boom and coolant systems on board gas tankers, chemical tankers, oil tankers, product tankers and dry cargo ships.

One of our key products is hydraulic and pneumatic actuators, mounted directly on valves. The actuators are of our own design and are manufactured at Rjukan. The control systems for the actuators include control panels, magnetic valve centrals, hydraulic oil generators and PC/PLS-based terminals for system operation and indication.

The organisation is well equipped to deliver tailor-made solutions and customer-adapted applications with short delivery times. In recent years, the company has increased its focus on sales and services for the after market in the oil and gas industry.

Development

To meet increased demands for cost-efficient solutions, the company follows a continuous programme for upgrading and refining products and production methods. Development often takes place in collaboration with external partners with a high level of competence within the relevant specialist fields.

An increasing proportion of machining is done by fully automatic, unmanned machines. Manual installation work is continuously being made more efficient through the introduction of improved methods and greater use of effective aids.

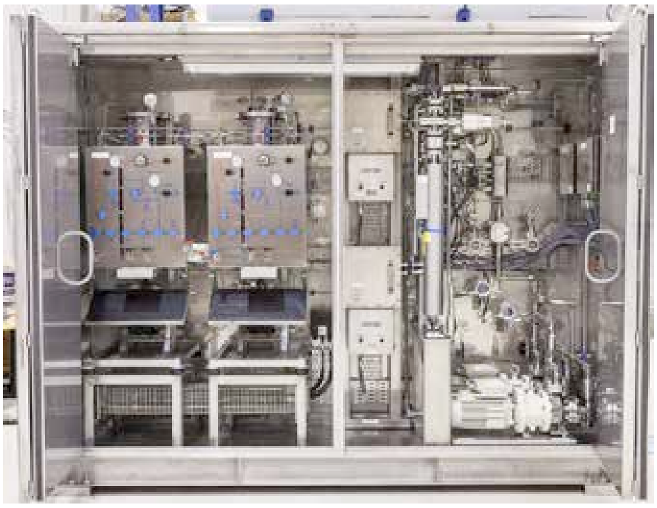
Scana Skarpenord has strengthened efficiency and flexibility throughout the value chain – from marketing and sales to manufacture, logistics and delivery of

the finished product. The company has adopted and implemented systems and routines adhering to the "Lean Production" philosophy.

Markets and customers

The company's traditional customers are shipyards building offshore vessels (rigs, drill ships and FPSOs and FSOs) and large tankers and dry cargo ships.

Operators, valve suppliers and maintenance companies



with a focus on the offshore industry represent an increasing proportion of the company's customer base.

The main market for new shipbuilding and floating offshore installations is in Korea, China, Singapore and Brazil. The company also supplies equipment to customers in Europe, Russia and North America. Hydraulic actuators and their control systems are also supplied to valve producers and suppliers of gas handling systems for LPG and LNG ships. Rebuilds and upgrading of older offshore installations, vessels and rigs also represent an increasing share of activities.

The market in South Korea is served by the Scana Korea Hydraulics company. Scana Skarpenord supplies system solutions and key components from Norway, while sales, project engineering, assembly and testing are performed by the subsidiary in South Korea.

Global network

In addition to the factory in South Korea, Scana Skarpenord has a sales support and service office in Shanghai. The company also actively uses the offices of the Scana group in Brazil, Singapore and Houston for marketing and sales, as well as delivering spare parts and providing service, in addition to a network of agents, giving global coverage.

Managing director: H. B. Noh

SCANA KOREA HYDRAULIC

The company develops, manufactures and supplies systems for remote control of valves in cargo, ballast and other systems for ships, offshore vessels and permanent offshore installations.

Scana Korea was established as a joint venture company in 1998. The company was at the time a minor supplier of valve remote control systems in Korea. Today it has achieved a market share in Korea of approximately 25%, making it the second-largest national supplier in Korea. Scana owns 49 per cent of the company.

By the end of 2014, the company had approx. 60 employees and sales of NOK 206 million, with a positive operating result.

Markets and customers

Scana Korea's key customers are shipyards that build large types of ships, such as tankers, LNG tankers, LNG carriers, LPG carriers, bulk carriers and large offshore vessels, such as FPSOs and rigs. Currently, the main customers are the shipyards of Hyundai, Samsung, DSME, STX, Hyundai-Mipo, Hyundai-Samho, SPP and other small and medium-sized shipyards in Korea.

In 2014, Scana Korea had major deliveries to INPEX's Ichthys CPF project (H-2058), which was built at Samsung, and its Ichthys FPSO project (H 6054), which was built at DSME. The company also had a major delivery to TOTAL's Moho Nord FPU project (S-707), which was built at Hyundai-Samho.

There were also important deliveries to Shell's LNG-FPSO project, which was built at SHI, and to the CLOV-FPSO project, which was built at DSME. The company has also been awarded the contract to supply TOTAL's Moho Nord FPU project, which will be built at HHI in 2015. Scana Korea also expect to win contracts for several FPSO projects this year.

Products and services

Scana Korea has established a marketing and sales agreement with Scana Offshore Vestby and Scana Volda for the sales representation of their equipment on the Korean market. The company plans to extend the sales and marketing agreements for the Korean market to cover more companies and products within the group.

Scana Korea includes tank level gauging systems in a package delivery with valve remote control systems, and as a result is seeing an increase in the contract volume per project.

Managing director: Raymond Gabrielsen

BUSINESS AREA **SCANA PROPERTY**

Scana Property AS was established in 2012 as a holding company for the group's real estate. At the end of the year, there were five companies in the business area. There are still individual properties in the group's operating companies in both Norway and Sweden. These properties are also planned to be unified under Scana Property or in separate subsidiaries.

The company's operation-independent properties still have significant, unrealised potential for added value. High priority is given to development and regulation processes, along with the upgrading of the property base, and there will continue to be a high level of activity in 2015.

The company is organised in such a way that other subsidiaries at several installations in Norway and Sweden lease their premises and facilities from Scana Property. Scana Property's rental income is currently split 70/30 from our own companies/external companies who are tenants at Scana premises and facilities, respectively.

Strategic position

Scana Property will create added value through owning, developing and administering the group's real estate, both operation-independent and -dependent, in order to identify and realise the potential value of our property portfolio.

For operation-independent properties, added value will be realized through regulation, re-regulation and project development.

There was also some divestment of properties in 2014. For operation-dependent properties, the aim is to administer and develop the property portfolio optimally for the group's own companies. This combination is expected to contribute to a maximum value increase both in the short and longer term.

Property portfolio

The Group's property portfolio currently covers a total industrial indoor space of 150,000 square metres, including some smaller detached office buildings and a few residential properties. The company also has external areas and building sites at its disposal of almost four million square metres, representing a significant stock of land for future project development.

In addition to this are the properties that are still in the operating companies, of which the largest are in Bjørneborg.

Market

The market risk for Scana Property is primarily associated with the development of the Norwegian and Swedish real estate markets.

The real estate market is influenced by macro-economic development and the general demand for industrial real estate either to rent or to invest in. The market's demand for return on the sale of real estate, and the property market rent levels directly influence the value of real estate.

The company also has some level of credit risk, mostly associated with the risk of losses resulting from the failure of tenants to pay the agreed rent.

The risk of the company suffering loss as a result of increased vacancy in the portfolio is considered to be not completely insignificant. The portfolio is closely monitored in this respect, so that the company is well prepared for any increase in vacancy.

Future prospects

In Norway, growth has slowed in several areas, and the Norwegian economy as a whole weakened during the second half of 2014. Combined with the international situation, this means that the future prospects for the Norwegian economy are uncertain. For Scana Property, added value over the coming years will continue to be very closely connected to the structure and regulation of the properties. Finding tenants for vacant areas will be among the challenges for the company going forward and will have high priority.

The market is sensitive to the business cycle and according to Statistics Norway the downturn in the Norwegian economy will be of a short-term nature. The long-term effects of a weaker economy are therefore considered to be limited, even though there is some uncertainty with regard to this assessment and the extent to which this economic trend will continue.

Despite the lower growth prospects for the economy, we remain confident of good framework conditions for property going forward, and for the real estate firm overall.

Scana Property

SCANA EIENDOM SSA AS

Managing director: Raymond Gabrielsen

Scana Eiendom SSA AS owns a piece of land approximately 75,000 square metres in size, comprising 35,000 square metres of floor space, mainly consisting of industrial premises, smelting plants, machine halls and some office areas. The property is located in central Jørpeland in Strand Municipality, east of Stavanger. The property is currently leased out in its entirety, mostly to Scana Steel Stavanger AS.

SCANA EIENDOM JØRPELAND AS

Managing director: Raymond Gabrielsen

Scana Eiendom Jørpeland AS owns several properties in Jørpeland. These are mainly plots of land under 2,000,000 square metres in size. Of this, 70–80,000 square metres are in central Jørpeland and are under regulation. This real estate has considerable development potential. The final development plan is expected to be approved during Q2 and Q3 2015. The company also owns a cabin area consisting of approximately 20 plots in Liarvatn north-east of Jørpeland, which are currently under regulation. The company also owns some smaller properties, some of which will be sold and some prepared for possible development and re-regulation in the future.

SCANA EIENDOM VOLDA AS

Managing director: Raymond Gabrielsen

Scana Eiendom Volda AS leases a plot of approximately 18,000 square metres and owns a plot of around 3,500 square metres, with a total of 10,000 square metres of floor space, mainly consisting of industrial premises, but also some office areas. The property is located along the waterfront with a quayside, close to the centre of Volda. The property is currently leased out in its entirety to Scana Volda AS on a long-term lease.

FJORDBRIS AS

Managing director: Raymond Gabrielsen

Fjordbris AS is owned 50.1% by Scana Property AS and 49.9% by Strand Eiendomsutvikling AS. The company's

property is located in Jørpeland and is currently approximately 4,000 square metres in size, with the potential for expansion, which could make the total area over 20,000 square metres.

The property is under regulation for residential purposes and a feasibility study for up to 300 apartments has been carried out for this property. This regulation is mostly likely to be approved during the course of Q2 and Q3 2015.

SCANA PROPERTY AB

Managing director: Sten Israelsson

Scana Property AB manages Scana's real estate in Karlskoga, north-east of Väneren in Sweden.

The company owns 35,000 square metres of floor space in total. This mainly consists of industrial premises, with additional office and service areas. The properties are located on the old Bofors industrial site and were acquired in 1997 when Scana bought the industrial site from Bofors AB.

The volume of vacant premises in Karlskoga is increasing. Scana Property continues to have a large portion of its premises leased out. Less than 6% of the total rental stock available is vacant.

Services

Four external companies currently lease a total of 21,000 square metres of the company's property. The remaining premises are leased and utilised by Scana Steel Booforge and Scana Machining AB.

Logistics and geography

With the improved E18 road towards Örebro and Karlstad, Karlskoga today represents a strong, competitive alternative to other nearby industrial sites.

Business has been good for Scana Property and its tenants in 2014. At the end of 2013, it was decided that existing tenants would be offered larger premises in 2014. This has now been done by relocating Scana Machining's operations in Karlskoga to Kristinehamn and adding a new 1,100 square metre building to the existing property.

BUSINESS AREA **SCANA OTHER ASSETS**

Scana Other Assets includes the companies Scana Steel Söderfors AB, Scana Steel Booforge AB, Scana Steel Stavanger AS, Scana do Brasil Industrias in Brazil, Scana Energy Holding AB and Scana Trading.

The business area consists of companies that are undergoing restructuring and companies that do not naturally belong to any of the other business areas.

SCANA STEEL SÖDERFORS

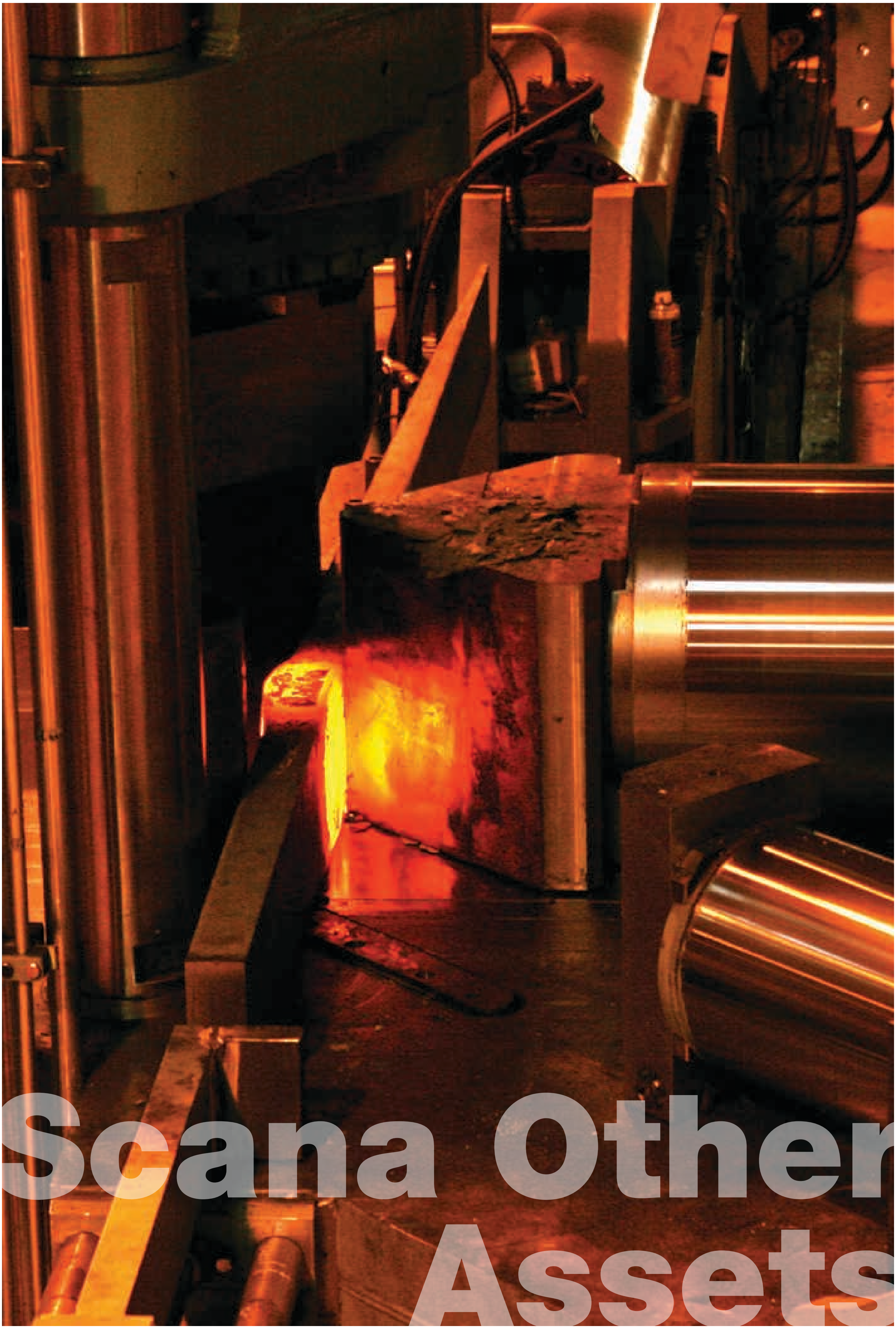
Scana Steel Söderfors is a manufacturer of high quality steel products specialising in high-alloy and high-purity steels for use in demanding applications. Hot forming and heat treatment of steel has a long tradition in Söderfors. Since as long ago as 1676, skilled blacksmiths have made Söderfors renowned for its high-quality products.

The sale of Scana Steel Söderfors AB was completed on 5 February 2015.

SCANA STEEL STAVANGER

Scana Steel Stavanger supplies special steel and high-alloy steel with stringent requirements for design and documentation. The company's customers are on the markets for oil and gas, energy and marine, as well as in the mining and mechanical industries.

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

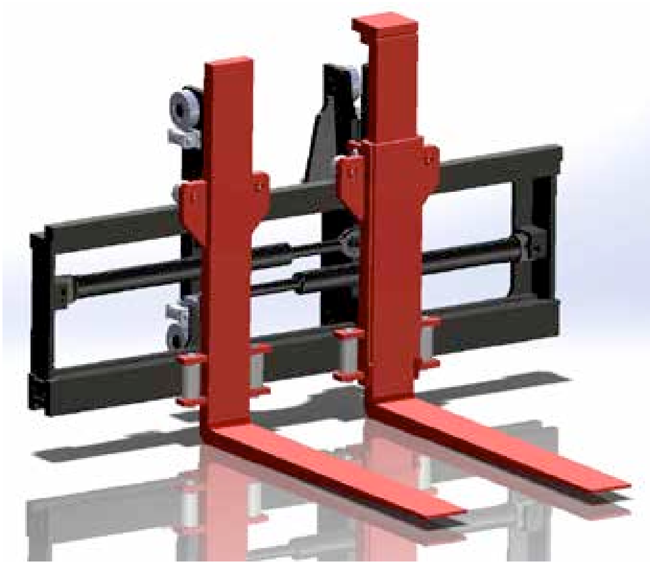


Scana Other Assets

Managing director: Bjørn Konradsen

SCANA STEEL BOOFORGE

Scana Steel Booforge is a world leader in the manufacture of large forklift truck arms that can lift in excess of 10 tonnes. Scana's expertise in open die forging enables the company to manufacture large forks and other forged products according to any specification, with stringent demands for strength. Since 2009, Booforge also manufactures masts and lifting carriages, and thus complete lifting systems for forklift trucks in the heavy segment.



Markets and customers

The company's deliveries are mainly aimed at forklift truck and machine manufacturers, as well as other steelworks. The company also has customers in the oil and gas industry. Customers are primarily located in the Nordic region, but the company also supplies the international market through its distribution network. The company's largest customers include Cargotec, Konecranes, Svetruck, Sandvik, Alfa Laval and Moorlink.

The market for Scana Steel Booforge's core products – forks, open die forging and heat treated products – has stabilised during 2014. The company expects to see growth.

Products

Scana Steel Booforge's main products are:

- Lifting solutions for heavy forklift trucks
- Heat treatment
- Open die forging

In 2013, Scana Steel Booforge made a major breakthrough in lifting solutions with a new product portfolio. The product portfolio continued to be developed in 2014 and initial orders have been delivered. The new product range will be a key element in the development of the company.

Scana Steel Booforge has a well-established brand in lifting solutions for heavy forklift trucks. The company has also developed a good sales network and a major strength through its own technical department. These factors put the company in a good position to achieve future growth.

The company has strengthened its position in heat treatment for demanding customers in the oil and gas industry. This has been achieved by focusing specifically on developing the organisation and equipment so as to become even better at satisfying customer requirements.

With a stronger market focus, our own technological development and increased production efficiency, Scana Steel Booforge is well set to face the future.

Managing director: Johnar Olsen

SCANA DO BRASIL INDUSTRIAS LTDA

Scana do Brasil Industrias is a wholly owned subsidiary of Scana. The company represents and markets all of Scana's companies in South America. It was established in 2009, and is located in Rio de Janeiro.

Role

Scana do Brasil's operations include services for existing Scana products in use in the region, as well as sales of services for new projects. Our presence in this region increases Scana Group's opportunities for business development and new sales.

Market segments

A large number of support vessels with Scana propulsion systems are operating in Brazil. After sales and subsequent service operation, which includes a partnership between the Brazilian company Offshore Reparos Navais (ORN) and Scana Volda's engineers, has been well received by important customers.

Main initiatives

The company's most important activity during 2014 in the offshore segment was its participation in several bids for new systems in mooring, risers pull in and valve remote control. There was a good level of service activity for propulsion systems in 2014.

Scana is included on the Petrobras Master Vendor List, as well as in the main Petrobras registration system having the CRCC for Scana Offshore Vestby and Scana Skarpenord. (CRCC is the certificate of registration in Petrobras.)

CORPORATE SOCIAL RESPONSIBILITY

OUR CORPORATE SOCIAL RESPONSIBILITY

Scana's aim is for Corporate Social Responsibility to be part of the planning and execution of services and operations in all of the group's companies and locations. The company's activities shall be based on sustainable development, both financially and from an environmental perspective. Scana has established guidelines and procedures to help the group and its companies to comply with international conventions and protocols for commercial operation, ethical guidelines and safety procedures. All of the companies in the group shall work to support positive environmental initiatives and to reduce any negative impact on the environment.

All Scana employees must follow the guidelines and procedures set out in the group's Goals & Means (including vision and strategy), Ethical guidelines and Environment & HSE, which describe the company's goals and expectations of its employees and are to be used as a basis for all commercial development within the group. These guidelines are available on the group's website and Intranet.

The Scana group has a zero tolerance policy with regard to corruption and encourages its employees to report any suspected breaches.

FOCUS AREAS

Environmental impact

Scana supplies products, systems and services in the steel, oil and gas, other energy and marine industries. These areas are subject to stringent responsibility requirements which apply to all and are designed to ensure that operations and production processes do not cause damage to the external environment. Scana's environmental responsibility is described in more detail in a separate section entitled "Environmental impact". The environmental impact section shows that Scana has achieved several of its subsidiary goals over the past year with regard to reduced volume of waste, reduced emissions from transport and use of energy. Scana will work to achieve and expects to see further environmental improvements during the course of 2015.

Human rights

Human values such as integrity, honesty, justice and respect are fundamental to how corporate social responsibility is to be implemented within the group, together with a continuous focus on ethics and responsibility. Scana shall actively work to ensure that the group's activities do not breach fundamental human rights at any of the group's international operations. Scana has not experienced any events in 2014 that are indicative of a breach of these values, and in 2015, it will work further towards promoting human values throughout all the group's units.

Employees

It is Scana's express aim to ensure safe working conditions and to provide a good work environment where our employees can flourish and develop their skills. Several of the group's companies in Norway offer apprenticeships to help young people enter the world of work and to support the development of specialist skills in society. Scana supports the right of our employees to join trade unions and trade organisations. Representation on the boards of the group's subsidiaries ensures that employees' viewpoints are heard and taken into consideration. Scana is satisfied with the cooperation with trade unions and trade organisations in 2014 and will continue this positive and evolving partnership in 2015 as well.

Corporate Social Responsibility

The Scana group and its subsidiaries are part of the local community and region in which the companies are located. The group's employees live and work and form part of a larger social community in their country. Scana's companies shall always comply with the laws, guidelines and regulations that apply in each country and region in which the companies are located, as well as paying taxes and duties and implementing measures to prevent corruption and mismanagement. Scana is satisfied with the cooperation with local authorities in the countries and regions in which the group operates and will develop this partnership further in 2015.

The Board of Directors, senior management and employees of Scana all have a responsibility to ensure that the group complies with the guidelines and objectives set out in the group's understanding of "Corporate Social Responsibility" at all times. In 2015, Scana will also work to improve the group's interaction with its employees, customers, partners and the companies' surroundings.

ENVIRONMENTAL IMPACT

Scana is an environmentally friendly enterprise and produces some of the cleanest steel there is. This steel is utilised in our products and by our customers. Our starting point is scrap metal that, through our processes, is turned into high-quality products. It is our goal to have as small an impact on the environment as possible, irrespective of where in the world we do business.

Scana manufactures and works with steel and other alloys. We realise that as a player on this market, the group's companies make a positive contribution through the large-scale recycling of steel, but at the same time also produce emissions that impact on the external environment. It is a fact that the world needs steel, and we, as a group, see it as our task to supply a product that is processed as cleanly as possible, avoiding negative impact on the environment as far as we can.

SCANA ENERGY

Scana Energy's steel manufacture essentially benefits the environment owing to the amount of scrap metal that is recycled, despite the energy used in the production process.

Scana Steel Björneborg

Scana Steel Björneborg meets the goal of the Scana group of having the smallest possible negative impact on the environment. As a concrete measure, scrap steel is recycled, chiefly collected from local suppliers within a radius of 150 km. The company is ISO 9001 certified. Scana Steel Björneborg has a railway track leading into the production area and can deliver products by rail. This means of transport reduces emissions to air compared with other forms of transport.

Scana Machining

Scana Machining AB is certified under:
- ISO 9001
- ISO 14001
- ISO 3834-2

During 2014 the company consolidated its operations, with the department in Karlskoga relocating to premises in Kristinehamn. The colocation of the company provides an annual environmental saving of 400 HGV shipments, each of a distance of around 26 kilometres. It also means that the company moves from being a "business required to report" to a "business requiring a permit", as the total tank volume of cutting oil now exceeds 20 cubic metres.

Waste management work has brought further improvements. The volume of waste has fallen from 4.3 tonnes in 2013 to 2.3 tonnes in 2014.

District heating consumption has been reduced from 2700 MWh in 2013 to 2174 MWh in 2014.

SCANA PROPULSION

The Scana Propulsion business area consists mainly of high-tech manufacture, having little or no negative impact on the environment. The company works on innovative products that help to achieve a significant reduction in fuel consumption in the marine sector, thus lessening the negative impact on the environment.

Scana Volda

Scana Volda's products contribute to the protection and safeguarding of the environment, crew and load. The products and the company's expertise enable customers to significantly reduce their fuel consumption, while the quality and functionality also ensure safer operation at sea.
Products such as two-stage gearboxes and motors using permanent magnet motor technology have shown in operation that the decision to focus on this kind of product development was the right one.

Scana Mar-El

In order to meet future environmental and market requirements, the company is continuing its development of control systems for gears, thrusters and propeller systems.

SCANA OFFSHORE

Scana Offshore Vestby

The company currently has no negative discharges or emissions to the environment, either to water or air. Scana Offshore Vestby is a competence and design company that has no negative impact on the external environment.

Scana Skarpenord

The production of hydraulic actuators and systems at Scana Skarpenord yields no negative discharges. The waste from the production is scrap iron/metal and is sold as scrap metal. This activity is both environmentally friendly and provides income. The company mainly uses electrical power for production, but some diesel fuel is used for heating the production halls.

SCANA OTHER ASSETS

Scana Steel Stavanger

Scana Steel Stavanger is ISO 9001 and ISO 14001 certified, and has been named by FOSECO as the most environmentally friendly foundry in Europe. The reason for this is our choice of forming sand type, binding agents and hardeners and because the company continually introduces new procedures to reduce negative impact on the environment, including waste management, filtering, reduced emissions and reduced use of chemicals. Measurements are taken regularly according to international standards. In 2011, a new sea-based depot for sand from the production process was opened to reduce discharges and transport requirements.

Scana Steel Söderfors

The environmental impact from Scana Steel Söderfors is mainly through emissions to air and water, in addition to waste. Throughout the year, the company has fulfilled all government requirements and there have been no incidents or unwanted discharges. During 2014, environmental work has focused on fulfilling the requirements of ISO 14001 in order to achieve ISO 14001 certification.

Scana Steel Booforge

Scana Steel Booforge works determinedly towards reducing any negative impact on the environment. The company is also working to reduce energy consumption. This is done by continuously optimising the heating for forging.

Health, Safety and Environment (HSE)

The group consists of companies that by their nature affect the external environment through noise and discharges/emissions. The group is licensed for its activities and the impact on the external environment must not exceed the allotted discharge permissions. The group works continuously to limit discharges/emissions, reduce waste to landfill and other negative environmental impact. Waste from production is sorted and handled according to regulations, as well as being recycled where possible. The companies in the steel business area buy large quantities of scrap for remelting and are thereby also prominent in the recycling industry.

ANNUAL ACCOUNTS 2014

DIRECTORS' REPORT 2014

ABOUT THE BUSINESS

Scana Industrier ASA is a Nordic industrial group whose key business is supplying products and system solutions to energy-related business to oil and gas industry and to other energy and marine industry. The Group possesses a substantial property portfolio, where value creation occurs through the business area Scana Property.

Scana also provides service, repair and maintenance services for customers in the same markets.

Scana's technology, expertise with materials and extensive production experience form the basis of our competitiveness. Our objective 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 Southeast Asia.

Scana Industrier has companies in Norway, Sweden, China, USA, Poland, Singapore, Brazil and South Korea. The Group's head office is in Stavanger.

The group's revenue for 2014 amounted to NOK 1,474 million with an operating loss of NOK 175 million. The financial statements have been charged with impairment losses amounting to NOK 238 million.

The order inflow was NOK 1,192 million, which is a fall of 10 per cent compared with 2013. Orders in hand at the end of the year came to NOK 572 million, down from NOK 887 million at the end of 2013 (the figures have been adjusted for companies sold off from the group).

FINANCIAL STATEMENTS

Going concern

Based on the groups forecasts and businessplan, the Board confirm, in accordance with section 3-3 of the Accounting Act (Norway), that the accounts have been prepared on the basis of the going concern assumption, and that this assumption is valid. The annual financial statements have been prepared on the basis of the going concern assumption and the Board of Directors confirm that this assumption is valid.

The negotiated agreement relating to refinancing means the loan agreement with bank syndicate is extended by three years and 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.

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. The implementation of the negotiated agreements associated with the refinancing of loans and provision of new equity, as well as improvements in results and liquidity, are critical to the company with regard to its future going concern status.

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 to 22 June 2015. In April 2015, the group negotiated a new agreement on loan refinancing and injection of new equity. See note 30 "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 in 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 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. Several of these are expected to take effect from the second half of 2015 onwards. Furthermore, the group will continue to employ a careful investment policy and the implementation of further cost reductions is planned at both Scana Energy and Scana Propulsion.

The Board of Directors believe 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 have also been approved that are designed to increase competitiveness and these are estimated to have a total positive annual effect of NOK 20 million with anticipated effect from the second half of 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 (2013: NOK -7.2 million). The group has provided Scana Steel Söderfors AB with significant funds over time, and in 2013 and 2014 this amounted to a total of NOK 33 million. Scana Steel Stavanger AS had an EBITDA of NOK -10.2 million in 2014 (2013: NOK -23.2 million). Please refer to notes 28 and 30 for further information.

The figures for 2014 showed a positive trend for the group compared to 2013. 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 the forecast for 2015, revenue of NOK 1,304 million is envisaged (associated with continuing operations without Scana Steel Stavanger AS and Scana Steel Söderfors AB), which will produce weak growth compared to 2014 and an EBITDA of NOK 50 million. Total investments are budgeted at NOK 38 million for 2015. Weak growth in sales and EBITDA is expected in 2016 and 2017.

IFRS
International Financial Reporting Standards (IFRS) are used as the prevailing accounting policies for the consolidated financial statements to the extent these standards have been adopted by the EU.

Income statement
Revenue for 2014 was NOK 1,474 million, which is on a par with 2013. The group posted a loss before depreciation and amortisation (EBITDA) of NOK -89 million, which corresponds to an EBITDA margin of -6 per cent.

The group has implemented write-downs totalling NOK 238 million in the income statement for 2014. NOK 92 million of the write-downs relates to the sale of Scana Steel Söderfors AB in Sweden and is included in the income statement under "Profit/loss for the year – discontinued operations after tax". In conjunction with the winding-up order sought for Scana Steel Stavanger AS, inventories have been written down by NOK 16 million and receivables by NOK 13 million. Furthermore inventories at Scana Offshore Vestby AS was written down of NOK 10 million. Receivables owed by Leshan Scana Machinery in China following the sale of the company in 2013 have also been written down to zero. This impairment loss totals NOK 73 million and is included in other operating expenses. Write-downs of non-current assets have been implemented as follows: NOK 18 million for Scana Machining AB, NOK 10 million for Scana Steel Stavanger AS and NOK 6 million for Scana Volda AS. These write-downs are included in "Depreciation/Amortisation/Write-downs" in the income statement.

The group's net interest expenses totalled NOK 23 million in 2014.

The loss before tax from continued operations was NOK 185 million. The recognised tax expense for the year from continued operations amounted to NOK -9 million.

The loss after tax from discontinued operations amounted to NOK 90 million and is associated with the write down of Scana Steel Söderfors AB.

The group's total net loss was NOK 265 million, of which NOK 0 million is attributable to non-controlling interests. This amounts to earnings per share of NOK -3.53 compared with NOK -4.65 per share in 2013.

Balance sheet
The balance sheet total as at 31 December 2014 was NOK 1,080 million, which is a reduction of NOK 458 million compared with the end of 2013.

The group's net interest-bearing debt was NOK 363 million at the end of 2014, taking into account bank deposits and liquid assets. Gross interest-bearing debt was recognised at NOK 439 million, which is a reduction of NOK 95 million from the same date in 2013. At the end of 2014, the group was in breach of the original loan conditions, but was granted a waiver for leverage ratio, liquidity reserve and equity ratio. The group has also been permitted to defer payment of an instalment from 31 January 2015 to 22 March 2015 and additional extension to 22 June 2015.

The recognised equity was NOK 154 million as at 31 December 2014, which is equivalent to NOK 2.05 per outstanding share and an equity ratio of 14.3 per cent. At the end of 2013, recognised equity was NOK 405 million and the equity ratio was 26 per cent. Equity per share was calculated on the basis of 75,118,301 shares, which is the number of shares in the company at year-end.

At the end of 2014, intangible assets were recognised at NOK 26 million, of which goodwill amounted to NOK 3 million.

Cash flow

Net cash flow from operating activities amounted to NOK -11 million. The difference between the operating profit/loss and the cash flow from operating activities is primarily due to depreciation/amortisation and write-downs, as well as changes in working capital.

Investments in non-current assets totalled NOK 46 million, while other non-current assets were sold for a total of NOK 40 million. NOK 139 million is related to the sale of shareholdings. Net cash flow from investing activities amounted to NOK 128 million. Net cash flow before financing activities was therefore NOK 116 million.

Net cash flow from financing activities was NOK -104 million, characterised by paying down debt and paid interest. After this, net cash flow for 2014 was NOK 13 million. The group's cash and cash equivalents amounted to NOK 78 million, hereby NOK 44 million is ring-fenced at the end of the year. The group also has credit facilities at its disposal, see note 22.

Segment information

The group's segments cover the companies specified below:

- Scana Energy
  - Reporting for this area includes Scana Steel Björneborg AB, Scana Subsea AB and Scana Machining AB. All the companies are based in Sweden.
- Scana Propulsion
  - Reporting for this area includes Scana Volda AS and Scana Mar-El AS, as well as the service and sales offices in Poland, Singapore, Shanghai and Louisiana.
- Scana Offshore
  - Reporting for this area includes Scana Offshore Vestby AS and Scana Skarpenord AS.
- Scana Other Assets
  - Reporting for this area includes Scana Steel Stavanger AS, Scana Steel Booforge AB, Scana do Brasil Industrias Ltda, Scana Energy Holding AB and Scana Trading AS.
- Scana Property
  - As at the end of 2014, Scana Property AS owns the companies Scana Eiendom SSA AS, Scana Eiendom Jørpeland AS, Scana Property 4 AS and Scana Property AB (Sweden) as well as 50.1 per cent of Fjordbris AS.

SCANA ENERGY

The most important market areas for the companies in Scana Energy are oil and gas, as well as other energy. The companies also supply special steel and components to the marine, automotive, engineering and tools industries. Production takes place at Scana's own production facilities, which include smelting plants, forges, rolling mills, and heat treatment and machining workshops. Production is of a high standard, and complies with ISO-certified quality assurance systems.

Revenue in 2014 amounted to NOK 567 million. This was a fall of 3 per cent compared with 2013. EBITDA amounted to NOK 12 million.

The order inflow for 2014 was NOK 496 million, which is an increase of 11 per cent on 2013. Orders in hand at the end of 2014 amounted to NOK 240 million, compared to NOK 333 million at the end of 2013.

Order inflow picked up in the fourth quarter. The market for simpler products has continued to be difficult, with low demand and considerable price pressure. A significant effort is being made to safeguard the basic activity through tonnage products. Individual niches show a slightly more positive trend than previously, although subsea projects have not developed as expected.

Considerable cost-reducing measures were implemented in the steel companies, and new measures to adapt capacity to the activity level and competitive situation are being considered.

Scana has experienced a slight improvement in the European market and in markets affected by currency fluctuations. The energy market continues to be characterised by overcapacity and strong competition.

A normalisation of the marine market will have a major impact on the profit performance of this business area. Global activity levels within oil and gas are considered uncertain in 2015. Scana Energy has increased its tendering activity, but for lower volumes than in previous years. Order inflow from offshore customers is much lower than in previous periods. Scana Energy supplies products such as riser components for field developments in deep water. Analyses of the machinery and industrial segment indicate slight growth in 2015.

SCANA PROPULSION

The companies within Scana Propulsion develop and manufacture propulsion technology within propellers, gears, thrusters and remote control for mainly special vessels and offshore vessels in addition to providing service and after-sales support. Customers are shipyards, shipping companies, engine suppliers and other system suppliers. This business area is represented through offices, strategic partners and agents in Norway, Poland, Iceland, the Netherlands, Turkey, the United Arab Emirates (UAE), Singapore, India, China, South Korea, USA, Brazil and Chile. By structuring our organisation in this manner, Scana Propulsion can nurture closer relationships with customers with regard to both sales follow-up and service readiness for the marine fleet.

Revenue in 2014 was NOK 331 million, which is 5 per cent down on 2013. EBITDA was NOK -3 million compared with NOK -7 million in 2013. The negative operating margin is due to a weak new sales market with pressure on margins and lower activity within service and after-sales support.

Order inflow in 2014 was NOK 332 million, which is a fall of 14 per cent on 2013.

Orders in hand at the end of 2014 amounted to NOK 154 million, on a par with the end of 2013.

This business area has entered into important new sales contracts in the fourth quarter. Pressure continues to be applied to the margins of the contracts due to low global activity and the free capacity of equipment suppliers.

The service market has been weaker than expected in 2014, but it has recovered in the fourth quarter and a conservative improvement is expected in 2015.

Scana Propulsion delivered a new propeller system (CRP) for supply ships to Kleven/Ugland, with the first vessel being commissioned in the first quarter of 2014. The propeller system is a counter-rotating type with two propellers driven by effective permanent magnet motors that rotate independently of one another on the same axle line. The ship for Ugland was named Vessel of the Year in London in February 2015. It is expected that authorities will impose stricter requirements on emissions and fuel savings in the future, not only for supply ships and anchor handling vessels but also for merchant vessels. Such requirements are thought likely to give Scana's new concept a stronger position in the offshore market.

The market for Scana Propulsion's core products continues to be weak. However, the company does have an interesting list of prospects and has increased its marketing efforts. The market is expected to improve slightly in 2015. Cost-saving measures were initiated in 2014 and will be continued into 2015. These are designed to boost the business area's competitiveness.

SCANA OFFSHORE

There is a wide scope of activities in this business area: from design, engineering and consulting services to production, assembly and testing of equipment and steel components, as well as the manufacture of products and systems developed in-house.

The business area achieved revenue of NOK 255 million in 2014 compared with NOK 192 million in 2013. EBITDA was NOK 20 million.

Orders in hand at the end of 2014 amounted to NOK 123 million, while order inflow was NOK 56 million. At the end of 2013, orders in hand totalled NOK 278 million.

Scana Offshore Vestby AS produced a satisfactory margin in 2014. The company performed very well in its projects over the course of the year. The project in Brazil is almost complete.

Sales and production of valve control systems are based at companies in Norway and South Korea. Scana Skarpenord had a good inflow of orders in 2014 along with a healthy increase in revenue and was able to report a profit. Scana expects revenue from gas freighters to stay at the same level in future. In light of the increase in the number of orders for oil tankers from South Korea and China, higher revenue in this market is also expected from now on. In addition to this, service and spare parts are envisaged to maintain their share of revenue in 2015.

SCANA OTHER ASSETS

Scana Other Assets comprises the companies Scana Steel Stavanger AS, Scana Steel Booforge AB, Scana Energy Holding AB, Scana do Brasil Industrias Ltda and Scana Trading AS.

Scana do Brasil Industrias Ltda represents and markets all of Scana's companies on the South American continent.

Scana Energy Holding AB is the holding company for all of Scana's Swedish operating companies.

Scana Steel Booforge AB produces forklift truck forks and supplies heat treatment services. Forks are provided for both the largest and heaviest forklift trucks on the market and for smaller and more basic forklift trucks.

Scana Steel Söderfors AB, which used to be part of the business area, was sold on 5 February 2015.

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

SCANA PROPERTY

Scana Industrier owns a considerable amount of property in Norway and Sweden. The properties represent future value for the group. The Scana Property business area is responsible for the further development of the group's properties.

Several smaller operation-independent properties in the group were sold in 2014. For the year as a whole, the total sale price of properties sold amounted to NOK 38 million.

The property in Volda was transferred in 2014 to a wholly-owned real estate firm that falls under the umbrella of Scana Property.

Scana has disposed of some smaller, operation-independent properties in Strand Municipality in Rogaland. The Board of Directors sees potential added value in the property portfolio and is working to bring out this value through re-adjustment. The company continually assesses whether it is also worth involving other business partners in this work.

Strategic initiatives

In 2013, Scana sold the companies Leshan Scana Machinery Co. Ltd in China and Scana Industrial Products AS outside Stavanger in Norway.

In 2014, the group sold the companies Scana Offshore Services in Houston, Scana Offshore Technology AS and the service part of Scana Offshore Vestby in Norway. The buyer was Aquamarine Subsea AS, which is owned by HitecVision Fund VI.

An agreement to sell the shares in Scana Steel Söderfors AB was signed on 30 January 2015 with the sale going through on 5 February 2015.

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

Scana is now fully occupied with improving the remaining companies in the group. The group believes that the sale of Scana Steel Söderfors AB and the winding-up of Scana Steel Stavanger AS will reduce both its operational risk and its liquidity risk, as these two companies have made considerable losses over the last six years.

RISK

The group's most significant risk is linked to the real financial situation and developments in the global market. Scana has implemented a number of measures in order to address the change in lower demand seen in the recent years. These include stepping up the marketing and sales effort, reductions in workforce and costs, restructuring operations and shutting down some companies.

In addition to the risk associated with its own projects, the group is exposed to risk associated with the uncertain price trend for raw materials such as scrap steel and alloys, as well as an uncertain electricity price trend. The group has opted for market-based and contractual security against fluctuations in some of the risk areas.

The group is also exposed to financial risk:

- Currency risk

The group hedges its net currency exposure to the Norwegian krone and Swedish krona (NOK and SEK). The group's economic situation means that currency hedging is only a short-term measure. Fluctuations in exchange rates once the hedge is in place affect sales revenue and operating profit/loss. However, these fluctuations are balanced by corresponding effects in the financial items in the financial statements. The group is mainly exposed to fluctuations between NOK and SEK through its holdings in Swedish subsidiaries. Some of the non-current liabilities are therefore drawn in SEK in order to counteract the SEK exposure of the group's equity. Yet the trends in NOK and SEK in relation to EUR, USD and GBP will over time have a major impact on Scana's competitiveness, margin outlook and operating profit.

- Liquidity risk

Securing good financial room to manoeuvre is an important aim of the group. The group is continuously working to reduce the financial risk, including through close monitoring of liquidity projections and programmes to optimise the level of working capital.

The group monitors the liquidity situation in the short term and the long term through active dialogue with its subsidiaries. The group has also implemented measures to strengthen the operational units in the group and optimise the level of working capital. The group has bank deposits of NOK 76 million as at 31 December 2014, NOK 44 million of which is kept in a ring-fenced bank account for the bank syndicate (2013: NOK 63 million, of which NOK 0 was ring-fenced funds); see also note 15. The group has drawn on a total of NOK 102 million of the NOK 130 million overdraft facility. The overdraft facility was adjusted downwards in 2015 to NOK 110 million in conjunction with the extension of the due date for the loan agreement and as a result of reduced activity linked to discontinued operations. The overdraft facility falls due at the same time as the syndicate loan. In total, the liquidity reserve for the group was NOK 59.9 million as at 31 December 2014.

Scana has been 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 a new agreement on loan refinancing and injection of new equity. See notes 29 and 30 for further information on operation as a going concern and refinancing.

- Credit risk

The group has guidelines for ensuring that orders are not entered into with customers who have had major payment problems and for ensuring that outstanding amounts do not exceed defined credit limits.

The group regards its greatest risk exposure to be the recognised value of trade receivables (see note 13) and other receivables (see note 14). The operating companies in Europe and the USA have credit insurance with Euler Hermes Norge for some of the trade receivables in order to cover the exposure to credit risk. Within the energy, propulsion and offshore segments, the majority of the deliveries are to financially sound shipyards and customers. The shipyards in China and Korea are to a great extent owned by the state. Service and after-sales support are provided to leading global players within the propulsion and offshore area, with the credit risk considered limited here. Increased activity is expected within new projects and developments. Historic losses are limited.

The counterparty in electricity derivatives is Vattenfall Power Management AB. The credit risk associated with derivatives is considered to be low.

SHAREHOLDERS

Scana was listed on the Oslo Stock Exchange in 1995. Scana's owners comprise institutions and private investors. The group's largest shareholders at the end of the year were Camar AS (16.4 per cent) and Verket Finans AS (12.7 per cent). Camar is owned by Board Member John Arild Ertvaag.

At the end of the year, the 10 largest shareholders owned a combined 54.5 per cent of shares in the company. The total number of shareholders on this date was 1,526, with 3.2 per cent of the combined share capital under foreign ownership.

The share had a weak price trend in 2014 with a closing price of NOK 0.86, compared with NOK 1.91 at the start of the year. 34 million shares were traded on the Oslo Stock Exchange, giving a turnover ratio of 45.1 per cent. Scana has a "market maker" agreement with the Oslo Stock Exchange to enhance the liquidity of its shares and ensure listing on the Oslo Børs Match list.

CORPORATE GOVERNANCE

Corporate governance of the company is based on the "Norwegian Code of Practice for Corporate Governance". A more detailed description of corporate governance is included in the "Corporate governance 2014" chapter of the annual report.

CORPORATE SOCIAL RESPONSIBILITY

The group has demonstrated its corporate and environmental social responsibility and has described this in more detail in the "Environmental impact" and "Corporate Social Responsibility" chapters of the annual report.

ORGANISATION AND PERSONNEL

At the end of 2014, the group had 817 employees, which is a reduction of 379 from the previous year (attributed to the sale of Söderfors). New reductions in workforce and costs were implemented in 2014 to increase profitability. A good working relationship with trade unions has made it possible to adjust quickly to the changed activity level. The working environment at Scana is considered to be good.

Women must have 40 per cent representation on Scana's Executive Board. Women are also represented in management groups in most of the group's subsidiaries. Traditionally, however, Scana's production units have had a high proportion of men in the businesses, although the number of women is increasing.

DISCRIMINATION

The group is working to promote the objectives of the Norwegian Gender Equality Act within our businesses. Action areas include recruitment, salary and working conditions, promotions, development opportunities and protection from harassment.

The group's objective is to be a workplace free of disability-based discrimination.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

In 2014, there were 26 injuries resulting in absence at the company compared with 37 in 2013. Actual hours worked in 2014 amounted to 1,483,249 compared with 1,610,788 in 2013.

The Board of Directors is satisfied with the positive development in the group's HSE results for 2014, but all of the group's companies will continue to work towards strengthening the HSE work.

Absence due to illness in 2014 amounted to 4.5 per cent for the group.

The group has obtained concessions for its businesses and its impact on the external environment does not exceed those specified in the discharge permits granted. The group works to limit discharge and emissions, waste to landfill and other negative environmental effects. Waste from production is sorted and handled according to regulations, as well as being recycled where possible. Companies in the steel business area buy large quantities of scrap for melting down and are thus also a significant recycling enterprise.

RESEARCH AND DEVELOPMENT

Research and development work is given high priority at Scana. The efforts made here are important for further developing the various companies' market position. A large proportion of the research effort is linked to product development, and the long-term strategy is to create added value for customers, boost productivity and reduce costs, as well as reducing the negative impact of the business on the external environment. Research and development costs amounted to NOK 22 million at the end of 2014.

MAIN AIM AND STRATEGY

The main aim of the group is to increase the values for shareholders. To achieve this, the following primary strategies have been determined:

1. Regain profitability and ensure proper financial management.
2. Increase focus on the structure and development of the business areas.
3. Grow organically in all business areas.
4. Develop the repair and service concept within the business areas.
5. Reduce exposure outside the group's priority areas.
6. Develop property value.

The Board's main focus in 2015 will be regaining profitability, improving the group's financial robustness and start the process to transform Scana into an industrial investment company.

MARKET TRENDS

Energy

Energy has submitted a relatively large number of bids for oil and gas tenders. The expectation is that these elements will have a positive effect on both order inflow and revenue in 2015. A rise in demand is expected in the power market.

The USA and China are growing markets for Energy and the company anticipates that this growth will continue. We expect the market in Europe to maintain the same level as in 2014. Order inflow in the first quarter is expected to be higher than in the corresponding period of 2014.

Propulsion

Propulsion anticipates low activity within construction of new offshore vessels. 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 this segment.

The market is expecting around 2,800 new vessels in 2015, mainly split 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 service market saw some positive development in the fourth quarter with the signing of several major service contracts. The level of service activity was positive at the start of 2015 and is over budget so far this year. Propulsion expects there to be a rise in service activity in comparison to 2014.

Offshore

Scana Offshore Vestby AS is expecting decision-making processes to be delayed over the next 12 months due to reduced investments. Scana Offshore Vestby AS is noticing a lot of price pressure, but sees opportunities in the current market now that customers are focusing strongly on cost-effective solutions.

Skarpenord experienced a good inflow of orders in 2014; 30 per cent of the year's revenue was directly related to new construction of LPG vessels and the expectation here is that the same level will be seen throughout 2015. There has been an increase in orders of oil tankers from South Korea and China, and for this reason a growth in revenue for this market is expected. Service and spare parts are envisaged to maintain the same level in 2015.

Property

Scana Property is continuing to follow up 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

The group will focus on the further development of Scana Steel Booforge AB, which is the business area's only remaining production company.

TRANSACTIONS AND TRANSFERS

The loss for the year attributed to owners in the parent company amounted to NOK 265 million, equivalent to NOK -3.53 per share. The parent company, Scana Industrier ASA, reported a loss for the year of NOK 106 million. The Board will propose to the General Meeting that the deficit of NOK 106 million be covered by other equity.

Stavanger, 29th of April 2015

Bjørn Torkildsen Chairman of the Board	John Arild Ertvaag	Elisabeth Saupstad	Martha Kold Bakkevig	Per Ravnestad	Jan Henry Melhus Acting CEO

SCANA GROUP STATEMENT OF INCOME

Period 1 January – 31 December (NOK 1000)	Note	2014	2013
Operating revenue:			
Sales revenue	3/13	1 437 657	1 440 459
Other revenue	5	8 777	8 570
Profit from the sale of property, plant and equipment	9	27 292	10 629
Total operating revenue		1 473 726	1 459 658
Operating expenses:			
Raw materials and consumables	12/28	542 508	380 837
Changes in inventories of work in progress and finished goods	12/28	-52 088	58 100
Salary and social security costs	10/11	538 420	576 866
Depreciation/amortisation and write-downs	8/9	85 415	150 744
Other operating expenses	5/13/20/28	534 047	507 411
Total operating expenses		1 648 302	1 673 958
Operating profit/loss		-174 576	-214 300
Financial income and expenses:	17/22		
Income from interests in associates	4/28	-492	-283
Interest income		4 400	3 120
Interest expense	17	-27 798	-31 691
Net currency gain/loss (-)		28 994	3 421
Other financial income/expense (-)	5	-15 129	-14 186
Net financial items		-10 025	-39 619
Profit/loss before tax – continued operations		-184 601	-253 919
Tax expense	6	-9 037	16 224
Profit/loss for the year – continued operations		-175 564	-270 143
Net profit/loss for the year – discontinued operations	27	-89 797	-3 474
Profit/loss for the year		-265 361	-273 617
The profit/loss for the year is distributed as follows:			
Owners of the parent company	7	-265 361	-275 573
Non-controlling interests		0	1 956
Profit/loss for the year		-265 361	-273 617
Earnings per share	7	-3,53	-4,65
Earnings per diluted share	7	-3,53	-4,65

SCANA GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

Profit/loss for the year		-265 361	-273 617
Other comprehensive income (which may be reclassified as profit/loss for the year in later periods)			
Net movement in fair value of cash flow hedges	6/23	1 802	3 354
Net gain/loss on hedge of net investment	6	-425	-15 360
Exchange difference on translations of foreign operations		12 678	9 100
Total other comprehensive income		14 055	-2 906
Comprehensive income		-251 306	-276 523
The comprehensive income is distributed as follows:			
Owners of the parent company		-251 306	-278 479
Non-controlling interests		0	1 956
Comprehensive income		-251 306	-276 523

SCANA GROUP BALANCE SHEET

(NOK 1000)	Note	31.12.14	31.12.13
Non-current assets:			
Intangible assets	8	25 714	68 114
Property, plant and equipment	9	405 769	575 271
Shares in associates	4	22 297	20 254
Other non-current assets	14	3 979	22 337
Total non-current assets		457 759	685 976
Current assets:			
Inventories	12/28	204 943	265 308
Trade receivables	13/21/28	225 340	403 525
Derivatives	22/23	467	1 245
Other current receivables	14/28	45 797	118 934
Bank deposits and cash	15	75 879	63 495
Assets held for sale	27	69 474	0
Total current assets		621 900	852 507
Total assets		1 079 659	1 538 483
Equity:			
Paid-in capital	10/16	612 435	612 435
Other equity		-458 721	-207 416
Equity before non-controlling interests		153 714	405 019
Non-controlling interests		240	240
Total equity		153 954	405 259
Non-current liabilities:			
Interest bearing debt	17/20/22	4 923	16 651
Pension obligations	11	950	2 460
Deferred tax	6	22 538	32 465
Derivatives	22/23	10 604	8 545
Other non-current liabilities		1 980	0
Total non-current liabilities		40 995	60 121
Current liabilities:			
Interest bearing debt	17/20/22	433 879	517 047
Trade payables	19/21	161 981	187 264
Advances from customers	13	54 327	125 136
Tax payable	6	246	264
Derivatives	22/23	3 086	11 393
Liabilities held for sale	27	56 323	0
Other current liabilities	18	174 868	231 999
Total current liabilities		884 710	1 073 103
Total equity and liabilities		1 079 659	1 538 483

Stavanger, 29th of April 2015

Bjørn Torkildsen Chairman of the Board	John Arild Ertvaag	Elisabeth Saupstad	Martha Kold Bakkevig	Per Ravnestad	Jan Henry Melhus Acting CEO

SCANA GROUP STATEMENT OF CASH FLOW

(NOK 1000)	Note	2014	2013
Cash flow from operating activities:			
Profit/loss before tax – continued operations		-184 601	-253 919
Profit/loss before tax – discontinued operations	27	-80 043	-23 854
Tax paid	6	-1 856	-903
Profit (-)/loss – continued operations	4/8/9	-26 268	-11 448
Profit (-)/loss – discontinued operations	27	-390	-226
Depreciation/amortisation and write-downs	8/9	178 837	189 980
Employee share options		0	473
Unrealised foreign currency gain/loss		22 268	7 056
Interest income		-4 401	-3 120
Interest expense		28 737	33 644
Differences between paid and expensed pension costs		-1 521	-2 239
Change in trade receivables/advances from customers	13/28	-12 422	-30 473
Change in inventories	12/28	27 973	67 934
Change in trade payables	19	21 032	-59 672
Change in accruals	14/18	21 563	-6 709
Net cash flow from operating activities		-11 092	-93 476
Cash flow from investing activities:			
Proceeds from sale of property, plant and equipment	8/9	39 657	12 464
Purchase of non-current assets	8/9	-45 826	-50 719
Proceeds from sale of shares	4/27	137 849	71 799
Cash disposed as a part of discontinued operations	27	-3 864	-19 893
Investments in shares	4	-2 130	-5 000
Dividend received from other companies	4	1 851	516
Net cash flow from investing activities		127 537	9 167
Cash flow from financing activities:			
Repayment of non-current interest-bearing debt	17	-4 975	-1 204
Proceeds from new current interest-bearing debt	17	0	135 000
Repayment of current interest-bearing debt/change in cash drawn	17	-66 960	-96 822
Payments to/from non-controlling interests		0	239
Proceeds from issue of shares	16	0	131 429
Paid other finance costs		-5 548	-10 890
Interest received		4 400	3 121
Interest paid		-30 518	-27 840
Net cash flow from financing activities		-103 601	133 032
Net cash flows		12 844	48 723
Cash and cash equivalents at beginning of period		63 495	12 805
Exchange difference in cash and cash equivalents		1 325	1 967
Cash and cash equivalents at end of period*		77 664	63 495
Change in cash and cash equivalents	15/27	12 844	48 723

*Cash and cash equivalents as at 31/12/14 is not equal to bank deposits in the balance sheet due to the part being held for sale; see note 27. The cash and cash equivalents item also contains ring-fenced funds; see note 15.

SCANA GROUP STATEMENT OF CHANGE IN SHAREHOLDERS EQUITY

(NOK 1000)	Note	Share capital	Own shares	Share premium	Other paid in capital	Other equity	Reserve for translation differences	Reserve for changes in value	Total	Non-controlling interests	Total equity
Equity as at 1 January 2013		359 839	-11	0	118 575	71 131	17 950	-18 019	549 465	20 176	569 641
Comprehensive income						-275 572	-6 260	3 354	-278 478	-19 936	-298 414
Share option programme	10				486				486		486
Change in paid-in capital	16	-284 721		418 267	0				133 546		133 546
Equity as at 31 Dec. 2013		**75 118**	**-11**	**418 267**	**119 061**	**-204 441**	**11 690**	**-14 665**	**405 019**	**240**	**405 259**

(NOK 1000)	Share capital	Own shares	Share premium	Other paid in capital	Other equity	Reserve for translation differences	Reserve for changes in value	Total	Non-controlling interests	Total equity
Equity as at 1 January 2014	75 118	-11	418 267	119 061	-204 441	11 690	-14 665	405 019	240	405 259
Comprehensive income					-265 360	12 253	1 802	-251 305	0	-251 305
Equity as at 31 Dec. 2014	**75 118**	**-11**	**418 267**	**119 061**	**-469 801**	**23 943**	**-12 863**	**153 714**	**240**	**153 954**

NOTES GROUP 2014

Note 1. Consolidated accounting principles 2014

General information
Scana Industrier ASA is located at Strandkaien 2 in Stavanger, Norway. The company is a public limited company that is listed on the Oslo Stock Exchange. Its activities are described in note 3. The consolidated financial statements for Scana Industrier ASA for 2014 were approved by the Board of Directors 29 April 2015.

The consolidated financial statements are presented in Norwegian kroner (NOK), and all figures are rounded to the nearest thousand ('000) unless otherwise indicated.

Hovedprinsipper
The consolidated financial statements for Scana Industrier ASA have been prepared in accordance with IFRS and the interpretations specified by the International Accounting Standards Board, as approved by the EU.

The financial statements have been prepared on the basis of the going concern assumption, which as described with in note 29. The annual financial statements consist of income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes to the financial statements. The most important consolidation and accounting policies followed in the preparation of the annual financial statements are as follows:

The consolidated financial statements are based on the principles of historical cost accounts, with the exception of the following items:
- Financial instruments at fair value through profit and loss, financial instruments available for sale which are recognised at fair value, loans and receivables and other financial obligations that are recognised at amortised cost.

The consolidated financial statements have been prepared in accordance with the standard accounting policies for similar transactions and events under otherwise similar circumstances.

Functional currency and presentation currency
The functional currency for the parent company Scana Industrier ASA is NOK, while the functional currency for the subsidiaries is their local currency.

Consolidation principles
The consolidated financial statements cover the parent company Scana Industrier ASA and the companies over which Scana Industrier ASA has control. Control is normally achieved when the group owns more than 50% of the shares in the company. Control can also be achieved where the group owns less than 50% of the voting shares through an agreement or by the group being in a position to exercise effective control over the company. Non-controlling interests form part of the group's equity.

Business combinations are recognized using the purchase method of accounting. The cost price is measured at the fair value of the assets acquired, the shares issued or the liabilities assumed at the acquisition date. Additional cost price in excess of the fair value of the net assets in the acquired business is recognised as goodwill. Companies that are bought or sold during the course of the year are included in the consolidated financial statements from the date at which control was acquired and until control ceases.

Inter-company transactions and inter-company balances, including internal revenues and unrealised gains and losses, are eliminated. Unrealised gains relating to transactions with associates and jointly controlled companies are eliminated through the group's share of the company/business. Similarly, unrealised losses are eliminated, but only to the extent that there are no indications of a loss of value of the assets sold internally.

Revenue
Revenue from the sale of goods is recognised when delivery takes place in accordance with the contract, i.e. the risk and potential gains associated with the goods have been transferred to the purchaser and the group has established a claim against the customer.

Rental income is recognised on a straight-line basis over the period of the lease.

Revenue related to long-term construction contracts (projects) is recognised in line with the progress of the project, where the outcome of the project can be measured reliably. The stage of completion is calculated using the most suitable method for the individual contract, which is normally the costs incurred as a percentage of the expected total cost. If the outcome of the project cannot be measured reliably, only revenue equivalent to the project costs incurred is recognised as revenue. Any loss on a contract is recognised in full in the period in which it is established that the project will result in a loss.

Advances on construction contracts are classified on the balance sheet under current liabilities.

Dividends are recognised in the income statement when the rights to receive a dividend are established.

Interest income is recognised as it is accrued.

Currency translation
Transactions in foreign currency are recognised using the exchange rate on the transaction date. Monetary items in foreign currency are translated using the exchange rate on the balance sheet date. Any exchange differences are recognised as financial items. Non-monetary items are translated at historical cost.

Balance sheet items at foreign subsidiaries are translated to NOK using the exchange rate as at 31 December. All items in the income statement are translated to NOK using the weighted average exchange rate per month, which will be obtained from Norges Bank for the individual month. Consolidation leads to currency translation differences, which are presented as other comprehensive income and are included in comprehensive income. Exchange rate gains and losses relating to liabilities in foreign currency which for accounting purposes are considered to hedge investments in foreign subsidiaries and the currency effects of monetary items which represent a portion of the net investment in the foreign subsidiaries are recognised as other comprehensive income in comprehensive income until the subsidiary is disposed of.

Intangible assets
Intangible assets with a definite life are depreciated over the anticipated useful life and are assessed for possible impairment when there are indications that the value of the intangible assets may have been reduced. The depreciation period and method for intangible assets with a limited life are evaluated at least at the end of each financial year. Changes to the anticipated useful life or anticipated pattern of use of the intangible assets are recognised by changing the depreciation period or method and are treated as changes to accounting estimates.

Goodwill
Goodwill arising on acquisition is valued at acquisition cost. This represents the portion of the total acquisition cost that exceeds the net fair value of identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is valued at the acquisition cost less any accumulated impairment. The group tests goodwill for impairment annually or when there are indications of a loss of value. Impairment testing is carried out for the cash-generating units with recognised goodwill. Recognised goodwill is compared with the

recoverable amount. The recoverable amount is the net realisable value or the utility value, whichever is greater.

Research and development expenditure
Expenditure on research is recognised on an ongoing basis. Development costs for an individual project are capitalised as intangible assets when it can be documented that:

- It is technically possible to complete the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it exists;
- The ability to use or sell the intangible asset exists;
- The asset will generate future economic benefits;
- The necessary resources to complete the development of the asset exist; and
- The development costs can be measured reliably.

All recognised development costs are reviewed by the Boards of Directors of the individual companies, and the way in which the intangible asset is expected to generate future cash flows for the group is documented.

Recognised development costs are reported on the balance sheet at acquisition cost less accumulated depreciation and write-downs. Recognised development costs are depreciated on a straight-line basis over the estimated useful life of the asset.

The carrying amount of the development costs is evaluated annually, or more frequently where there are indications of a reduction in value. Gains and losses on the disposal of an intangible asset, calculated as the difference between the net realisable value and the carrying amount, are recognised in the income statement.

Property, plant and equipment
Property, plant and equipment are measured at acquisition cost, less accumulated depreciation and write-downs. When assets are sold or disposed of, the carrying amount is derecognised and any gains or losses are recognised in the income statement.

The acquisition cost of property, plant and equipment is the purchase price, including fees, taxes and expenses directly linked to making the non-current asset ready for use. Expenses incurred once the non-current asset has been taken into use, such as ongoing maintenance, are recognised in the income statement, while other expenses, including larger-scale maintenance work that is expected to provide future economic benefit, are recognised on the balance sheet.

Properties and land are assets that will either be used by the group companies or in order to obtain rental income and/or to increase value. Properties and land are recognised at acquisition cost. Costs associated with real estate are capitalised where the criteria for recognition are met, while ongoing maintenance is expensed.

Depreciation is calculated using the straight-line method over the anticipated useful life of the non-current assets with the exception of land. The useful life, residual value and depreciation method for non-current assets are assessed once a year.

The group capitalises larger-scale scheduled maintenance and depreciates it against income in relation to the maintenance interval.

Larger spare parts and spare equipment are considered to be part of non-current assets when the group expects them to be used in more than one accounting period. Similarly, where the spare parts and spare equipment can only be used in connection with the non-current assets, they are recognised as part of these.

Write-down of non-current assets
The write-down of non-current assets is assessed when there are indications of a loss of value. Where the carrying amount of an asset is greater than its recoverable amount, the asset is written down in the income statement. The recoverable amount is the fair value less selling costs or the utility value (the discounted cash flow with continued use), whichever is the higher.

The fair value less selling costs is the value that can be realised on sale to an independent third party less the selling costs. The recoverable amount is determined separately for all non-current assets, but where this is not possible, it is determined together with the cash-generating unit with which the non-current assets are associated.

Write-downs recognised in the income statement from previous periods are reversed when there is information that the write-down is no longer necessary. Reversals are made via the income statement. No reversals are made, however, where this would mean that the carrying amount exceeds what the carrying amount would have been if ordinary depreciation had been applied.

Shares in associates
An associate is an entity over which the group has significant influence, but not control, over the financial and operational management (normally a share of ownership of between 20 and 50%). The consolidated financial statements include the group's share of profits at associates according to the equity method from the point at which significant influence is achieved and until such influence ceases.

Where the group's share of losses exceeds the investment in an associate, the group's carrying amount is reduced to zero and further losses are not recognised in the income statement unless the group has an obligation to cover such losses.

Financial instruments

Investments and other financial instruments
Financial assets are classified either as financial instruments with ongoing recognition of changes in fair value, or as hedges. The group determines the classification of its financial assets on initial recognition and, where permitted and appropriate, this classification is reassessed at the end of each financial year.

Loans and receivables are non-derivative financial assets with fixed or variable cash flows where market prices are not continuously applied. Such assets are recognised at amortised cost using the effective interest method. Gains or losses are recognised when the loans and receivables are disposed of or are considered to be lost.

Financial assets that are not recognised at fair value are valued on the balance sheet date in order to identify any possible loss of value.

Financial instruments and hedging
The group uses financial instruments (forward currency contracts, interest rate swaps and electricity derivatives) to hedge the risks associated with interest rates, exchange rates and fluctuations in the price of electricity. Such financial instruments are initially recognised at fair value on the date on which the contract is entered into and are valued in subsequent periods at fair value. A derivative is classified as an asset when its fair value is positive and as a liability when its fair value is negative.

The group's criteria for the classification of a derivative or other financial instrument as a hedging instrument are as follows:

- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows for a specific object – the effectiveness of the hedge must be expected to be within the range of 80–125%;
- The effectiveness of the hedge can be measured reliably;
- Adequate documentation has been established on entering into the hedge;
- For cash flow hedging, the future transaction must be likely; and
- The hedge is evaluated continuously and has been shown to be effective.

On entering into a hedging contract, the group documents the assets, liabilities or future transactions to which it wishes to apply hedge accounting, with associated risk-management targets and strategy. This documentation includes the identification of the hedging instrument, the hedged item or transaction, the type of risk that is being hedged and how the entity will assess the effectiveness of the hedging instrument with regard to offsetting the exposure to changes in the fair value of the hedged item or cash flows associated with the hedged risk. Hedges are expected to be highly effective with regard to offsetting changes in fair value or cash flows and are continuously assessed in order to determine whether they have actually been effective throughout the intended accounting period.

The group uses hedge accounting for cash flow hedges associated with the hedging of the future price of electricity and hedging future interest payments associated with external loans through interest rate swaps. Hedge accounting is also used to hedge currency effects on net investments in Swedish subsidiaries. Exchange gains/ losses on loans that are used as hedging instruments for hedging net investment are recognised in comprehensive income.

The fair value of forward currency contracts is calculated in relation to the currency forward prices for contracts with similar terms. The fair value of interest rate swaps and electricity derivatives is determined on the basis of valuation input that is observable on the market, either directly or indirectly (level 2 in the valuation hierarchy).
Changes in the value of financial instruments that qualify for cash flow hedging are recognised as other comprehensive income in comprehensive income. Any ineffective elements of hedging are recognised in the income statement on an ongoing basis.

Gains and losses resulting from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

Interest-bearing loans and loan costs
On initial recognition, interest-bearing loans are recognised on the balance sheet at fair value. Fair value is the normal transaction price less directly related transaction costs. In subsequent periods, interest-bearing loans are recognised at amortised cost using the effective interest method. Gains and losses are recognised in the income statement where liabilities are derecognised from the balance sheet as well as through ordinary amortisation.

Derecognition of financial assets and liabilities
A financial asset (or parts of a financial asset or parts of a group of similar financial assets) are derecognised from the balance sheet where:
- The rights to receive cash flows from the asset expire;
- The group has transferred its rights to receive cash flows from the asset and has either (a) transferred substantially all the risks and rewards of ownership of the asset, or (b) neither transferred nor retained the majority of the risks and rewards of ownership of the asset, but has transferred control of the asset.

A financial liability is derecognised when the liability has been settled, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on significantly different terms, or where the terms of an existing liability are significantly amended, such a change or amendment will be treated as the original liability being derecognised from the balance sheet and a new liability being recognised on the balance sheet. The difference in the respective carrying amounts will be recognised in the income statement.

Inventories
Inventories, which comprise purchased goods and in-house manufactured products, are valued at the lower of the purchase/ manufacturing cost and the expected net realisable value. The net realisable value is the estimated selling price from ordinary operations, less the estimated costs of completion, marketing and distribution. The acquisition cost is allocated using the FIFO method and includes expenses incurred on the acquisition of the goods and costs of bringing the goods to their present condition and location. In-house manufactured goods include raw materials, energy, direct work and a portion of indirect costs, including maintenance and depreciation.

Trade receivables
Trade receivables are normally recognised at the original invoice amount. Loss provisions are made when there are objective grounds to believe that the group will not be able to collect a receivable. Earned revenue not yet received is classified on the balance sheet under trade receivables.

Cash and cash equivalents
Cash and cash equivalents on the balance sheet comprise cash and bank balances with an original period of three months or less. Bank deposits may also include ring-fenced funds, which may have a maturity of more than three months but less than 12 months. Please refer to note 15.

With regard to the group's cash flow statement, cash and cash equivalents comprise cash and cash equivalents as defined above. The cash flow statement is prepared using the indirect method.

Assets held for sale and discontinued operations
Assets and liabilities are classified as held for sale if their recognised value will be realised through a sales transaction rather than continued use. This condition is considered to be met only if the sale is highly probable and the asset (or groups of assets and liabilities) are available for immediate sale in their current form. The management must have committed itself to a sale and the sale must be expected to take place within one year of the date of classification.

Assets and groups of assets and liabilities classified as held for sale are measured at the previously recognised value or the fair value less selling costs, whichever is the lower. In the balance sheet, this is presented as "Assets held for sale" under "Total current assets" and "Liabilities held for sale" under "Total current liabilities".

Discontinued operations are defined as a part of the business which has either been disposed of or classified as held for sale, and
- Represents separate significant operations or a separate significant geographical area of operations, which are considered to be significant both in relation to the size of the operations and whether the operations are otherwise different from other operations in the group or segment;
- Is a part of an individual coordinated plan to dispose of separate significant operations or a separate significant geographical area of operations; or
- Is a subsidiary acquired exclusively for resale.

Discontinued operations are presented separately from profit from continuing operations in the income statement, in the line "Profit/ loss for the year – discontinued operations (after tax)". The profit after tax from discontinued operations and the profit or loss for assets or disposal groups is included in the financial statement line item. Further specifications are given in the notes. Comparative figures for the discontinued operations are amended accordingly.

Equity

Options – share-based payment
Senior employees of the group who are allocated options to purchase shares in the parent company. These options are valued on the basis of the fair value of the option at the time when the option scheme is adopted. The options are valued using the Black-Scholes model. The cost of the option is allocated over the period during which the employees earn the right to receive the options.

Own shares
Holdings of own shares are recognised in equity at cost price for the group.

Leases
The group has entered into lease agreements as a lessee. Lease agreements are classified as finance or operating leases on the basis of a specific assessment of each lease.

For finance leases, an amount equivalent to the lower of the fair value and the present value of the minimum lease payment is reported on the balance sheet at the beginning of the lease period. The same depreciation period is used as for the group's other depreciable assets. Where there is no reasonable certainty that the group will take over the asset at the end of the lease period, the asset is depreciated over the shorter of the term of the lease and the asset's economic life.

Operating leases are expensed on a straight-line basis over the period of the lease.

Pensions
The group's pension plans mainly consist of defined contribution pensions and AFP plans for the group's Norwegian employees, multi employer plans for the group's Swedish employees, and a statutory defined-benefit plan for each of the group's employees in Poland.

For pension plans where the agreed payments are made by the group and where the pension asset plans are administered separately (defined-contribution pension plans), the annual payments/contribution are included in staff costs.

Pension obligations are valued at the present value of future pension rights accrued on the balance sheet date on the basis of the linear accrual method and estimated final salary. The pension plan assets are valued at estimated market value. Net pension obligations (pension obligations less pension plan assets) are classified on the balance sheet as non-current liabilities taking into account adjustments for net accumulated actuarial gains and losses. Recognised net obligations include employer's contributions.

The AFP plan for the group's Norwegian employees and the defined-benefit plan for the group's Swedish employees are considered to be "multi employer plans". These pension plans are treated as defined-contribution pension plans in the financial statements, as the information required to treat the plans as defined-benefit plans is not yet available from the life assurance company administering the pension plans. Once the required information is available and the pension plans are recognised as defined-benefit plans in accordance with IAS 19, this may have an impact on the consolidated financial statements.

Tax

Deferred tax asset
Deferred tax assets are recognised on the balance sheet when it is probable that the group will have sufficient taxable surplus in future periods to make use of the tax assets. An assessment of whether deferred tax assets can be recognised on the balance sheet, including deferred tax assets associated with tax loss carryforward, is carried out separately within each individual tax regime. The companies recognise previously unrecognised deferred tax assets to the extent that it has become probable that the group will be able to make use of the deferred tax assets. Similarly, the group will reduce deferred tax assets to the extent to which the group cannot substantiate the future use of the deferred tax assets to a sufficient degree.

Deferred tax/tax asset on the balance sheet is recognised at nominal value and is calculated on the basis of temporary differences between the tax value and the carrying amount of assets and liabilities on the balance sheet date, adjusted for tax loss carryforward. Tax assets and liabilities are valued at the tax rates that are expected to apply for the period in which assets are realised or the obligation is settled, based on tax rates and tax regulations that have been adopted or largely adopted on the balance sheet date.

Tax payable and deferred tax are recognised directly in equity to the extent that the tax items relate to equity.

Tax payable
Receivables and payables relating to tax payable for the current and previous periods are valued at the amount which is expected to be paid to or from the tax authorities.

Provisions
Provisions are recognised when the group has an obligation (legal or constructive) as a result of a past event, it is probable (more probable than not) that the group will be required to settle the obligation through economic benefits and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is significant, provisions are discounted using a discounting rate before tax that reflects the risks specific to the obligation in question. In the event of discounting, the increase in provisions is recognised in the income statement as a financial expense, since the assumed earning point has moved closer.

Guarantee provisions are recognised when the underlying products are sold. The provisions are based on historical information about guarantees and a weighting of possible outcomes against the likelihood of them occurring.

Provisions for restructuring are recognised when the group has approved a detailed, formal restructuring plan and the restructuring has either begun or been announced.

Provisions for unprofitable contracts are recognised when the group's anticipated income from a contract is lower than the unavoidable costs incurred in order to meet the obligations under the contract.

Contingent liabilities and assets
Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed with the exception of contingent liabilities where it is highly unlikely that the obligation will require settlement.

Contingent assets are not recognised in the financial statements, but are disclosed where it is probable that a benefit will accrue to the group.

Fair value measurement
The group measures individual financial instruments at fair value on the balance sheet date. This applies, among other things, to derivatives such as interest rate swaps and electricity derivatives. The fair value of financial obligations measured at amortised cost is also disclosed.

Fair value is the price that would have been used to sell an asset or paid to transfer a liability on the primary market on the measurement date in prevailing market conditions, regardless of whether the price is directly observable or estimated using another valuation technique.

Going concern
The annual financial statements are prepared on the basis of the going concern assumption; any associated uncertainty will be discussed. When there is significant uncertainty in relation to operation as a going concern, this is disclosed in a separate note. Please refer to note 29.

Events after the balance sheet date
New information after the balance sheet date about the company's financial position at the balance sheet date is taken into account in the financial statements. Events after the balance sheet date which have no bearing on the company's financial position at the balance sheet date but which will affect the company's financial position in the future are disclosed where this is significant.

The accounting policies applied are consistent with the principles applied in previous accounting periods, with the exception of the changes to IFRS which have been implemented by the group in the current accounting period. Below is a list of the changes to IFRS applicable to 2014 which were relevant to the group, along with the effect these have had on the group's financial statements.

The following new and revised financial reporting standards and interpretations were applied for the first time in 2014:

IFRS 10 Consolidated Financial Statements
In IFRS 10 Consolidated Financial Statements, the term "control" has been changed slightly. The implementation of IFRS 10 did not result in any changes to the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 Disclosure of Interests in Other Entities specifies disclosure requirements associated with the group's interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The disclosure requirements are more comprehensive than previous disclosure requirements. The group has no joint arrangements or unconsolidated structured entities. Disclosure requirements concerning associates can be found in note 4.

IAS 36 Impairment of Assets
The change means that the recoverable amount from assets that have been written down must be disclosed if this is set to fair value less selling costs. The change must be considered in conjunction with IFRS 13 *Fair Value Measurement.*

New and amended standards and interpretations with future effective dates
The standards and interpretations which have been adopted up to the point at which the consolidated financial statements are prepared, but where the effective date is in the future, are indicated below. The group intends to implement the relevant changes on the effective date, subject to the EU approving the changes prior to the preparation of the consolidated accounts.

IFRS 9 Financial instruments
In July 2014, the IASB published the last sub-project in IFRS 9, and the standard has now been completed. IFRS 9 entails changes associated with classification and measurement, hedge accounting and write-downs. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. Those sections of IAS 39 that have not been amended as part of this project have been transferred and incorporated into IFRS 9. The standard has not yet been approved by the EU. The possible effects of amendments to the standards are unknown and will be assessed further.

IFRS 15 Revenue from Contracts with Customers
The IASB and FASB have issued a new joint revenue recognition standard, IFRS 15. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognised in order to reflect the transfer of agreed goods or services to customers, and then to an amount that reflects the payment that the company expects to be entitled to in exchange for such goods or services. The standard applies to all revenue contracts and contains a model for recognising and measuring sales of individual non-financial assets (e.g. sales of property, plant and equipment). The standard has not yet been approved by the EU. The possible effects of amendments to the standards are unknown and will be assessed further.

IAS 1 Presentation of Financial Statements
The changes to IAS 1, issued as part of the IASB's Disclosure Initiative, are meant to promote the use of professional judgement to a greater extent with regard to what information to include in the notes and how to structure the financial statements. The changes have not yet been approved by the EU. The possible effects of amendments to the standards are unknown and will be assessed further.

The IASB's Annual Improvement Project includes changes to several standards. Those that are considered to be the most relevant to the group are listed below.

IFRS 2 Share-based Payment
Vesting conditions and service conditions are defined in order to clarify various conditions, including the following:
- A vesting condition must include a service condition.
- A vesting target must be met while the counterparty provides the service.
- A vesting target may be related to business or activities for a company, or at a company in the same group.
- A vesting condition may be a market condition or a non-market condition.
- If the counterparty, regardless of the reason, ceases to supply the service during the vesting period, the vesting condition has not been met.

The changes are not expected to have a significant effect on the group's financial position or performance.

IFRS 3 Business Combinations
A contingent payment in a business combination that is not classified as equity must be measured in the subsequent measurement at fair value through profit and loss, regardless of whether or not it is within the scope of IFRS 9 *Financial Instruments*. The changes are not expected to have a significant effect on the group's financial position or performance.

IFRS 8 Operating Segments
If operating segments are merged, the company must disclose the economic characteristics (such as sale and gross margins) used in the assessment of whether the segments are "similar". The changes are not expected to have a significant effect on the group's financial position or performance.

IFRS 8 Operating Segments
The changes clarify that the reconciliation of segment assets against total assets is only required to be declared if the reconciliation is reported to the top decision-maker, as for segment liabilities. Any effects caused by the changes to the standard will be assessed when it enters into force. The changes are not expected to have a significant effect on the group's financial position or performance.

IFRS 13 Fair Value Measurement
The IASB clarifies that current trade receivables and trade payables that are not interest-bearing can be measured at the invoice amount when the effect of discounting is not significant. The changes are not expected to have a significant effect on the group's financial position or performance.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The changes clarify that revaluation may be carried out with reference to observable data based on gross or net carrying amount. Accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount for the asset (i.e. gross carrying amount - accumulated depreciation/amortisation = carrying amount). The changes are not expected to have a significant effect on the group's financial position or performance.

IAS 40 Investment Property
The changes clarify the interaction between IFRS 3 *Business Combinations* and IAS 40 when the asset is to be classified as an investment asset or an asset used by the owner. The description of additional services in IAS 40 differentiates between investment assets and assets used by the owner. IFRS 3 is used to determine whether the transaction is a purchase of an asset or a business combination. The changes are not expected to have a significant effect on the group's financial position or performance.

Note 2. Estimates and judgements

Estimates and judgements are evaluated on an ongoing basis and are based on historical experience and other factors, including forecasts of future events that are regarded as being probable under the present circumstances.

The group draws up estimates and makes assumptions/forecasts linked to the future. The accounting estimates that result from this will, by definition, rarely be completely in agreement with the final result. The choice of accounting policies and the exercising of judgement in relation to these may also affect the financial statements, e.g. in the assessment of whether discontinued operations are to be reported on a separate line. It is important to note that using different assumptions in the presentation of the financial statements could result in significant changes to the accounting items reported. Estimates and assumptions/forecasts that may lead to material adjustments of recognised values are discussed below.

The annual financial statements have been prepared on the basis of the going concern assumption and the Board of Directors confirm 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 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.

The basis for the going concern assumption is also an assumption of improvement of 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. In addition, the group has underlying values linked to assets that exceed the recognised values and which, in the longer term, will be able to produce positive liquidity effects if they are realised. The implementation of the negotiated agreements associated with the refinancing of loans and provision of new equity, as well as improvements in results and liquidity, are critical to the company with regard to its future going concern going forward. See notes 29 and 30 for further details.

Areas in which estimates play a significant role are:

Item	Note	Estimate/Assumptions	Carrying amount
Deferred tax asset	6	Assessment of ability to utilise tax positions in the future	0
Goodwill	8	Present value of future cash flows	2 641
Development costs	8	Present value of future cash flows	21 618
Property, plant and equipment	9	Recoverable amount and estimate of accurate remaining life	405 769
Inventories	12/28	Assessment of obsolescence	204 943
Trade receivables	13/28	Assessment of credit risk	174 036
Construction contracts	13	Degree of completion	51 304
Guarantee provisions	18	Accurate factual basis and adequately estimated	13 258
Net assets held for sale	27	Classification of the assets and liabilities	13 151

See descriptions of the various accounting items below:

Deferred tax asset
A deferred tax asset is recognised in the balance sheet when it is probable that there will be future taxable income and that the temporary tax-reducing differences or tax loss carryforwards can be deducted in this income. Estimates have been made of future cash flows in order to assess whether the deferred tax asset can be recognised in the balance sheet. The estimates are based on the assumptions used in approved budgets and forecasts. Changes in assumptions and estimates may necessitate the reduction of the deferred tax asset.
Deferred tax assets are primarily related to temporary tax-reducing differences and loss carryforwards in Norway. Some of the operations in the Scana Property segment have significant added value in underlying properties and are operationally independent of other operations at Scana. The remaining operations in Norway have returned negative tax results for several years and do not have an equivalent underlying added value. Overall, there is thus significant uncertainty with regard to the future use of the associated tax positions, and deferred tax assets have not been recognised in the balance sheet.

Property, plant and equipment and goodwill
The group carries out impairment tests annually on cash-generating units with goodwill and units showing indications of a loss in value. This is done on the basis of future cash flows and discount rates. Indications of impairment were identified in 2014, among other things as a result of negative results over time with regard to both intangible assets and property, plant and equipment at several cash-generating units. The estimated cash flows that form the basis of the impairment tests on assets assume a significant improvement in results compared to last year at several of the underlying subsidiaries. The cash flows used as a basis and the assumptions for these are based on the best estimate of the management and the Board of Directors. Both the management and the Board believe that these are realistic and achievable. Changes in these assumptions and estimates can lead to a write-down being entered in the income statement. Where there are indications of a loss in value, the carrying amount is compared to the recoverable amount.

Development costs
The company capitalises development costs in accordance with the criteria for capitalisation in IAS 38. The present value of the expected cash flow is based on budgets and business plans. Development costs in the group are expected to have a limited lifetime and the estimates are based on a five-year horizon. Changes in these assumptions and estimates can lead to a write-down being entered in the income statement. Where there are indications of a loss in value, the carrying amount is compared to the recoverable amount.

Inventories
Valued at the lower of the purchase/production cost and expected net realisable value. The net realisable value is the estimated selling price from future operations, less the estimated costs of completion, marketing and distribution. Similarly, changes in the management's basis for the assessment of the market value of Scana Steel Stavanger AS's inventories in connection with its winding-up could

affect the valuation of these inventories. Changes in estimates related to the expected net realisable value may also lead to changes in product costs.

Trade receivables and other current receivables

Trade receivables and other current receivables are assessed on an ongoing basis, and are written down if there are objective criteria for the occurrence of a loss-triggering event that can be measured reliably and will affect the payment of the receivable. Changes in the management's basis for the assessment of the credit risk may affect the estimated loss provision. In the same way, changes in market conditions, internal factors affecting our customers, etc. may give a final result that deviates from the loss provision made for the trade receivables. At the same time, changes in the management's basis/assumptions for valuing trade receivables at Scana Steel Stavanger AS as part of the winding-up of the company could affect the loss provision.

Construction contracts

When reporting construction contracts, assumptions are made regarding estimated costs and earnings, as well as the definition and measurement of degree of completion. Changes in these estimates may mean that the reporting of revenue and earnings deviates from the underlying value created, relative to the project's overall revenue and earnings. Thus, earnings can be reported too early or too late in the project.

Guarantee provisions

The management estimates the provisions for future guarantee obligations based on information on historical guarantee requirements, together with other information used to calculate future guarantee obligations. Factors that can affect estimated obligations include unknown faults in completed deliveries.

Held for sale/Discontinued operations

As part of the sales process, it is assessed whether the sale is highly probable and will take place within a year. If the held for sale criteria are met, the assets and liabilities are classified as held for sale in the balance sheet. In cases where the business represents a significant part of the group and is a special division that e.g. supplies products that the rest of the group does not, profit/loss is revised using comparative figures on the line for discontinued operations in the income statement.

Note 3. Segment information

BUSINESS AREAS

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. Segment reporting was reorganised in the first quarter of 2014 in line with changes to internal follow-up. This reorganisation led to Scana Steel Stavanger AS, Scana Steel Söderfors AB and Scana Steel Booforge AB, which were all facing profitability challenges, being reassigned to the Scana Other Assets business area for special follow-up from the Board in relation to restructuring. Scana Steel Söderfors AB was sold in 2015 and is no longer included in segment reporting; it has been included in discontinued operations as at 31 December 2014 (see note 27 for further details).

The Scana Propulsion business area designs and manufactures propellers, propeller housing, axles, gears, thrusters and control systems for the global shipbuilding market. Scana Propulsion is marketed as a complete equipment package in the global ship equipment market.

Scana Offshore supplies products, components and servicing to the oil and gas industry. Scana Property encompasses the group's real estate companies. Scana Other Assets encompasses the companies Scana Steel Booforge AB and Scana Steel Stavanger AS in addition to some smaller holding companies. Head Office encompasses the parent company.

The presentation coincides with the internal reporting to the Group Board, which is the group's principal decision-making authority. Revenue from sales to external customers and transactions with other segments are reported in each of the business areas. Internal deliveries are recognised at estimated market value. The "Eliminations" column refers to eliminations between the business areas. The figures below apply to the full year 2014 with comparative figures. The figures in the segment note have been revised on the basis of the regrouping implemented and businesses that were sold. The comparative figures have been amended accordingly.

2014 (NOK million)	Scana Energy	Scana Propulsion	Scana Offshore	Scana Property	Scana Other Assets	Head Office	Eliminations	Total
External operating revenue	512.0	330.0	253.7	33.3	344.7	0.0	0.0	1 473.7
Internal operating revenue	54.6	1.4	1.5	8.8	33.8	14.5	-114.6	0.0
Total operating revenue	566.6	331.4	255.2	42.1	378.5	14.5	-114.6	1 473.7
Operating expenses	554.2	334.2	235.2	13.2	411.5	129.2	-114.6	1 562.9
EBITDA	12.4	-2.8	20.0	28.9	-33.0	-114.7	0.0	-89.2
Depreciation/amortisation	27.4	10.3	5.7	1.7	6.9	0.3	0.0	52.3
Write-downs	17.7	5.9	0.0	0.0	9.5	0.0	0.0	33.1
Operating profit/loss (EBIT)	-32.7	-19.0	14.3	27.2	-49.4	-115.0	0.0	-174.6
EBIT margin	-6 %	-6 %	6 %	65 %	-13 %			-12 %
Net financial items								-10.0
Profit/loss before tax – continued operations								-184.6
Tax								-9.0
Profit/loss for the year – continued operations								-175.6

Balance sheet figures:	Scana Energy	Scana Propulsion	Scana Offshore	Scana Property	Scana Other Assets	Head Office	Eliminations	Total
Assets	489.9	198.6	130.9	253.3	325.5	507.9	-826.4	1 079.7
Non-current liabilities	21.2	5.7	2.0	2.0	10.3	3.7	-3.9	41.0
Current liabilities	325.9	162.0	80.3	211.0	316.1	611.9	-822.5	884.7
Other segment information:								
Intangible assets	7.7	14.5	3.1	0.0	0.4	0.0	0.0	25.7
Deferred tax assets	1.4	0.0	0.0	12.3	2.2	-12.0	-3.9	0.0
Property, plant and equipment	227.4	30.5	16.3	106.5	22.2	2.9	0.0	405.8
Inventories	103.1	42.3	12.7	0.0	46.8	0.0	0.0	204.9
Trade receivables	100.4	54.6	40.4	1.8	39.6	13.2	-24.7	225.3
Cash flows:								
Operating activities	42.5	-55.8	-34.2	-31.6	-0.1	68.1	0.0	-11.1
Investments in property, plant and equipment	-14.7	-7.5	-1.6	-10.0	-10.0	-2.0	0.0	-45.8

2013 (NOK million)	Scana Energy	Scana Propulsion	Scana Offshore	Scana Property	Scana Other Assets	Head Office	Eliminations	Total
External operating revenue	524.7	346.4	189.2	17.5	381.9	0.0	0.0	1 459.7
Internal operating revenue	60.8	0.9	3.0	9.2	58.5	20.5	-152.9	0.0
Total operating revenue	585.5	347.3	192.2	26.7	440.4	20.5	-152.9	1 459.7
Operating expenses	578.9	353.8	218.1	11.2	459.0	55.2	-152.9	1 523.3
EBITDA	6.6	-6.5	-25.9	15.5	-18.6	-34.7	0.0	-63.6
Depreciation/amortisation	28.5	10.1	6.5	1.9	13.3	1.5	0.0	61.8
Write-downs	0.0	24.9	0.0	0.0	64.0	0.0	0.0	88.9
Operating profit/loss (EBIT)	-21.9	-41.5	-32.4	13.6	-95.9	-36.2	0.0	-214.3
EBIT margin	-4 %	-12 %	-17 %	51 %	-22 %			-15 %
Net financial items								-39.6
Profit/loss before tax – continued operations								-253.9
Tax								16.2
Profit/loss for the year – continued operations								-270.1
Balance sheet figures:								
Assets	497.6	209.7	281.1	69.5	471.9	600.8	-592.1	1 538.5
Non-current liabilities	19.3	8.4	22.7	2.6	11.3	-1.6	-2.6	60.1
Current liabilities	304.5	141.9	184.0	121.2	367.8	543.3	-589.6	1 073.1
Other segment information:								
Intangible assets	10.3	19.4	38.1	0.0	0.3	0.0	0.0	68.1
Deferred tax assets	-8.2	0.2	0.0	9.0	9.1	-7.5	-2.6	0.0
Property, plant and equipment	252.7	74.7	55.0	50.1	139.7	3.1	0.0	575.3
Inventories	80.7	45.5	39.8	0.0	99.3	0.0	0.0	265.3
Trade receivables	149.9	47.1	98.9	2.4	120.7	20.2	-35.7	403.5
Cash flows:								
Operating activities	16.4	-30.1	-24.2	0.2	-19.8	-36.0	0.0	-93.5
Investments in property, plant and equipment	-14.7	-13.2	-8.7	-0.8	-12.9	-0.4	0.0	-50.7

GEOGRAPHIC AREA

The group companies are located in the following countries: Norway, Sweden, China, Poland, USA, Brazil and Singapore. USA, Poland, China, Brazil and Singapore are included in the "Other" column.

2014 (NOK million)	Norway	Sweden	Other	Eliminations	Total
External operating revenue	849.5	591.7	32.5	0.0	1 473.7
Internal operating revenue	30.6	13.0	19.0	-62.6	0.0
Total operating revenue	880.1	604.7	51.5	-62.6	1 473.7
Operating expenses	977.5	585.9	62.1	-62.6	1 562.9
EBITDA	-97.4	18.9	-10.7	0.0	-89.2
Depreciation/amortisation	18.2	33.1	1.0	0.0	52.3
Write-downs	15.5	17.6	0.0	0.0	33.1
Operating profit/loss (EBIT)	-131.1	-31.9	-11.6	0.0	-174.6
EBIT margin	-15 %	-5 %	-23 %		-12 %
Net financial items					-10.0
Profit/loss before tax – continued operations					-184.6
Tax					-9.0
Profit/loss for the year – continued operations					-175.6
Balance sheet figures:					
Assets	709.0	698.0	16.7	-344.0	1 079.7
Non-current liabilities	14.8	25.9	0.2	0.1	41.0
Current liabilities	761.8	488.3	25.7	-391.1	884.7
Other segment information:					
Intangible assets	17.4	8.2	0.0	0.1	25.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	130.9	273.4	1.3	0.2	405.8
Inventories	78.2	120.0	4.7	2.0	204.9
Trade receivables	132.7	105.7	5.2	-18.3	225.3
Cash flows:					
Operating activities	7.7	-26.3	4.6	2.9	-11.1
Investments in property, plant and equipment	-15.1	-30.6	-0.1	0.0	-45.8

2013 (NOK million)	Norway	Sweden	Other	Eliminations	Total
External operating revenue	847.3	581.6	30.8	0.0	1 459.7
Internal operating revenue	19.3	13.6	19.0	-51.9	0.0
Total operating revenue	866.6	595.2	49.8	-51.9	1 459.7
Operating expenses	942.6	582.6	50.0	-51.9	1 523.3
EBITDA	-76.0	12.7	-0.3	0.0	-63.6
Depreciation/amortisation	26.3	34.2	1.3	0.0	61.8
Write-downs	67.6	-0.3	21.6	0.0	88.9
Operating profit/loss (EBIT)	-169.9	-21.3	-23.1	0.0	-214.3
EBIT margin	-20 %	-4 %	-46 %		-15 %
Net financial items					-39.6
Profit/loss before tax – continued operations					-253.9
Tax					16.2
Profit/loss for the year – continued operations					-270.1

Balance sheet figures:					
Assets	1 059.2	722.4	89.6	-332.7	1 538.5
Non-current liabilities	27.4	27.2	5.5	0.0	60.1
Current liabilities	827.3	512.3	66.3	-332.8	1 073.1
Other segment information:					
Intangible assets	29.6	10.6	27.9	0.0	68.1
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	188.4	382.7	4.2	0.0	575.3
Inventories	138.0	122.7	4.6	0.0	265.3
Trade receivables	205.7	185.1	34.1	-21.4	403.5
Cash flows:					
Operating activities	-104.3	2.9	7.9	0.0	-93.5
Investments in property, plant and equipment	-27.6	-20.2	-2.9	0.0	-50.7

SALES REVENUE BY COUNTRY
The breakdown of operating revenue is based on the location of the customer.

(NOK million)	2014	2013
Denmark	14.8	10.8
Finland	13.8	8.2
France	11.7	6.5
Germany	179.7	108.1
Italy	33.9	30.8
Poland	23.6	7.4
Spain	12.4	2.4
Sweden	244.2	232.6
Netherlands	24.4	33.9
United Kingdom	216.6	123.6
Other EU countries	19.1	15.1
Total EU	794.2	579.4
Norway	267.3	348.1
Russia	1.9	1.4
Other European countries	11.7	18.1
Total Rest of Europe:	280.9	367.6
Canada	12.3	11.9
Other South America	3.3	4.0
Brazil	72.0	92.9
Other North America	102.8	174.6
Total America	190.4	283.4
China	61.5	36.1
Japan	-0.6	9.0
Singapore	35.4	32.9
South Korea	39.2	115.2
Other Asian countries	27.3	11.8
Total Asia	162.8	205.0
Africa and Oceania	9.4	5.1
Total	1 437.7	1 440.5

Key customers:
The group’s operating revenue from individual customers did not exceed 10% of the group’s operating revenue in 2014 and 2013.

Note 4. Investments in associates and other companies

Scana Korea Hydraulic Ltd.
The group has a 49% shareholding in Scana Korea Ltd, which is involved in the sale and production of hydraulic valve control systems. The company is located in Busan in South Korea. The company is owned by Scana Trading AS and is part of the Other Assets business area.

Stingray Offshore Solutions Inc.
Stingray Offshore Solutions Inc. was owned by Scana Offshore Services Inc. Both these companies were sold to Aquamarine Subsea AS in March 2014 and the shares were transferred to the buyer on 23 May 2014. See note 27 for further details.

Inpower AS
Scana Propulsion AS owns 26.1% (2013: 24.9%) of the shares in Inpower AS, which is based in Kristiansund. Via targeted share issues, Scana Propulsion AS has injected NOK 2.1 million into Inpower AS over the course of 2014 (2013: NOK 5 million). The company develops future-oriented technology for the companies under the Scana Propulsion AS umbrella and is part of the Propulsion business area.

Associates; financial information 2014 (100% level):	Scana Korea Hydraulic Ltd.	Inpower AS
Operating revenue	183 503	14 476
Profit/loss for the year	**5 212**	**-1 713**
Non-current assets	64 823	3 580
Current assets	75 611	10 012
Non-current liabilities	-18 883	-800
Current liabilities	-78 711	-7 791
Equity	**42 840**	**5 001**

Associates; financial information 2013 (100% level):	Scana Korea Hydraulic Ltd.	Stingray Offshore Solutions Inc.	Inpower AS
Operating revenue	111 316	10 172	87
Profit/loss for the year	**5 375**	**4 824**	**-1 713**
Non-current assets	65 598	0	4 200
Current assets	49 557	7 274	19 401
Non-current liabilities	-13 888	0	-1 129
Current liabilities	-67 679	0	-14 533
Equity	**33 588**	**7 274**	**7 939**

Carrying amount of associates:	2014	2013
As at 1 Jan	20 254	13 453
Additions and deposits	2 130	5 000
Dividend	-1 851	-516
Share of profit/loss for the year	-492	-283
Share of profit/loss not included in previous years/agio effects	1 994	1 474
Share of profit reclassified as discontinued operations	262	1 126
Total carrying amount of shares in associates	**22 297**	**20 254**

Note 5. Specification of other revenue and expenses

	2014	2013
Other operating revenue:		
Rental income	8 777	8 570
Total	8 777	8 570
Other operating expenses:		
Operation and maintenance	95 250	101 260
Contract services	208 496	256 755
Rental costs	33 925	33 112
Fees and consultancy services	45 047	42 192
Travel and marketing costs	23 081	30 417
Office and administration costs	18 952	21 779
Insurance costs	4 550	5 194
Bad debts (see notes 13 and 14)	84 625	4 438
Grants and subsidies	-1 305	-744
Energy costs	3 697	3 649
Losses on sale of property, plant and equipment	601	70
Restructuring costs	631	0
Other operating expenses	16 497	9 289
Total	534 047	507 411
Auditor's fees:)*		
Statutory audit, Ernst & Young	2 842	2 786
Equity transaction	161	282
Other non-audit services	2 094	1 085
Tax consulting	112	470
Total	5 209	4 623

*) Figures are exclusive of VAT.

	2014	2013
Other financial income/expenses (-):		
Amortisation costs	-5 219	-3 962
Financing costs	-9 445	-10 237
Gain on sale of shares	193	47
Other	-658	-34
Total	-15 129	-14 186

Note 6. Tax

	2014	2013
The tax expense for the year has been calculated as follows:		
Tax payable	364	2 895
Change in deferred tax	-9 401	13 329
Tax expense for the year	-9 037	16 224
Of which outside Norway	-11 094	-8 609
Effective taxation rate	3 %	-6 %
Reconciliation of taxes against ordinary profit/loss before tax:		
Profit/loss before tax – continued operations	-184 601	-253 919
Profit/loss before tax – discontinued operations	-80 043	-23 854
Profit/loss before tax – total	-264 644	-277 773
27% of profit/loss before tax (2013: 28%)	-71 454	-77 776
Tax expense for the year	-9 037	16 224
Difference; due to	-62 417	-94 000
Permanent differences	-31 881	5 844
Change in unrecognised deferred tax assets	-29 805	-76 007
Effect of foreign activity as a result of different tax levels	-574	-15 746
Tax related to net investment and share issue	-157	-8 091
Total	-62 417	-94 000

	Consolidated balance	
Breakdown of net deferred tax liabilities:	2014	2013
Non-current assets	35 544	61 457
Current assets	-16 793	-1 270
Pension obligations	-237	-822
Liabilities	-4 890	-2 713
Tax loss carryforward	-140 897	-144 194
Unrecognised deferred tax assets	149 811	120 007
Net deferred tax liability	22 538	32 465
Deferred tax assets Norway 27%	137 986	115 727
Of which unrecognised	137 986	115 727
Net deferred tax assets Norway 27%	0	0
Net deferred tax assets Poland 19%	9 010	3 296
Of which unrecognised	9 010	3 296
Net deferred tax assets Poland 19%	0	0
Deferred tax assets China 25%	2 209	770
Of which unrecognised	2 209	770
Net deferred tax assets China 25%	0	0
Net deferred tax assets Singapore 17%	606	214
Of which unrecognised	606	214
Net deferred tax assets Singapore 17%	0	0
Net deferred tax assets	0	0
Net deferred tax Sweden 22%	22 538	27 181
Net deferred tax USA 35%	0	5 284
Net deferred tax	22 538	32 465
Net deferred tax liability	22 538	32 465

Reconciliation of net deferred tax	2014	2013
Opening balance, net deferred tax	32 465	24 164
Change in tax against profit and loss	-9 401	13 329
Agio	-170	4 550
Deferred tax – discontinued operations	-1 170	-1 999
Tax recognised in other comprehensive income	814	-7 579
Closing balance, net deferred tax	22 538	32 465

Tax recognised in other comprehensive income:	2014	2013
Hedge accounting of net investment – included in Net gain/loss on hedge of net investment	-157	-5 973
Electricity derivatives – included in Net movement in fair value of cash flow hedges	971	512
Share issue costs	0	-2 118
Total tax recognised in other comprehensive income	814	-7 579

Unrecognised deferred tax assets amounts to NOK 149.8 million and are related to the business areas Scana Propulsion (NOK 12.9 million), Scana Offshore (NOK 46 million), Scana Other Assets (NOK 42.9 million) and Scana Head Office (NOK 48.1 million). Deferred tax assets are primarily related to temporary tax-reducing differences and loss carryforwards in Norway.

As at 31 December 2014, tax loss carryforwards in Norway amounts to NOK 457.8 million, of which NOK 96.7 million relates to Scana Steel Stavanger AS (2013: NOK 454.7 million).

Future cash flows plan for the group's business areas exiting the downturn that 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.

Note 7. Earnings per share

Ordinary earnings per share are calculated as the ratio between the profit/loss for the year that falls to the shareholders and the weighted average of outstanding shares.

Earnings per diluted share is the profit/loss that falls to the shareholders and the number of weighted average outstanding shares is adjusted for all dilution effects related to share options. The "denominator" includes all share options that are "in-the-money" and can be exercised over the options' validity period in the current year.

	2014	2013
Profit/loss for the year (attributable to owners of the parent company)	-265 361	-275 573
Weighted average no. of shares*)	75 107 793	59 279 438
Dilution effect:		
Options/subscription rights	0	0
Weighted average no. of shares adjusted for dilution effect	75 107 793	59 279 438
Earnings per share – continued operations	-2,34	-4,56
Earnings per diluted share – continued operations	-2,34	-4,56
Earnings per share – discontinued operations	-1,20	-0,09
Earnings per diluted share – discontinued operations	-1,20	-0,09
Earnings per share	-3,53	-4,65
Earnings per diluted share	-3,53	-4,65

*) The weighted average number of shares takes into account the effect of the company's weighted holding of own shares.

Note 8. Intangible assets

Intangible assets 31/12/2014	Patents and licences	Goodwill	Develop-ment costs	Customer relations/ Orders in hand	Total
Acquisition cost					
Accumulated 1 Jan	7 341	72 134	82 723	32 416	194 614
Additions during the year	0	0	3 407	0	3 407
Translation differences	4	632	385	279	1 300
Disposals, discontinued operations	-27	-28 811	-743	-6 048	-35 629
Disposals, continuing operations	-14	0	0	0	-14
Accumulated 31 Dec	7 304	43 955	85 772	26 647	163 678
Amortisation and write-downs					
Accumulated 1 Jan	5 253	40 504	50 266	30 477	126 500
Amortisation for the year – continuing operations	431	0	8 982	0	9 413
Write-downs for the year – continuing operations	175	0	4 282	0	4 457
Amortisation and write-downs for the year – discontinued operations	0	0	346	310	656
Translation differences	5	810	379	315	1 510
Disposals, discontinued operations	-1	0	-102	-4 455	-4 558
Disposals, continuing operations	-14	0	0	0	-14
Accumulated 31 Dec	5 849	41 314	64 154	26 647	137 964
Carrying amount at 31 Dec	1 455	2 641	21 618	0	25 714
Amortisation period in no. of years	10 - 50	No amortisation	5	5	

The straight-line method of amortisation has been used.

Intangible assets 31/12/2013	Patents and licences	Goodwill	Develop-ment costs	Customer relations/ Orders in hand	Total
Acquisition cost					
Accumulated 1 Jan	17 631	109 184	72 231	31 107	230 153
Additions during the year	1 449	0	10 901	0	12 350
Translation differences	1 308	4 611	2 026	1 309	9 254
Disposals, discontinued operations	-13 047	1 770	0	0	-11 277
Disposals, continuing operations	0	-43 431	-2 435	0	-45 866
Accumulated 31 Dec	7 341	72 134	82 723	32 416	194 614
Amortisation and write-downs					
Accumulated 1 Jan	8 316	60 668	31 226	28 942	129 152
Amortisation for the year – continuing operations	954	0	10 146	0	11 100
Write-downs for the year – continuing operations	0	18 784	9 227	0	28 011
Amortisation and write-downs for the year – discontinued operations	150	0	1 447	744	2 341
Translation differences	517	276	654	791	2 238
Disposals, discontinued operations	-4 684	3 761	0	0	-923
Disposals, continuing operations	0	-42 985	-2 434	0	-45 419
Accumulated 31 Dec	5 253	40 504	50 266	30 477	126 500
Carrying amount at 31 Dec	2 088	31 630	32 457	1 939	68 114
Amortisation period in no. of years	10 - 50	No amortisation	5	5	

The straight-line method of amortisation has been used.

Recognised development costs relating primarily to the technology to mooring and buoy at Scana Offshore Vestby AS total NOK 3.1 million. Scana Steel Björneborg AB has recognised development costs of NOK 6.1 million in the balance sheet relating to the development of steel qualities. Scana Volda AS has recognised development costs corresponding to NOK 11.9 million relating to product technology.

In addition, Scana Steel Booforge AS has recognised development costs of NOK 0.5 million relating to fork equipment. Development costs are amortised over the anticipated useful life of the product. Development costs at have been written down by NOK 4.3 million at Scana Volda AS and by NOK 0.2 million at Scana Machining AB.

Goodwill by cash-generating unit:	2014	2013
Scana Steel Björneborg AB	1 565	1 565
Scana Mar-El AS	1 076	1 076
Scana Offshore Technology AS	0	3 053
Scana Offshore Services Inc.	0	25 935
TOTAL	2 641	31 630
Goodwill by business area:		
Energy	1 565	1 565
Propulsion	1 076	1 076
Offshore	0	28 988
TOTAL	2 641	31 630

Note 9. Property, plant and equipment

Property, plant and equipment 31/12/2014	Machinery, equipment, etc.	Buildings and property	Land	Total
Acquisition cost				
Accumulated 1 Jan	1 135 963	339 081	46 420	1 521 464
Additions during the year	24 632	12 769	5 047	42 448
Translation differences	10 694	3 179	296	14 169
Disposals, discontinued operations	-226 869	-109 178	-10 474	-346 521
Disposals, continuing operations	-2 028	-70 712	-1 114	-73 854
Accumulated 31 Dec	942 392	175 139	40 175	1 157 706
Depreciation				
Accumulated 1 Jan	755 976	183 749	6 468	946 193
Depreciation for the year – continuing operations	34 310	6 944	1 638	42 892
Write-downs for the year – continuing operations	28 653	0	0	28 653
Depreciation and write-downs for the year – discontinued operations	56 881	29 929	5 957	92 767
Translation differences	7 301	2 040	195	9 536
Disposals, discontinued operations	-192 776	-108 454	-5 987	-307 216
Disposals, continuing operations	-452	-60 384	-51	-60 888
Accumulated 31 Dec	689 893	53 824	8 220	751 937
Carrying amount at 31 Dec	**252 499**	**121 315**	**31 955**	**405 769**
Depreciation period in no. of years	5 - 40	40 - 50		

The straight-line method of depreciation has been used.

Property, plant and equipment 31/12/2013	Machinery, equipment, etc.	Buildings and property	Land	Total
Acquisition cost				
Accumulated 1 Jan	1 212 244	345 071	43 751	1 601 066
Additions during the year	31 314	6 123	756	38 193
Translation differences	80 064	22 550	2 363	104 977
Disposals, discontinued operations	-177 955	-33 803	-6	-211 764
Disposals, continuing operations	-9 704	-860	-444	-11 008
Accumulated 31 Dec	1 135 963	339 081	46 420	1 521 464
Depreciation				
Accumulated 1 Jan	685 682	153 241	4 243	843 166
Depreciation for the year – continuing operations	41 987	7 059	1 691	50 737
Write-downs for the year – continuing operations	60 896	0	0	60 896
Depreciation and write-downs for the year – discontinued operations	14 567	22 328	0	36 895
Translation differences	42 239	10 728	538	53 505
Disposals, discontinued operations	-79 898	-9 557	0	-89 455
Disposals, continuing operations	-9 497	-50	-4	-9 551
Accumulated 31 Dec	755 976	183 749	6 468	946 193
Carrying amount at 31 Dec	379 987	155 332	39 952	575 271
Depreciation period in no. of years	5 - 40	40 - 50		

The straight-line method of depreciation has been used.

Depreciation period for machinery, equipment, etc.:
5–10 years for office equipment, tools, vehicles and forklift trucks
15–20 years for laboratory and test equipment, as well as small production equipment
20–40 years for larger production machinery, electrical installations and transformers
The assets group for land includes investments in disposal sites and a dam used for cooling at the production facility of Scana Steel Björneborg AB. The investments are depreciated over a period of five years.

The group has sold properties of NOK 38 million with a gain of NOK 27 million.

Impairment tests and valuations have been carried out for property, plant and equipment related to continuing operations. Write-downs have been implemented for property, plant and equipment totalling NOK 28.7 million. At Scana Machining AB, property, plant and equipment was written down by NOK 17.5 million to zero in 2014. The company has reported poor results for several years and the future forecasts have been adjusted downwards. Scana Volda AS has written down the value of one machine not used in production by NOK 1.6 million.

At Scana Steel Stavanger AS, property, plant and equipment was written down by NOK 9.6 million to zero. The company has reported poor results for several years. See notes 28 and 30 for further details on the winding-up of the company.

Property, plant and equipment was written down as at 31 December 2014 in conjunction with the sale of Scana Steel Söderfors AB. For further details, see note 27 Sale of business.

Property, plant and equipment is pledged to the group's main bankers, whereby there are restrictions on disposal. This does not apply to the subsidiary Scana Zamech sp. z o.o. and two smaller companies in Asia. The carrying amount of pledged assets is NOK 404.4 million as at 31 December 2014 (31 December 2013: NOK 571.1 million).

Financial leasing of machinery is included in property, plant and equipment in the amount of NOK 10.5 million as at 31 December 2014 (2013: NOK 16.8 million).

Impairment testing – method description
The group tests property, plant and equipment for each cash-generating unit (CGU) for impairment once a year or more frequently where there are any indications of a loss in value. Scana evaluates various impairment indicators in connection with impairment assessments, including the relationship between the market value on the Oslo Stock Exchange and the carrying amount. As at 31 December 2014, the market value of the company is lower than the carrying amount of equity, which indicates a possible need for the impairment of intangible assets including goodwill, property, plant and equipment and other assets in the various CGUs. Several of the segments and the cash-generating units have also experienced a downturn on the market over a longer period.

The impairment tests estimate the utility value based on discounting of expected future cash flows. The cash flows are based on the budget and business plans determined by the management for the period 2015–2019. The estimates are based on a budgeting approach for the various cash-generating units. For the subsequent period, the model assumes a terminal growth rate of 2–2.5%, which reflects the long-term inflation expectations. Revenues are based on contracts entered into, the management assessment and external information about the potential for new agreements. The estimated operating margin for the period is increased on the basis of positive market growth forecasts. The group recognises impairment loss in the income statement where the estimated recoverable amount is lower than the recognised assets for the cash-generating unit.

Recoverable amount

Property, plant and equipment is written down to the recoverable amount where the recoverable amount is lower than the recognised value of the asset. The utility value is the present value of future cash flows which are expected to arise from an asset or cash-generating unit. The group uses impairment testing if there are indications of a loss in value. The impairment tests are performed for the cash-generating units with an indication of a possible loss in value for recognised assets in property, plant and equipment.

Scana Machining AB

Impairment testing for Scana Machining AB has been prepared on the basis of the method and principles described in the section above. The company has reported a loss in recent years and impairment indicators have therefore been identified for reported property, plant and equipment. The calculations are based on an average operating margin of 0.4% for the next five years. Despite the low average margin, this requires a significant improvement in results compared with recent years when the operating margin was negative. The discount rate is calculated to 9.4% before tax. The average growth rate is set to 10% for the period 2015–2019, with growth anticipated to be highest in the first couple of years. The growth rate is set to 2% in the final stage.

The estimated cash flows that form the basis of the impairment test assume significantly improved profitability over the coming year. The cash flows used as a basis are based on the best estimate of the management and the Board of Directors. Due to the uncertainty associated with time and the result of changes to the company and sensitivity in the key assumptions, property, plant and equipment at Scana Machining AB has been written down in full as at 31 December 2014. Write-downs for the year amounts to NOK 17.5 million.

Scana Steel Björneborg AB

In light of the declining results over several periods, the company has identified impairment indicators for reported property, plant and equipment. Impairment testing for Scana Steel Björneborg AB has been prepared on the basis of the method and principles described in the section above. The calculations are based on an average operating margin of 5.2%. The discount rate is calculated to 8.8% before tax. The average growth rate is set to 6% for the period 2015–2019, with growth anticipated to be highest in the first couple of years. The growth rate is set to 2% in the final stage, which reflects the long-term inflation expectations in Sweden.

The estimated cash flows that form the basis of the impairment test assume a positive trend in profitability over the coming year. The cash flows used as a basis are based on the best estimate of the management and the Board of Directors. Scana is of the opinion that the impairment assessment is realistic and the objectives achievable and that property, plant and equipment is therefore justified.

Scana Volda AS

Impairment testing for Scana Volda AS has been prepared on the basis of the method and principles described in the section above. Impairment indicators for reported property, plant and equipment have been identified following the company's poor results in the last two years. The calculations are based on an average operating margin of 3.8% for the first years. The discount rate is calculated to 10.0% before tax. The average growth rate is set to 5.5% for the period 2015–2019, with growth anticipated to be highest in the first couple of years. The growth rate is set to 2.5% in the final stage, which reflects the long-term inflation expectations in Norway.

The estimated cash flows that form the basis of the impairment test assume a positive trend in profitability over the coming year. Future cash flows reflect the best estimate of the management and the Board of Directors. Scana is of the opinion that the impairment assessment is realistic and the objectives achievable and that property, plant and equipment is therefore justified.

	Scana Steel Björneborg AB	Scana Machining AB	Scana Volda AS
Operating margin	5.2 %	0.4 %	3.8 %
Discount rate (nominal before tax)	8.8 %	9.4 %	10.0 %
Rate of growth 2015–2019	6.0 %	9.6 %	5.5 %
Annual rate of growth after 2019 (nominal)	2.0 %	2.0 %	2.5 %
Recoverable amount* (stated in the company's functional currency)	366 921	16 418	134 226
Working capital as at 31/12/2014 (stated in the company's functional currency)	75 364	16 418	53 481

* Recoverable amount includes working capital

Sensitivity analysis

Sensitivity analyses in relation to impairment testing test for reasonable changes in the key assumptions. The table below shows how much the key assumptions can be reduced without resulting in impairment. For example, a reduction in the operating margin (with other assumptions remaining unchanged) at Scana Steel Björneborg AB by more than 0.6 percentage points to a figure lower than 4.6 per cent will result in impairment. Changes in the key assumptions which are larger than shown in the table will result in impairment. The calculations are based on the same assumptions as in the table above. The table shows the variable's reduction measured as a percentage.

	Scana Steel Björneborg AB	Scana Machining AB	Scana Volda AS
Operating margin	-0.6 %	0.0 %	-1.1 %
Discount rate (nominal before tax)	1.0 %	0.0 %	4.0 %
Rate of growth 2015–2019	-1.3 %	0.0 %	2.2 %
Headroom (stated in the company's functional currency)	47 425	0	43 374

Note 10. Payroll costs

Payroll costs:	2014	2013
Payroll costs	402 946	427 830
Social security tax	99 081	104 012
Pension costs	28 181	29 461
Insurance*	595	3 503
Share option programme	0	145
Other payroll and staff costs	7 617	11 915
Total payroll costs**	538 420	576 866

* Insurance is reduced of NOK 2.2 million due to new regulations in Sweden.
** Of total payroll costs in 2013, NOK 4.6 million constitutes restructuring costs

Average no. of FTEs		
Norway	455	511
Sweden	384	396
China	7	8
Poland	22	26
Other	13	14
Total average no. of FTEs	882	956

REMUNERATION TO KEY PERSONNEL (GROUP MANAGEMENT):

Name	Position	Salary	Bonus	Other benefits in kind	Pension premium deposits/ Pension	Fees	Total
2014							
Bjørn Torkildsen	Chairman of the Board					831	831
Jan Henry Melhus	Acting CEO	2 631		178	65		2 874
Kjetil Flesjå	Konserndirektør	1 554		174	65		1 793
Total remuneration to key personnel		4 185	0	352	130	831	5 498
2013							
Bjørn Torkildsen	Chairman of the Board					792	792
Jan Henry Melhus	Acting CEO	2 102		178	62		2 342
Kjetil Flesjå	Group Director	1 392		164	62		1 618
Frode Alhaug	Former Chairman of the Board					149	149
Rolf Roverud	Former CEO	3 515		184	62		3 761
Total remuneration to key personnel		7 009	0	526	186	941	8 662

Bjørn Thorkildsen has carried out work on behalf of the Board through his own company in addition to his position as Chairman of the Board.

The pension scheme for senior employees is a defined-contribution plan. Salaries include pension disbursements to Jan Henry Melhus.

The notice period for key personnel is 3–6 months. Severance pay agreements have been entered into with group management, which provide for a salary to be paid for 6–12 months after the notice period. Any salaries that are received from other work during the period in which severance payments are made will be deducted from the severance pay. Rolf Roverud received a salary during his notice period up until 30 April 2014. From 1 May 2014 onwards, he has received severance pay under the severance pay agreement. The severance pay agreement applies until 30 April 2015, less salary income received from any new employer.

A bonus scheme is in operation for the managing directors of the group's subsidiaries and the group management. This is linked to profit and capital. A profit-sharing model was introduced in 2005 for all employees of operational units in Norway and Sweden. NOK 0.1 million was paid in bonuses over the course of 2014 relating to continuing operations.

Board fees:
Fees totalling NOK 1,543 thousand were paid to the Board of Scana Industrier ASA in 2014. Board fees are paid annually in arrears. They are listed below.

Bjørn Torkildsen	Chairman of the Board	300
Martha Kold Bakkevig	Board Member	200
John Arild Ertvaag	Board Member	200
Knut Øgreid	former Board Member	200
Per Ravnestad	Board Member	200
Anna Aabø	former Board Member	200
Elisabeth Saupstad	Board Member	200

Knut Øgreid and Anna Aabø were no longer board members on the balance sheet date.

A total of NOK 43 thousand was also paid to the election committee.

STATEMENT ON THE DETERMINATION OF SALARIES AND OTHER REMUNERATION FOR THE CEO AND OTHER SENIOR EMPLOYEES

Introduction
In accordance with Section 6-16a of the Norwegian Public Limited Companies Act, the Board is obliged to draw up a statement on the determination of salaries and other remuneration for the CEO and other senior employees.

The statement must contain guidelines for the determination of salaries and other remuneration, and include the main principles of the company's wage policy in relation to management.

Section 6-16a of the aforementioned Act also imposes a duty on the Board to provide a statement on the wage policy for management followed in the preceding financial year.

Employees covered by the guidelines
Scana Industrier ASA defines senior employees as the group chief executive and members of the group management team, as well as the managing directors of the group's subsidiaries. The guidelines may also be applied to other key personnel in the group.

Main principles of the company's wage policy for management
The main principle behind the company's wage policy for management is that the basic salary should promote added value in the company and contribute to the mutual interests of the owners and senior employees. The basic salary should not be of such a nature or of such a scope that the company's reputation will be harmed.

As a leading player in its field, Scana Industrier ASA is dependent on offering salaries that can attract the most competent managers. The policy of the Board is that in order to secure the best possible leadership, salaries must be offered at levels that the individual is satisfied with, and which are competitive in an international market.

The basic salary for senior employees consists of a fixed and a variable component, which are both determined on a case-by-case basis.

Guidelines for salaries and other remuneration

4.1 Fixed salary
It is company policy that the salaries of management are principally paid as a fixed monthly salary that reflects the level of the individual's position and experience, including ordinary benefits in kind.

The fixed salary is determined according to the following:
– Experience and expertise
– The size of the company
– Competitive situation

4.2 Variable salary
The variable salary is paid on the basis of results achieved and individual assessment associated with:
– Operating margin
– Order inflow
– Working capital
– Leadership

Other target figures may apply based on the primary duties of the individual company. The total value of the variable salary should not normally exceed the value of the fixed salary. Bonus schemes for the management team will be partly linked to the company's profits and partly to an assessment of leadership ability.

4.3 Determination of salaries
The CEO's remuneration is determined by the Board of Directors. Salary adjustments for other senior employees are determined by the CEO with subsequent reporting to the Board.

The determination of salaries for senior employees must follow the same principles that apply to other employees with regard to annual ceilings for salary adjustments, adjustment dates and a total salary package consisting of a fixed and variable salary.

4.4 Other remuneration for senior employees
In addition to the basic salary, other remuneration may be paid to senior employees, including allocated shares and other payments associated with shares or the share price trend of the company or other companies in the group.

The company's share option programme has expired, and no employees exercised their right to buy the options in 2014. The Board has decided that the option programme will not be replaced with a new share option programme. Incentives will be provided to the company's senior employees through other schemes in accordance with the guidelines for remuneration.

4.5 Pensions and severance pay
Pension plans should in principle be the same for managers as those generally determined for employees of the company.
Early retirement plans can be entered into with senior employees, with a mutual entitlement to demand retirement that triggers an early retirement pension on the employee's 65th birthday.

Severance pay arrangements that are established upon departure from the company will be viewed in conjunction with the mutual option to terminate the employment relationship and other restrictive clauses in the individual's contract of employment.
Severance pay arrangements will in principle be subject to deductions for income earned elsewhere.

Effect on the company and shareholders
The wage policy for management in the financial year 2014 has been implemented in line with the above guidelines. The Board of Directors believes that the effect of the guidelines is positive for the company and shareholders.

Options
Share option programme decided in 2010:
The General Meeting of Scana Industrier ASA decided on 28 April 2010 to allocate options to group management and the managing directors. The first tranche of the options was allocated on the same day at a price of NOK 9.50, which was the share price on the date of allocation. 635,000 share options were allocated in 2010. The second tranche of the share option programme was allocated to group management and the managing directors at the General Meeting held on 4 May 2011. Most of the options were allocated on the same day at a price of NOK 7.30, which was the share price on the date of allocation. 580,000 options were allocated. At the Extraordinary General Meeting held on 9 January 2012, options were allocated to senior employees and key personnel under the company's share option programme in 2010 and 2011, repriced such that the exercise price/subscription price was set at the closing price on the Oslo Stock Exchange that day of NOK 2.25. The third tranche of the share option programme was allocated to group management and the managing directors at the General Meeting held on 9 May 2012. 590,000 options were allocated on the same day at a price of NOK 1.87, which was the share price on the date of allocation.

The share option programme has a neutral impact in terms of dilution. Based on the share issues that took place in 2013, the share option programme has been converted with regard to the number of options and allocation price in accordance with the guidelines issued by the Oslo Stock Exchange. The final exercise date is following the presentation of Q4 2014.

Costs associated with the qualifying period were charged to the financial statements in 2013.

When the provisional Q4 2014 results were presented, the options were “out of money”. No-one has exercised their right to buy the options.

Note 11. Pensions and other long-term employee benefits

In accordance with Section 7-30a of the Norwegian Accounting Act, the companies in Norway are obliged to have a company pension plan in line with the Norwegian Act on Compulsory Occupational Pensions, and the companies have a pension plan that meets these requirements.

Defined-benefit plan in Norway

The group's Norwegian companies are covered by a contractual pension scheme. This scheme covers 383 individuals as at 31 December 2014. As at 31 December 2013, 579 employees were covered by the scheme. The obligation is calculated using a linear accrual method.

As at 31 December 2014, the unhedged schemes amounted to NOK 0.1 million (2013: NOK 2.5 million).

	2014	2013
Recognised pension obligation 31 Dec	950	2 460

Of the recognised pension obligation, NOK 0.4 million (2013: NOK 1.8 million) relates to the obligation to pensioners under the contractual scheme and the shortfall in cover in relation to the old contractual pension scheme.

Financial and actuarial assumptions in Norway:	2014	2013
Discount rate	3.0 %	4.1 %
Return on pension assets	3.8 %	4.1 %
Salary increases	3.3 %	3.8 %
Pension adjustments	2.3 %	2.8 %
Inflation rate	1.8 %	1.8 %
Voluntary retirement	4.0 %	4.0 %
Withdrawal disposition	40 %	40 %
Mortality table	K2013	K2013

Defined-contribution plan in Norway

Companies in Norway have defined-contribution plans. The defined-contribution plans cover all employees over the age of 20 working more than 20% of a full-time position. The contributions represent 4–5% of the annual salary between 1G and 6G and 8% between 6G and 12G. The pension assets are invested in funds, administered by an insurance company and managed by the employee. As at 31 December 2014, the plans had 405 members (2013: 587 members).

Pension schemes in Sweden

There are two pension schemes in Sweden, an ordinary defined-contribution plan and an defined-benefit multi-employer plan that is recognised as a defined-contribution plan.

The defined-benefit plans are organised as multi-employer plans and are insured with Alecta. The necessary information for recognising the plans as defined-benefit plans is not available. This is why the group has recognised the scheme as a defined-contribution plan. The reason why there is insufficient information to recognise the scheme as a defined-benefit plan is that Alecta does not have any information about the distribution of pension rights between the various employers and is thus unable to accurately and reliably distribute assets and obligations for the relevant employers. Nor does Alecta have any rules in place for how to treat any surplus or deficit that may arise.This is why the group has recognised the scheme as a defined-contribution plan.

Alecta estimates the group's expected contribution to the Alecta defined-benefit plan in 2015 to be NOK 7.5 million (estimate for 2014 was NOK 8.0 million). The defined-benefit multi-employer plan covers 108 of 526 employees (2013: 114 of 538 employees).

The collective financing ratio measures the distribution of assets in relation to the insurance commitment. The insurance commitment consists of guaranteed commitments and distributed bonuses for insured parties and policyholders, calculated on the basis of Alecta's underwriting methods and assumptions, which are not the same as the methods and assumptions used to value defined-benefit pensions in accordance with IAS 19.

According to Alecta's financing policy for defined-benefit pensions, the level of the collective financing ratio can vary between 125 and 155 per cent. If the level deviates from the normal level, action must be taken to bring the financing ratio back to its normal level. When there is a low financing ratio, one measure might be to increase the agreed price for new subscriptions and extend the existing benefits. When there is a high financing ratio, one measure might be to introduce premium reductions. Alecta's financing ratio at the end of 2014 was 143% (2013: 148%).

The summary below shows Scana's participation share per:	31.12.14	31.12.13
The group's share of total savings premium for ITP 2 in Alecta*	0.02009 %	0.01878%
The group's share of total number of active insured parties in ITP 2**	0.02121 %	0.02143%

* Refers to average for the whole year
** Refers to average for most recent month

To the extent essential information is available and the schemes are reported as defined-benefit plans in accordance with IAS 19, this could have an effect on the consolidated financial statements.

Pension schemes in China
The pension schemes for the group's Chinese employees are defined-contribution plans in accordance with the company's statutory obligation to make payments to the Chinese authorities. As at 31 December 2014, the plans had four members.

Pension schemes in Poland
The pension schemes for the group's Polish employees are defined-benefit plans in accordance with the company's statutory obligation to pay a pension. The employees are insured over the course of the four years leading up to retirement age. As at 31 December 2014, the plans had 21 members. As at 31 December 2014, a pension obligation of NOK 0.2 million was recognised in relation to the pension plans in Poland.

	2014	2013
Pension costs related to defined-benefit plans and the old contractual pension scheme in Norway:	-46	129
Pension costs related to defined-contribution plans in Norway:	12 824	12 481
Pension costs related to defined-contribution plans in China:	184	203
Pension costs related to defined-benefit plans in Poland:	0	-109
Pension costs related to defined-contribution and multi-employer plans in Sweden:	15 218	16 757
Total pension costs	28 181	29 461

Note 12. Inventories

	2014	2013
Raw materials	88 195	132 507
Semi-finished goods and work in progress	101 004	96 121
Finished goods	15 744	36 680
Total	204 943	265 308
Provision for obsolescence at 31 Dec	58 570	114 523
Change in provision for obsolescence for the year	-55 953	13 013

Change in provision for obsolescence relates to realisation. An ongoing evaluation is made of specific obsolescence.
Inventories are provided as security for interest-bearing loans.
Write-downs of the inventories have been performed at Scana Steel Stavanger AS. See details in note 28.

	2014	2013
Total pledged inventories	198 160	260 679

Changes in inventories of work in progress and finished goods in the balance sheet are different to changes in inventories shown in the income statement. This is because of currency translation.

Note 13. Trade receivables

	2014	2013
Nominal value of trade receivables	186 388	278 778
Earned, non-invoiced revenues	51 304	126 302
Trade receivables, associates	2 672	6 516
Provisions for bad debts	-15 024	-8 071
Total	225 340	403 525

Bad debt written off for the year	3 246	7 379
Bad debt recognised, including change in provisions	11 247	4 438

Age of receivables:	2014	2013
Non-overdue receivables	150 523	198 980
0–30 days	27 350	49 080
31–60 days	3 169	15 463
61–90 days	1 946	11 597
over 90 days	6 072	10 174
Trade receivables	189 060	285 294

Provisions for potential bad debts are based on individual assessments of every single item. There has been made a provision for losses of the receivables in conjunction with the petition to wind up Scana Steel Stavanger AS, see note 28.

Construction contracts:
The table below shows accrued revenues and costs relating to construction contracts that are included in the income statement for the accounting period.

	2014	2013
Revenues linked to construction contracts in the financial year	640 624	784 213
Costs linked to construction contracts in the financial year	496 729	629 049
Gross margin in NOK	143 895	155 164
Gross margin as a percentage	22	20

The table below shows accrued revenues and costs relating to construction contracts that are not completed and delivered on the balance sheet date. A number of the contracts have a construction period of more than one year.

	2014	2013
Revenues linked to construction contracts in progress	817 379	774 502
Costs linked to construction contracts in progress	675 467	620 211
Gross margin in NOK	141 912	154 292
Gross margin as a percentage	17	20

	2014	2013
Invoiced revenues for construction contracts in progress (milestones)	460 196	457 718
Advances from customers	54 327	125 136

Note 14. Other assets/receivables

Other current receivables:	2014	2013
Receivables from the sale of property and companies	5 113	81 034
Prepaid costs	9 487	13 290
Advances to suppliers	1 696	1 850
Tax paid on account	3 677	2 740
SkatteFUNN funding	2 753	897
Other taxation	3 591	256
Value-added tax	14 001	10 310
Other current receivables	9 070	8 813
Total	45 797	118 934

Other non-current assets:	2014	2013
Receivables from the sale of property and companies	3 600	21 728
Other non-current assets	379	609
Total	3 979	22 337

As at 31 December 2014, the group has outstanding receivables from Leshan Scana Machinery Co. Ltd totalling NOK 73.4 million in trade credit issued on the sale of the company in July 2013. NOK 52.8 million of this is now overdue for payment. The remaining amount falls due for payment during 2015. Due to the failure to make payment on the receivables, there is uncertainty related to settlement of this debt and receivables is written down to zero in the fourth quarter of 2014. Irrespective of the accounting treatment, the group is in the middle of a legal process to collect the debt from Leshan Scana Machinery Ltd. The write-down is included in the other operating expenses.

Other non-current assets mature in 2016 and are related to the settlement of property.

Note 15. Bank deposits

Bank deposits:	2014	2013
Ordinary bank deposits	31 906	63 495
Ring-fenced funds	43 972	0
Total	75 879	63 495

The group has bank deposits of NOK 75.9 million as at 31 December 2014. Of this sum, NOK 44 million is ring-fenced. Of these ring-fenced funds, NOK 34 million relates to the sale of properties and companies and can be used to pay instalments. The remaining portion of the ring-fenced funds, NOK 10 million, relates to an escrow account associated with the sale of parts of the offshore operations in the second quarter of 2014; these funds are expected to be released at the end of 2015 as specified in the sales agreement.

The group has drawn on NOK 102 million of the NOK 130 million overdraft facility as at 31 December 2014. The total liquidity reserve that can be used freely by the group was NOK 59.9 million as at 31 December 2014. The group's total liquidity reserve is considered to be limited. See also details associated with operation as a going concern in note 29.

The cash and cash equivalents in China, Singapore, Brazil and Poland totalling NOK 3.9 million are not part of the group's cash pool. A guarantee for tax owed has been issued; this was for the amount of NOK 16.1 million as at 31 December 2014, of which NOK 5.0 million relates to Scana Steel Stavanger AS.

Note 16. Share capital and premiums

	No. of shares	Share capital	Share premium
No. of outstanding ordinary shares as at 31/12/2013	75 118 301	75 118	418 267
No. of outstanding ordinary shares as at 31/12/2014	75 118 301	75 118	418 267

The nominal value of the shares is NOK 1.00. There is one class of shares, with all shares carrying equal voting rights.
See note 26 for details of own shares.

Note 17. Interest-bearing debt

2014:	Nominal interest	Short-term	Long-term	Maturity
Financial leasing obligations	4.38 % - 5.25 %	3 598	4 923	
Bank overdraft	NIBOR + 3.75 %	101 994	0	
Factoring	STIBOR + 2.12 %	47 185	0	
Syndicate loan in SEK	STIBOR + 3.75%	279 007	0	22.06.2015
Unpaid interest		2 095	0	
Total		433 879	4 923	

2013:	Nominal interest	Short-term	Long-term	Maturity
Financial leasing obligations	3.53 % - 15.6 %	5 297	12 651	
Bank overdraft	NIBOR + 3.75 % / 7.94%*	52 195	0	
Factoring	STIBOR + 2.12 %	40 539	0	
Syndicate loan in SEK	STIBOR + 3.75%	324 651	0	22.06.2015
Bank loan, Handelsbanken	7.91 %	945	4 000	01.10.2020
Syndicate loan in USD	USDLIBOR + 3.75%	51 777	0	30.06.2013
Super Senior credit facility	8 %	37 767	0	
Unpaid interest		3 876	0	
Total		517 047	16 651	

Syndicate loan in SEK
In 2012, the group took out a new three-year syndicate loan (dated 22 March 2012) 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 original syndicate loan of SEK 348 million had a half-yearly instalment profile with SEK 27.5 million per instalment. The first instalment under the original agreement was due in January 2013 and the maturity was 22 March 2015.

Under the original payment schedule, instalments of SEK 27.5 million were to be paid on 31 January 2014, 31 July 2014 and 31 January 2015. A waiver was granted postponing the repayment dates of both the instalments in 2014, but the instalments, which amounted to NOK 50.2 million in total, were paid in 2014. 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.

The interest rate charged on the loan is STIBOR + a margin of 3.75%. Interest on the loan is paid quarterly.

The original loan agreement has financial loan terms covering the leverage ratio (total net debt in relation to adjusted 12-month rolling EBITDA), equity ratio (30%), liquidity (minimum liquidity reserve of NOK 70 million) and the acquisition level for non-current assets. The financial loan terms are calculated on the basis of consolidated figures. Cross-breach clauses apply. There is also a requirement that parts of the proceeds from any sales of assets or companies in the group be used to pay down debt (placed in a ring-fenced account if appropriate). The proceeds from sales carried out in 2014 were used in part for the payment of instalments, and portions of the proceeds were also deposited in a ring-fenced account as at 31 December 2014; see note 15.

The group was in breach of the loan terms relating to leverage ratio and minimum liquidity reserve in each quarter of 2014. The group was in breach of the equity requirement in Q1, Q2 and at the end of 2014. Interest-bearing debt was classified as a current liability on the balance sheet in all quarterly reports in 2014 due to the loan being due for repayment in March 2015 and the breach of loan terms. As at 31 December 2014, the group also has an approved waiver for the loan terms relating to leverage ratio, equity ratio (the current requirement is 30%) and minimum liquidity reserve (NOK 70 million).

The equity ratio as at 31 December 2014 was 14.3%, and the liquidity reserve was NOK 59.9 million; see note 22. The adjusted equity ratio was 12.2% and was calculated in accordance with the definition in the loan agreement. The adjusted equity ratio is used to measure the loan terms.
The syndicate facilities are secured with a first priority pledge in the group's assets; see note 25.

The group has negotiated an agreement on loan refinancing and injection of new equity with the bank syndicate. Please see note 29 "Going concern" and note 30 "Events after the balance sheet date" for further details.

Bank loan, Handelsbanken
Scana Offshore Vestby AS reduced its loan from Handelsbanken in 2014.

Syndicate loan in USD
A syndicate loan for USD 8,666,667 was arranged on 15 June 2012 to replace previous loans from DnB and Handelsbanken for the financing of Scana's former subsidiary, Leshan Scana Machinery Co. Ltd, in China. The loan was repaid in full in January 2014.

Super Senior facility
On 14 October 2013, the group established a short-term borrowing facility of NOK 75 million. The loan was granted by the bank syndicate and three of the company's largest shareholders. The loan matured on 16 April 2014. The group made a part payment in December 2013. The facility was reduced by NOK 39.2 million in March 2014.

Loan costs
Loan costs are the costs associated with establishing loan facilities and constitute the actual costs for each of the loans. The amortised cost method is used when reporting the cost against income over the period of the loan.

Factoring
The group has no counter-claim rights on factoring since the criteria for exclusion have not been met. As a result of this, factoring is recorded on the balance sheet as a gross amount.

Note 18. Other current liabilities

	2014	2013
Guarantee provision	13 258	15 019
Salaries payable, holiday pay, VAT, etc.	100 967	132 228
Accrued non-invoiced expenses	26 524	58 212
Provision for landfill costs	10 811	11 366
Restructuring costs	624	0
Provisions made for commission costs	3 562	2 320
Royalties	1 038	822
Other current liabilities	18 084	12 032
Total	174 868	231 999

Liability case
Scana Volda AS was sued in France after a gearbox failed in 2010. The plaintiff is a shipowner insurer, which believes that Scana Volda AS's selection of components for the gearbox caused the gearbox to fail. The total claim is NOK 45 million for damages and financial loss. Scana Volda AS believes that the original delivery was made in accordance with the client's specifications and that other conditions caused the damage. There were several court hearings in 2013, resulting in adjournments. There was also correspondence in 2014, but the case was still not settled. Further court hearings are scheduled for 2015. Scana Volda AS has set aside NOK 3 million.
Scana Zamech Sp. z o.o. has decided to base all its operations in the same premises. With this in mind, a provision of NOK 0.6 million has been made for restructuring costs as at 31 December 2014.

Note 19. Trade payables

	2014	2013
Trade payables	160 434	185 180
Trade payables, associates	1 547	2 084
Total	161 981	187 264

Age of receivables::	2014	2013
Non-overdue trade payables	83 740	100 488
0–30 days	55 426	58 664
31–60 days	11 250	12 316
61–90 days	3 850	8 427
over 90 days	7 715	7 369
Total trade payables	161 981	187 264

Note 20. Lease obligations

Operating leases:
The group has entered into a number of lease contracts for machinery, offices and other facilities with a remaining lease period of 1–10 years. These lease contracts are classified as operating leases. The contracts do not contain restrictions on the company's dividend policy or financing options. None of the assets that are leased are sublet. The reported leasing cost in 2014 was NOK 28.2 million (2013: NOK 26.2 million).

The figures apply to future minimum leases.

Operating leases:	2014	2013
Within one year	24 044	30 089
More than one year and less than five years	53 909	57 098
More than five years	9 517	18 518
Total*	87 470	105 705

* Of NOK 87.5 million in operating leases, NOK 7.4 million (NOK 13.6 million for 2013) relates to discontinued operations and NOK 0 million to Scana Steel Stavanger AS. For financial leases, NOK 4.5 million (NOK 6.4 million for 2013) relates to Scana Steel Stavanger AS; there is also NOK 7.9 million that relates to discontinued operations for 2013. See notes 27 and 28.

The group as lessee – financial lease contracts:
The group's assets under financial lease contracts include machinery and equipment. In addition to the lease payments, the group has obligations relating to the maintenance and insurance of the assets. The remaining lease periods range from one to five years. None of the assets that are leased under non-cancellable financial lease contracts are sublet. The contracts do not contain restrictions on the company's dividend policy or financing options.

	2014		2013	
Financial leases:	Carrying amount	Minimum payment	Carrying amount	Minimum payment
Within one year	3 598	3 648	5 297	5 785
After one year but not more than five years	4 923	4 923	12 651	13 739
More than five years	0	0	0	0
Carrying amount of leases	8 521	8 571	17 948	19 524

The carrying amount corresponds to the present value of the lease contract.
The free purchase amount of the larger financial and operating lease contracts amounts to NOK 96 million (2013: NOK 123 million).

Minimum payment is instalment and interest in accordance with the respective lease contracts.
Financial leases mainly relate to assets classified as machinery in note 9.

Note 21. Related-party transactions

Company with influence*:		Sale	Purchase	Receivables	Liabilities
Frode Alhaug AS	2014	0	955	0	0
	2013	0	2 080	0	1 000
Strandkaien 2 AS **)	2014	0	1 673	0	0
	2013	0	1 500	0	0
Invenius AS ***)	2014	0	831	0	0
	2013	0	792	0	166

Associates:		Sale	Purchase	Receivables	Liabilities
Scana Korea Hydraulic Ltd	2014	18 951	200	2 622	1 547
	2013	26 468	367	6 385	269
Stingray Inc. ****)	2014	0	0	0	0
	2013	107	8 823	12	1 815
Inpower AS	2014	1 397	600	50	0
	2013	106	4 182	119	0

*) Company owned by a Board Member or shareholder of Scana Industrier ASA
**) Scana Industrier ASA rents office premises from Strandkaien 2 AS. This company is a sister company of Verket Finans AS, which is a shareholder in Scana Industrier ASA. Both companies are controlled by Øgreid AS, which is controlled by former Board Member Knut Øgreid.
***) Invenius AS is controlled by Bjørn Torkildsen, Chairman of the Board of Directors.
****) The shareholding in Stingray Inc. was sold in 2014, so the company is no longer an associate. See note 27.

Related-party transactions are executed at the estimated market price. Outstanding receivables and liabilities are unsecured short-term interest-free items. Settlements are made in cash. The group has not issued any guarantees to its related parties.
No provisions have been made for unsecured receivables as at 31 December 2014.

Note 22. Financial risk

Centralised risk management
Scana has a centralised finance function. The most important task is to secure the group's room to manoeuvre in the short term and the long term. The hedging of currency, interest and electricity price exposure is carried out in accordance with the group's policy and routines. This is done centrally by the Finance Department on the basis of the needs reported by the operational units.

Financial risk
The group's activities are exposed to financial market risk, which mainly encompasses exchange rate risk, interest rate risk and fluctuations in the price of electricity. Furthermore, the group (primarily the steel area) is also exposed to trends in other raw material prices such as scrap steel and alloys. Scana aims to reduce the risk associated with currency, interest and electricity prices by means of hedging instruments. The group has chosen not to hedge against any fluctuations in other raw material prices, since Scana believes that any increases in these prices can mostly be offset by increased sale prices, admittedly with a certain time lag.

Currency risk
The group is exposed to exchange rate fluctuations since large parts of production, purchasing and sales take place abroad and/or in foreign currency. The group's internal banking function continuously monitors and reports the group's currency positions. The currency risk is estimated for each foreign currency and takes account of assets, liabilities and probable purchases and sales in the relevant currency. The company tries to reduce the net currency risk by means of forward contracts, deposits and/or borrowings in the relevant currencies. The main risks associated with currency in the group are related to future sales payments and the group's assets in foreign subsidiaries.

Interest rate risk
The group's interest rate risk is mainly associated with the group's debt portfolio. The risk is managed at group level. The group aims to offset major effects linked to changes in the market rate. Scana has therefore tied parts of the debt portfolio to fixed interest rates in order to curb short-term fluctuations in the market rate. The group's strategy is for at least 40 per cent of the company's interest-bearing debt to be secured at fixed interest rates. The group had a fixed rate of 44 per cent in 2014, compared to 36 per cent in 2013. Scana's greatest exposure to interest rate fluctuations is related to STIBOR.

Price risk of electricity
The group has major electricity costs relating to the production of its goods, primarily in the steel segment. Scana protects itself from fluctuations in electricity prices by buying electricity derivatives for its Swedish subsidiaries and Scana Steel Stavanger AS. The group has an agreement with Vattenfall Power Management AB to administer Scana's electricity derivatives with the aim of hedging the future electricity prices that need to be paid in Sweden and at Scana Steel Stavanger AS. The estimated electricity consumption is hedged by up to 100 per cent for the coming months, while the hedged share of estimated consumption is gradually lowered for periods further into the future.

Liquidity risk
Securing good financial room to manoeuvre is an important aim of the group. The group is continuously working to reduce the financial risk, including through close monitoring of liquidity projections and programmes to optimise the level of working capital.

The group monitors the liquidity situation in the short term and the long term through active dialogue with its subsidiaries. The group has also implemented measures to strengthen the operational units in the group and optimize the level of working capital. The group has bank deposits of NOK 76 million as at 31 December 2014, NOK 44 million of which is kept in a ring-fenced bank account for the bank syndicate (2013: NOK 63 million, of which NOK 0 was ring-fenced funds); see also note 15. The group has drawn on a total of NOK 102 million of the NOK 130 million overdraft facility. The overdraft facility was adjusted downwards in 2015 to NOK 110 million in conjunction with the extension of the due date for the loan agreement and as a result of reduced activity linked to discontinued operations. The overdraft facility falls due at the same time as the syndicate loan. In total, the liquidity reserve for the group was NOK 59.9 million as at 31 December 2014.

Scana has received a permission of three months of the installment to 22 June 2015. In April 2015 the group has negotiated an agreement with syndicate according to refinancing agreement and injection of new equity. See note 29 and 30 for future details

Credit risk
The group has guidelines for ensuring that orders are not entered into with customers who have had major payment problems and for ensuring that outstanding amounts do not exceed defined credit limits.

The group regards its greatest risk exposure to be the recognised value of trade receivables (see note 13) and other receivables (see note 14). The operating companies in Europe and the USA have credit insurance with Euler Hermes Norge for some of the trade receivables in order to cover the exposure to credit risk. Within the energy, propulsion and offshore segments, the majority of the deliveries are to financially sound shipyards and customers. The shipyards in China and Korea are to a great extent owned by the state. Service and after-sales support are provided to leading global players within the propulsion and offshore area, with the credit risk considered limited here. Increased activity is expected within new projects and developments. Historic losses are limited.

The maximum risk exposure is represented by the capitalised value of the financial assets, including derivatives, on the balance sheet. The counterparty in currency contracts is DnB. The counterparty in electricity derivatives is Vattenfall Power Management AB. The credit risk associated with derivatives is considered to be low.

Sensitivity analysis
The tables below show the sensitivity analysis for currency risk, price risk of electricity and interest rate risk. A sensitivity analysis has been carried out for the various market risks to which the group is exposed; it shows the effects of reasonable changes to the various risks. Tax effects are not taken into consideration in the calculations.

Currency risk
The financial instruments that have currency effects are currency contracts, syndicate loans, trade receivables, trade payables and bank deposits. The table shows the effects of changes in the Norwegian krone (NOK) against foreign currency. If the NOK increases by 5 per cent against foreign currency, this has a positive effect on profit linked to net assets of NOK 14.4 million. Correspondingly, if the NOK weakens against foreign currency, the effect on profit is negative. A change of 10% will have an effect of NOK 28.8 million.

	Change in NOK	Effect on profit before tax	Effect on other comprehensive income
2014	5 %	14 395	7 000
	-5 %	-14 395	-7 000
2013	5 %	17 220	8 410
	-5 %	-17 220	-8 410

Price risk of electricity

The table below shows the effects linked to changes in electricity prices based on the portfolio of electricity derivatives that the group has on the balance sheet date. An increase in electricity prices will mean a positive change in value for profit and equity.

	Change in electricity price	Effect on profit before tax	Effect on other comprehensive income
2014	10 %	455	3 177
	-10 %	-455	-3 177
2013	10 %	438	3 525
	-10 %	-438	-3 525

Interest rate risk

The table below shows the effects associated with interest rate changes in the group on the balance sheet date.
The table shows that increased interest rates have a negative effect on profit.

	Endring i rente	Effect on profit before tax	Effect on other comprehensive income
2014	1 %	-1 629	-5 101
	-1 %	1 629	5 101
2013	1 %	-2 702	-4 987
	-1 %	2 702	4 987

Note 23. Financial instruments

Hedging of currency risk

The group is subject to currency exposure in the form of net investment in its Swedish subsidiaries. This net investment is defined as Scana's share of the subsidiaries' equity. In order to protect against major currency fluctuations, Scana has taken out a loan in SEK. In accordance with the rules on the hedge accounting of net investments, currency gains/losses on this loan are recognised in other comprehensive income to the degree that the loan is offset by the net investment.

Since a significant part of the group's sales are carried out in foreign currencies, Scana is exposed to exchange rate fluctuations during the period from the time the sales contract is entered into to final payment by the customer. There is also a risk associated with future payments in foreign currency. In order to secure the group's net cash flow in the individual currencies, currency contracts are entered into that offset the estimated future incoming/outgoing payments. A NOK 0.4 million loss on hedging of net investments was recognised for 2014 (2013: NOK -15.6 million) as was a gain of NOK 12.7 million on translation differences relating to foreign operations (2013: NOK 9.1 million). Translation differences for discontinued operations that have been reclassified are dealt with in note 27.

Below is a summary of all open currency contracts as at 31 December 2014:

Currency	Netto	Nominal value	Maturity	Unrealised gain/loss (-)
SEK	Sale	2 400	2015	-50
USD	Sale	3 200	2015	396
EUR	Sale	1 350	2015	-108
Total				238

Below is a summary of all open currency contracts as at 31 December 2013:

Currency	Netto	Nominal value	Maturity	Unrealised gain/loss (-)
SEK	Sale	235 000	2014	-2 860
EUR	Purchase	1 985	2014	408
USD	Purchase	6 087	2014	765
Total				-1 686

Hedging of interest rate risk

Floating interest-bearing liabilities are hedged against changes in the interest rate level by entering into interest rate swaps. As at 31 December 2014, 69 per cent of the syndicate loan was hedged at a fixed interest rate. In 2010, the group entered into an interest rate swap with Nordea, where Scana receives variable rates of interest and pays fixed rates. Changes in the fair value of the agreement are recognised in comprehensive income in accordance with the accounting standard on hedge accounting. The maturity period of the interest rate swap is five years and it matures in 2016, provided that the loan financing is maintained, while the interest-bearing liability matures in 2015. Any inefficiencies are recognised in the income statement. For 2014, the hedge ratio is considered to be effective and the entire change in value resulting from the interest rate swaps is consequently recognised in other comprehensive income. As at 31 December 2014, the group has an interest rate swap totalling SEK 200 million, where the group pays a fixed interest rate and receives a variable rate. This agreement was extended in 2011 to October 2016 at a lower fixed interest rate.

Currency	Amount	Fixed interest rate	Maturity	Fair value
SEK	200 000	3.00 %	25.10.2016	-10 604

The variable interest rate is set each quarter and is based on the 3-month STIBOR. The interest rate swap entered into for cash flow hedging as at 31 December 2014 is NOK -2.1 million (2013: NOK 2.5 million), which is recognised in other comprehensive income.

Hedging of fluctuations in electricity prices

The group has major electricity costs in relation to the production of its goods. Scana protects itself from fluctuations in electricity prices by buying electricity derivatives for its Swedish subsidiaries and Scana Steel Stavanger AS. The group has an agreement with Vattenfall Power Management AB to administer Scana's electricity derivatives with the aim of hedging future electricity prices. The estimated electricity consumption is hedged by up to 100 per cent for the coming months, while the hedged share of estimated consumption is gradually lowered for periods further into the future. As at 31 December 2014, electricity hedging is carried out for up to three years in the future. The value of electricity derivatives is calculated on the basis of the difference between the agreed future electricity price and the market's forward prices on the valuation date, multiplied by the hedged volume. The change in the fair value of electricity derivatives is recognised in other comprehensive income to the degree it satisfies the effectiveness requirements for hedge accounting in accordance with IAS 39. The ineffective portion of the changes in value is recognised in the income statement.

On the settlement of electricity derivatives, Scana receives a settlement amount from Vattenfall based on the difference between the agreed price in accordance with the electricity contracts and the price Scana has paid for its ongoing electricity consumption. This amount is recognised as other operating expenses in such a way that the expensed electricity consumption is based on the hedged electricity prices at all times.

The table below shows the effects on the income statement and the balance sheet. The figures are pre-tax.

Electricity derivatives:	2014	2013
Fair value as at 31 Dec	-3 427	-8 435
Recognised against other comprehensive income during the period	-3 087	-7 299
Hedging instruments removed from other comprehensive income during the period	-340	-1 135

The table below shows the maturity structure for financial obligations as at 31 December 2014. Maturity in the next 12 months is broken down quarterly and then on an annual basis.

	As at 31/12/2014	2015/Q1	2015/Q2	2015/Q3	2015/Q4	2016	2017	2018 <
Bank overdraft	-101 994		-101 994					
Financial leases	-8 521	-900	-900	-900	-900	-2 876	-1 942	-105
Factoring	-47 185							
Syndicate loan	-279 007		-279 007					
Trade payables	-161 981	-161 981						
Forward contracts, derivatives	-13 223							
Interest	-2 095	-4 528						
Total payments made		**-167 409**	**-381 901**	**-900**	**-900**	**-2 876**	**-1 942**	**-105**

Of the figures stated, NOK 4.5 million of financial leases, NOK 19.5 million of factoring, NOK 47.1 million of trade payables and NOK 0.8 million of forward contracts are derivatives related to discontinued operations (see note 27) and Scana Steel Stavanger AS, which has applied for a winding-up order (see note 28).

	As at 31/12/2013	2014/Q1	2014/Q2	2014/Q3	2014/Q4	2015	2016	2017 <
Bank overdraft	-52 195					-52 195		
Financial leases	-17 948	-1 324	-1 324	-1 324	-1 324	-4 700	-3 933	-4 018
Factoring	-40 539							
Syndicate loan	-324 651	-26 048		-26 048		-272 555		
Trade payables	-187 264	-187 264						
Syndicate loan in USD	-51 777	-51 777						
Bank loan, Handelsbanken	-4 945	-444	-167	-167	-167	-667	-667	-2 666
Super Senior credit facility	-37 767		-37 767					
Forward contracts, derivatives	-18 693							
Interest	-3 876	-7 587						
Total payments made		**-274 444**	**-39 258**	**-27 539**	**-1 491**	**-330 117**	**-4 600**	**-6 684**

Of the figures stated, NOK 14.3 million of financial leases, NOK 2.1 million of factoring, NOK 67.6 million of trade payables and NOK 2.7 million of forward contracts are derivatives related to discontinued operations (see note 27) and Scana Steel Stavanger AS, which has applied for a winding-up order see (note 28).

An extension to existing loan and bank agreements has been signed, taking them up to 22 June 2015. In April 2015, the group negotiated a new agreement on loan refinancing and injection of new equity. This is crucial in terms of the future liquidity situation and continuing to operate as a going concern. See notes 29 and 30 for further information on operation as a going concern and refinancing.

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 are NOK 13.2 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.

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 reduce the working capital. As at 31 December 2014, the group had total outstanding trade receivables of NOK 233 million, of which NOK 190 million are due and expected to be paid during the first quarter of 2015. The group also has NOK 46 million in other receivables, the majority of which are due and expected to be paid during the first quarter of 2015. See note 28 for details of the effects associated with the petition to wind up Scana Steel Stavanger AS.

Based on the payment holiday granted for the syndicate loan, payments related to trade and other receivables, and the liquidity reserve of NOK 59.9 million (see note 17 "Interest-bearing debt"), the group believes it can meet lease obligations, interest payments and trade payables in the short term. In April 2015, the group negotiated a new agreement on loan refinancing and injection of new equity, and the implementation of the agreement also ensures that the group will meet its financial obligations in future. See notes 29 and 30 for further information on operation as a going concern and refinancing.

Determining fair value

The fair value of forward currency contracts is calculated according to the closing rate on the balance sheet date adjusted for an interest addition or deduction based on the interest rate difference between the respective currencies. For currency contracts 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.

The table below shows how the different financial instruments are categorised, cf. IFRS 7 as at 31 December 2014.

			Held for sale	Held for sale					
	Note	Fair value hierarchy Level	Change in value through profit or loss	Hedging instrument	Lending and receivables	Available for sale	At amortised cost	2014 Total	2013 Total
Financial assets									
Bank deposits	15				75 879			75 879	63 495
Trade receivables	13				225 340			225 340	403 525
Other financial assets	14				45 797			45 797	118 934
Electricity derivatives		Level 2	4					4	64
Forward currency contracts		Level 2	463					463	1 181
Total			467	0	347 016	0	0	347 483	587 199
Financial liabilities									
Trade payables	19						161 981	161 981	187 264
Advances from customers	13						54 327	54 327	125 136
Bank overdraft	15/17						101 994	101 994	52 195
Financial leases	17/20						8 521	8 521	17 948
Interest-bearing loans	17						328 287	328 287	463 555
Embedded derivatives								0	27
Forward currency contracts		Level 2	225					225	2 868
Interest rate swaps		Level 2		10 604				10 604	8 545
Electricity derivatives		Level 2	-226	3 087				2 861	8 498
Total			-1	13 691	0	0	655 110	668 800	866 036

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 traded 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.

The table below above the valuation hierarchy for details of the fair value of assets and liabilities. There were no transfers in 2014 between levels 1 and 2 in the assessment of fair value, and no transfers to or from level 3 in the assessment of fair value.

Capital structure and equity

The main purpose of the group's composition and management of liabilities and equity is to ensure commercial room to manoeuvre in relation to the work of the group in both the short term and the long term. The group's long-term objectives are to achieve profitable operation, aim for a satisfactory credit rating, and thereby obtain competitive loan terms. See notes 29 and 30 for further information on operation as a going concern and refinancing.

The group will support its commercial activity through effective asset management in relation to equity and liabilities, and thereby contribute to increasing the value for shareholders.

The group's objective is to have sufficient liquid funds and credit facilities to finance operational activities. This is achieved by maintaining high targets for continued operations and financial management. The group manages the capital structure and makes the necessary changes based on an ongoing assessment of the market and financial risk and the financial outlook for both the short term and the medium term. See note 17.

Note 24. Shares and shareholders

Scana Industrier ASA had 1,526 shareholders as at 31 December 2014. Foreign shareholders held shares totalling 3.2 per cent of the share capital.

No. of shares held by Board Members and senior employees:

John Arild Ertvaag	(Through the company Camar AS)	12 311 201
Per Ravnestad	(Through the companies International Oilfield Services AS and Panda AS)	2 389 361
Bjørn Torkildsen	(Through the company Invenius AS)	130 000
Kjetil Flesjå		65 001
Jan Henry Melhus		33 011
Martha Kold Bakkevig	(Through the company Kold Invest AS)	10 894

In addition, the company holds 10,508 own shares.

The 20 largest shareholders as at 31 December 2014:	No. of shares	% share
CAMAR A/S	12 311 201	16.4 %
VERKET FINANS AS *	9 520 334	12.7 %
SLETHEI AS	3 295 469	4.4 %
STOLEN AS	3 012 048	4.0 %
BEST INVEST AS	2 853 791	3.8 %
PARETO AKSJE NORGE	2 488 435	3.3 %
KREFTING AS	2 000 000	2.7 %
INTERNATIONAL OILFIELD SERVICES AS	1 988 513	2.6 %
FAMA INVEST AS	1 778 597	2.4 %
MP PENSJON PK	1 660 300	2.2 %
A R INCORONATO AS	1 250 000	1.7 %
PARETO AKTIV	1 013 355	1.3 %
DNB LIVSFORSIKRING ASA	663 239	0.9 %
SPECTATIO INVEST AS	630 000	0.8 %
CLIPPER A/S	600 000	0.8 %
KJELL SIGVE LERVIK	600 000	0.8 %
ARNE MORLAND	561 568	0.7 %
SOCIETE GENERALE SS PARIS	558 950	0.7 %
OJN INVEST AS	543 301	0.7 %
PARETO VERDI	521 986	0.7 %
Total holding for 20 largest shareholders	47 851 087	63.7 %
Other	27 267 214	36.3 %
Total number of shares	75 118 301	100.0 %

* Through the company Verket Finans AS, by Knut Øgreid who has been a Board Member for parts of the year.

Distribution of shareholders by size of shareholding

No. of shares	No. of shareholders	No. of shares	Shareholding
1–1000	730	190 937	0.25 %
1,001–10,000	419	1 840 006	2.45 %
10,001–100,000	285	9 908 024	13.19 %
100,001–1,000,000	80	20 007 291	26.63 %
over 1,000,000	12	43 172 043	57.47 %

Quarterly share price data for 2014

Amounts in NOK	Q4 2014	Q3 2014	Q2 2014	Q1 2014
1–1000	1,31	1,64	1,83	1,91
1,001–10,000	0,86	1,31	1,64	1,83
10,001–100,000	-34 %	-20 %	-10 %	-4 %
100,001–1,000,000	1,28	1,85	1,85	2,40
over 1,000,000	0,80	1,30	1,56	1,56
Volume (in thousands of shares)	8 136	3 847	3 978	17 919

Note 25. Pledged assets and guarantees

	2014	2013
Pledged assets		
Of the group's recognised liabilities, the following was secured through pledges	436 706	529 822
Total pledged assets	436 706	529 822
Carrying amount of pledged items:		
Trade receivables	170 429	257 671
Inventories	198 160	260 679
Machinery, equipment	251 910	377 309
Buildings, land	152 462	193 803
Total	772 960	1 089 461
Guarantee obligations:		
Guarantees	152 811	182 923

The parent company guarantees amount to NOK 76 million and almost all of this sum is performance guarantees associated with product and service deliveries to our subsidiaries. A small proportion is associated with payment guarantees on behalf of the group's subsidiaries.

Of the bank guarantees, just under 20 per cent relate to advance payment guarantees. Non-delivery will entitle the customer to draw on the bank guarantee. 30 per cent relate to performance guarantees. Faults with deliveries and an inability to correct faults will entitle the customer to draw on the guarantees. Just over 50 per cent of the guarantees are "on demand" guarantees. In the event of non-payment the supplier can draw on the guarantee.

The carrying amount of pledged items at Scana Steel Stavanger AS relates to trade receivables of NOK 36.5 million and inventories of NOK 46.1 million. Bank guarantees totalling NOK 27.1 million and a parent company guarantee of NOK 1.0 million have been issued. See note 28 for further details of the winding-up of Scana Steel Stavanger AS.

Note 26. Own shares

In accordance with Section 7-27 of the Norwegian Accounting Act, the purchase and disposal of own shares must be reported.
The Annual General Meeting held on 6 May 2014 granted the Board authorisation to acquire the company's own shares up to a nominal value of NOK 7,512 million. This authorisation is valid until the next Annual General Meeting in 2015.

In 2014, the company did not trade own shares using the aforementioned authorisation granted by the Annual General Meeting of 2014.

	No. of shares	Amount
Holding of own shares as at 31 December 2013	10 508	11
Purchase/addition of own shares	0	0
Holding of own shares as at 31 December 2014	10 508	11

Note 27. Sale of business

Sale of business – Part of Offshore

On 14 March 2014, Scana signed a contract to sell the subsidiaries Scana Offshore Technology AS, Scana Offshore Services Inc., the workshop part of Scana Offshore Vestby AS and the associate Stingray Offshore Solutions Inc. All of the companies are part of the service activity in the Scana Offshore business area. The buyer is Aquamarine Subsea AS, which is owned by HitecVision Fund VI.
The companies had annual revenue corresponding to NOK 212 million and have around 130 employees. The purchase price is NOK 135 million. The sales gave an accounting effect of 0 million. The transfer took place on 23 May 2014.
In 2008, Scana Offshore Services Inc. was bought by local entrepreneurs in Houston, USA. In the last year the company has experienced a positive trend, and after relocating to larger production facilities and introducing its own products, it increased its market shares in the Gulf of Mexico. Scana Offshore Technology AS was established in December 2006 in Jørpeland, outside Stavanger. The company provides services within the maintenance and repair of equipment for the oil and gas industry. Scana Offshore Vestby AS was formed following the acquisition of Brødrene Johnsen AS and AMT AS in 2006. The workshop part of Scana Offshore Vestby AS provides maintenance for risers, among other services.
As a result of the agreement entered into on the sale of companies, the income statement has been revised. The table below shows the statement for the transaction.

Sale of business – Söderfors

The group signed a sales contract to sell Scana Steel Söderfors AB on 30 January 2015. 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. 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 alongside 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.
As at 31 December 2014, the assets and liabilities of the sold business are presented as held for sale because the sale was considered to be highly probable on the balance sheet date. The company also represented a significant and special part of the group's activities.
In light of this, the profit/loss is shown 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 cash and a 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, hereby deferred tax assets of NOK 10.8 million and property, plant and equipment of NOK 81.4 million. The write-downs are an effect of the sale transaction and are presented in the profit/loss related to discontinued operations. The sale gave the group a positive liquidity effect corresponding to NOK 1.3 million after adjustments for debt and transaction costs. See also note 30 Events after the balance sheet date.

Comparative figures 2013

Total discontinued operations in the table below concerns the sold business relating to part of business area Offshore and and Söderfors and amounts to NOK -24,632 thousand. Leshan Scana Machinery Co. Ltd and Scana Industrial Products AS were sold in 2013 with a total effect on the profit/loss for the year from discontinued operations of NOK 21,158 thousand. The total of these transactions is NOK -3,474 thousand.

	Söderfors		Part of Offshore		Total discont. operations	
(NOK 1000)	2014	2013	2014	2013	2014	2013
Sales revenue	179 801	190 604	130 822	211 973	310 623	402 577
Other revenue	10 827	11 687	35	266	10 862	11 953
Profit from the sale of property, plant and equipment	390	0	0	0	390	0
Total operating revenue	**191 018**	**202 291**	**130 857**	**212 239**	**321 875**	**414 530**
Cost of materials	91 483	98 405	61 692	81 224	153 175	179 629
Salary and social security costs	65 149	75 451	39 558	80 461	104 707	155 912
Other operating expenses	35 945	35 613	16 635	40 225	52 580	75 838
EBITDA	**-1 559**	**-7 178**	**12 972**	**10 329**	**11 413**	**3 151**
Depreciation/Amortisation/Write-downs	90 969	30 752	2 454	4 836	93 423	35 588
Operating profit/loss	**-92 528**	**-37 930**	**10 518**	**5 492**	**-82 010**	**-32 438**
Interest expense	722	685	217	397	939	1 082
Other financial items	1 244	-1 459	-216	205	1 028	-1 254
Net financial items	**1 966**	**-775**	**1**	**602**	**1 966**	**-173**
Profit/loss before tax – discontinued operations	-90 562	-38 705	10 519	6 096	-80 043	-32 609
Tax	-6 178	10 403	-3 468	-2 426	-9 646	7 977
Profit/loss after tax – discontinued operations	-96 740	-28 302	7 051	3 670	-89 689	-24 632
Profit/loss	0	0	-108	0	-108	0
Profit/loss for the year – discontinued operations	**-96 740**	**-28 302**	**6 943**	**3 670**	**-89 797**	**-24 632**
Cash flow						
Net cash flow from operating activities	-20 733	-40 254	-1 602	17 411	-22 335	-22 843
Net ordinary investments	-7 361	-5 100	386	-6 263	-6 975	-11 363
Liquidity of discontinued operations	0	0	-3 863	0	-3 863	0
Net cash flow from investing activities	-7 361	-5 100	-3 477	-6 263	-10 838	-11 363
Net cash flow from financing activities	29 265	45 222	-1 161	-8 283	28 104	36 939
Net cash flows	**1 171**	**-132**	**-6 240**	**2 865**	**-5 069**	**2 733**
Translation differences	0	0	9 414	0	9 414	0
Reclassified from other comprehensive income	0	0	9 414	0	9 414	0

Balance Sheet – Scana Steel Söderfors AB	2014
Assets:	
Property, plant and equipment	4 509
Inventories	23 834
Trade receivables	35 050
Other current receivables	4 296
Cash and bank	1 785
Assets held for sale	69 474
Liabilities:	
Current interest-bearing liabilities	19 523
Trade payables	22 087
Forward contracts, derivatives	576
Other current liabilities	14 137
Liabilities held for sale	56 323
Net assets held for sale	13 151

Amount included in other comprehensive income:	
Translation difference	1 858

Translation difference has not been reclassified to profit/loss from other comprehensive income related to Söderfors as at 31 December 2014.

Note 28. Winding-up of Scana Steel Stavanger AS

The management of Scana Steel Stavanger AS announced at the end of February 2015 that the company in the future would need more liquidity. 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 immediate 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 measurement of the assets associated with Scana Steel Stavanger AS included in the consolidated financial statements at 31/12/2014 is based on the prevailing conditions on the balance sheet date. The company has reported negative results over a long period, and the group has attempted to sell off Scana Steel Stavanger AS without success. There was therefore a great deal of uncertainty associated with the value of the assets of Scana Steel Stavanger AS on the balance sheet date, and write-downs have been carried out on non-current assets to the amount of NOK 9.6 million, bad debt provisions associated with trade receivables and other current receivables of NOK 11.4 million, and inventory obsolescence of NOK 16.1 million.

	Note	Carrying amount per 31.12.14 after write down
Property, plant and equipments	9	0
Inventories	12	30 047
Trade receivables	13/23	26 216
Other assets/receivables	14/23	1 967
Financial leasing obligations	17/20/23	4 472
Trade payables	19/23	25 004
Other current liabilities	18	17 405

Preliminary calculations show that the derecognition of Scana Steel Stavanger AS as a result of the winding-up petition will entail not have a significant effect in Q1 2015. This loss is associated with the derecognition of assets and is calculated as follows:

Assets in Scana Steel Stavanger AS have been pledged as collateral for the syndicate loan (see also note 17), and it is assumed that the values realised in connection with settlement of the estate will accrue to the bank. In the loss calculation above, 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. The company 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 the bank loans. Any downward adjustment of debt as a result of this will lead to a positive effect in the consolidated financial statements.

Unless the banks consider it necessary for the sake of the relationship with the bankruptcy estate of Scana Steel Stavanger AS to bring parts of the banks' loans to Scana Industrier ASA to maturity in order to make the relevant claims against and receive coverage under the securities provided by Scana Steel Stavanger AS, the banks have confirmed that they will not invoke any possible insolvency proceedings on Scana Steel Stavanger AS as a default on the credit facilities. Furthermore, the banks have confirmed that their claims against the group with respect to the facilities in such a case, and assuming that there is no other default on the credit facilities, will only direct a pledge against Scana Steel Stavanger AS in its capacity as guarantor and security for the facilities in the later period.

The calculations above are based on information available at the time of preparation of these financial statements. If the underlying assumptions change, this may produce additional effects on the consolidated financial statements.

Note 29. Going concern

The annual financial statements have been prepared on the basis of the going concern assumption and the Board of Directors confirm 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 the loan agreement with bank syndicate is extended by three years and 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.

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. The implementation of the negotiated agreements associated with the refinancing of loans and provision of new equity, as well as improvements in results and liquidity, are critical to the company with regard to its future going concern status.

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 to 22 June 2015. In April 2015, the group negotiated a new agreement on loan refinancing and injection of new equity. See note 30 "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 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. Several of these are expected to take effect from the second half of 2015 onwards. Furthermore, the group will continue to employ a careful investment policy and the implementation of further cost reductions is planned at both Scana Energy and Scana Propulsion.

The Board of Directors believe 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 have also been approved that are designed to increase competitiveness and these are estimated to have a total positive annual effect of NOK 20 million with anticipated effect from the second half of 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 (2013: NOK -7.2 million). The group has provided Scana Steel Söderfors AB with significant funds over time, and in 2013 and 2014 this amounted to a total of NOK 33 million. Scana Steel Stavanger AS had an EBITDA of NOK -10.2 million in 2014 (2013: NOK -23.2 million). Please refer to notes 28 and 30 for further information.

The figures for 2014 showed a positive trend for the group compared to 2013. 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 the forecast for 2015, revenue of NOK 1,304 million is envisaged (associated with continuing operations without Scana Steel Stavanger AS and Scana Steel Söderfors AB), which will produce weak growth compared to 2014 and an EBITDA of NOK 50 million. Total investments are budgeted at NOK 38 million for 2015. Weak growth in sales and EBITDA is expected in 2016 and 2017.

Note 30. Events after the balance sheet date

Sale of businesses

On 30 January 2015, Scana Industrier ASA signed a share purchase agreement with Garden Growth Industries AB, which is part of the Applied Value Group, regarding the sale of 100% of the shares in Scana Steel Söderfors AB. The sale took place through the subsidiary Scana Energy Holding AB in Sweden. The sale was carried out on 5 February 2015 and settled on the same day. The new owner took control of daily operations of the company together with the existing organisation at the same time. The sale is part of Scana's activities to secure the Group's remaining capital structure and dispose of units that are not included in the future core business. See also note 27 "Sale of business".

Winding-up of Scana Steel Stavanger AS

The Board of Directors of Scania 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. See note 28 for further details of the winding-up of Scana Steel Stavanger AS.

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 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.

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 payment holiday 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. A liquidity covenant is being introduced with a minimum available liquidity reserve of NOK 20 million, with the first measurement date on 31 December 2015. The claim must then be satisfied at any time. An EBITDA covenant will be introduced from Q4 2016. The level of this covenant will be negotiated by the parties before 31 December 2016.

The negotiated agreement requires a share issue of up to NOK 100 million, but with a guaranteed subscription of NOK 50 million. As part of the negotiated agreement, the banks will release parts of the sales proceeds immediately after presentation of guarantee agreements. The funds 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. These elements together total at least NOK 27.5 million.

PARENT COMPANY STATEMENT OF INCOME

Period 1 January - 31 December (NOK 1000)	Note	2014	2013
Operating revenue	7	41 219	46 638
Operating expenses:			
Wages and NI contributions	8	19 099	20 251
Depreciation	3	320	1 506
Other operating expenses	8/11	109 987	35 496
Total operating expenses		129 406	57 253
Operating profit/loss		-88 187	-10 615
Financial income and expenses:			
Income from investment in subsidiaries	2	63 464	51 970
Interest income		3 559	2 716
Interest income intra-group	7	25 758	32 767
Write-down of shares in subsidiaries	2	-90 234	-68 582
Interest expense		-24 487	-27 315
Interest expense intra-group	7	-2 513	-1 148
Other financial expenses	17	7 894	-14 489
Net financial income/expense (-)		-16 559	-24 081
Profit/loss before tax		-104 746	-34 696
Tax expense	4	1 669	16 476
Profit/loss for the year		-106 415	-51 172
Distribution of profit for the year:			
Transferred to other equity		-106 415	-51 172
Total		-106 415	-51 172

PARENT COMPANY BALANCE SHEET

(NOK 1000)	Note	31.12.14	31.12.13
Non-current assets:			
Intangible assets:			
Deferred tax assets	4	0	1 512
Property, plant and equipment:			
Machinery, inventory, buildings, etc.	3	2 778	3 014
Financial non-current assets:			
Shares in subsidiaries	2	505 938	495 634
Other shares		100	100
Other non-current receivables	11	0	18 128
Intercompany non-current receivables	10	266 273	192 549
Total non-current assets		775 089	710 937
Current assets:			
Receivables:			
Intercompany current receivables	10	162 555	258 095
Other current receivables	11	878	80 559
Total receivables		163 433	338 654
Bank deposits and cash	12	39 347	53 403
Total current assets		202 780	392 057
Total assets		977 869	1 102 994
Equity:			
Paid-in capital:			
Share capital	9	75 118	75 118
Own shares		-11	-11
Share premium		284 647	418 268
Other paid-in capital		0	17 946
Total paid-in capital		359 754	511 321
Total equity	5	359 754	511 321
Non-current liabilities:			
Intercompany non-current liabilities	10	124 313	54 967
Other non-current liabilities	15	10 604	8 545
Total non-current liabilities		134 917	63 512
Current liabilities:			
Interest bearing debt	13	381 000	464 674
Trade payables		2 491	4 279
Intercompany current liabilities	10	79 852	44 408
Other current liabilities	16	19 855	14 800
Total current liabilities		483 198	528 161
Total equity and liabilities		977 869	1 102 994

Stavanger, 29th of April 2015

Bjørn Torkildsen
Chairman of the Board

John Arild Ertvaag

Elisabeth Saupstad

Martha Kold Bakkevig

Per Ravnestad

Jan Henry Melhus
Acting CEO

PARENT COMPANY STATEMENT OF CASH FLOW

(NOK 1000)	2014	2013
Cash flow from operating activities:		
Profit/loss before tax	-104 746	-34 696
Income from investment in subsidiaries	26 770	16 612
Provision of losses	73 378	0
Depreciation	320	1 506
Change in current receivables	-77 843	-138 704
Change in trade payables	-1 788	611
Change in other current liabilities and other accruals	37 168	-94 705
Net cash flow from operating activities	-46 741	-249 376
Cash flow from investing activities:		
Change in non-current receivables / Intercompany non-current receivables	40 137	64 794
Purchase of property, plant and equipment	-85	-461
Sale of business	97 434	52 054
Investments in subsidiaries	-15 000	-34 030
Net cash flow from investing activities	122 486	82 357
Net cash flow before investing activities	75 745	-167 019
Cash flow from financing activities:		
Proceeds from short-term borrowings	0	135 000
Net payment interests and other finance costs	-6 127	-6 628
Repayment of short-term borrowings / change in cash drawings	-83 674	-39 602
Capital increase	0	131 429
Net cash flow from financing activities	-89 801	220 198
Net cash flows	-14 056	53 180
Cash and cash equivalents as at 1 January	53 403	223
Cash and cash equivalents as at 31 December	39 347	53 403
Change in cash and cash equivalents	-14 056	53 180

PARENT COMPANY NOTES

Note 1. Accounting principles

The company financial statements submitted have been prepared in compliance with the provisions of the Norwegian Accounting Act and good accounting practices. Operation as a going concern forms the basis for the preparation of the financial statements and valuation of the company's assets. The financial statements consist of an income statement, balance sheet, cash flow statement and notes. The financial statements constitute a whole. All figures in the financial statements are full NOK 1,000 unless otherwise stated.

Income and expenses
Income (revenue) is recognised as it is earned. Expenses are recognised in the same period as the related income. Direct transaction costs associated with taking out loans are allocated over the term of the loan using the amortised cost method.

Current receivables and current liabilities
Receivables and liabilities are classed as current assets and current liabilities if they are due for payment within one year of the balance sheet date.

Assets and liabilities in foreign currency
Transactions in foreign currency are recognised at the exchange rate at the time of the transaction. The company's cash and bank balances, receivables and liabilities in foreign currency are translated at the exchange rate on the balance sheet date.

Trade receivables
Trade receivables are recognised on the balance sheet after deduction for confirmed losses and provisions for covering anticipated losses.

Shares in subsidiaries
Investments in subsidiaries are valued using the cost method. Where the criteria for impairment are met, this will be recognised in the income statement. Dividends from subsidiaries that represent income earned are recognised as income. Dividends for which payment is made on the purchase of shares represent a repayment of invested capital and are reported as a reduction in investment.

Property, plant and equipment and depreciation
Property, plant and equipment is recognised on the balance sheet at historic acquisition cost less depreciation and impairment. Depreciation is calculated using the straight-line method on acquisition cost. When assets are sold, gains are included as operating income and losses as operating expenses. Future discounted cash flows are used as a criterion for impairment.

Leases
Lease contracts are classified as finance or operating leases on the basis of a specific assessment of each lease. The company only has operating assets that are defined as operating leases.

TAX
The tax cost in the income statement is the sum of the tax currently payable and the change in deferred tax linked to the accounting income for the year.
Deferred tax on the balance sheet is tax calculated at 27% of the net tax-increasing temporary differences between the balance sheet values for accounting and tax purposes, after reconciliation of tax-reducing temporary differences and loss carryforwards. Full provisions are made according to the liability method without discounting.
A deferred tax asset is recognised on the balance sheet, provided that the company can substantiate future earnings or tax-related transactions that defend the recognised value.

Pensions and pension obligations
Employees are assured via a pension scheme in which agreed payments are made by the employer (contribution-based scheme) and included in the item salary and social security costs.

Financial instruments
The company uses different financial instruments to manage the group's currency and interest rate exposure. Accounting treatment is based on the intentions behind entering into these contracts.
Forward currency contracts are recognised on the balance sheet at fair value. Unrealised gains or losses linked to these contracts are recognised as they occur.
The company uses hedge accounting for interest rate swaps that fulfil the criterion for hedge accounting.
The hedging of net investments is treated as hedge accounting. Unrealised currency gains or losses on loans that are included as hedging instruments for hedging net investments in Swedish subsidiaries are initially recognised on the balance sheet as a part of investment in subsidiaries and will only be recognised in the income statement on the disposal of the investment.

Cash flow statement
The cash flow statement is prepared according to the indirect method. Cash and cash equivalents comprises means of payment (cash/bank deposits) and current investments in securities (not shares) with a term of less than three months calculated from the time of acquisition.

Note 2. Shares

Shares in subsidiaries:	Acquired	Share of ownership	Share of votes	No. of shares	Carrying amount NOK as at 31/12/2014
Scana Propulsion AS (subgroup), Volda, Norway	2011	100 %	100 %	100 000	106 001
Scana Property AS (subgroup), Stavanger, Norway	2012	100 %	100 %	1 000 000	84 422
Scana Skarpenord AS, Rjukan, Norway	1989	100 %	100 %	7 000	11 363
Scana Steel Stavanger AS, Jørpeland, Norway	1990	100 %	100 %	6 000	0
Scana Offshore Vestby AS, Vestby, Norway	2006	100 %	100 %	2 600	49 000
Scana USA Holdings Inc. (subgroup), Houston, Texas, USA	2011	100 %	100 %	1 000	41 970
Scana Trading AS (subgroup), Stavanger, Norway	1987	100 %	100 %	115 000	186 979
Elimination of agio on net investments in subsidiaries					26 203
Total shares in subsidiaries					505 938

	Currency	Acquired	Share of ownership	Share of votes	No. of shares
Shares owned by subsidiaries:					
Scana Steel Björneborg AB, Björneborg, Sweden	SEK	1993	100 %	100 %	80 000
Scana Machining AB, Kristinehamn, Sweden	SEK	2011	100 %	100 %	50 000
Scana Subsea AB, Kristinehamn, Sweden	SEK	2009	100 %	100 %	100
Scana Energy AB (subgroup), Kristinehamn, Sweden	SEK	2013	100 %	100 %	50 000
Scana Volda AS, Volda, Norway	NOK	1997	100 %	100 %	94 426
Scana Zamech sp. z o.o., Elblag, Poland	PLN	2009	100 %	100 %	28 100
Scana Mar-El AS, Dalen, Norway	NOK	1996	100 %	100 %	100 000
Scana Singapore Pte Ltd, Singapore	SGD	1994	100 %	100 %	205 000
Scana Shanghai Trading Ltd, Shanghai, China	RMB	2011	100 %	100 %	N/A
Scana Eiendom SSA AS, Jørpeland, Norway	NOK	2013	100 %	100 %	1 529
Scana Eiendom Jørpeland AS, Jørpeland, Norway	NOK	2013	100 %	100 %	6 172
Scana Eiendom Volda AS, Volda, Norway	NOK	2014	100 %	100 %	300
Scana Property AB, Karlskoga, Sweden	SEK	1995	100 %	100 %	69 305
Fjordbris AS, Tau, Norway	NOK	2013	50.1 %	50,1 %	1 000
Scana Steel Söderfors AB, Söderfors, Sweden	SEK	1995	100 %	100 %	259 000
Scana Steel Booforge AB, Karlskoga, Sweden	SEK	1994	100 %	100 %	100 000
Scana Energy Holding AB (subgroup), Kristinehamn, Sweden	SEK	2013	100 %	100 %	100 000
Scana do Brasil Ind Ltda, Rio de Janeiro, Brazil	BRL	2009	100 %	100 %	10 000

The company tests the value of the shares for impairment where there are indications of a loss in value. The valuation uses the utility value. The utility value is based on the budget and business plans determined by the management for the period 2015–2019. The estimates are based on the 2015 budget and forecasts for 2016–2019 for each individual cash-generating unit. For the subsequent period, the model assumes a growth rate of 2.5%, which is within the long-term expectations of the inflation target of Norway's central bank, Norges Bank. Revenues are based on contracts entered into, the management assessment and external information about the potential for new agreements. The estimated operating margin for the period is increased on the basis of positive market growth forecasts. The company recognises impairment loss in the income statement where the estimated recoverable amount is lower than the recognised assets or the cash-generating unit. Write-downs have been implemented for the shares in Scana Steel Stavanger AS and Scana US Holding Inc. totalling NOK 89.5 million and NOK 42.0 million respectively. In addition, receivables from Scana Steel Söderfors AB, which was sold on 30 January 2015, have been written down by NOK 42.9 million. See notes 9 and 27 to the consolidated financial statements for the description of the impairment tests and details of the company's sale.

The company has sold Scana Offshore Technology AS and the workshop at Scana Offshore Vestby AS with a gain of NOK 5.9 million. The company has in addition done a restructuring of Swedish companies where the shares in Scana Machining AB, Scana Steel Booforge AB and Scana Steel Söderfors AB were bought. The shares was transferred to Scana Trading AS which is per balance sheet date held by Scana Energy Holding AB.

Note 3. Property, plant and equipment

	Machinery, equipment, etc.
Acquisition cost	
Accumulated acquisition cost as at 1 January 2014	6 725
Additions during the year	85
Accumulated acquisition cost as at 31 December 2014	**6 810**
Depreciation	
Accumulated depreciation as at 1 January 2014	3 711
Depreciation for the year	320
Disposals during the year	1
Accumulated depreciation as at 31 December 2014	**4 032**
Carrying amount as at 31 December 2014	**2 778**
Depreciation period in no. of years	3 - 5

Annual rent for office premises (not recognised on the balance sheet) in 2014 was NOK 1,556.

Note 4. Tax

	2014	2013
Basis for current tax payable:		
Profit/loss before tax expense	-104 746	-34 696
Permanent/Other differences	28 711	-8 563
Change in temporary differences	69 971	2 630
Change in temporary differences, tax loss	6 064	40 629
Loss carryforward utilised, not previously recognised in the income statement	0	0
Basis for current tax payable	0	0
Tax expense for the year:		
Tax payable	0	0
Change in deferred tax	1 512	8 385
Tax recognised in equity	157	8 091
Tax expense for the year	1 669	16 476
Reconciliation of taxes against ordinary profit/loss before tax:		
Tax expense for the year	1 669	16 476
27% of profit/loss before tax (2013: 28%)	-28 281	-9 715
Difference due to:	29 950	26 191
Permanent/Other differences	7 752	-2 398
Profit/loss on investment in subsidiaries, tax recognised in equity	157	5 973
Tax on share issue cost recognised directly in equity	0	2 118
Changes not recognised on the balance sheet/reversed deferred tax asset	20 578	19 712
Change in tax rate	0	786

	2014	2013
Specification of the basis for deferred tax:		
Non-current assets	598	130
Receivables	-73 378	0
Derivatives	-4 913	-13 055
Profit and loss account	-64	-80
Other liabilities	2 186	7 404
Tax loss/Refund to carry forward	-73 651	-73 007
Total temporary differences	-149 222	-78 608
27% deferred tax	-40 290	-21 224
Of which recognised deferred tax asset	0	1 512
Unrecognised deferred tax asset	40 290	19 712

The deferred tax asset recognised on the balance sheet is based on estimates of future earnings in the Norwegian operations.
There is no time limit on the right to present loss carryforwards.

Tax recognised directly in equity:		
Net investment	157	5 973
Share issue costs	0	2 118
Total	157	8 091

Note 5. Equity

	Share capital	Own shares*	Share premium account	Other paid-in capital	Other equity	Equity
Equity as at 31 December 2014	75 118	-11	418 268	17 946	0	511 321
Profit/loss for the year			-133 621	-17 946	45 152	-106 415
Continuity difference					-43 250	-43 250
Cash flow hedging					-2 059	-2 059
Net investment					157	157
Equity as at 31 December 2015	**75 118**	**-11**	**284 647**	**0**	**0**	**359 754**

*The company has 10,508 own shares with a nominal value of NOK 1.00 per share.
Own shares and other paid-in capital have been revised from the previous year.

Note 6. Guarantees

	2014	2013
Parent company guarantees and other guarantees	152 811	182 923

Parent company guarantees amounts of NOK 76 million and almost the hole amount is related to performance guarantees connected to product and services to the subsidiaries. See note 25 in the group accounts for future details.

Note 7. Related-party transactions

NOK 41,219 of the operating revenue for the year constitutes charges made to subsidiaries including group support and royalties.
Of the net financial items for the year, NOK 25,758 constitutes interest from group companies and NOK 2,515 interest to group companies.
See note 21 to the consolidated financial statements for details of related parties.

Note 8. Remuneration and fees

	2014	2013
Payroll costs	15 987	16 403
Employer's contributions	2 380	2 469
Pension costs	524	697
Other payroll and staff costs	207	682
Total payroll costs	**19 099**	**20 251**

Scana Industrier had seven employees at the end of the year, including one woman. The average number of employees in 2014 was nine people.
The company's pension scheme satisfies the requirements of the Norwegian Act on Compulsory Occupational Pensions.
For future details see note 10 in the group accounts according to remuneration to key personnel.

Auditor's fees:*	2014	2013
Statutory audit	358	342
Other certification services	134	
Other non-audit services	1 772	998
Tax consulting	99	139
Total	**2 363**	**1 479**

* Figures are exclusive of VAT

Note 9. Share capital

As at 31 December 2014, Scana Industrier ASA's share capital came to NOK 75,118,301, distributed across 75,118,301 shares at NOK 1.00. There is one class of shares, with all shares carrying equal voting rights. See note 16 to the consolidated financial statements for details of share capital and premiums. See note 24 to the consolidated financial statements for details of shareholders.

Note 10. Debts and liabilities to group companies

The company has loan agreements with subsidiaries. In addition, the company has current liabilities to subsidiaries that primarily relate to the group account arrangement.
At the end of 2014 and 2013, there were no receivables to group companies falling due for payment more than one year ahead.

Note 11. Other current receivables

Other current receivables totalling NOK 73.4 million relating to the sale of Leshan Scana Machinery Co. Ltd have been written down to zero.
See note 14 to the consolidated financial statements for further details.

Note 12. Bank deposits

Bank deposits and cash amount to NOK 39.3 million. Bank deposits are part of a group account arrangement.
Through Nordea the company has issued guarantees related to taxes owed.

Note 13. Current interest-bearing liabilities

	2014	2013
Bank overdraft	101 994	50 479
Super Senior credit facility	0	37 767
Syndicate loan, instalments due for payment within 12 months	279 006	376 428
Total	381 000	464 674

As at 31 December 2013, the company is in breach of the loan conditions for the syndicate loan, but has been granted an exemption by the syndicate.
The syndicate loan has a maturity 22 March 2015. The due date for the existing loan agreement was deferred to 22 June 2015.
See note 17 to the consolidated financial statements for further details on interest-bearing debt.

Note 14. Pledged assets

	2014	2013
Of the company's interest-bearing liabilities, the following were secured through pledges	381 000	464 674
Carrying amount of pledged items:		
Shares	505 938	495 634
Machinery, equipment	2 778	3 014
Total	508 716	498 648

Note 15. Financial instruments

Currency contracts:

Below is a summary of all open currency contracts as at 31 December 2014

Currency	Net	Nominal value	Maturity	Unrealised gain/loss (-)
SEK	Purchase	20 983	2015	769
EUR	Purchase	4 350	2015	1 375
USD	Purchase	1 825	2015	3 745
USD	Purchase	945	2016	245
GBP	Purchase	1 170	2015	341
Total				6 475

The forward contracts are included as part of the group's management of the exchange rate risk. See note 22 to the consolidated financial statements.

Interest rate swaps:
The group believes that holding parts of its liabilities at a fixed interest rate reduces the long-term risk. On this basis, interest rate swaps are used to swap variable interest for a fixed rate. When the fixed interest rate is lower than the variable rate, Scana receives and reports the difference in interest as income. When the fixed interest rate is higher than the variable rate, Scana pays and reports the difference in interest as a cost. Income/costs are accrued over the relevant interest period.

As at 31 December 2014, the company has an interest rate swap of SEK 200 million, where the company pays a fixed interest rate and receives a variable rate. The variable interest rate is set each quarter and is based on the 3-month STIBOR.

Currency	Amount	Fixed interest rate	Maturity	Fair value
SEK	200 000	3.00 %	25.10.2016	-10 604

Note 16. Other current liabilities

Of the other current liabilities, NOK 1,679 constitutes public charges payable.

Note 17. Other financial income/expenses

Net other financial income of NOK 7.9 million consists of currency gain of NOK 90.5 million, currency loss of NOK 71.3 million and finance costs of NOK 11.3 million.

Note 18. Events after the balance sheet date and going concern

See note 29 to the consolidated financial statements on events after the balance sheet date and note 30 concerning operation as a going concern.

Stavanger, 29th of April 2015

Bjørn Torkildsen Chairman of the Board	John Arild Ertvaag	Elisabeth Saupstad	Martha Kold Bakkevig	Per Ravnestad	Jan Henry Melhus Acting CEO

DECLARATION BY THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO have to day considered and approved the Scana Industrier ASA annual report and financial statements for the Scana Industrier group and its parent company for the 2014 calendar year end as of 31 December 2014.

The consolidated financial statements have been prepared and presented in accordance with the requirements of IFRS as adopted by the EU and associated interpretations, and with Norwegian disclosure requirements that were in force as of 31 December 2014. The annual report for the group and parent company meets the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard 16 in force as of 31 December 2014.

To the best of our knowledge:

- the 2014 financial statements for the group and parent company have been prepared in accordance with applicable accounting standards
- the information provided in the financial statements gives a true and fair portrayal of the group and parent company's assets, liabilities, financial position, and profit as a whole as of 31 December 2014.
- the annual report provides a true and fair overview of:
  - developments, profit, and the financial position of the group and the parent company
  - the most significant risks and uncertainties facing the group and the parent company

Stavanger, 29th of April 2015

Bjørn Torkildsen
Chairman of the Board

John Arild Ertvaag

Elisabeth Saupstad

Martha Kold Bakkevig

Per Ravnestad

Jan Henry Melhus
Acting CEO

AUDITORS' REPORT 2014

Statsautoriserte revisorer
Ernst & Young AS

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To the Annual Shareholders' Meeting of
Scana Industrier ASA

Report on the financial statements

We have audited the accompanying financial statements of Scana Industrier ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Scana Industrier ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

We refer to note 29 and 30 in the financial statements of the Group and the Board of Director's report which states that the Group is dependent on the completion of the agreed upon refinancing of debt, contribution of additional equity and improved earnings and cash from operations. As a consequence of these requirements, there is significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared under the assumption of going concern assuming realization of assets and settlement of debt under normal operations. No provisions or write-downs have been made for any losses that may occur if this assumption is no longer appropriate. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report [and on the statements on corporate governance and corporate social responsibility]

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report [and in the statements on corporate governance and corporate social responsibility] concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 30 April 2015
ERNST & YOUNG AS

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

CORPORATE GOVERNANCE 2014

Group objectives

Corporate governance at Scana shall ensure that the companies' business management is in line with universal and recognised interpretations and standards, and complies with relevant legislation and regulations. Scana is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations. Scana aims to follow the principles set out in the Norwegian Code of Practice for Corporate Governance. Information on the code of practice can be found at www.nues.no.

The principles for corporate governance are specified in different governing documents for Scana's business. The principles aim to ensure good interaction between the company's various stakeholders, such as customers, employees, governing bodies, management and society as a whole.

The group's aim is to own and operate industrial and commercial enterprises and activity associated therewith, and to own and operate real property. The company's aim encompasses further investment in other companies in order to promote the company's interests.

The main aim of the group is to increase the values for shareholders. The following primary strategies have been determined on this basis:

1. Regain profitability and ensure proper financial management.
2. Increase focus on the structure and development of the business areas.
3. Grow organically in all business areas.
4. Develop the repair and service concept within the business areas.
5. Reduce exposure outside the group's priority areas.
6. Develop property value.

In 2015, the Board emphasises regaining profitability, improving the group's financial robustness and completing the transformation of Scana into an industrial investment company.

Shareholder policy

Scana's shareholder policy is to give its shareholders a competitive return in the form of dividends and an increase in market value. Scana will pursue a conservative share issue policy in which the interests of existing shareholders are given precedence.

Satisfactory long-term growth and financial performance should provide shareholders with a good total value trend over time. The company's dividend policy must consider the need to maintain adequate levels of capital and allow for added value through new investments. Based on this, the Board believes it is appropriate that the long-term dividend constitutes 1/3 of the profit for the year. The remainder shall ensure growth and a satisfactory level of equity.

Scana Industrier ASA has one class of share, with each share carrying one vote. Each share has a nominal value of NOK 1.00. At the time of the 2014 General Meeting, the company had the authority to buy its own shares in connection with the company's share option scheme and to make potential acquisitions up to 10 per cent of the company's registered share capital.

Guidelines have been prepared to ensure that the Board members and senior employees obtain prior approval and report any trading of Scana shares. The company's own trading of Scana shares shall take place on the stock exchange. There are no revenue restrictions on the share.

Frameworks for option schemes and schemes for allocating shares to employees shall be dealt with and approved by the General Meeting. The existing share option scheme for senior employees was approved by the General Meeting on 28 April 2010. The option scheme comes to an end in 2015 and the company has no plans to establish a new option scheme.

With regard to shares held by Board members and senior employees, please see note 24 of the consolidated financial statements.

Guidelines for the remuneration of senior employees are presented in Note 10 of the annual financial statements, and the general meeting holds an advisory ballot.

Scana has no defence mechanisms to protect against company takeover in the company's articles of association. There are also no obstacles to limit acquisitions of the company's shares.

No general principles have been established for the way in which Scana will act in the event of any takeover bids, apart from the fact that the Norwegian Code of Practice for Corporate Governance will have a normative function.

Governance model

The group's supreme management body is the General Meeting for Scana Industrier ASA. In accordance with the company's Articles of Association, the General Meeting shall be led by the Chairman of the Board. The General Meeting elects the election committee, Board members for Scana Industrier and the group's external auditor, as well as approving fees for these posts. The General Meeting also deals with issues pursuant to the Norwegian Limited Liability Companies Act, including the financial statements for the group and the parent company. All shareholders in the company are entitled to attend and vote at the General Meeting. The notice of meeting and agenda shall be sent out no later than 21 days prior to the date of the General Meeting. Case documents for the General Meeting are made available on the corporate website.

In 2006, the General Meeting appointed an election committee consisting of three external members. The Articles of Association were changed in 2008 to reflect this. Scana does not currently have a corporate assembly.

In accordance with the company's Articles of Association, the company's Board of Directors shall consist of 3–7 members who are elected by the General Meeting for a two-year term. The age limit for Board members is 68; Board members must step down at the first annual general meeting following their 68th birthday. The Board's duties and responsibilities are determined by Norwegian law, and include the overall management and control of the group. The CEO shall not be a Board Member.

The Board of Scana Industrier is conscious of its responsibility to protect the interests of all owners, and its work has prioritised balancing traditional control and supervisory duties with discussions on strategy and other relevant topics. The composition of the Board takes into account the requirement for independence from the group management. There are specific guidelines in place for the Board and its work. Accordingly, the Board is responsible for the management of the group's activities and for ensuring that legislation and regulations are complied with. The Board's main duties include strategy, organisation, control and special tasks. The 2010 Annual General Meeting decided that the Articles of Association should state that the tasks and duties of the audit committee are to be carried out by the full Board. This was to ensure the broadest skill set possible on the audit committee. The Board normally meets seven times a year. No profit-related remuneration or share option schemes have been introduced for any members of the Board. It is recommended that the Board Members own shares in the company.

Jon Arild Ertvaag and Per Ravnestad are among the company's biggest shareholders. The other shareholder-elected Board Members are independent of the executive management, the company's majority shareholders and material business connections. The composition is also such that it safeguards shareholder interests and the company's needs regarding expertise, capacity and diversity in a good collegial body. The supplementary expertise within the Board of Directors ensures that the Board Members are able to assess matters from different perspectives before reaching a final decision. An overview of shares owned by the Board Members and senior employees is presented in Note 10.

The General Meeting appoints an independent external auditor and sets their fee. Scana's policy is to use the same auditors in all group companies where practically possible, and where Scana alone can decide this. The external auditor shall confirm to the General Meeting that the group and parent company's financial statements have been submitted in accordance with current legislation and regulations. The auditor also attends Board meetings that deal with the financial statements. Meetings may be arranged between the Board and auditor without the presence of the CEO or other representatives of the group management. In line with requirements for the independence of the auditor, Scana will only use the appointed external auditor for work other than the statutory financial audit to a limited extent. Scana does not have its own internal auditing department, but uses resources from an external audit firm if the need for such audits arises.

Investor information

Scana Industrier shall provide the stock market with relevant and complete information to enable the balanced and accurate pricing of the share. The group places great emphasis on having an open dialogue with the stock market and the media. This is achieved through stock exchange announcements, press releases, quarterly presentations and presentations for analysts and investors.

The company's website (www.scana.no) has a separate section dealing with information for investors. This contains annual reports, quarterly reports and company presentations. The quarterly presentations are also available as a webcast.

In 2010, the General Meeting decided that documents relating to cases dealt with at the General Meeting of the company, such as the annual report, could be made available on the company's website, cf. Article 9 C of the Articles of Association. The reporting calendar for 2015 is available at www.scana.no.

ARTICLES OF ASSOCIATION - SCANA INDUSTRIER ASA

§ 1 The company's name is Scana Industrier ASA. The company is a Norwegian public limited company.

§ 2 The company's objects are the ownership and management of industrial and commercial activities and any related business, and the ownership and management of properties. The company's objects also include investment in other companies to further the company's operations.

§ 3 The company's head office is to be in Stavanger.

§ 4 The Company's share capital is NOK 75,118,301 divided on 75,118,301 shares, each with par value of NOK 1.0.

§ 5 The company's shares are to be registered with the Norwegian Central Securities Depository (VPS).

§ 6 The company's board is to have between three and seven members elected by the general meeting for a term of two years at a time. The upper age limit for board members is 68 years. Members are to step down at the first annual general meeting after reaching the age of 68.

§ 6 B The entire Board of Directors shall exercise the Audit Committee's tasks and duties according to the requirements of the Public Limited Companies Act at any time.

§ 7 The chairman of the board or the general manager together with a member of the board may sign on behalf of the company.

§ 8 General meetings are to be chaired by the chairman of the board.

§ 9 The following topics are to be considered and resolved at the annual general meeting:

i. Adoption of the profit and loss account and balance sheet, including the distribution of the profit for the year or covering of the loss for the year and the distribution of dividends.
ii. Adoption of the group profit and loss account and group balance sheet.
iii. Election of the members and chairman of the board on the expiry of their term of office.
iv. Emoluments payable to the board.
v. Election of an auditor where a proposal for such has been made.
vi. Approval of the auditor's fees.
vii. Any other business required to be transacted at the meeting in accordance with the law or the articles of association.

§ 9 B The company is to have an election committee consisting of at least 3 members elected by the general meeting. The election committee is to prepare the election of board members for the general meeting, propose candidates to board duties and recommend the size of emoluments payable to the board. The general meeting may give directives as to how the election committee should work.

§ 9 C Documentation related to items to be treated by the AGM, inclusive of documents that by law should be included in or attached to the notice of annual general meeting, can be made available on the Company's homepage on the internet. The requirement for physical distribution is then not applicable. Shareholders can still request documentation related to items to be treated by the AGM to be distributed.

§ 10 In all other respects, reference is made to applicable company law.

Updated 15 May 2013


Scana´s head office is located in Stavanger, Norway.

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In case of any deviations or interpretation differences between the Norwegian and the English version of the annual report, the Norwegian version applies.

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