



FOURTH QUARTER RESULTS 2016

February 17, 2017

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



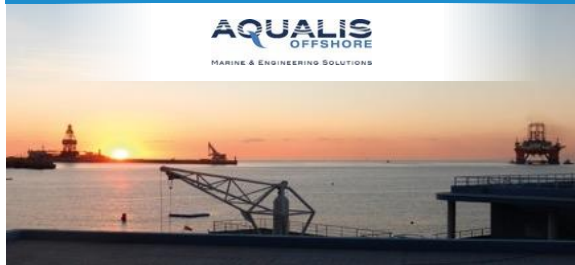
3. Outlook

David Wells
CEO



Energy consultancy with significant market niche positions

Offshore Oil and Gas



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

Offshore renewables



- Main activity in Europe
- Geotechnical & engineering, project management and due diligence for technology, projects and markets
- Clients: Developers, utilities, vessel owners, financial institutions, insurance companies, investors

Solar¹



- Strong position in Germany. Growing in Japan
- Technical services for the entire life cycle of PV plants
- Clients: PV manufacturers, plant operators, EPC contractors, financial institutions, insurance companies, investors

Enhanced service offering through the groups global network, client base, resources and expertise

1) Aqualis has an ownership of 49.9% in ADLER Solar

Year 2016 – Challenging for the industry and for Aqualis

- Significant overcapacity in the industry has led to lower revenues and margins

Challenge	Industry	Impact for Aqualis
Demand	Oil & Gas	Revenues down > 1/3, significant loss
Supply	Offshore Wind	Revenues slightly up, low margins
Supply	Solar	Revenues slightly up, significant loss

- Significant cost reductions implemented (but behind the curve)

Figures in USDm unless specified	2015	2016	Run rate ¹
No of employees end of year (FTEs)	220	151	c. 145 -155
«Group» overhead costs ²	3.7	3.1	c. 1.8-2.0
Operating expenses ³	38	27	< 25

- Indications that market is flattening out. Are we close to the bottom ?

(1) Reflects cost measures implemented in 2016 and 2017

(2) Corporate overhead costs and group costs allocated to operating entities

(3) Includes cost for subcontractors and excludes depreciation, amortization and group overheads

Competitive landscape – Industry consolidation needed

Strategy

- Continue to strengthen market positions and cost efficiency measures -> achieve breakeven as soon as possible
- Consolidation needed to mitigate price pressure and improve economies of scale of global operations. Aqualis to assess consolidation opportunities proactively

Competitive landscape

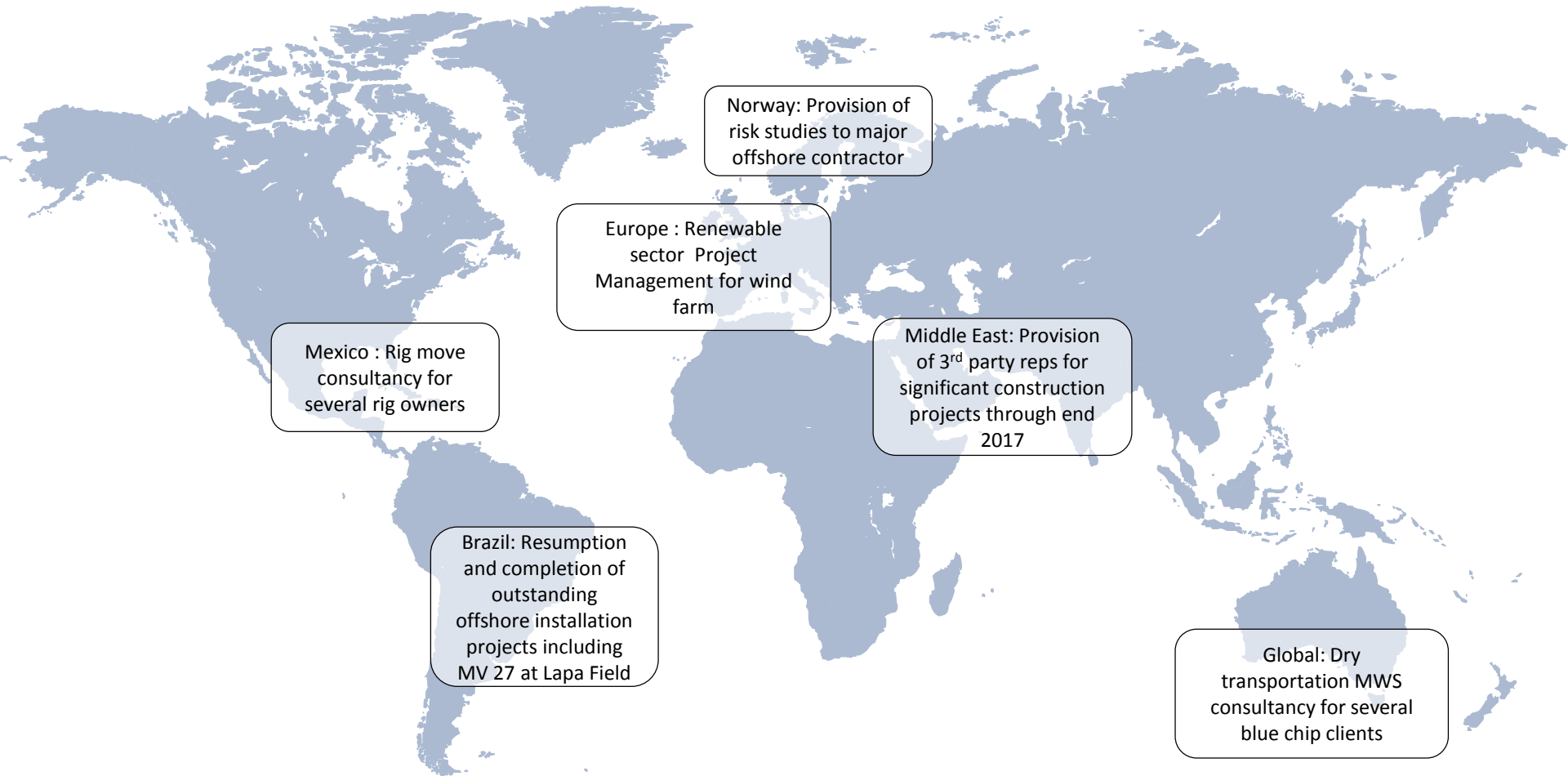
- Main competitors with global presence:
 - DnV-GL (Noble Denton)
 - Bureau Veritas (Matthews Daniel)
 - Braemar
 - LOC
 - Global Maritime
 - Many smaller / regional players

Q4 2016 Highlights

- Revenues of USD 6.2 million in Q4 2016, down 29% from Q4 2015
- Operating loss (EBIT) of USD 1.0 million and adjusted operating loss of USD 0.5 million
- Results impacted by goodwill impairments, downsizing related costs and weak market conditions in the oil and gas market
- Billing ratio for technical staff of 76 % in Q4 2016, up from 73% in Q3 2016
- Cost efficiency measures took effect throughout the quarter, but still behind the “curve”
- Offshore wind market is strong and new contracts have been secured
- Weak results for ADLER Solar¹ as phase in of cost measures and new services continues
- Order backlog at USD 6.7 million
- Pipeline and bidding activity increasing over the past months
- Cash balance of USD 9.9 million at the end of Q4 2016
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter

(1) ADLER Solar is accounted for as an associate company

Q4 2016 – main new contract wins



Selected projects in Q4 2016

- MWS for FPSO CIDADE DE CARAGUATATUBA MV-27

- Provision of experienced surveyors and engineers familiar with local shipyards and client requirements
- SoW Marine Warranty Surveyors and Towmasters for the FPSO MV27 of Modec for
 - Quayside Mooring
 - Tow to Field
 - Mooring Hook-Up



FPSO MV-27 ARRIVING FPSO AT BRASFELS SHIPYARD IN BRAZIL

Selected projects in Q4 2016

- Provision of Marine Representatives

- Provision of experienced marine representatives to attend on board contractor vessels during in-field offshore operations within Middle East region
- Main SoW to ensure compliance with contract procedures and industry standards to minimise asset risk exposure



Selected projects in Q4 2016

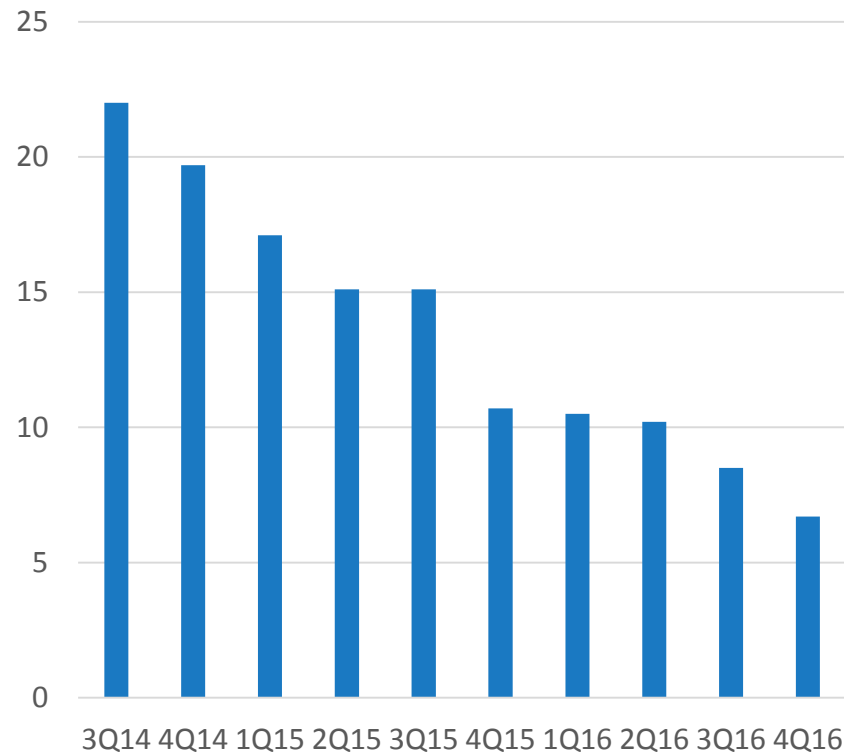
- Wind Farm Project Management

- Retained to provide project management services associated with the conceptual design and approval of a new wind farm in Europe
- Scope to assist with the conceptual design evaluation and to subsequently provide project management services associated with the detailed design, fabrication and installation offshore



Order backlog development

Order backlog (USDm)

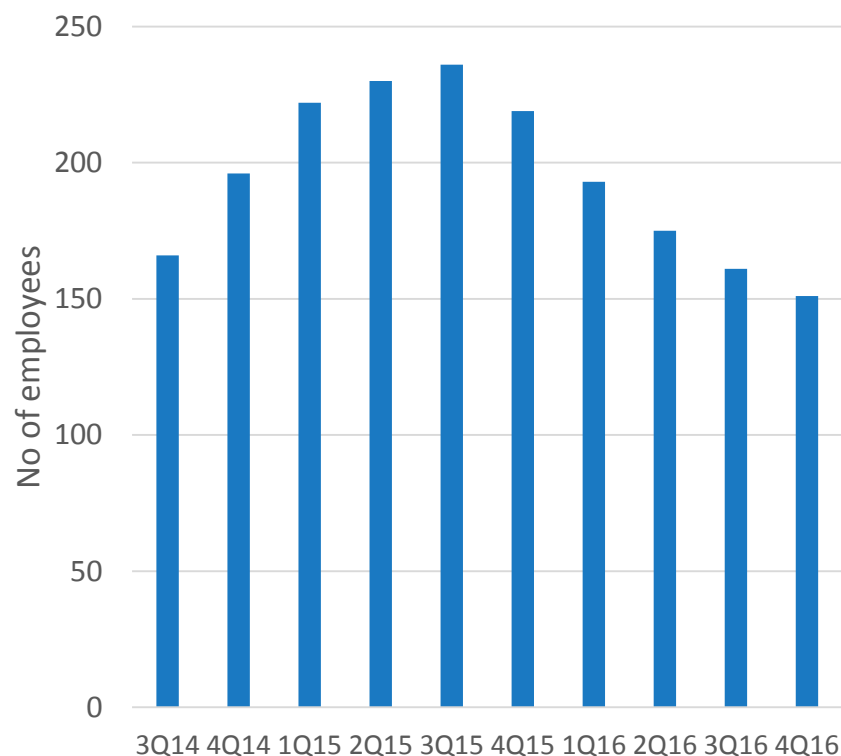


Highlights Q4 2016

- Pipeline of work expected from call out contracts is more positive, but visibility is limited and timing is hard to predict.
- Backlog upside affected by re-focused strategy of supporting clients on day-to-day service operations which are typically call-out contracts that do not get included in backlog figures
- The pipeline and bidding activity has started to increase over the past months - indicating that the market may have bottomed out ?

Staff level development

Staff level development¹



(1) Full time equivalent. Numbers include subcontractors on 100% utilization equivalent basis

(2) Tristein AS included from May 2014; OWC Ltd from July 2014

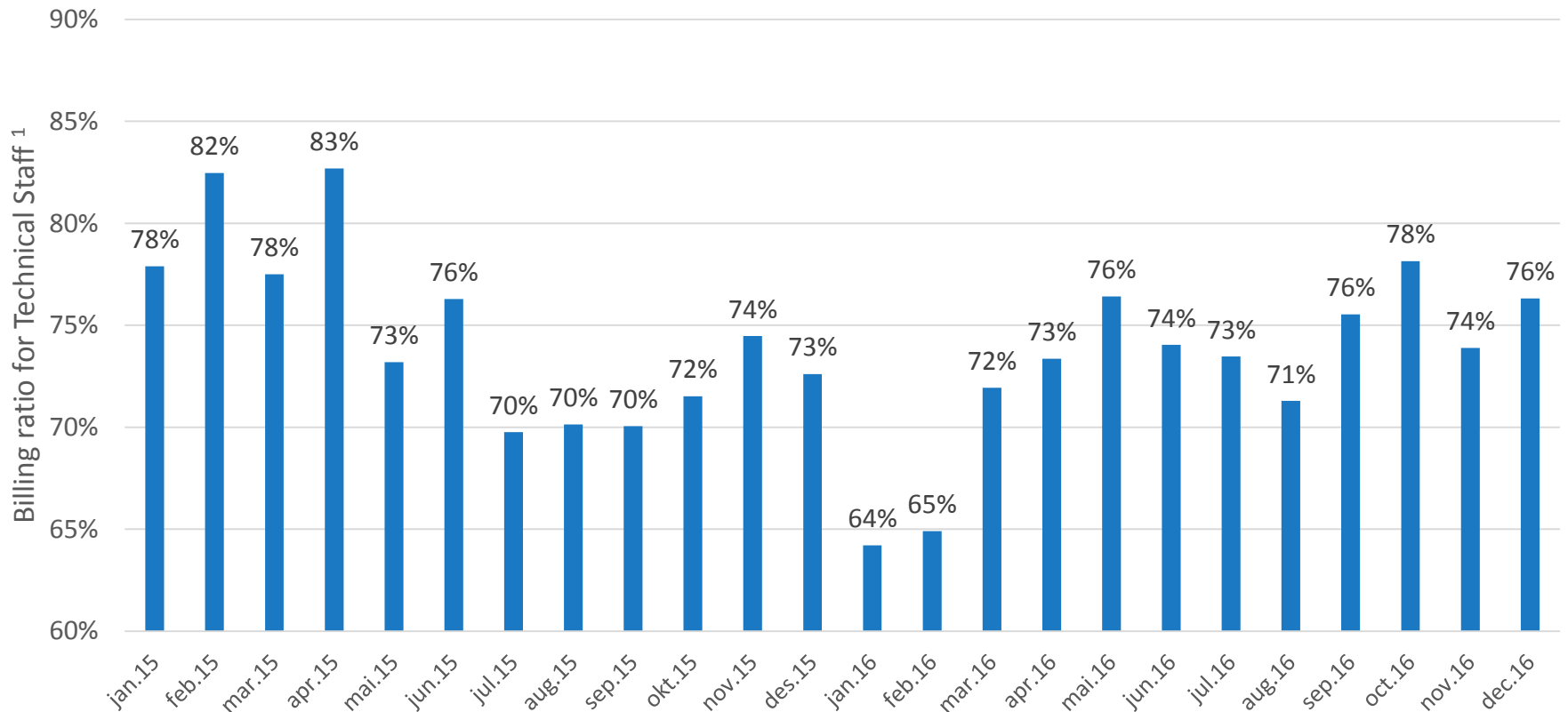
(3) Figures excluding ADLER Solar and staff made temporary redundant

Highlights Q4 2016

- Capacity adjustments continued in Q4 2016 in selected geographical regions
- The decrease in staff levels is related to a reduction in specialist technical staff, administrative staff and selected use of subcontractors

Stable billing ratio trend after weak start of 2016

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



Notes:

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

Agenda



1. Highlights

David Wells
CEO



2. Financial review

Kim Boman
CFO



3. Outlook

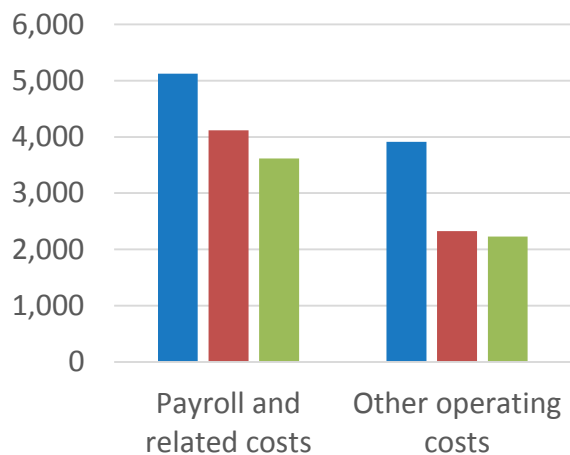
David Wells
CEO



2016 marks a challenging year for Aqualis

- Significant measures taken to adapt to market conditions

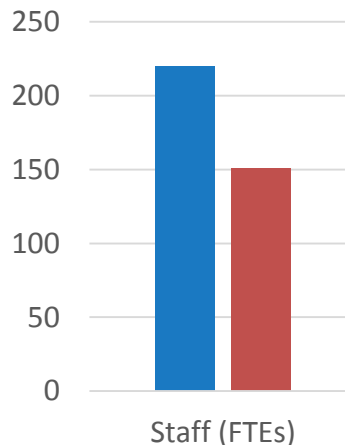
Cost development (USDk)



■ Q4 2015 ■ Q4 2016 ■ Run rate³⁾

- Various cost measures undertaken throughout the year to reduce costs
 - Reduction in headcounts, salaries, S/C rates, working hours and rationalizing other employment benefits
 - Streamlining administrative processes and improved terms from vendors
 - Vacating / cancelling leases

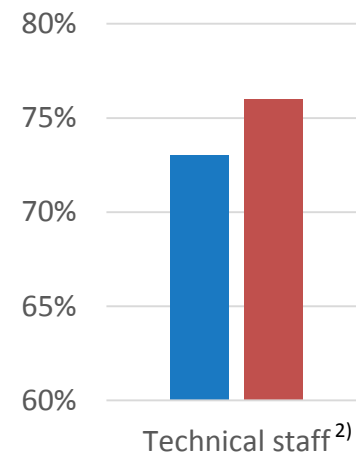
Staff development (FTEs)¹⁾



■ Q4 2015 ■ Q4 2016

- «Right sizing» of organisation and office network to market requirements

Billing ratio development



■ Q4 2015 ■ Q4 2016

- Strengthened internal focus on billing ratios and improved intra group cooperation
- Marketing push
- Further measures required to increase administrative efficiencies

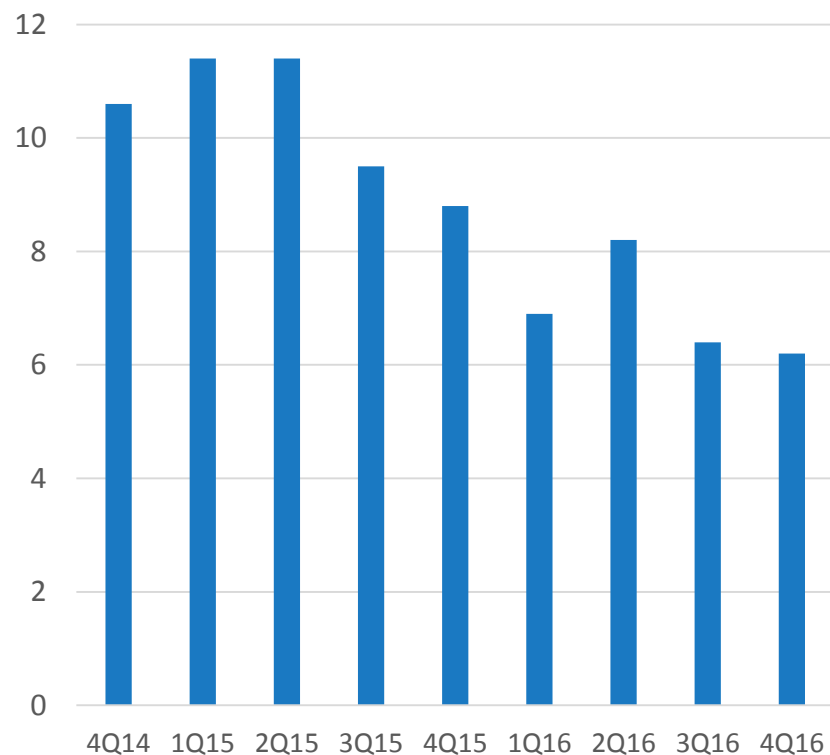
(1) Full time equivalent. Numbers include subcontractors on 100% utilization equivalent basis

(2) Including subcontractors

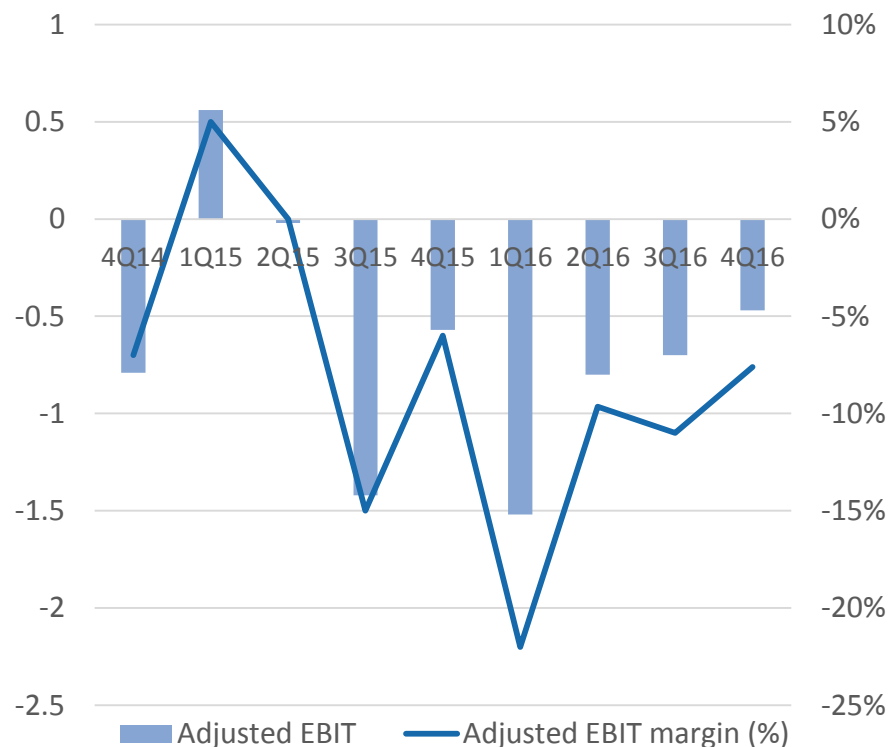
(3) Based on December 2016 figures with an adjustment for recharged expenses

Revenue and adjusted EBIT trend

Revenue development (USDm)



Adjusted EBIT trend (USDm, %)

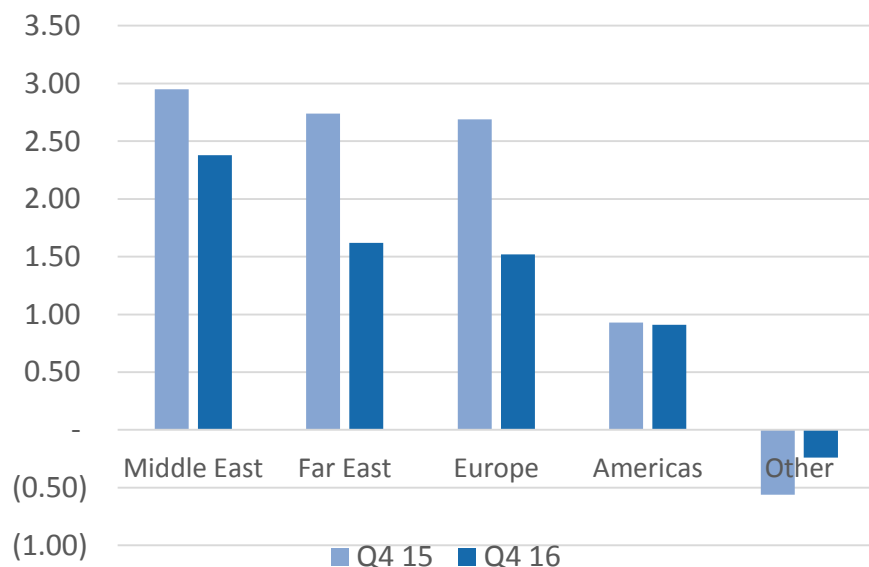


(1) Tristein AS included from May 2014; OWC Ltd from July 2014

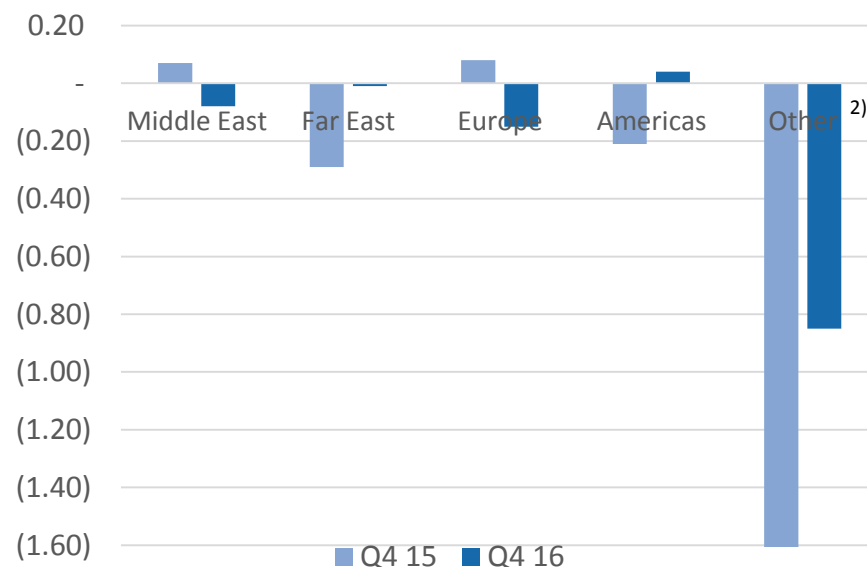
Adjusted EBIT: Earnings Before Interest and Taxes adjusted goodwill impairments

Geographical split

Revenue split (USDm)



EBIT¹ split (USDm)



- Several entities impacted by lower activity level in the oil and gas market. Regional revenue differences y-o-y for entities respectively in Middle East -19%, Far East -41%, Europe -44 % and Americas -2%

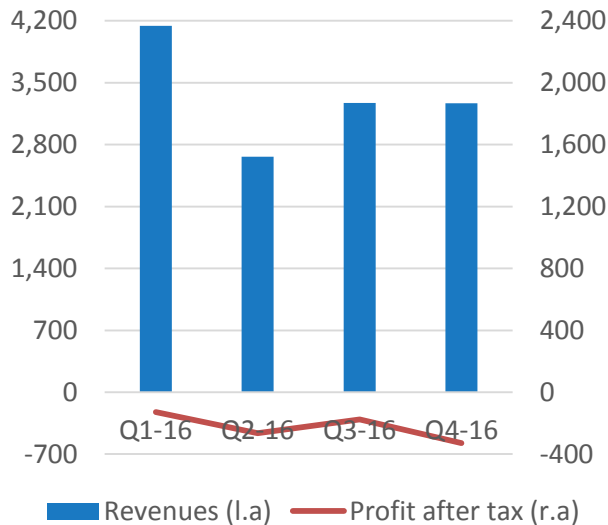
1) After allocation of group costs to entities. Corporate group costs that are not allocated to entities are included in «other»

2) Includes share of net income from associates, eliminations and corporate group costs

ADLER Solar has been through a challenging year

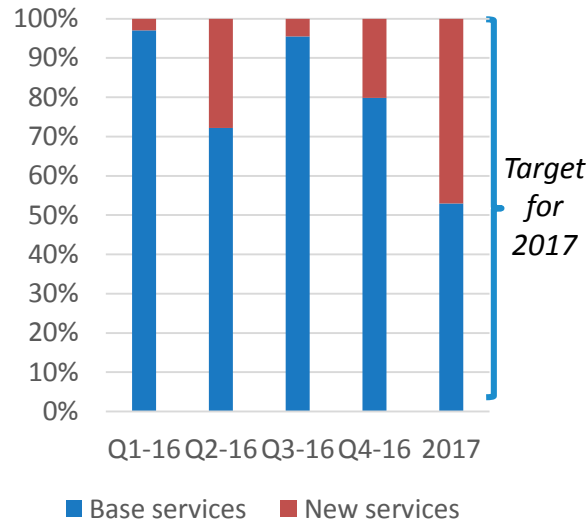
– New services and cost measures implemented

Financial development (USDk)



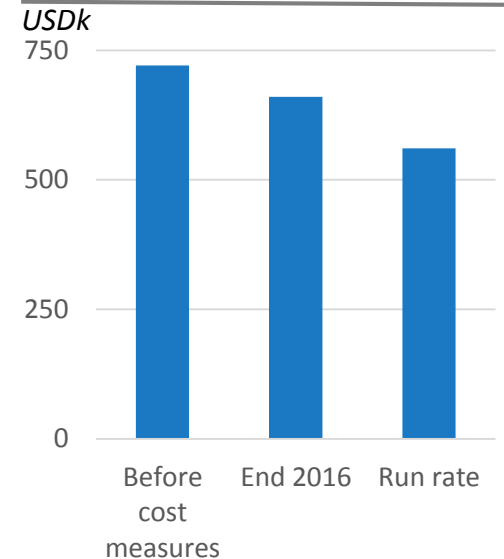
- Despite overall strong demand for ADLER Solar's services, the competition and price pressure have been challenging
- Project economics have worsened as average size of projects have fallen
- Weak financial position

Launch of new services



- Based on its' competitive strenghts and the expected market development, ADLER Solar launched new services in Q1 2016
- Penetration of the market has taken more time than expected

Monthly operating costs



- Efficiency and cost measures initiated in mid 2016 to improve profitability
- Most of cost reduction related to reduction in overhead costs
- Move towards flexible cost base with more use of subcontractors

Income Statement

<i>Amounts in USD thousands</i>	Q4 16	Q4 15	FY 2016	FY 2015
Total operating income	6,184	8,755	27,564	40,998
Payroll and payroll related costs	(4,115)	(5,123)	(19,303)	(23,717)
Depreciation, amort. and impairment	(616)	(1,501)	(794)	(2,027)
Other operating costs	(2,325)	(3,913)	(11,016)	(17,965)
Total operating expenses	(7,056)	(10,537)	(31,113)	(43,709)
Share of net income from associates	(177)	(197)	(506)	(197)
Operating profit (EBIT)	(1,049)	(1,979)	(4,055)	(2,908)
Finance income	30	9	47	28
Finance costs	3	(52)	-	(45)
Net currency gains/losses	566	735	(10)	1,419
Profit before taxes	(450)	(1,287)	(4,018)	(1,506)
Taxes	199	(442)	144	(692)
Profit after taxes	(251)	(1,729)	(3,874)	(2,198)
Financial ratios				
<i>Operating margin (EBIT), %</i>	<i>(17.0)</i>	<i>(22.6)</i>	<i>(14.7)</i>	<i>(7.1)</i>
<i>Profit after tax, %</i>	<i>(4.1)</i>	<i>(19.7)</i>	<i>(14.1)</i>	<i>(5.4)</i>

- Revenues for Q4 down 29% from Q4 2015
- Operating loss of USD 1.0 million for Q4 2016
- Results impacted by goodwill impairment, downsizing related costs, bad debt provisions and weak market conditions in particular in the North Sea
- Steps to improve profitability, competitiveness and increased cost flexibility continues to be phased in

Strong Balance Sheet

<i>Amounts in USD thousands</i>	31.12.2016	31.12.2015
Equipment	184	371
Investment in associates	2,853	3,283
Intangible assets	16,257	17,119
Loan to associates	370	-
Deferred tax assets	122	14
Trade receivables	5,475	7,667
Other receivables	2,734	2,876
Cash and cash equivalents	9,910	14,864
Total assets	37,905	46,194
Equity	33,081	37,662
Deferred tax liabilities	425	587
Trade payables	1,093	1,128
Tax payable	-	586
Other current liabilities	3,306	6,231
Total equity and liabilities	37,905	46,194

- Strong financial position, cash of USD 9.9 million
- No interest bearing debt
- Shareholder loan of USD 0.4m provided to ADLER Solar in Q4 2016 to strengthen working capital and liquidity position (all shareholders contributed with relative share of loan)

Cash Flow

<i>Amounts in USD thousands</i>	Q4 16	Q4 15	FY 2016	FY 2015
Operating cashflow	(593)	(54)	(4,127)	(2,255)
Investing cash flow	(378)	(3,483)	(382)	(3,757)
Financing cash flow	-	-	(368)	289
Net change in cash and cash equivalents	(971)	(3,537)	(4,877)	(5,723)
Cash and cash equivalents beginning period	11,091	18,611	14,864	21,790
Net change in cash and cash equivalents	(971)	(3,537)	(4,877)	(5,723)
Net foreign exchange difference	(210)	(210)	(77)	(1,203)
Cash and cash equivalents end period	9,910	14,864	9,910	14,864

- Net operating cash flow of negative USD 0.6 million mainly related to the operating loss in the period

Agenda



1. Highlights

David Wells
CEO



2. Financial review

Kim Boman
CFO



3. Outlook

David Wells
CEO



Outlook: The market bottoming out ?

- The oil and gas market is still challenging and is expected to remain so in 2017
- Visibility remains short, but some positive market signs within oil & gas market
- Aqualis will continue with efficiency measures and adapt to market conditions
- Aqualis aims to continue to strengthen its overall market position
- Short term outlook for offshore wind market remains strong
- Results for ADLER Solar expected to be weak in Q1 2017 due to the winter season
- Target to have positive EBIT for 1H 2017 subject to current market outlook
- Consolidation needed in the industry to mitigate oversupply and rationalize global operations and achieve economies of scale

Appendix



Top 20 shareholders

#	Name		Shares	%
1	GROSS MANAGEMENT AS		7,367,996	17.42
2	TIGERSTADEN AS		3,066,250	7.25
3	MP PENSJON PK		1,667,628	3.94
4	AGITO HOLDING AS		1,350,000	3.19
5	BINKLEY CAPITAL AS		1,133,664	2.68
6	J.P. Morgan Bank Lux	JP MORGAN BANK	1,017,776	2.41
7	Diab Badreddin		1,001,302	2.37
8	SAXO BANK A/S	NOM	891,409	2.11
9	LENOX PHILIP ALAN		830,583	1.96
10	GISLERØD MAGNE		800,000	1.89
11	SIX SIS AG 25PCT ACCOUNT	NOM	627,159	1.48
12	VERDIPAPIRFONDET DNB		617,592	1.46
13	ALSTO CONSULTANCY LT		598,122	1.41
14	BONNON IAN DENNIS		555,074	1.31
15	VALHALL INVEST AS		553,620	1.31
16	THEOFANATOS ANDREAS		512,188	1.21
17	KULA INVEST AS		504,362	1.19
18	NORDNET LIVSFORSIKRI		487,443	1.15
19	REWAL AS		468,594	1.11
20	The Bank of New York	NOM	438,088	1.04
Top 20 shareholders			24,488,850	57.90

Source: VPS, 13.02.2017

Global footprint – active in all major oil and gas regions

Corporate HQ: London

Operating in 21 offices in 15 countries

Approximately: 151 FTEs¹

Traded on Oslo Stock Exchange

No interest bearing debt

ISO 9001:2008 & 18000:2007 approved

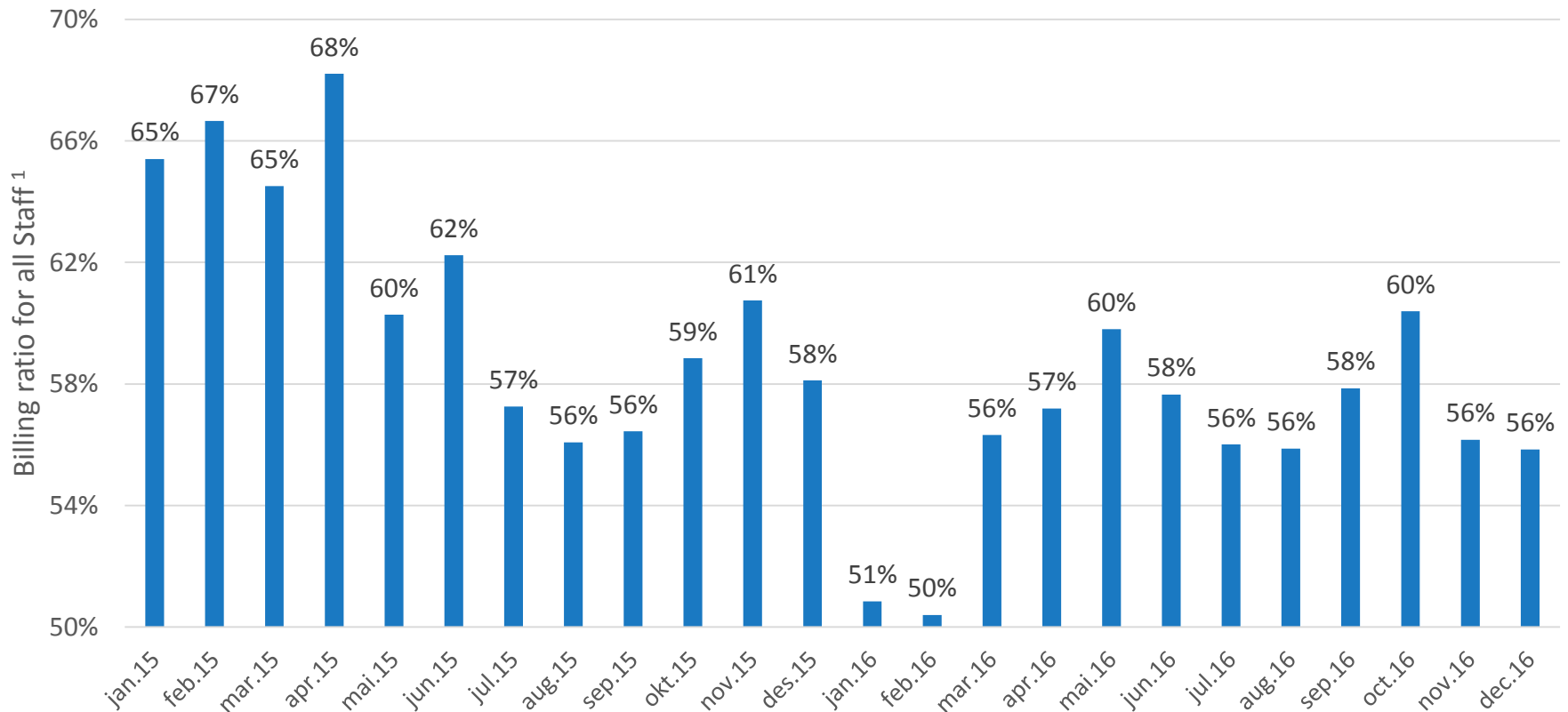


Energy consultants to the oil & gas, offshore renewable and solar sectors

1) Per December 2016. Including FTE subcontractors but excluding ADLER Solar. Adler Solar has ~90 employees

Stable billing ratio trend steady after weak start of 2016

- All staff, billing ratio %



Notes:

- (1) Billing ratio for all staff, including Technical Staff, subcontractors and admin/group staff. Figure calculated as billable hours / net hours available. Net hours available for technical staff excludes paid absence (public holidays, time off in-lieu, compassionate leave, authorized annual leave) and unpaid absence (sabbatical and other unpaid leave). Net hours for admin staff calculated based on 220 days per year. Figures excluding ADLER Solar

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:

Operating profit adjusted

Management believes that “Operating profit adjusted” which excludes impairments of goodwill and other charges/(income) 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. A reconciliation between reported operating profit/(loss) and operating profit adjusted is shown in note 9.

Profit (loss) after taxes adjusted

Management believes that “Profit (loss) after taxes adjusted” which excludes impairments of goodwill and other charges/(income) 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. A reconciliation between profit (loss) after taxes adjusted and profit (loss) after taxes is shown in note 9

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 reliably 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

