



Aqualis ASA
2018 Q3 results
October 25, 2018

aqualis.no



Disclaimer

- This Presentation has been produced by Aqualis ASA (the “Company” or “Aqualis”) solely for use at the presentation to investors and other stake holders and may not be reproduced or redistributed, in whole or in part, to any other person. This presentation is strictly confidential, has not been reviewed or registered with any public authority or stock exchange, and may not be reproduced or redistributed, in whole or in part, to any other person. To the best of the knowledge of the Company, the information contained in this Presentation is in all material respect in accordance with the facts as of the date hereof, and contains no material omissions likely to affect its importance. However, no representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, neither the Company nor any of its subsidiary companies or any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this Presentation. This Presentation contains information obtained from third parties. Such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information to be inaccurate or misleading.
- This Presentation contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or any of its parent or subsidiary undertakings or any such person’s officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.
- AN INVESTMENT IN THE COMPANY INVOLVES RISK, AND SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION, INCLUDING, AMONG OTHERS, RISKS OR UNCERTAINTIES ASSOCIATED WITH THE COMPANY’S BUSINESS, SEGMENTS, DEVELOPMENT, GROWTH MANAGEMENT, FINANCING, MARKET ACCEPTANCE AND RELATIONS WITH CUSTOMERS, AND, MORE GENERALLY, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN DOMESTIC AND FOREIGN LAWS AND REGULATIONS, TAXES, CHANGES IN COMPETITION AND PRICING ENVIRONMENTS, FLUCTUATIONS IN CURRENCY EXCHANGE RATES AND INTEREST RATES AND OTHER FACTORS.
- SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS PRESENTATION. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.
- By attending or receiving this Presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business. This Presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

Agenda



1. Highlights

David Wells
CEO



2. Financial review

Kim Boman
CFO



3. Outlook

David Wells
CEO



Q3 2018 Highlights

- Strong operational cashflow

- Revenues of USD 8.6 million in Q3 2018 vs USD 7.3 million in Q3 2017
- Operating profit (EBIT) of USD 0.6 million in Q3 2018 vs USD 0.1 million in Q3 2017
- Adjusted EBIT of USD 0.6 million in Q3 2018 vs USD 0.2 million in Q3 2017
- Positive operational cash flow of USD 0.7m in Q3 2018
- Strong billing ratio¹ of 82 % in Q3 2018
- Completed the 2000th jack up rig move attendance
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter
- Robust financial position with cash balance of USD 5.8 million
- The oil & gas market remains challenging
- Activity in offshore wind market is high and new contracts have been secured
- Successful start up of new office in Taiwan in Q3 2018
- Order backlog of USD 6.4 million with increase in pipeline of opportunities

(1) Billing ratio for technical staff including subcontractors

Aqualis at a glance – A leading global energy consultancy



OFFSHORE OIL & GAS

- Global presence with established market position
- Marine consultancy and engineering services
- Clients: Offshore asset owners, oil companies, EPC contractors, financial institutions, insurance companies, investors

AQUALIS
OFFSHORE



OFFSHORE RENEWABLES

- Active in Europe, the US & Asia
- Engineering & project management consultancy
- Clients: Offshore wind farm developers, utilities, vessel owners, financial institutions, insurance companies, investors

OFFSHORE
WIND
CONSULTANTS

18x offices in **14x** countries

Leading **niche** player with strong **track record**

Strong financial position

ISO 9001 & OHSAS 18001

Listed on **Oslo Stock Exchange**



Global service offering

Quality

Flexibility

Experience

Offshore renewables

- New office opened in Taiwan

- OWC has established a new office in Taiwan to support the fast growing Taiwanese offshore wind sector. This is the first outpost and OWC plans to have a major presence in the Asia Pacific region
- OWC will offer a full range of offshore wind consultancy services and expertise to the Taiwanese and the wider Asia Pacific markets
- The OWC team has grown quickly to 5 FTEs in 3 months and we have secured a major role on a new wind farm development providing consultancy and project management services. Office trading profitably in its first quarter of operations



Wind Turbine Installation Vessel – Construction supervision

- Aqualis completed the construction supervision of Ouyang Offshore's new-build wind turbine installation vessel, *OuYang 1*, at Dayang Offshore Equipment yard in Jiangsu, China
- The Chinese shipowner has awarded Aqualis Offshore the contract to supervise the construction of their second wind turbine installation vessel, *OuYang 2*



FPSO's P-75 & P-77 – Naval Architecture & Marine Operations

- Acting as Towmasters for the tow of the FPSO P-75 from Dalian, China to Rio Grande, Brazil and then to Santos Basin
- FPSO P-75 arrived in Brazil in early August and sailed to Santos Basin field on 31 August 2018
- FPSO P-77 departed from China in September 2018
- Additional work includes Naval Architecture and Marine Operations scopes, incl. stability manuals, and Tow Procedures to Santos Basin



FPSO P-67 Dry Transportation China-Brazil



- MWS for the dry transportation of FPSO P-67 from China to Brazil and inshore mooring at Rio de Janeiro.



- Largest ever single cargo transported by a Heavy Transport Vessel at 80,000 MT and 288m length

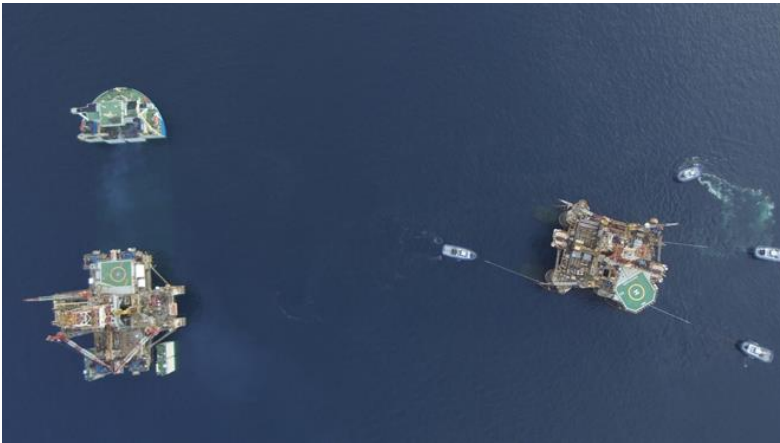
Bahrain LNG Terminal Project

– multi faceted loadout/marine installation operation completed

- Loadout of the 7200 MT topside took place in mid August onto a smaller installation “Giant 5” barge
- Barge and topside piggy backed onto a large self propelled dry transportation HLV
- Topside and installation barge discharged offshore Bahrain
- Topside installed by floatover within shallower water terminal area



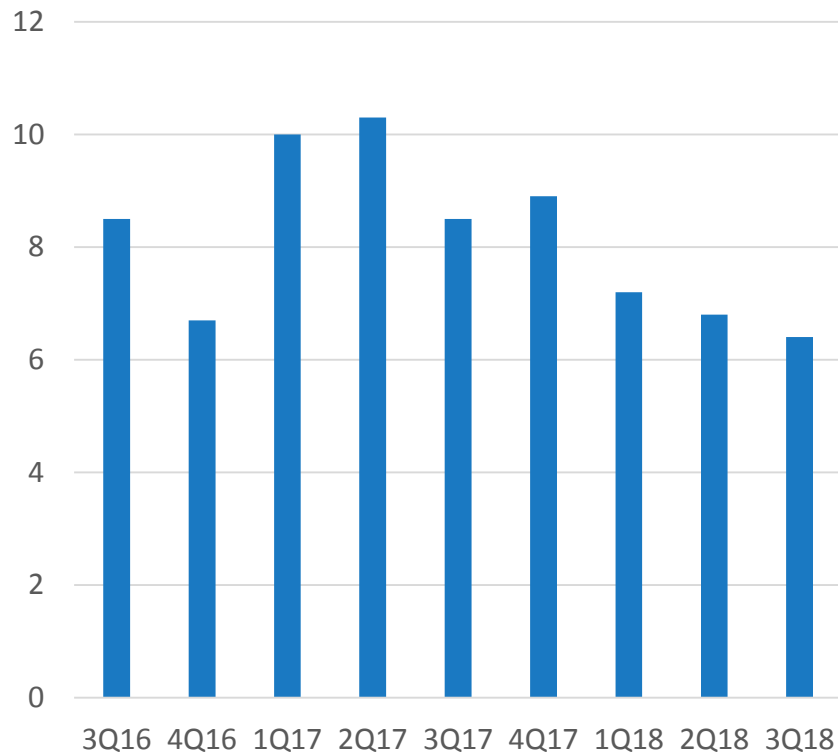
Other Dry Transportations



Involvement in >60 dry transportations mainly as MWS since 2013

Order backlog development

Order backlog (USDm)

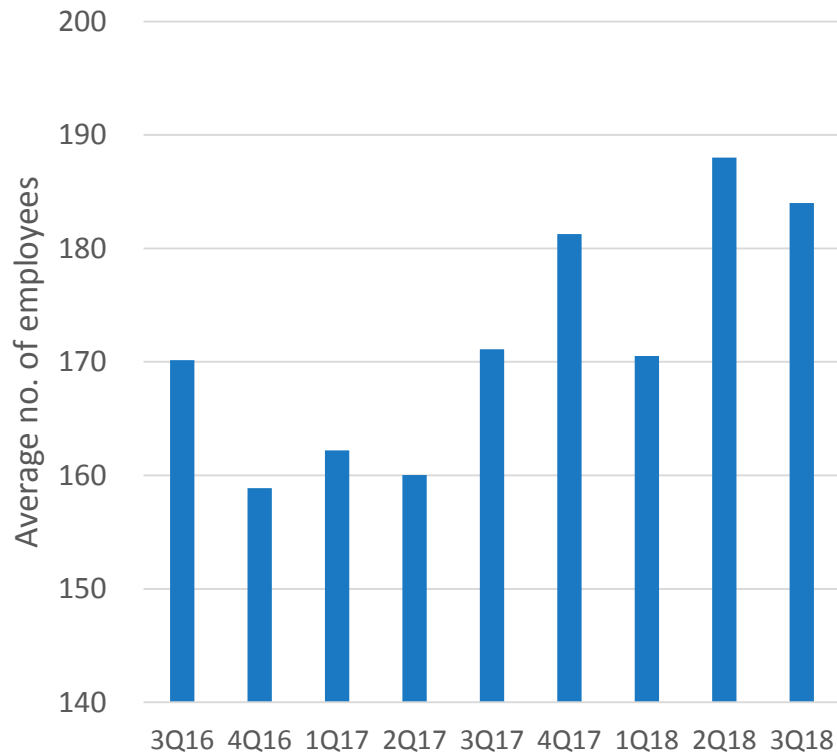


Highlights Q3 2018

- Order backlog at USD 6.4m. Pipeline of future opportunities has increased since last quarter
- Pipeline of work expected from call out contracts is positive and has increased, but visibility is limited and timing is hard to predict
- Current focus is on supporting clients on day-to-day service operations - typically call-out contracts that are only included in backlog figures when reliable estimates are available

Staff level development

Staff level development¹



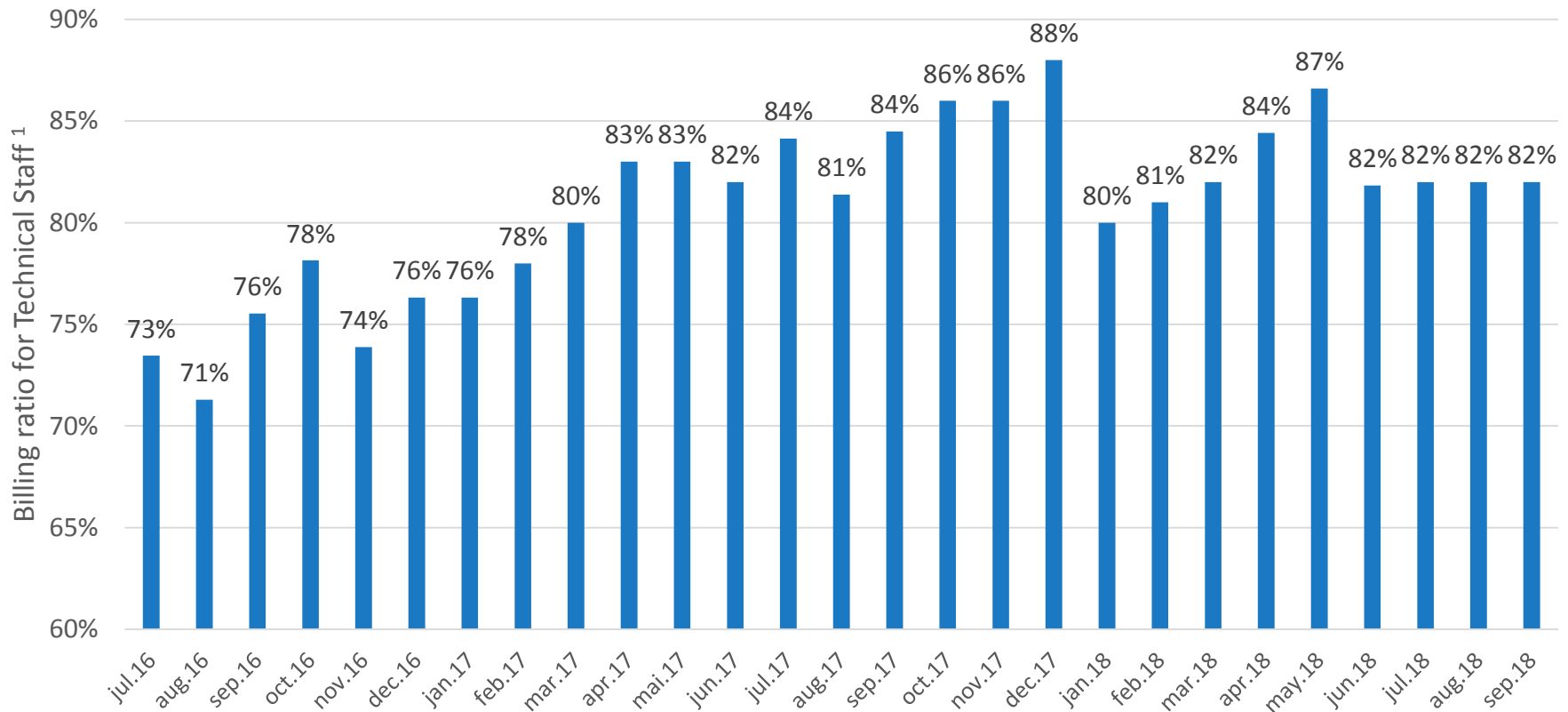
Highlights Q3 2018

- Staff levels relatively stable from Q2 2018 despite being a seasonally slower quarter
- Slight increase in number of own technical staff offset by a larger reduction in the number of subcontractors
- The use of subcontractors allows for a more flexible cost base whilst the short term outlook / position of the market is assessed

(1) Average full time equivalent in the quarter. Numbers include subcontractors on 100% utilization equivalent basis and excludes staff made temporary redundant

Stable performance with high billing ratio in Q3 2018

- Total technical staff (including subcontractors), billing ratio %



(1) Billing ratio for Technical Staff including subcontractors. Excludes management, business development, admin support staff and temporary redundancies. Figure calculated as billable hours / available hours. Available hours excludes paid absence (public holidays, time off in-lieu, compassionate leave, authorized annual leave) and unpaid absence (sabbatical and other unpaid leave).

Agenda



1. Highlights

David Wells
CEO



2. Financial review

Kim Boman
CFO



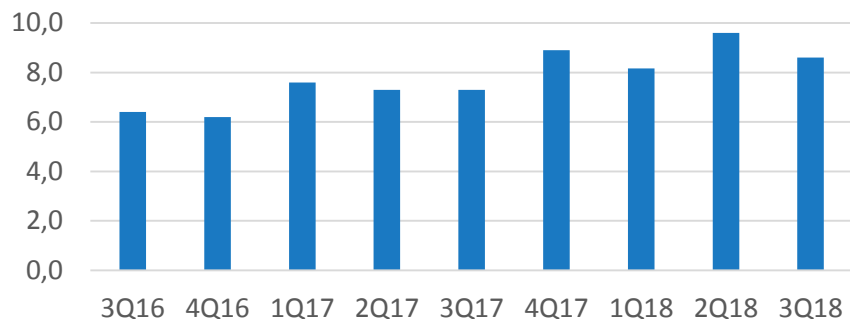
3. Outlook

David Wells
CEO

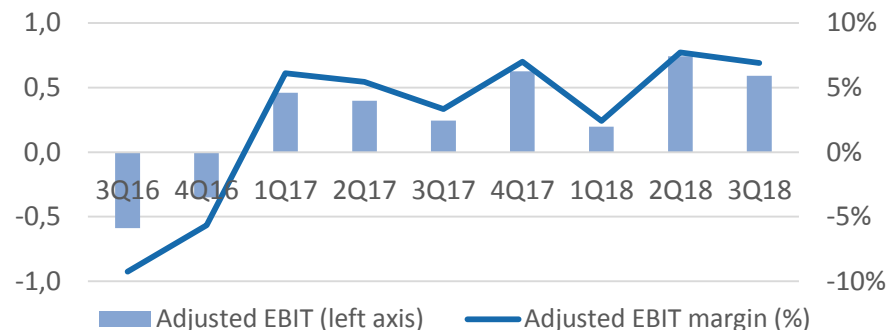


Revenues and adjusted EBIT trend

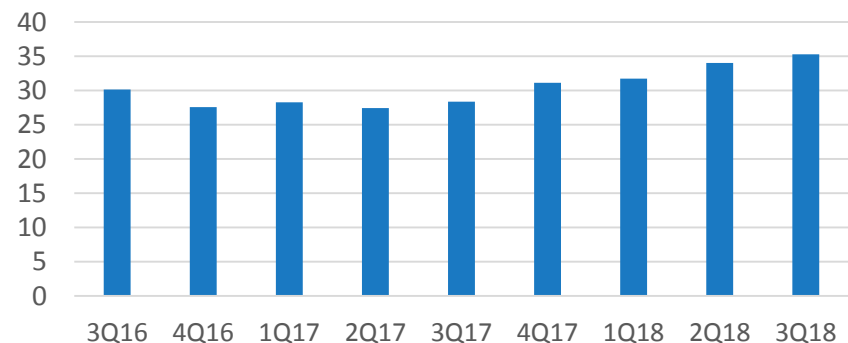
Revenues (USDm)



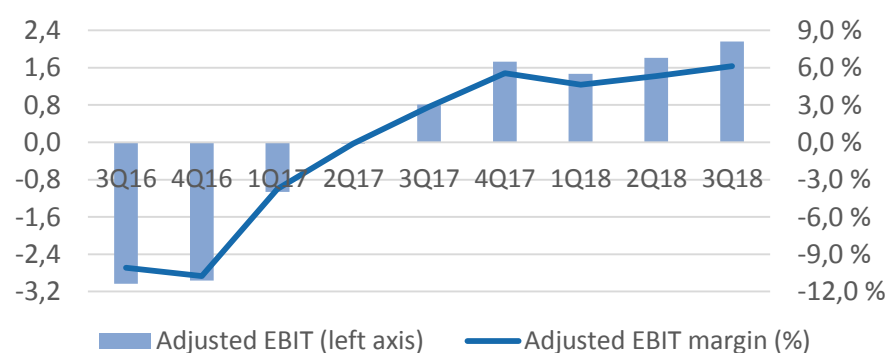
Adjusted EBIT¹ development (USDm, %)



Revenue LTM (USDm)



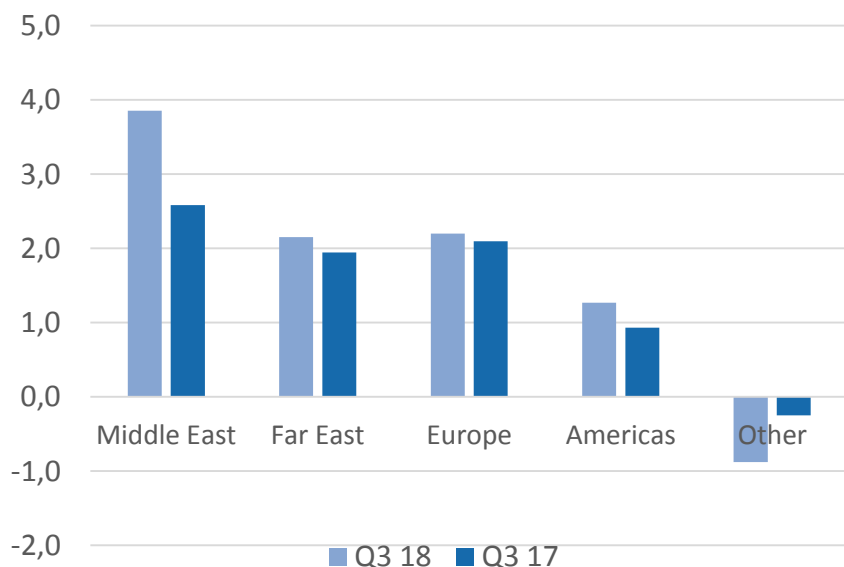
Adjusted EBIT¹ LTM (USDm, %)



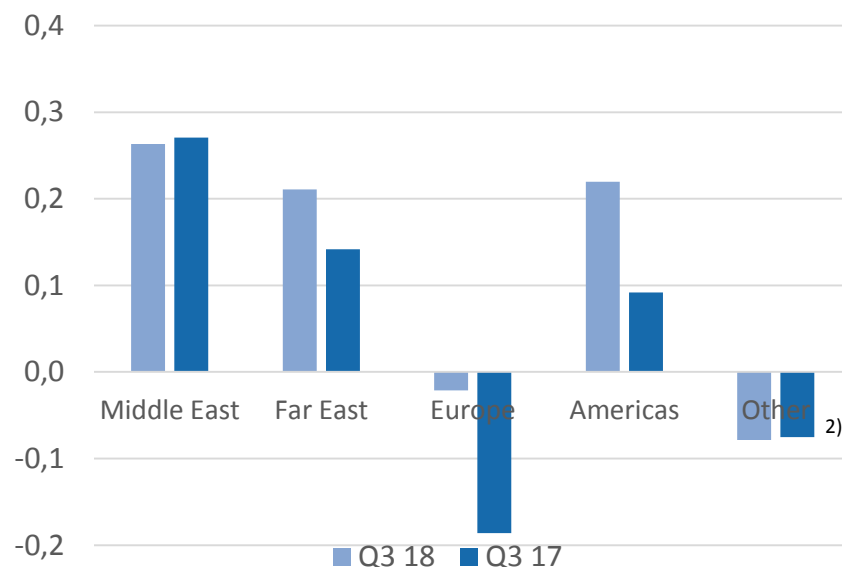
(1) Adjusted EBIT: Earnings before interest and taxes adjusted for corporate restructuring costs in connection with the IPO in Q3 2014 for goodwill impairments, share of net profit / (loss) from associates and impairment of loan to and investment in associates

Geographical split

Revenue split (USDm)



Adjusted EBIT¹ split (USDm)



- Regional revenue differences y-o-y for entities respectively in Middle East (+49%), Americas + 36%, Far East +11% and Europe +5% (note: OWC increased revenues with +45% y-o-y and constitutes approximately 15% of group revenues YTD 2018)

1) After allocation of group costs to entities. Corporate group costs that are not allocated to entities are included in «other»

2) Other excludes goodwill impairments, share of net profit / (loss) from associates and impairment of loan to and investment in associates

Income Statement

<i>Amounts in USD thousands</i>	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Total revenues	8,603	7,312	26,357	22,187	31,134
Payroll and payroll related expenses	(3,766)	(3,706)	(11,639)	(11,460)	(15,324)
Other operating expenses	(4,213)	(3,329)	(13,088)	(9,527)	(13,951)
Depr., amort. and impairment	(30)	(34)	(97)	(98)	(4,061)
Total operating expenses	(8,010)	(7,070)	(24,824)	(21,085)	(33,336)
Impairment of investment in associates	-	-	-	-	(2,919)
Share of net income from associates	-	(113)	-	(346)	(507)
Operating profit (loss) (EBIT)	594	130	1,533	756	(5,628)
Finance income	2	12	49	53	71
Finance expenses	6	-	(1)	(2)	-
Net foreign exchange gain (loss)	(42)	(464)	(67)	(906)	(776)
Gain on disposal of interest in associates	-	-	291	-	-
Profit (loss) before taxes	560	(322)	1,805	(99)	(6,333)
Income tax expense	(62)	(103)	(197)	(147)	(144)
Profit (loss) after taxes	498	(425)	1,608	(246)	(6,477)
Financial ratios					
<i>Adjusted EBIT</i>	<i>594</i>	<i>243</i>	<i>1,533</i>	<i>1,102</i>	<i>1,729</i>
<i>EBITDA</i>	<i>624</i>	<i>277</i>	<i>1,630</i>	<i>1,200</i>	<i>1,860</i>

- Revenues for Q3 2018 up 18% from Q3 2017
- EBITDA of USD 0.6 million
- Adjusted EBIT of USD 0.6 million

Balance Sheet

<i>Amounts in USD thousands</i>	30.09.2018	31.12.2017
Equipment	167	160
Intangible assets	12,867	13,063
Deferred tax assets	67	69
Trade receivables	7,663	7,886
Other current assets	3,749	3,033
Cash and cash equivalents	5,814	9,709
Total assets	30,327	33,920
Equity	25,066	28,451
Deferred tax liabilities	158	156
Other non-current liabilities	652	617
Trade payables	1,882	1,888
Income tax payable	75	74
Other current liabilities	2,494	2,734
Total equity and liabilities	30,327	33,920
Financial ratios		
Net debt, USD thousands	(5,814)	(9,709)
Equity/Assets ratio, %	83%	84%

- Strong financial position, cash of USD 5.8 million
- Dividend payment of USD 4.7m in Q3 2018
- No interest bearing debt
- The net working capital will fluctuate during the year with type of projects, milestone payments and the overall revenues

Cash Flow

<i>Amounts in USD thousands</i>	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Operating cashflow	685	799	598	(218)	(263)
Investing cash flow	(19)	(52)	225	(55)	(38)
Financing cash flow	(4,674)	-	(4,674)	-	-
Net change in cash and cash equivalents	(4,008)	747	(3,851)	(273)	(301)
Cash and cash equivalents beginning period	9,839	8,948	9,709	9,910	9,910
Net change in cash and cash equivalents	(4,008)	747	(3,851)	(273)	(301)
Net foreign exchange difference	(17)	58	(44)	116	100
Cash and cash equivalents end period	5,814	9,753	5,814	9,753	9,709

- Positive operating cash flow of USD 0.7 million

Agenda



1. Highlights
David Wells
CEO



2. Financial review
Kim Boman
CFO



3. Outlook
David Wells
CEO



Outlook

- Sentiment is increasingly positive in the oil and gas market as seen by FID's increasing and expectations of higher asset utilisations in the medium term
- The marine consultancy market within Middle East remains strong and strengthening in the Far East, but remains challenging in particular in Europe and the Americas
- Rates are still highly competitive and putting pressure on service companies, but recent developments suggest rates have flattened out. It is already more challenging to recruit seasoned marine consultants
- The offshore renewables market has a strong outlook but with competitive rates and margins. OWC is enhancing its service offering and re-focusing on higher margin work. OWC is experiencing increasing opportunities in emerging markets
- Aqualis aims to continue to expand, gain market share and develop new business lines
- Consolidation is needed in the marine and engineering industry, including consultancy, to mitigate oversupply, rationalize global operations and achieve better economies of scale

Appendix



Top 20 shareholders

#	Name	Shares	%
1	GROSS MANAGEMENT AS	7 367 996	17,4
2	Carnegie Investment	2 468 886	5,8
3	TIGERSTADEN AS	2 423 489	5,7
4	Danske Bank A/S 3887 OPERATIONS	1 493 710	3,5
5	MP PENSJON PK	1 463 128	3,5
6	LGT Bank AG	1 402 923	3,3
7	Nordnet Bank AB	1 239 904	2,9
8	OMA INVEST AS	1 150 000	2,7
9	Saxo Bank A/S	1 061 292	2,5
10	DIAB BADREDDIN	1 001 302	2,4
11	DnB NOR MARKETS, AKS DNB Bank ASA	971 182	2,3
12	LENOX PHILIP ALAN	830 583	2,0
13	GISLERØD MAGNE	800 000	1,9
14	SIX SIS AG 25PCT ACCOUNT	628 758	1,5
15	ALSTO CONSULTANCY LT 1 ST FLOOR 5	598 122	1,4
16	BONNON IAN DENNIS	555 074	1,3
17	THEOFANATOS ANDREAS	512 188	1,2
18	KULA INVEST AS	504 362	1,2
19	BOMAN KIM MAGNUS	500 000	1,2
20	REWAL AS	468 594	1,1
Top 20 shareholders		27 441 493	64,9

Source: VPS, 23.10.2018

Alternative Performance Measures

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures (“APMs”) that came into force on 3 July 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA

Management believes that “EBITDA” which excludes share of net profit / (loss) from associates, depreciation, amortisation and impairments is a useful measure because it provides useful information regarding the Company’s ability to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies. EBITDA may not be comparable to other similarly titled measures from other companies

Operating profit adjusted

Management believes that “Operating profit adjusted” which excludes share of net profit / (loss) from associates, impairments of goodwill and impairment of investment in associates is a useful measure because it provides an indication of the profitability of the Company’s operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently.

Profit (loss) after taxes adjusted

Management believes that “Profit (loss) after taxes adjusted” which excludes share of net profit / (loss) from associates, impairments of goodwill and impairment of investment in associates is a useful measure because it provides an indication of the profitability of the Company’s operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently.

Order backlog

Order backlog is defined as the aggregate value of future work on signed customer contracts or letters of award. Aqualis’ services are shifting towards “call out contracts” which are driven by day-to-day operational requirements. An estimate for backlog on “call out contracts” are only included in the order backlog when reliable estimates are available. Management believes that the order backlog figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods

