

Interim report 1st quarter 2010

Scana Industrier ASA is a Nordic industrial group providing products and system solutions to three market segments: marine, energy and steel & machinery. Scana also provides service and laboratory services, in addition to maintenance and repairs for customers in the marine market and oil & gas.

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

Scana Industrier ASA has companies in Norway, Sweden, China, USA, Poland, Singapore, Brazil and South Korea, as well as associated companies in a number of countries. The group's head office is in Stavanger.

Increased order inflow for Scana

- Increased order inflow and increased tendering activity in all market segments.
- Positive operating profit despite reduced turnover.
- Strong profitability within the Marine business area.
- Increased activity but strong price pressure within the Steel business area.
- Important contracts and major potential in the Oil & Gas business area.
- Improved order inflow and gradually better prices are expected to increase activity and profitability from the fourth quarter of 2010.

NOK million	Quarter					2008	2009
	Q1 10	Q1 09	Q4 09	Q3 09	Q2 09		
Operating revenue	430	702	491	457	618	2 896	2 267
EBITDA	17	89	40	53	82	350	263
Operating profit EBIT	1	74	22	38	67	277	201
Operating margin %	0%	11 %	4%	8 %	11 %	10%	9%
Profit before tax before temp. change in value of currencies	1	64	32	32	50	224	178
Profit before tax	6	144	27	83	71	75	325
Order inflow	434	353	284	284	200	2 477	1 121
Order reserve	843	1667	856	1075	1303	2 096	856

Operating revenue totalled NOK 430 million in the first quarter, compared with NOK 702 for the same period last year. The operating profit was NOK 1 million. The operating revenue and result are characterised by lower activity and considerable price pressure. Implemented cost measures contributed to a profitable operation. The first quarter shows a break in the trend related to tendering activity and order inflow, which will affect the result in 2010 and 2011.

Within the Steel business area there is still a limited demand within the energy and marine segments. The demand is increasing within the steel- and machinery segment. This has increased activity though at pressured prices. The downward trend has turned and two of the companies within the Steel business area are increasing from two to three shifts. The operating revenue and result in the Oil & Gas business area reflect the fact that Scana does not have any major projects and that activities related to sales, tendering and negotiations have reduced the operating profit. The Marine business area continues to have a number of ongoing new sales projects and a good level of activity within service and after sales.

Net financial items were NOK 6 million in the first quarter as a result of a positive change in value of forward contracts.

The net order inflow was NOK 434 million in the first quarter, which is considerably higher than the last three quarters. The tendering activity has increased in all of Scana's market segments.

The closing price for shares in Scana was NOK 8.00 at the end of the first quarter, up from NOK 7.83 at the end of the fourth quarter. This gives a market value for the group of NOK 1.34 billion. In the first quarter, 4.5 million shares out of a total of 167 million outstanding shares were traded. Scana's holding of own shares is 113 010. Scana has a Market Maker agreement in order to increase the liquidity of its shares and ensure listing on the Oslo Børs Match list.

Steel

Operating revenue totalled NOK 275 million in the first quarter. The operating profit was NOK 6 million, which corresponds to an operating margin of 2%. The result is characterised by reduced activity and considerable price pressure. A high level of tendering activity, improved order inflow and activity growth towards the end of the quarter nevertheless indicates a gradually stronger market. Key customers have renewed their framework agreements with Scana for 2010.

The steel companies' cost-saving measures and ongoing work to streamline processes are contributing to ensuring a profitable operation and positioning Scana for growth.

The business area's net order inflow was NOK 278 million for the first quarter, up from NOK 155 million in the fourth quarter of 2009. The order reserve was NOK 444 million.

The scrap steel prices increased somewhat throughout the first quarter. Alloy prices are also increasing. In order to safeguard our operating margins, the steel companies have, to a large extent, used contractual hedging to neutralize the effect of raw material price fluctuations.

Marine

Operating revenue totalled NOK 132 million in the first quarter. The operating profit was NOK 12 million, which corresponds to an operating margin of 9%. The reduction in operating revenue from 2009 is due to the completion of projects and reduced new sales. Scana is increasing the activity within service and after sales services.

The order inflow was NOK 80 million in the first quarter, and the order reserve is NOK 319 million. The order inflow contributes to maintaining a satisfactory level of activity in 2010.

Oil & Gas

The operating revenue was NOK 31 million in the first quarter. The operating result is NOK -11 million following low activity within service and maintenance, and the fact that Scana had no major development projects in the quarter. In addition, Scana has carried costs relating to development-, sales- and tendering activities in the P&L.

The order inflow was NOK 99 million for the business area in the first quarter, while the order reserve is NOK 97 million. Scana entered into a contract with FMC for deliveries of risers to the Snorre platform in the North Sea. The group is well positioned for other similar deliveries on a global basis.

Scana has strengthened its expertise in the basic organization and foreign offices. This has led to proximity to the customers and a considerable increase in the level of tendering activity for oil & gas projects.

Accounts

This interim report has been prepared in accordance with the standard for interim financial reporting, IAS 34, and IFRS. The same accounting principles are applied in the quarterly report as in the annual accounts.

Financial performance

The group's total turnover was NOK 430 million in the first quarter. The reduction from the same period in 2009 is attributed to lower demand and considerable price pressure in the group's market segments. The operating profit was NOK 1 million. Net financial items totaled NOK 6 million, compared with NOK 70 million in the first quarter of 2009. Temporary changes in value linked to currency contracts represent a gain of NOK 5 million in 2010. Scana hedges all major contracts in foreign currency. The change in value must be entered directly in the profit and loss account against finance in accordance with IFRS, but cannot be realized and has no effect on liquidity.

The estimated tax for the first quarter is NOK 1 million, which is 19% of the result before tax. The group's result before tax is, to a large extent, related to the activity in China. Scana has used a tax loss carry forward in Norway to reduce the tax payable.

Financial instruments are valued at fair value. Changes in value that satisfy requirements for hedge accounting are recorded against the total comprehensive income. In the first quarter, such instruments had a fall in value of NOK 5 million. Translation differences from foreign subsidiaries and the elimination of agio related to the hedging of net investments have changed the total comprehensive income by NOK -6 million and NOK 12 million respectively.

The earnings per share was NOK 0.02 for the first quarter 2010.

Cash flow

The operating profit was NOK 1 million after depreciation totaling NOK 17 million. Net cash flow from operational activities was NOK 68 million in the first quarter, of which the reduction in working capital totaled NOK 49 million.

Activated costs and investments in fixed assets totaled NOK 11 million, net after proceeds from sale of fixed assets. Net cash flow from financing activities is negative, at NOK 59 million, of which NOK 13 million is installments on long-term loans and NOK 41 million is reduced utilization of long-term credit facilities. Current liabilities were reduced by NOK 3 million. The net cash flow was accordingly NOK -2 million. The group's cash and cash equivalents totaled NOK 140 million at the end of the first quarter. In addition, the group has a satisfactory level of unused credit facilities.

Balance sheet and capital position

Scana has a healthy financial position, with a low level of debt. The total balance sheet at the end of the first quarter 2010 was NOK 1 925 million; a reduction of NOK 201 million from the same period in 2009. The group's net interest-bearing debt was NOK 311 million. Book equity of NOK 880 million corresponds to NOK 5.27 per share and an equity ratio of 46%.

Outlook

Scana's main products are niche oriented, and they are leading products within their market segments. After several years of turnover growth and higher margins, this trend was reversed in 2009 due to a significantly weaker international economy. Scana anticipates a continued weak market in the Marine business area and a volatile, but gradually stronger, market for traditional industry. Scana's measures within the Oil & Gas business area are expected to result in a significant increase in the order inflow from the first half of 2010 and gradually increase the level of activity throughout the year. In the longer term perspective, a strong and modernized production capacity, combined with activity growth and somewhat better prices, will result in significantly increased turnover and earnings for Scana.

The products Scana supply within the Steel business area has a very high steel grade. Deliveries to customers within steel and machinery have increased considerably and are expected to maintain at a satisfactory level. Scana enters into short-term

contracts when the prices are low, since the prices are gradually expected to increase. Scana expects gradually increased activity within the energy segment. Within the marine segment demand is expected to be low until 2011.

The economic downturn and continued low number of new contracts will result in a reduction in activity in Scana's marine companies in 2010. Scana has strengthened the sales and marketing work, and is strengthening its positions in emerging markets. The focus on service and after sales increase turnover and has a positive effect on the result.

The group has developed several advanced products and systems in the Oil & Gas area in recent years that have created interest. Multi-disciplinary training, extensive expertise within materials technology and the capability for in-house production of special components mean substantial future potential both for existing niche products and for products under development. The order inflow is expected to increase considerably in 2010 as a result of the group's structural measures and increased focus on the world's most active oil and gas markets. The founding of Scana Subsea will simplify the customers' business process linked to specialized equipment, and provide Scana with considerable business opportunities on a global basis. In addition, new business in Brazil will mean major growth potential for the company in a growing market. Profitability within Oil and Gas is dependent on Scana being awarded major projects to achieve a satisfactory result.

Scana's implemented measures to adapt its capacity and consumption of resources to a lower demand and the effect of increased price pressure, has an annual effect of NOK 200 million. Scana has released working capital and introduced a strict prioritization of its investment resources. This enables the group to ensure a satisfactory level of liquidity and a strong balance sheet.

Board of directors in Scana Industrier ASA
28 April 2010

Profit and Loss Account - Group

NOK million	Quarters					Year to date		Full Year
	Q1 10	Q1 09	Q4 09	Q3 09	Q2 09	2010	2009	2009
Total operating revenues	430	702	491	457	618	430	702	2 267
Raw materials and consumables	178	266	168	191	213	178	266	838
Change in stocks and FG and WIP	1	42	28	0	27	1	42	98
Wages and NI contributions	148	171	160	127	158	148	171	617
Other operating costs	86	133	95	86	138	86	133	452
Depreciation and amortization	16	15	18	15	15	16	15	62
Total operating costs	429	628	470	419	550	429	628	2 067
Operating profit / (loss) - EBIT	1	74	22	38	67	1	74	201
Financial income	36	160	36	66	28	36	160	289
Financial expense	(30)	(90)	(31)	(20)	(24)	(30)	(90)	(165)
Net financial income / expense (-)	6	70	5	46	4	6	70	124
<i>Profit / (loss) before taxes ex. effect of derivate</i>	<i>2</i>	<i>64</i>	<i>24</i>	<i>32</i>	<i>50</i>	<i>2</i>	<i>64</i>	<i>178</i>
Profit / (loss) before taxes	7	144	27	83	71	7	144	325
Taxation	1	36	5	23	17	1	36	81
Net profit / (loss)	5	107	22	61	54	5	107	244
Attributable to:								
Equity holders of the parent	4	107	26	64	54	4	107	250
Minority interests	2	1	(4)	(4)	(0)	2	1	(7)
Earnings per share	0,02	0,65	0,15	0,38	0,32	0,02	0,65	1,51
Diluted earnings per share	0,02	0,64	0,15	0,38	0,32	0,02	0,65	1,50
Other comprehensive income	0	0	0	0	0	0	0	0
Changes in cash flow hegdes	(5)	(6)	5	(4)	4	(5)	(6)	(0)
Net gain /loss on net investment hegdes	(6)	39	(6)	3	(7)	(6)	39	29
Exchange difference on translations of foreign operations	13	(38)	(8)	(25)	(2)	13	(38)	(73)
Other comprehensive income	13	(38)	(8)	(25)	(2)	13	(38)	(73)
Total comprehensive income	1	(6)	(8)	(26)	(5)	1	(6)	(45)
Key Figures:								
EBITDA	17	89	40	52	82	17	89	263
EBITDA margin - %	4 %	13 %	8 %	11 %	13 %	4 %	13 %	12 %
EBIT margin - %	0 %	11 %	4 %	8 %	11 %	0 %	11 %	9 %
Net profit margin - %	1 %	15 %	4 %	13 %	9 %	1 %	15 %	11 %
Order intake	434	353	284	284	200	434	353	1 121
Order reserve	843	1 667	856	1 075	1 304	843	1 667	856

Balance Sheet - Group

NOK million	31.03.10	31.12.09	30.09.09	30.06.09	31.03.09	31.12.08
Intangible fixed assets	155	150	152	158	128	132
Deferred tax	4	3	2	6	4	39
Tangible fixed assets	725	722	718	691	671	696
Financial fixed assets	25	25	13	13	13	12
Total fixed assets	910	900	886	869	817	879
Inventory	379	381	405	410	426	483
Trade debtors	487	560	550	617	699	740
Derivates	10	11	25	4	7	7
Cash and cash equivalents	140	140	123	169	177	139
Total current assets	1 015	1 090	1 103	1 200	1 310	1 369
Total assets	1 925	1 990	1 990	2 069	2 127	2 248
Paid-in capital	326	326	331	331	326	326
Other equity	520	515	490	452	456	355
Minority interests	34	32	39	43	43	42
Total shareholders' equity	880	873	860	826	825	723
Interest bearing loans and borrowings	322	370	412	425	449	499
Derivates	0	0	1	3	8	48
Other non-current liabilities	114	113	103	87	64	71
Total non-current liabilities	436	483	515	515	521	618
Interest bearing loans and borrowings	129	126	85	99	92	112
Derivates	24	21	35	55	81	112
Other current liabilities	456	488	493	575	607	683
Total current liabilities	609	634	614	729	781	907
Total liabilities and shareholders' equity	1 925	1 990	1 990	2 069	2 127	2 248
Key Figures:						
Equity ratio	46 %	44 %	43 %	40 %	39 %	32 %
Gross debt	451	496	497	523	541	611
Net debt	311	356	374	354	364	472
Gearing (gross debt divided by shareholders' equity)	0,5	0,6	0,6	0,6	0,7	0,8
Equity ratio ex. Derivate	47 %	44 %	44 %	43 %	43 %	40 %

Cash Flow Statement - Group

NOK million	Quarters		Year to date		Full Year
	Q1 10	Q1 09	2010	2009	2009
Operating profit / (loss) - EBIT	1	74	1	74	201
Tax paid	(6)	(17)	(6)	(17)	(53)
Currency exchange differences and gain/loss on sale of fixed assets	8	(31)	8	(31)	(52)
Depreciation and amortisation	16	15	16	15	62
Change in net working capital	49	40	49	40	141
Net cash flow from operating activities	68	81	68	81	300
Proceeds from sale of property, plant and equipment	2	1	2	1	3
Purchase of property, plant and equipment	(13)	(28)	(13)	(28)	(142)
Investments in business	0	0	0	0	(45)
Net cash flow from investing activities	(11)	(27)	(11)	(27)	(184)
Proceeds from long-term borrowings	0	0	0	0	30
Repayment of long-term borrowings	(56)	(3)	(56)	(3)	(74)
Net increase/(decrease) in short-term borrowings	(4)	(16)	(4)	(16)	(8)
Paid dividend	0	0	0	0	(50)
Net cash flow from financing activities	(59)	(18)	(59)	(18)	(103)
Net cash flow	(2)	36	(2)	36	12
Cash and cash equivalents at beginning of period	140	139	140	139	139
Net foreign exchange difference	2	3	2	3	(12)
Cash and cash equivalents at end of period	140	177	140	177	140

Statement of change in shareholders equity - Group

NOK million	Issued Capital	Own shares	Other paid-in capital	Retained earnings	Currency translation reserves	Reserves for change in value	Total equity ex. minority interests	Minority interest	Total equity
Equity at 31 December 2008	209	-4	121	309	53	-7	681	42	723
Total comprehensive income this period				250	-44	0	206	-7	199
Share option			4				4		4
Minority interest acquisitions		4	-8	5			1		1
Dividend				-50			-50	-3	-53
Equity at 31 December 2009	209	0	117	514	9	-7	841	32	873

	Issued capital	Own shares	Other paid-in capital	Retained earnings	Currency translation reserves	Reserves for change in value	Total	Minority interest	Total equity
Equity at 31 December 2009	209	0	117	514	9	-7	841	32	873
Total comprehensive income this period				4	6	-5	5	2	6
Share option			1				1		1
Dividend							0		0
Equity at 31 March 2010	209	0	117	517	15	-12	846	34	880

Business Areas

NOK million	Quarters					Year to date		Full Year
	Q1 10	Q1 09	Q4 09	Q3 09	Q2 09	2010	2009	2009
Steel:								
Turnover	275	456	279	254	364	275	456	1354
Operating profit / (loss)	6	64	5	14	56	6	64	140
Operating margin	2 %	14 %	2 %	6 %	15 %	2 %	14 %	10 %
Order intake	278	260	155	189	108	278	260	713
Order reserve	444	958	440	560	668	444	958	440
Marine:								
Turnover	132	215	172	177	220	132	215	783
Operating profit / (loss)	12	20	34	32	21	12	20	107
Operating margin	9 %	9 %	20 %	18 %	9 %	9 %	9 %	14 %
Order intake	80	61	95	68	67	80	61	290
Order reserve	319	648	388	480	596	319	648	388
Oil & Gas:								
Turnover	31	38	48	29	41	31	38	156
Operating profit / (loss)	-11	-3	-9	-1	0	-11	-3	-14
Operating margin	-35 %	-9 %	-18 %	-5 %	0 %	-35 %	-9 %	-9 %
Order intake	99	32	34	28	25	99	32	118
Order reserve	97	61	28	35	40	97	61	28