

Aqualis ASA

SECOND QUARTER RESULTS 2016

Oslo, 25 August 2016

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



Q2 2016 highlights

- The activity level and revenues increased in most regions from Q1 2016
- Billing ratio¹ for technical staff increased from 67% Q1 2016 to 75% in Q2 2016 due to improved operational performance and capacity adjustments
- Increased number of new client wins and numerous small projects awards.
- Order backlog still maintained at approximately USD 10 million (3rd consecutive quarter)
- The oil and gas market still remains challenging
 - Continuing low activity levels in Europe and the Americas. Lower demand in the Middle East towards the end of Q2 due to the monsoon period and the Ramadan slow down
 - Capex and deep water related services remain hardest hit by reduction in demand
- High activity within offshore wind market and new contract wins
- ADLER Solar² results impacted by lack of larger projects and introduction of new services
- Continued solid HSE performance: no lost time incidents (LTIs) during the quarter

(1) Total technical staff (including subcontractors)

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

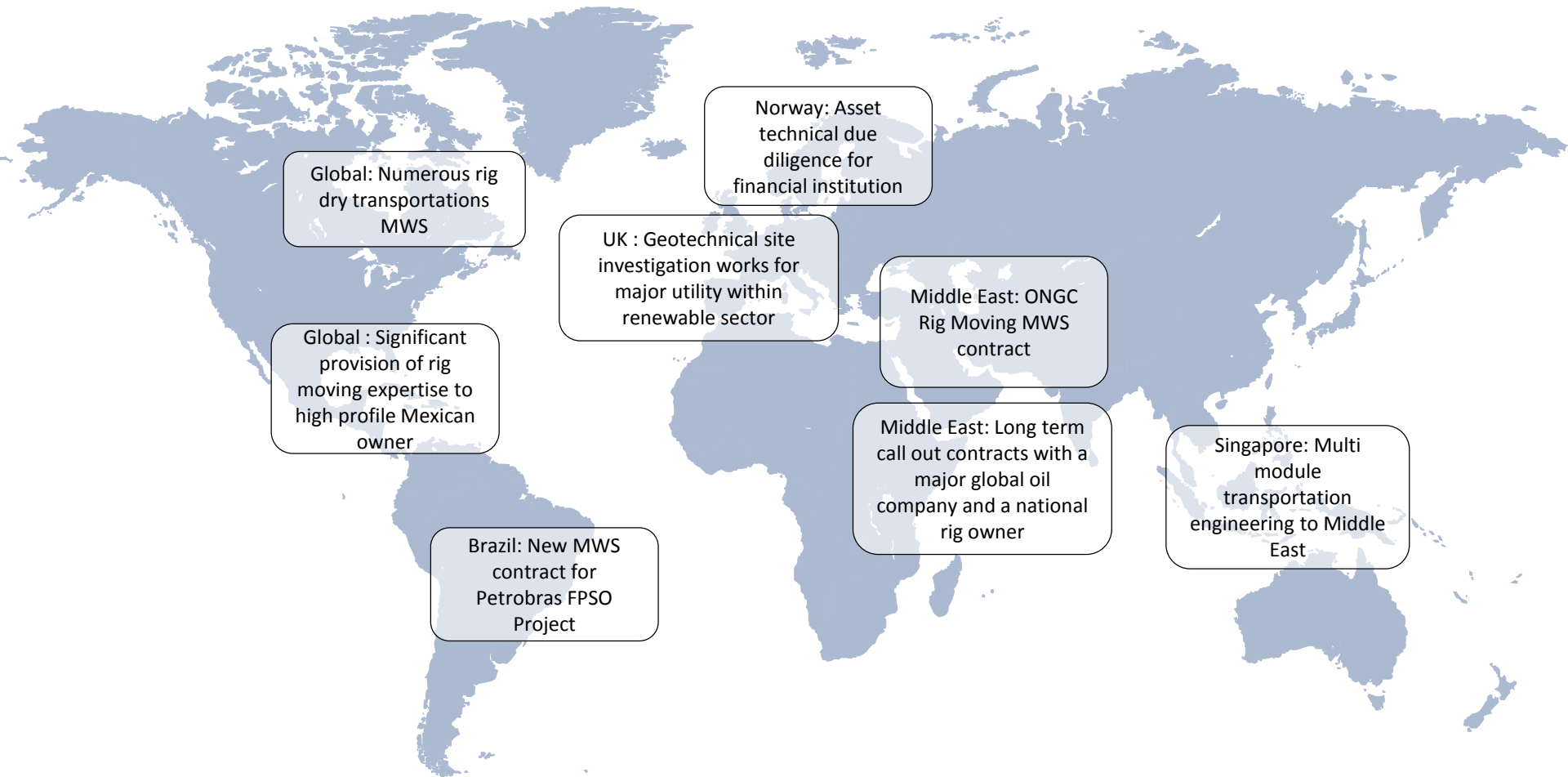
Financial summary Q2 2016

- Total operating revenue of USD 8.2 million, down 28% from Q2 2015
 - Softer market conditions across regions and reduction in staffing levels
 - Strong reduction in activity level in the Far East and Americas due to reduced capex opportunities
- Operating loss (EBIT) of USD 0.8 million with cost efficiency measures continued to take effect throughout the quarter
- Cash balance of USD 11.7 million
- 175 employees¹ at end of Q2 2016, down from 193 at end of Q1 2016

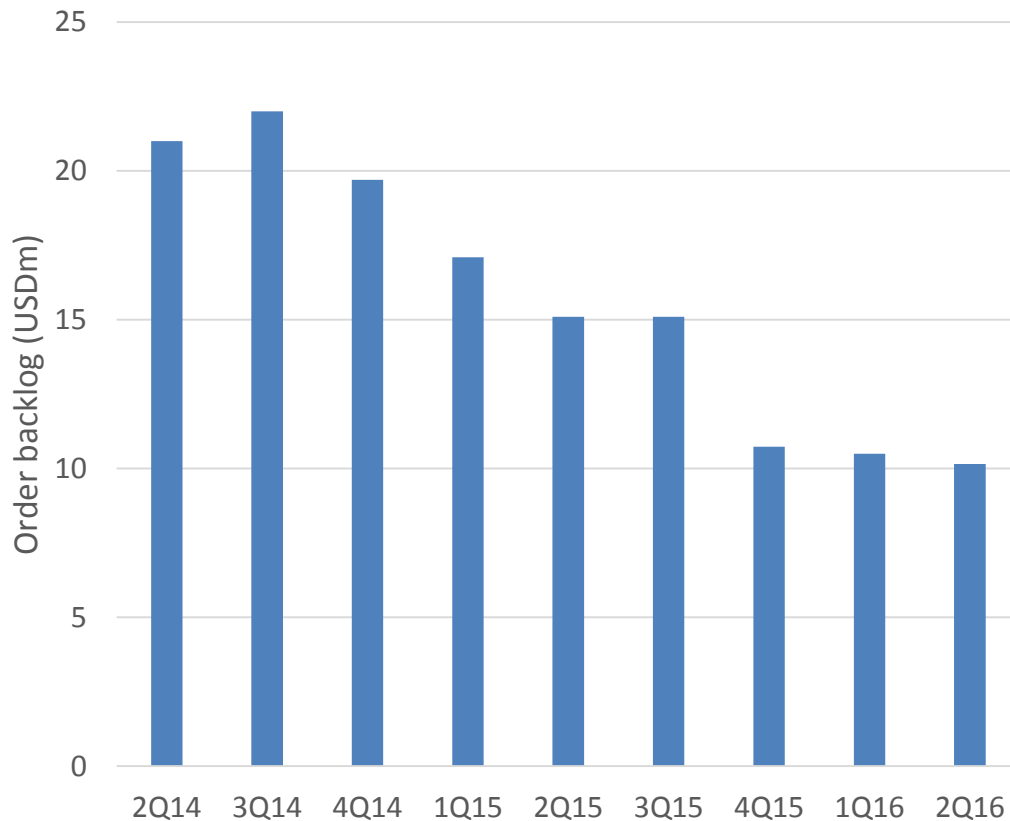
Notes:

(1) Includes contractors on 100% utilisation equivalent basis and excludes temporary redundancies

Q2 2016 – main new contract wins



Order backlog – quarterly development



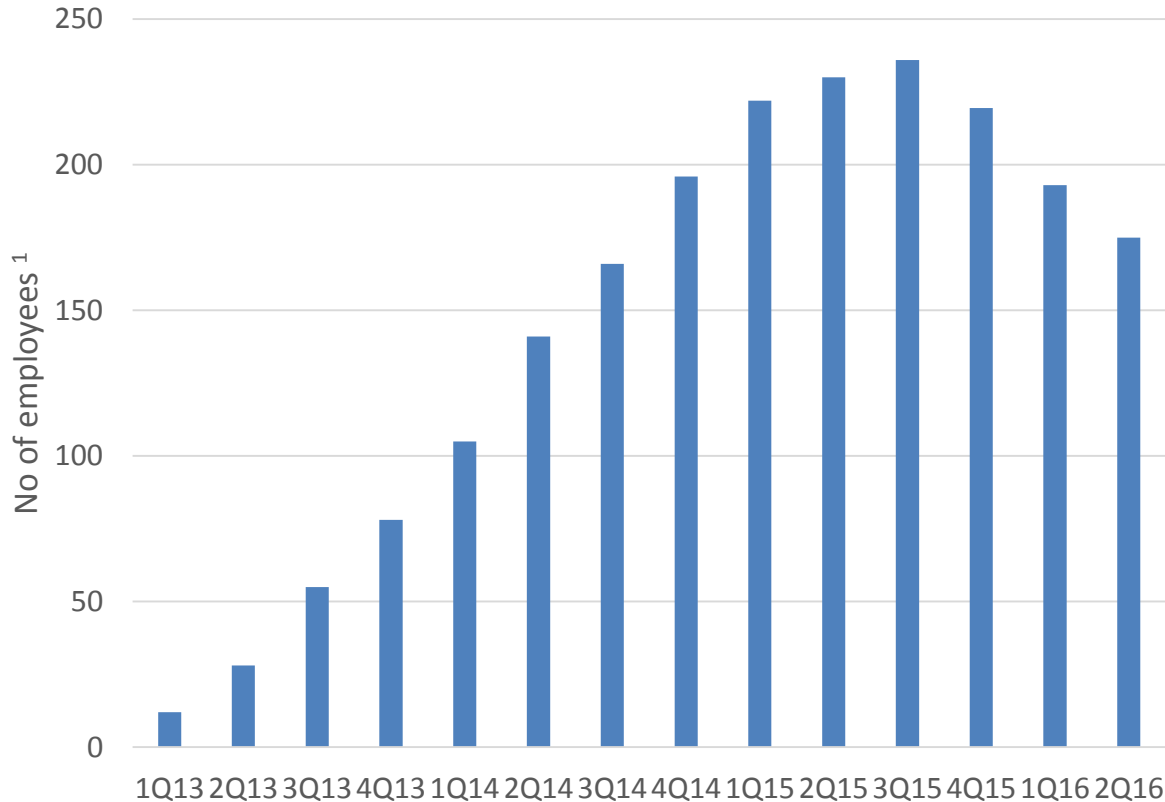
Highlights Q2 2016

- Pipeline of work expected from call out contracts continues to look positive, but visibility is limited
- 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
- Market push to win new work and clients meeting with some good successes
- Backlog levels remain relative stable over the last quarters

Notes:

- (1) Tristein AS included from May 2014; OWC Ltd from July 2014
- (2) Figures excluding ADLER Solar

Staff level – quarterly development



Highlights Q2 2016

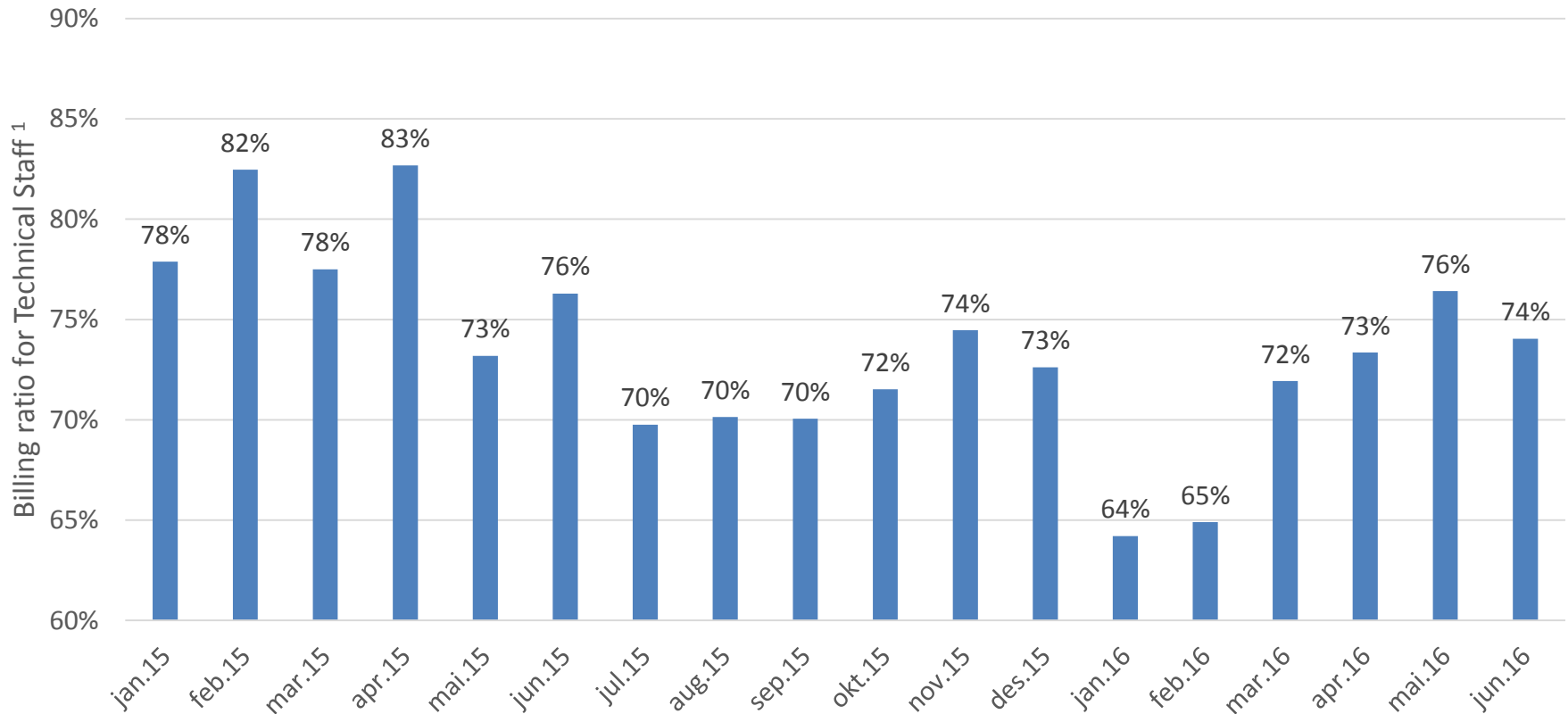
- The decrease in staff levels is related to a reduction in specialist technical staff, administrative staff and use of subcontractors

Notes:

- (1) Full time equivalent. Numbers include contractors 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

Improving billing ratio trend after weak start of 2016

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

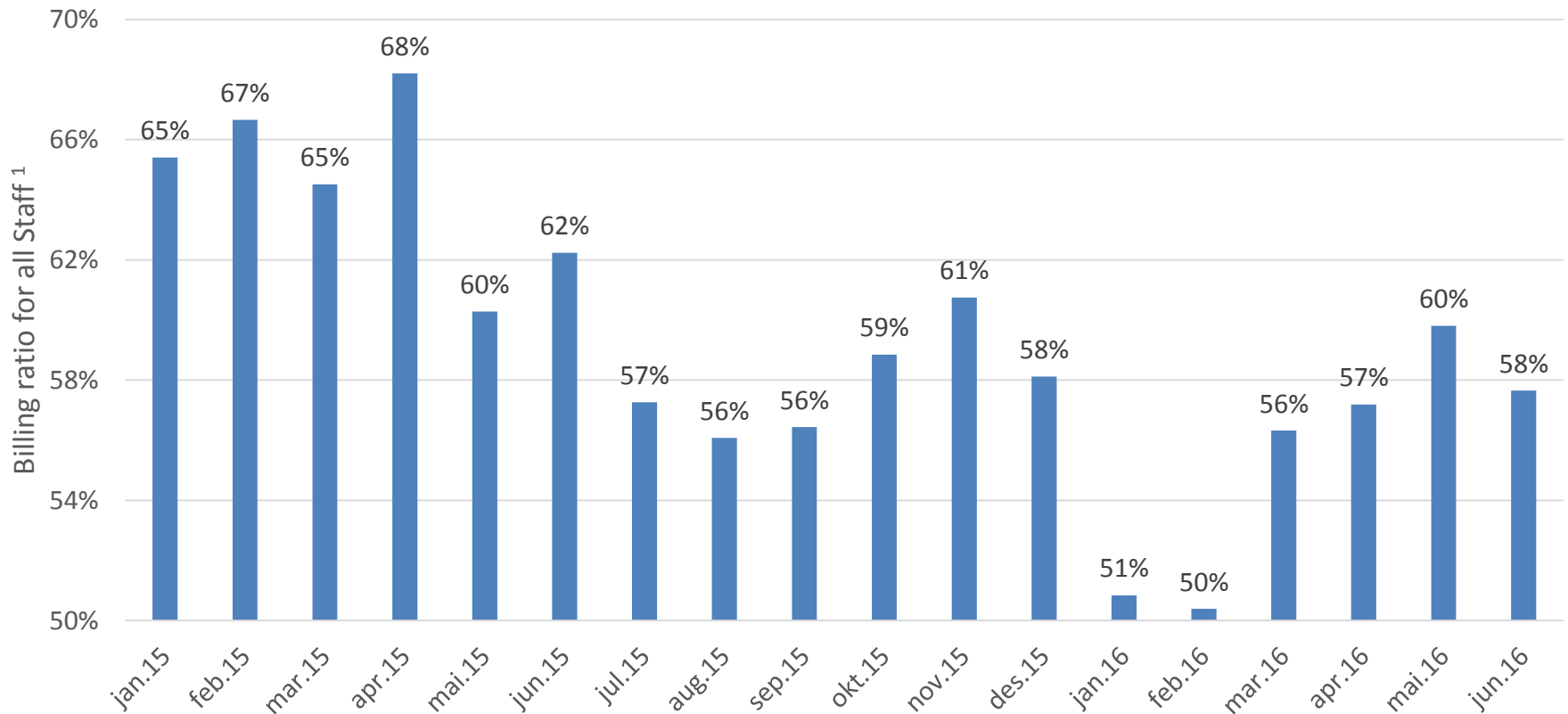


Notes:

- (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)
- (2) Figures excluding ADLER Solar

Improving billing ratio trend 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
- (2) Figures excluding ADLER Solar

Agenda



1. Highlights

David Wells
CEO



2. Financial review

Kim Boman
CFO

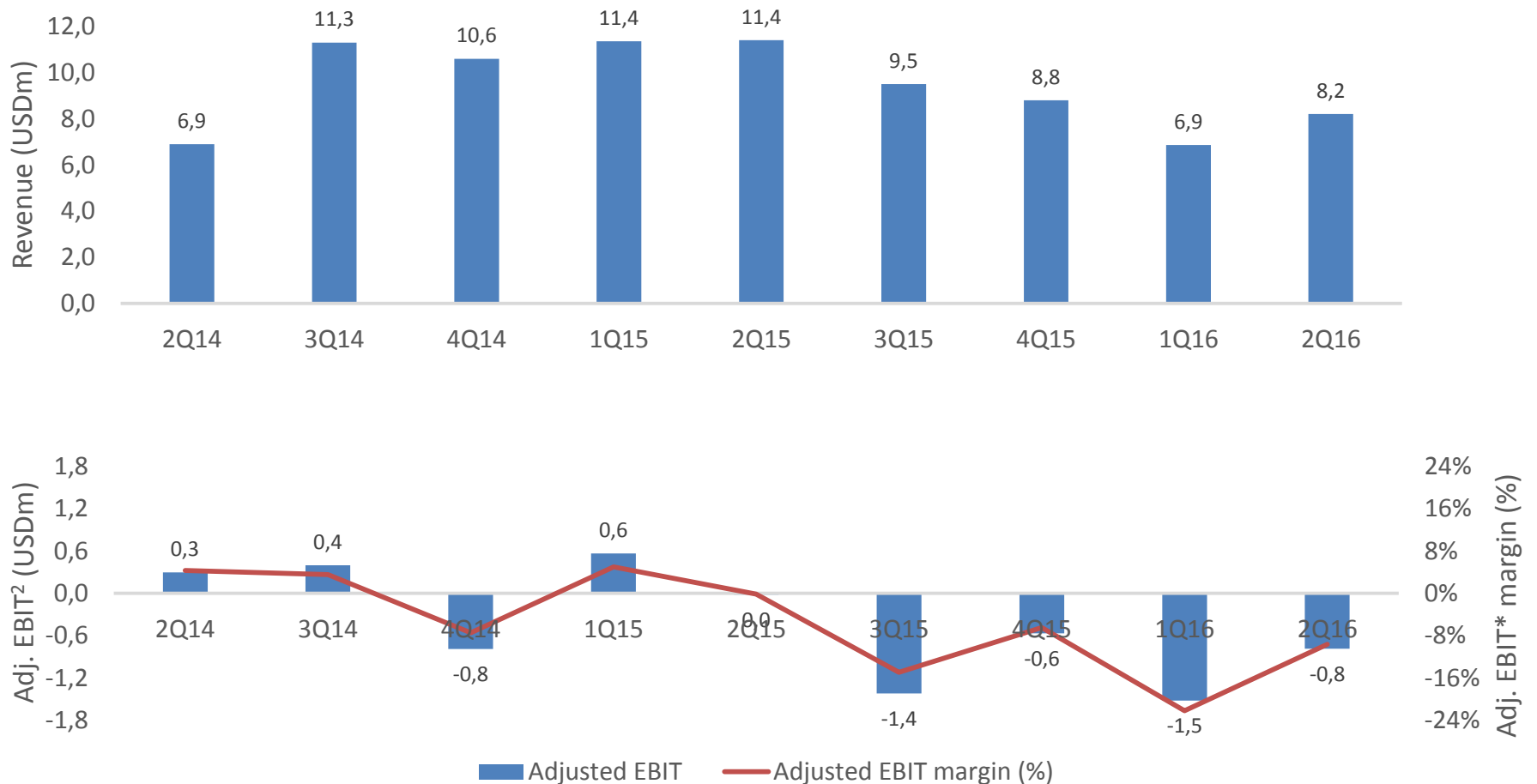


3. Outlook

David Wells
CEO



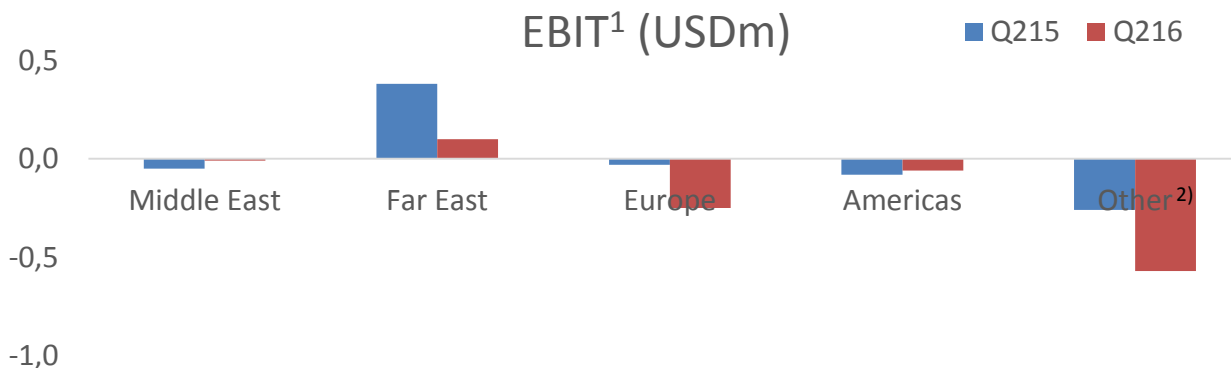
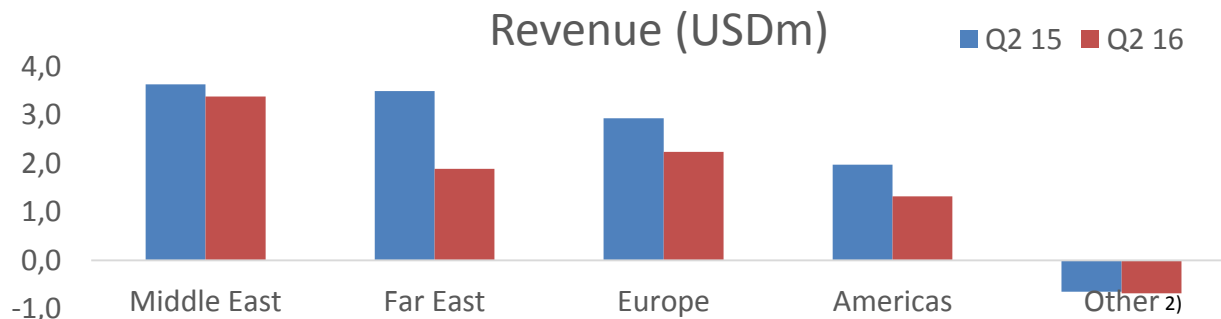
Revenue and adjusted EBIT trend



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

2) Adjusted EBIT figures exclude corporate restructuring and IPO costs in Q3 2014 and goodwill impairment in Q4 2015

Business geographical review



- Several entities impacted by lower activity level in the oil and gas market
- Regional differences y-o-y for entities respectively in Middle East -7%, Far East -46%, Europe -24% and Americas -33%
- After weak start of quarter, operations improved substantially during Q2 2016 for entities in Europe

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

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

Income statement

<i>Amounts in USD thousands</i>	Q2 16	Q2 15	H1 16	H1 15	FY 2015
Total operating income	8,156	11,373	15,016	22,732	40,998
Payroll and payroll related costs	(5,256)	(6,296)	(10,908)	(12,468)	(23,717)
Depreciation, amort. and impairment	(58)	(150)	(130)	(397)	(2,027)
Other operating costs	(3,482)	(4,959)	(6,060)	(9,381)	(17,965)
Total operating expenses	(8,796)	(11,405)	(17,098)	(22,246)	(43,709)
Share of net income from associates	(147)	-	(226)	-	(197)
Operating profit (EBIT)	(787)	(32)	(2,308)	486	(2,908)
Finance income	4	5	15	14	28
Finance costs	(1)	9	(1)	7	(45)
Net currency gains/losses	(71)	(371)	(902)	665	1,419
Profit before taxes	(855)	(389)	(3,196)	1,172	(1,506)
Taxes	(25)	(38)	(42)	(178)	(692)
Profit after taxes	(880)	(427)	(3,238)	994	(2,198)
Financial ratios					
<i>Operating margin (EBIT), %</i>	<i>(9.6)</i>	<i>(0.3)</i>	<i>(15.4)</i>	<i>2.1</i>	<i>(7.1)</i>
<i>Profit after tax, %</i>	<i>(10.8)</i>	<i>(3.8)</i>	<i>(21.6)</i>	<i>4.4</i>	<i>(5.4)</i>

- Revenues for Q2 down 28% from Q2 2015, reflecting weaker market conditions
- Operating loss of USD 0.8 million for Q2 2016
- Steps to improve profitability and competitiveness set to continue to take effect
- Results for ADLER Solar impacted by lack of larger projects and the introduction of new services

Balance sheet

<i>Amounts in USD thousands</i>	30.06.2016	31.12.2015
Equipment	262	371
Investment in associates	3 235	3 283
Intangible assets	17 486	17 119
Deferred tax assets	15	14
Trade receivables	5 907	7 667
Other receivables	2 834	2 876
Cash and cash equivalents	11 686	14 864
Total assets	41 425	46 194
Equity	35 518	37 662
Non current liabilities	618	587
Trade payables	1 229	1 128
Tax payable	66	586
Other current liabilities	3 994	6 231
Total equity and liabilities	41 425	46 194
Financial ratios		
Net debt, USD thousands	(11 686)	(14 864)
Equity/Assets ratio, %	86 %	82 %

- Strong financial position, cash of USD 11.7 million
- No interest bearing debt

Cash flow

<i>Amounts in USD thousands</i>	Q2 16	Q2 15	H1 16	H1 15	FY 2015
Operating cashflow	(1,414)	(410)	(2,880)	(904)	(2,255)
Investing cash flow	(3)	(79)	(4)	(196)	(3,757)
Financing cash flow	-	-	(368)	-	289
Net change in cash and cash equivalents	(1,417)	(489)	(3,252)	(1,100)	(5,723)
Cash and cash equivalents beginning period	13,171	20,534	14,864	21,790	21,790
Net change in cash and cash equivalents	(1,417)	(489)	(3,252)	(1,100)	(5,723)
Net foreign exchange difference	(68)	352	74	(293)	(1,203)
Cash and cash equivalents end period	11,686	20,397	11,686	20,397	14,864

- Net operating cash flow of negative USD 1.4 million, reflecting operating loss and increased working capital

Agenda



1. Highlights
David Wells
CEO



2. Financial review
Kim Boman
CFO



3. Outlook
David Wells
CEO



Outlook

- The overall oil and gas market is expected to remain challenging in 2016 and into 2017
- The short term outlook for offshore wind in Europe is good, but the market is competitive with low margins
- The activity level in Q3 2016 will be impacted by the monsoon period offshore India and vacation months
- Q2 2016 has indicated that there are still opportunity within smaller consultancy work available in all regions. Aqualis aim to continue to increasing our market share in the consultancy fields
- Aqualis will continue focusing on improving its profitability and competitive position and being adaptive to changes in market conditions
- ADLER Solar is repositioning its services and organization to target higher margin projects and implementing cost measures to improve its profitability
- Target to achieve break even EBIT for Q4 2016 subject to current market outlook

Aqualis ASA

APPENDIX

Top 20 shareholders

#	Name	Citizenship	Holding	%
1	GROSS MANAGEMENT AS	NOR	7 281 109	16,74
2	AQUALIS HOLDCO LIMIT	GBR	2 187 500	5,03
3	PERSHING LLC MAIN CUSTODY ACCOUNT	USA	1 974 505	4,54
4	MP PENSJON PK	NOR	1 877 528	4,32
5	AGITO HOLDING AS	NOR	1 350 000	3,10
6	AQUALIS ASA	NOR	1 212 498	2,79
7	BINKLEY CAPITAL AS	NOR	1 133 664	2,61
8	Diab Badreddin	USA	1 001 302	2,30
9	LENOX PHILIP ALAN	GBR	830 583	1,91
10	SAXO BANK A/S	DNK	803 732	1,85
11	GISLERØD MAGNE	NOR	800 000	1,84
12	J.P. MORGAN BANK LUX JP MORGAN BANK	LUX	771 682	1,77
13	SIX SIS AG 25PCT ACCOUNT	CHE	665 159	1,53
14	VERDIPAPIRFONDET DNB	NOR	658 176	1,51
15	TIGERSTADEN AS	NOR	600 000	1,38
16	ALSTO CONSULTANCY LT 1 ST FLOOR 5	SYC	598 122	1,37
17	OFFSHORE & MARINE CO	NOR	586 500	1,35
18	BONNON IAN DENNIS	GBR	555 074	1,28
19	THEOFANATOS ANDREAS	BRA	512 188	1,18
20	KULA INVEST AS	NOR	504 362	1,16
Top 20 shareholders			25 903 684	59,56

Source: VPS, 20.08.2016