

## Interim report 4<sup>th</sup> quarter 2009 and preliminary annual accounts

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.

### Solid performance for Scana in 2009

- Turnover of NOK 2,267 million and an operating profit of NOK 201 million for 2009
- Turnover of NOK 491 million and an operating profit of NOK 22 million for the fourth quarter
- Strong profitability within the Marine business area
- High level of bid tendering and good positioning in the Oil & Gas business area
- The effect of implemented cost measures amounts to NOK 200 million
- The board proposes a dividend of NOK 0.30 per share

NOK million	Quarter					2008	2009
	Q4 09	Q4 08	Q3 09	Q2 09	Q1 09		
Operating revenue	491	797	457	618	702	2,896	2,267
EBITDA	40	89	53	82	89	350	263
Operating profit EBIT	22	75	38	67	74	277	201
Operating margin %	4%	9%	8%	11%	11%	10%	9%
Profit before tax before temp. change in value of currencies	24	34	32	50	64	224	171
Profit before tax	15	(78)	83	71	144	75	313
Order inflow	284	502	284	200	353	2,477	1,121
Order reserve	856	2,096	1,075	1,303	1,667	2,096	856

The operating profit was NOK 22 million for the fourth quarter, which corresponds to an operating margin of 4%. Operating revenue totalled NOK 491 million in the fourth quarter, compared with NOK 797 million for the same period last year. The results are marked by an awaiting international market. Good operations and cost reductions contributed to positive results.

Operating revenue totalled NOK 2.3 billion in 2009, compared with NOK 2.9 billion in 2008. The operating profit was NOK 201 million, which corresponds to an operating margin of 9%, and is better than the group anticipated in light of weak international economic trends. Good collaboration with trade unions and low absence due to illness (3.5%) have facilitated restructuring and contributed to the solid performance.

Lower demand and strong pressure on prices are the most important reasons for reduced sales revenues in the Steel business area. Turnover in Oil & Gas reflects the fact that Scana has not had any major projects in 2009. The decline in operating revenues in the Steel and Oil & Gas business sectors has been compensated for to some extent by a high level of activity and good margins in the Marine business area.

Net financial items were negative NOK 2 million in the fourth quarter and positive NOK 117 million year to date. Temporary changes in the value of currency contracts represented a gain of NOK 147 million year to date due to the strengthening of the Norwegian krone (NOK) in 2009. Scana hedges all major contracts denominated in a foreign currency. The change in the value of hedging contracts

## Interim report 4<sup>th</sup> quarter 2009 and preliminary annual accounts

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must be recognised directly in the profit and loss account in accordance with IFRS, but it cannot be realised and has no effect on liquidity.

The net order inflow was NOK 284 million in the fourth quarter and NOK 1,121 million year to date. The order reserve was NOK 856 million at the end of 2009. There is a high level of bid tendering in several of Scana's market segments, and the group anticipates an increased order inflow in 2010, especially in the Oil & Gas business sector.

The closing price for shares in Scana was NOK 7.83 at the end of the fourth quarter, up from NOK 7.50 at the end of the third quarter. This gives a market capitalisation of NOK 1.31 billion for the group. In the fourth quarter, 4.3 million shares out of a total of 167 million outstanding shares were traded. Scana holds 113,010 treasury shares. In 2009 Scana entered into a Market Maker agreement with Oslo Børs to increase the liquidity of its shares and ensure listing on the Oslo Børs Match list.

### Steel

Operating revenue was NOK 279 million in the fourth quarter and NOK 1,354 million for 2009. This is a reduction of 47% and 32%, respectively, compared with the corresponding periods in 2008. Operating profit for the fourth quarter was NOK 5 million, which corresponds to an operating margin of 2%. The operating profit was NOK 140 million for 2009, which corresponds to an operating margin of 10%. The decline in profit is due to continued low demand and strong pressure on prices. Efficient operation and cost-saving measures implemented in the steel companies curbs the decline in the operating profit.

The business area's net order inflow was NOK 155 million for the fourth quarter, while the order reserve was NOK 440 million at the end of 2009. The combined demand from steel companies was also weak in the fourth quarter. However, key customers renewed their framework agreements with Scana towards the end of 2009, which ensures a continued good positioning in the market.

The investment programme that was implemented in 2009 and the cost-reducing measures reduce the level of risk and streamline production. This will strengthen Scana's competitive position when the market turns.

The scrap steel prices increased somewhat throughout the fourth quarter. Alloy prices are also increasing. The steel companies have used extensive contractual hedging on contracts to neutralise the effect of raw material price fluctuations in order to safeguard their operating margins.

### Marine

Operating revenue totalled NOK 172 million in the fourth quarter. Operating revenue for 2009 totalled NOK 784 million, which is an increase of 23% compared with 2008. The operating profit for the fourth quarter was NOK 34 million, compared with NOK 31 million for the same period last year, which corresponds to an operating margin of 20%. Scana has a high level of activity linked to ongoing new projects and an increased level of activity in the service area.

The order inflow was NOK 95 million in the fourth quarter, and the order reserve at the end of the year was NOK 388 million. Scana's marine companies have been affected by cancellations only to a limited extent.

### Oil & Gas

Operating revenue was NOK 48 million in the fourth quarter and NOK 156 million for all of 2009. The operating loss of NOK 14 million reflects the fact that Scana has not had any major projects in 2009, in addition to the fact that funds have been used in connection with increased bid tendering and market positioning. In addition, the level of maintenance and repair activity has been affected by the postponement of the customers' maintenance programmes.

The order inflow was NOK 34 million for the business area in the fourth quarter, while the order reserve is at NOK 28 million.

## Interim report 4<sup>th</sup> quarter 2009 and preliminary annual accounts

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Scana has strengthened its organisation through increased competence, creation of new companies, and establishment of foreign offices. This has given Scana a strong position, and the level of bid tendering for oil & gas projects has increased significantly. The group expects that this initiative will increase the order inflow from the first half of 2010 and gradually increase the level of activity throughout the year.

### Accounts

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

### Financial performance

The group's total turnover was NOK 491 million in the fourth quarter. The reduction of 38% in relation to the same period in 2008 is attributed to the generally lower demand in several of the group's market segments. The operating profit of NOK 22 million corresponds to an operating margin of 4%. The net financial items were negative NOK 2 million, compared with negative NOK 154 million for the fourth quarter in 2008. Temporary changes in value linked to currency contracts represent a gain of NOK 150 million in 2009 due to the strengthening of the Norwegian krone (NOK). Scana hedges all major contracts denominated in a foreign currency. The change in value must be recognised directly in the profit and loss account in accordance with IFRS, but it cannot be realised and has no effect on liquidity.

The estimated taxes for 2009 amount to NOK 81 million, NOK 13 million of which is tax payable. The change in deferred taxes was NOK 75 million. In addition, tax and translation differences related to foreign tax have been charged against equity. Scana has tax loss carryforwards in Norwegian companies that are used to reduce the tax payable. The subsidiaries in Sweden, the US and China are in a taxpaying position.

The earnings per share was NOK 0.10 for the fourth quarter and NOK 1.45 for 2009.

### Cash flow

The operating profit before depreciation (EBITDA) was NOK 40 million, while the tax paid totalled NOK 5 million. In addition, the working capital was reduced by NOK 15 million. The cash flow from operations was thus positive NOK 54 million in the fourth quarter.

Investment activities totalled NOK 35 million in the fourth quarter. The financing activities include a downpayment of the part of the syndicated loan facilities drawn in EUR of NOK equivalent 43 million while the group made new drawings on the same syndicated loan facilities in SEK of NOK equivalent 26 million. Combined the net cash flow from financing activities was negative NOK 2 million.

The net cash flow for the group was accordingly NOK 16 million. The group's cash and cash equivalents totalled NOK 140 million at the end of the fourth quarter. The group also has satisfactory credit facilities that have not been used.

### Balance sheet and capital position

The total balance sheet at the end of 2009 was NOK 1,982 million, which is a reduction of NOK 266 million since the beginning of the year. The group's net interest-bearing debt was NOK 355 million. Book equity of NOK 864 million corresponds to NOK 5.20 per share and an equity ratio of 44%.

Financial instruments are valued at fair value. Changes in value that satisfy the requirements for hedge accounting are recorded directly against equity. In 2009, such instruments had a negative change in value of NOK -0,4 million, which entailed a corresponding change in the equity. Translation differences from foreign subsidiaries and the elimination of agio related to the hedging of net investments have reduced the net equity by NOK 74 million.

## **Interim report 4<sup>th</sup> quarter 2009 and preliminary annual accounts**

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### **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 came to an end 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, international market for traditional industry. Scana's measures in the Oil & Gas business area are expected to result in an increased order inflow from the first half of 2010 and gradually increase the level of activity throughout the year. In a longer term perspective a strong and modernised production capacity will result in significantly higher turnover and earnings.

In the Steel business area, sales and marketing will be given the most attention. In addition, the group is working continuously on improving the ongoing operations. The investment projects in the Swedish steel companies streamline the production, reduce risk and increase our capacity with respect to strategically important customers. Within traditional industry the market is still weak and volatile. Improvement is however registered in parts of the segment. Within the Energy market segment demand is expected to increase. The demand within the Marine market segment is expected to be low until 2011.

The economic downturn and few new contracts will reduce the level of activity for Scana's marine companies in 2010. To consolidate its position as a good collaboration partner for leading shipping companies and shipyards, Scana attaches importance to quality and delivery reliability, as well as offering total deliveries and more complete equipment groups. Scana has strengthened its sales and marketing work and strengthened its positioning in emerging markets. The initiative within service and after sales provide increased profitability.

In the Oil & Gas business area it is expected that the order inflow will increase significantly in 2010. This will be as a result of the group's structural measures and increased focus on the world's most active oil and gas markets. This will have a positive effect for a number of Scana's companies in 2010 and the coming years.

Scana has implemented a number of measures to adapt its capacity and consumption of resources to a weaker market. This includes stepping up the marketing and sales efforts, restructuring the businesses, and substantial manpower and cost reductions. The group has reduced manpower by around 300 full-time equivalents through temporary and permanent measures. Scana has also strengthened its measures to free up working capital and introduced a strict prioritisation of its investment resources. These measures ensure a satisfactory liquidity position and a strong balance sheet.

**Board of Directors of Scana Industrier ASA  
17 February 2010**

## Profit and Loss Account - Group

NOK million	Quarters					Year to date	
	Q4 09	Q4 08	Q3 09	Q2 09	Q1 09	2009	2008
<b>Turnover</b>	<b>491</b>	<b>797</b>	<b>457</b>	<b>618</b>	<b>702</b>	<b>2 267</b>	<b>2 896</b>
Raw materials and consumables	168	325	191	213	266	838	1 324
Change in stocks and FG and WIP	28	1	0	27	42	98	(19)
Staff costs	160	182	127	158	171	617	648
Other operating costs	95	195	86	138	133	452	593
Depreciation, amortisation and write downs	18	19	15	15	15	62	74
<b>Total operating costs</b>	<b>470</b>	<b>722</b>	<b>419</b>	<b>550</b>	<b>628</b>	<b>2 067</b>	<b>2 619</b>
<b>Operating profit / (loss) - EBIT</b>	<b>22</b>	<b>75</b>	<b>38</b>	<b>67</b>	<b>74</b>	<b>201</b>	<b>277</b>
Financial income	1	5	1	1	3	6	17
Financial expense	(11)	(8)	(3)	(1)	(9)	(25)	(40)
Currency loss / (gain)	8	(151)	48	5	76	137	(179)
<b>Net financial expense</b>	<b>(2)</b>	<b>(153)</b>	<b>46</b>	<b>4</b>	<b>70</b>	<b>117</b>	<b>(202)</b>
<i>Profit / (loss) before taxes ex. effect of derivate</i>	<i>24</i>	<i>34</i>	<i>32</i>	<i>50</i>	<i>64</i>	<i>170</i>	<i>224</i>
<b>Profit / (loss) before taxes</b>	<b>20</b>	<b>(78)</b>	<b>83</b>	<b>71</b>	<b>144</b>	<b>318</b>	<b>75</b>
Tax	37	(25)	10	9	25	81	15
<b>Net profit / (loss)</b>	<b>(18)</b>	<b>(54)</b>	<b>74</b>	<b>62</b>	<b>119</b>	<b>236</b>	<b>60</b>
Attributable to:							
Equity holders of the parent	(15)	(60)	77	62	118	242	45
Minority interests	(3)	6	(4)	(0)	1	(5)	15
Earnings per share	(0,09)	(0,36)	0,46	0,37	0,71	1,45	0,27
Earnings per share before adjusted tax	0,10	(0,36)	0,46	0,37	0,71	1,45	0,27
<i>Average number of shares (in thousands)</i>	<i>167 334</i>	<i>167 334</i>	<i>167 334</i>	<i>167 334</i>	<i>167 334</i>	<i>167 334</i>	<i>167 334</i>
Net profit / (loss)	(18)	(54)	74	62	119	236	60
Change in unrealised gains on shares	2	0	1	1	1	4	2
Reserves for change in value	5	(28)	(4)	4	(6)	(0)	(22)
Currency translation reserves	(15)	37	(23)	(9)	1	(46)	60
<b>Net profit against equity</b>	<b>(25)</b>	<b>(44)</b>	<b>48</b>	<b>58</b>	<b>114</b>	<b>194</b>	<b>100</b>
<b>Key Figures:</b>							
EBITDA	40	94	52	82	89	263	350
EBITDA margin - %	8 %	12 %	11 %	13 %	13 %	12 %	12 %
EBIT margin - %	4 %	9 %	8 %	11 %	11 %	9 %	10 %
Net profit margin - %	-4 %	-7 %	16 %	10 %	17 %	10 %	2 %
Order intake	284	502	284	200	353	768	2 477
Order reserve	856	2 096	1 075	1 304	1 667	856	2 096

## Balance Sheet - Group

NOK million	31.12.09	30.09.09	30.06.09	31.03.09	31.12.08
Intangible fixed assets	149	152	158	128	132
Deferred tax	3	14	26	15	39
Tangible fixed assets	722	718	691	671	696
Financial fixed assets	18	13	13	13	12
<b>Total fixed assets</b>	<b>891</b>	<b>897</b>	<b>888</b>	<b>828</b>	<b>879</b>
Stocks	381	405	410	426	483
Debtors	560	550	617	699	740
Derivate	11	25	4	7	7
Cash at bank and in hand	140	123	169	177	139
<b>Total current assets</b>	<b>1 090</b>	<b>1 103</b>	<b>1 200</b>	<b>1 310</b>	<b>1 369</b>
<b>Total assets</b>	<b>1 982</b>	<b>2 001</b>	<b>2 088</b>	<b>2 138</b>	<b>2 248</b>
Paid-in capital	326	331	331	326	326
Retained earnings	506	522	472	468	355
Minority interests	34	39	43	43	42
<b>Total shareholders' equity</b>	<b>865</b>	<b>893</b>	<b>845</b>	<b>837</b>	<b>723</b>
Long-term Interest bearing debt	370	412	425	449	499
Derivate	0	1	3	8	48
Other non-current liabilities	113	82	87	64	71
<b>Total long-term liabilities</b>	<b>483</b>	<b>494</b>	<b>515</b>	<b>521</b>	<b>618</b>
Short-term interest bearing debt	126	85	99	92	112
Derivate	21	35	55	81	112
Other current liabilities	488	493	575	607	683
<b>Total current liabilities</b>	<b>634</b>	<b>614</b>	<b>729</b>	<b>781</b>	<b>907</b>
<b>Total liabilities and shareholders' equity</b>	<b>1 982</b>	<b>2 001</b>	<b>2 088</b>	<b>2 138</b>	<b>2 248</b>
<b>Key Figures:</b>					
Equity ratio	44 %	45 %	40 %	39 %	32 %
Gross debt	496	497	523	541	611
Net debt	356	374	354	364	472
Gearing (gross debt divided by shareholders' equity)	0,6	0,6	0,6	0,6	0,8
Equity ratio ex. Derivate	44 %	45 %	43 %	44 %	40 %

## Cash Flow Statement

NOK million	Quarters		Year to date	
	Q4 09	Q4 08	2009	2008
Operating profit / (loss) - EBIT	22	75	201	277
Paid income tax	(5)	(13)	(53)	(33)
Currency exchange differences and gain/loss on sale of fixed assets	2	(69)	(54)	(67)
Depreciation and write-downs	18	19	62	74
Change in net working capital	17	93	144	(93)
<b>Net cash flow from operating activities</b>	<b>54</b>	<b>104</b>	<b>301</b>	<b>157</b>
Proceeds from sale of fixed assets	1	1	3	2
Purchase of fixed assets	(36)	(61)	(142)	(170)
Fixed assets in acquired business	(0)	0	(45)	(31)
<b>Net cash flow from investing activities</b>	<b>(35)</b>	<b>(59)</b>	<b>(185)</b>	<b>(199)</b>
Proceeds from long-term borrowings	26	93	30	140
Repayment of long-term borrowings	(43)	(39)	(74)	(89)
Net increase/(decrease) in short-term borrowings	15	21	(9)	20
Buyback own shares	0	(19)	0	(27)
Paid dividend	0	0	(50)	(84)
<b>Net cash flow from financing activities</b>	<b>(2)</b>	<b>56</b>	<b>(104)</b>	<b>(40)</b>
<b>Net cash flows</b>	<b>16</b>	<b>101</b>	<b>12</b>	<b>(82)</b>
Cash and cash equivalents at beginning of period	123	28	139	206
Net foreign exchange difference	(0)	10	(12)	15
<b>Cash and cash equivalents at end of period</b>	<b>140</b>	<b>139</b>	<b>140</b>	<b>139</b>

## Equity Reconciliation - Group

NOK million	Issued capital	Own shares	Other paid-in capital	Retained earnings	Currency translation reserves	Reserves	Total	Minority interest	Total equity
						for change in value			
Equity at 31 December 2007	209	0	119	371	-7	15	707	17	724
<b>Net profit against equity</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>60</b>	<b>-22</b>	<b>40</b>	<b>0</b>	<b>40</b>
Profit this period				45			45	15	60
<b>Total profit this period</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>45</b>	<b>60</b>	<b>-22</b>	<b>85</b>	<b>15</b>	<b>100</b>
Buyback of shares		-4		-23			-27		-27
Minority interest acquisitions							0	10	10
Dividend				-84			-84		-84
<b>Equity at 31 December 2008</b>	<b>209</b>	<b>-4</b>	<b>121</b>	<b>309</b>	<b>53</b>	<b>-7</b>	<b>681</b>	<b>42</b>	<b>723</b>

	Issued capital	Own shares	Other paid-in capital	Retained earnings	Currency translation reserves	Reserves	Total	Minority interest	Total equity
						for change in value			
Equity at 31 December 2008	209	-4	121	309	53	-7	681	42	723
<b>Net profit against equity</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>-46</b>	<b>0</b>	<b>-42</b>	<b>0</b>	<b>-42</b>
Profit this period				242			242	-5	236
<b>Total profit this period</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>242</b>	<b>-46</b>	<b>0</b>	<b>200</b>	<b>-5</b>	<b>194</b>
Dividend to minority							0	-3	-3
Own shares (a part of dividend)		4		5			1		1
Dividend				-50			-50		-50
<b>Equity at 31 December 2009</b>	<b>209</b>	<b>0</b>	<b>124</b>	<b>505</b>	<b>8</b>	<b>-7</b>	<b>831</b>	<b>34</b>	<b>865</b>

## Business Areas

NOK million	Quarters					Year to date	
	Q4 09	Q4 08	Q3 09	Q2 09	Q1 09	2009	2008
<b>Steel:</b>							
<b>Turnover</b>	<b>279</b>	<b>529</b>	<b>254</b>	<b>364</b>	<b>456</b>	<b>1354</b>	<b>1987</b>
Operating profit / (loss)	5	94	14	56	64	140	317
<b>Operating margin</b>	<b>2 %</b>	<b>18 %</b>	<b>6 %</b>	<b>15 %</b>	<b>14 %</b>	<b>10 %</b>	<b>16 %</b>
Order intake	155	475	189	108	260	713	1 886
Order reserve	440	1 252	560	668	958	440	1 252
<b>Marine:</b>							
<b>Turnover</b>	<b>172</b>	<b>211</b>	<b>177</b>	<b>220</b>	<b>215</b>	<b>783</b>	<b>636</b>
Operating profit / (loss)	34	31	32	21	20	107	74
<b>Operating margin</b>	<b>20 %</b>	<b>15 %</b>	<b>18 %</b>	<b>9 %</b>	<b>9 %</b>	<b>14 %</b>	<b>12 %</b>
Order intake	95	4	68	67	61	290	389
Order reserve	388	783	480	596	648	388	783
<b>Oil &amp; Gas:</b>							
<b>Turnover</b>	<b>48</b>	<b>64</b>	<b>29</b>	<b>41</b>	<b>38</b>	<b>156</b>	<b>300</b>
Operating profit / (loss)	-9	-44	-1	0	-3	-14	-85
<b>Operating margin</b>	<b>-18 %</b>	<b>-69 %</b>	<b>-5 %</b>	<b>0 %</b>	<b>-9 %</b>	<b>-9 %</b>	<b>-28 %</b>
Order intake	34	24	28	25	32	118	203
Order reserve	28	61	35	40	61	28	61