

ScanArc Group 4th quarter report 2009

This condensed interim financial report is prepared in accordance with the International Accounting Standard 34 (IAS 34) 'Interim financial reporting'. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

Report for the 4th quarter of 2009

Key information

The following summarises the fourth quarter of 2009:

- Revenues of NOK 26.3 mill (NOK 25 mill).
- EBITDA loss for the fourth quarter of NOK 12.6 mill mainly due to
 - o High costs in Eras including a provision of NOK 2.2 mill related to slag storage.
 - o Costs related to business development and quality.
 - o Low capacity utilisation in pilot plant in Hofors.
- Eras Metal AS (Eras) ramp-up plan is progressing.
- Focused organisation with clear responsibilities.
- New acting CEO appointed.

Key financial information

Key Financial Figures							
	4th quarter	4th quarter	YTD	YTD			
(In NOK 1000)	2009	2008	2009	2008			
Operating revenue	26 280	24 955	68 602	84 517			
EBITDA	-12 570	-12 599	-42 207	-41 822			
Marketable securities			237 353	-			
Cash and cash equivalents			67 200	391 661			
Net cash generated from operating activities			-47 564	-36 701			
Equity ratio			87 %	88 %			

The Group fourth quarter revenues were NOK 26.3 mill (NOK 25 mill). The increased revenues in Eras are due to increased Zn price and two shipments of ZnO in Q4 09 versus only one shipment in Q4 08. The increased revenues from Eras were however offset by reduced revenues in ScanArc Plasma Technologies AB (SPT AB).

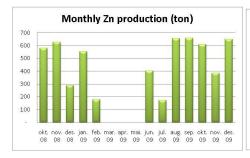
Fourth quarter EBITDA loss was NOK – 12.6 mill (NOK -12.6 mill). Provisions of NOK 2.5 mill included in Eras' fourth quarter result, mainly related to slag storage costs in Høyanger. Increased overhead and costs related to business development and quality increased costs in ScanArc ASA by NOK 2.8 mill from Q4 2008 to Q4 2009. Low capacity utilisation negatively affected the result of SPT AB in the period.

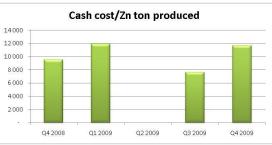
The Group has a strong cash and equity position. Marketable securities and cash were NOK 304 mill as of 31.12.2009 (NOK 391 mill). NOK 50.5 mill of the total NOK 63 mill Høyanger 2 investment is paid as of 31.12.2009.

The equity ratio was 87% at period-end compared to 88% as of 31.12.2008. YTD net cash from operating activities was NOK - 47.6 mill compared to NOK - 36.7 mill in the corresponding period in 2008. The difference is due to payments received from a PyroArc delivery in 2008.

Operations

Eras production of Zn and NOK (cash cost) per ton Zn produced:





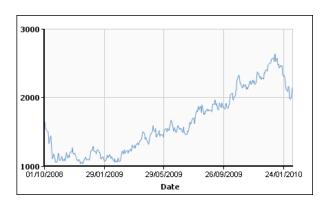
Available production time was 79% in October and December, and 55% in November. The target in the ramp up plan is above 90%. The low availability in November was due to a two week maintenance stop related to the furnace. The throughput has gradually increased in the period. The unit cost (cash cost/Zn ton produced) has increased compared to Q3 09 due to reduced Zn content in the EAFD, high maintenance - and EAFD big bag handling costs. High costs related to big-bag handling will continue until the Høyanger 2 investment is completed; completion of this investment is scheduled in Q2.

A special project has been established to find customers for the Eras slag.

To increase activity level and profitability in SPT AB the company has focused on new market activities in the period, and is currently discussing several development contracts with major industrial players.

As previously reported, SPT AB is in a dispute with a customer of a PyroArc delivery. The outcome of this dispute is uncertain.

Market



Zinc metal has during the fourth quarter of 2009 traded at prices between 1850-2540 USD/ton compared to 1627-1047 USD/ton in the corresponding period of 2008. The Zinc price has decreased in 2010. The settlement price for Eras is the average Zinc price in the month after delivery, thus the fall in Zn price in 2010 has negatively affected the financial results for Q4.

European zinc and steel producers are still operating at reduced levels. Although steel production has increased by more than 30% from December 2008, the sourcing and the logistics for EAFD to Høyanger are challenging.

Other matters

Christian Landaas left the company January 29th, and Charles Geenen has been appointed acting CEO. Chairman of the board Helge Midttun has been asked to assist in the management of the group until a permanent CEO has been appointed.

Risks

ScanArc's activity is exposed to several risks, of which the most significant are:

- Zinc metal price.
- USD/NOK exchange rate.
- Actual steel production, resulting in availability of EAFD.
- Cost overruns on external deliveries.

A negative development in one or more of these factors will have a negative impact on ScanArc's financial results going forward.

Outlook

The long-term fundamentals for re-cycling of valuables remain strong, driven by regulatory requirements and market valuables demands on a global basis. ScanArc is implementing several operational changes aimed at improving the financial results going forward.

Such operational changes include:

- Implementation of new procedures in the production value chain in Høyanger to realise target production levels.
- A focused organization to fit the company's current activities and operational level.
- Targeted operational cost reductions across all divisions to achieve cost efficiency and improved cash flows.
- Implementation of new project management and business development procedures.

ScanArc is reviewing the strategic market opportunities with respect to possible routes for expansion of the ArcFume technology. The owner of the land in Calais, where we were considering building a new ArcFume plant, has notified us that they are considering other uses for the land. As such we are now reviewing other alternatives to establish an EAFD – business in Europe. The review will form the basis for potential further investment decisions.

Oslo, 16 February 2010 Board of Directors ScanArc ASA

Condensed consolidated accounts

Consolidated income statement				
	4th quarter	4th quarter	FY	FY
(In NOK 1000) Note	2009	2008	2009	2008
Operating revenue	26 280	24 955	68 602	84 517
Total Revenue	26 280	24 955	68 602	84 517
Change in inventories of finished goods	1 280	-1 027	-2 655	1 927
Raw materials and consumables used	12 218	16 237	29 042	43 653
Salary and personnel costs	10 644	8 421	36 195	32 377
Other operating expenses	14 709	13 923	48 227	48 383
EBITDA 1)	-12 570	-12 599	-42 207	-41 822
Depreciation	3 507	2 500	11 783	10 378
Amortisation	-	-35	-	98 202
EBIT 2)	-16 078	-15 066	-53 990	-150 402
Financial income	2 406	8 870	11 147	28 032
Financial costs	1 002	2 531	3 980	4 998
Profit before income tax	-14 673	-8 727	-46 823	-127 367
Income tax expense	2 733	2 364	10 133	10 144
Profit for the period	-11 940	-6 363	-36 691	-117 224
Attributable to:				
Equity holders of the company	-11 940	-5 449	-35 232	-113 169
Minority interest	-	-914	-1 459	-4 054
Earnings per share for profit attributable to the equity holders of				
the company (expressed in NOK per share)	-0,37	-0,17	-1,09	-3,49

¹⁾ EBITDA is defined as Earnings Before Interest, Tax, Depreciation and Amortisation.

²⁾ EBIT is defined as Earnings Before Interest and Tax.

Consolidated balance sheet		
(In NOK 1000) Note	31.12.2009	31.12.2008
ASSETS		
Non-current assets		
Deferred income tax assets	35 056	25 398
Intangible assets	12 662	15 172
Property, plant and equipment	140 568	108 363
Total non-current assets	188 285	148 934
Current assets		
Inventories	4 959	1 958
Trade and other receivables	26 616	21 594
Marketable securities	237 353	-
Cash and cash equivalents	67 200	391 661
Total current assets	336 128	415 213
Total assets	524 414	564 146
EQUITY		
Capital and reserves attributable to equity holders of		
the company		
Share capital 3	16 224	16 224
Share premium fund	536 897	542 370
Retained earnings	-98 657	-59 828
Minority interest	-	-3 530
Total equity	454 464	495 236
LIABILITIES		
Non-current liabilities		
Retirement benefit obligations	120	75
Deferred tax liability	5 956	6 670
Other non-current liabilities	19 306	22 894
Total non-current liabilities	25 381	29 639
Current liabilities		
Borrow ings	8 448	5 818
Trade and other payables	36 120	33 454
Total current liabilities	44 568	39 272
Total liabilities	69 949	68 910
Total equity and liabilities	524 414	564 146

One slideted and flow statement		
Consolidated cash flow statement	FY	FY
(In NOK 1000)	2009	2008
Cash flows from operating activities		
Profit before income tax	-46 823	-127 367
Depreciation, amortizations and write downs	11 783	108 580
Changes in inventories, accounts receivables, accounts		
payable and other accruals	-5 357	5 121
Net financial income	-7 166	-23 035
Net cash generated from operating activities	-47 564	-36 701
Cash flows from investing activities		_
Purchase of property, plant and equipment	-43 143	-15 890
Net purchase of marketable securities	-237 353	
Net financial income	7 166	23 035
Net cash used in investing activities	-273 330	7 145
Cash flows from financing activities		
Net change in non-current liabilities	-3 543	1 116
Net change in current liabilities	2 630	253
Net cash used in financing activities	-913	1 369
Net changes in cash and cash equivalents	-321 807	-28 187
Net currency translation effect	-2 654	644
Cash, cash equivalents and bank overdraft at the beginning of the year	391 660	419 202
Cash, cash equivalents and bank overdraft at the end of		
the year	67 200	391 660

Statement of Comprehensive income						
	FY	FY				
(In NOK 1000)	2009	2008				
Profit for the period	-36 691	-117 224				
Other comprehensive income						
Currency translation differences	-3 681	1 532				
Other comprehensive income for the period net of tax		-				
Total comprehensive income for the period	-40 372	-115 692				
Profit attributable to:						
Equity holders of the company	-38 913	-111 638				
Minority interest	-1 459	-4 054				

Consolidated change in equity						
	FY	FY				
(In NOK 1000)	2009	2008				
Equity at the start of the period	495 236	610 928				
Total comprehensive income for the period	-40 372	-115 692				
Purchase of minority	-400	-				
Equity at the end of the period	454 464	495 236				

Selected notes to the condensed interim financial information

Note 1 Basis of preparation/ accounting policies

This unaudited condensed interim financial information has been prepared in accordance with IAS 34, 'Interim financial reporting'. The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

Note 2 Segment information

Segment information is presented in respect of the Group's business areas. The primary format, business areas, is based on the Group's management and internal structure. The group is organised into the following main business areas:

Business areas	as Group managemen		Eras Me	tal AS	ScanArc Plasma Technologies AB		Himinations		ScanArc Group	
	4th qu	arter	4th qua	arter	4th qu	ıarter	4th qu	ıarter	4th qu	uarter
(In NOK 1000)	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operating Revenue	564	1 291	16 202	5 162	9 591	21 686	-77	-3 185	26 280	24 955
Change in inventories of finished goods	-	-	991	-1 027	289	-		-	1 280	-1 027
Raw materials and consumables used	-	-	9 287	4 875	2 881	12 089	50	-726	12 218	16 237
Salaries and Employee benefits expenses	3 123	2 005	3 511	2 710	4 010	3 707	-	-	10 644	8 421
Other operating expenses	5 542	3 829	6 374	6 657	2 829	5 750	-36	-2 313	14 709	13 923
EBITDA	-8 101	-4 543	-3 961	-8 053	-418	140	-91	-146	-12 570	-12 599
Depreciation	164	191	2 577	1 749	766	561		-	3 507	2 500
Amortisation	-	-	-	-35	-	-	-	-	-	-35
EBIT	-8 265	-4 734	-6 538	-9 767	-1 184	-421	-91	-146	-16 078	-15 066
Finance income				•					2 406	8 870
Finance costs									1 002	2 531
Earnings before income tax									-14 673	-8 727

Business areas	Group mar	nagement	Eras Me	tal AS		Plasma ogies AB	⊟imin	ations	ScanAr	c Group
	F	`	F)	,	F	Υ	F	Υ	F	Y
(In NOK 1000)	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operating Revenue	2 248	4 088	29 736	36 354	41 965	52 976	-5 347	-8 901	68 602	84 517
Change in inventories of finished goods	-	-	-2 655	1 927	-	-	-	-	-2 655	1 927
Raw materials and consumables used	-	-	16 332	18 871	12 799	25 508	-89	-726	29 042	43 653
Salaries and Employee benefits expenses	9 333	6 449	11 796	11 892	15 066	14 036	-	-	36 195	32 377
Other operating expenses	15 001	14 343	19 960	29 411	18 340	12 320	-5 074	-7 691	48 227	48 383
EBITDA	-22 086	-16 704	-15 697	-25 747	-4 240	1 111	-184	-484	-42 207	-41 822
Depreciation	394	191	8 998	8 052	2 391	2 135	-	-	11 783	10 378
Amortisation	-	90 500	-	7 702	-	-	-	-	-	98 202
EBIT	-22 480	-107 395	-24 695	-41 501	-6 631	-1 024	-184	-484	-53 990	-150 402
Finance income									11 147	28 032
Finance costs									3 980	4 998
Earnings before income tax									-46 823	-127 367

Note 3 Shareholders

The 20 largest shareholders in ScanArc ASA as of 31.12.2009:

Number of shares	Percent of capital	Shareholder
5 031 000	15,51 %	ALYLA AS
2 790 500	8,60 %	INTEL INVEST AS
2 728 000	8,41 %	ATILA HOLDING SA
2 060 000	6,35 %	ORKLA ASA
2 007 988	6,19 %	JPMORGAN CHASE BANK
1 311 700	4,04 %	MORGAN STANLEY & CO INC. NEW YORK
1 276 132	3,93 %	BANK OF NEW YORK MELLON SA/NV
1 156 839	3,57 %	SKANDINAVISKA ENSKILDA BANKEN
1 096 000	3,38 %	INAK 2 AS
1 020 000	3,14 %	FABEL SERVICES AS
1 007 592	3,11 %	HVIDSTEN INVEST AS
972 550	3,00 %	HOLBERG NORGE
906 000	2,79 %	SUNDT AS
775 950	2,39 %	HOLBERG NORDEN
737 705	2,27 %	BGL BNP PARIBAS
704 700	2,17 %	MIDELFART INVEST AS
677 041	2,09 %	SHB STOCKHOLM CLIENTS ACCOUNT
580 000	1,79 %	CANICA AS
442 000	1,36 %	HA V FONN AS
440 000	1,36 %	MUSTANG AS