



Aqualis ASA
2018 Q2 results
July 20, 2018

aqualis.no



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Agenda



1. Highlights

David Wells
CEO



2. Financial review

Kim Boman
CFO



3. Outlook

David Wells
CEO



Q2 2018 Highlights

- High activity level and strong operational performance

- Revenues of USD 9.6 million in Q2 2018 vs USD 7.3 million in Q2 2017
- Operating profit (EBIT) of USD 0.7 million in Q2 2018 vs USD 0.4 million in Q2 2017
- Adjusted EBIT of USD 0.7 million in Q2 2018 vs USD 0.4 million in Q2 2017
- Strong billing ratio¹ of 84 % in Q2 2018
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter
- Robust financial position with cash balance of USD 9.8 million
- The oil & gas market remains challenging, but with increasing signs of recovery
- Completed the sale of investment in ADLER Solar GmbH
- Activity in offshore wind market still remains high and new contracts have been secured
- Order backlog of USD 6.8 million with increase in pipeline of opportunities
- Aqualis announces dividend of NOK 0.90 per share

(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**

17x 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

The Oil and Natural Gas Corporation Limited (“ONGC”)

- Mobilisation of 29 offshore drilling units in the Indian Ocean

- Aqualis Offshore assisted ONGC with the large majority of the pre-monsoon rig moves. These were completed, in close cooperation with ONGC’s in-house rig move cell, by the company’s specialist team of mariners
- Each of the 29 rigs were placed at their respective monsoon locations in April / May 2018 before the onset of the seasonal adverse weather conditions.
- The contract with ONGC has been re-renewed for the 2018/19 policy year



SNP/Star Consortium MWS for loadouts - KSA

- 2 MWS projects ongoing for loadouts in Saudi Arabia
- 7 deck modules for Marjan/Zuluf field
- 8 jackets and decks for Safaniyah field
- Attendance in Dammam shipyard, KSA



Egina FPSO Station Keeping Project

- Aqualis Offshore contracted to provide 24/7 Station keeping masters to hold vessel in position with by 4+1 tugs whilst being connected to pre-installed mooring spread
- Egina FPSO will be spread moored on 16 lines (4x4). Located approx. 200km off coast of Nigeria in water depth ~1470m
- Samsung Heavy Industries, the Engineering, Supply, Construction and Commissioning contractor, ocean towed the FPSO from South Korea to Nigeria (POSH Terasea tugs) and will organise the tow to the EGINA field



First set of “new build” rig inspections completed in China

- Aqualis Offshore have completed a program of rig inspections within China. The inspections were completed by members of both Aqualis Offshore’s Shanghai and UK office teams.
- The Chinese team members provided invaluable support bring rig construction & Inspection experience to supplement our UK rig inspection teams experience.
- The Chinese team also provided technical translation support during the inspections allowing greater degree of communication between the rig owners and our inspection teams.



Triton Knoll Offshore Wind Farm

Triton Knoll offshore wind farm is a 90 x 9.5 MW Offshore Wind Farm of 860 MW in the UK.

- OWC were contracted to provide specific specialist project management services for Innogy's flagship offshore wind project
- This award followed on from supporting Innogy (RWE) on previous projects such as Gwynt y Môr, Nordsee Ost and Galloper offshore wind farms
- OWC carried out the work with personnel from its office in London, UK



Training for China Energy Engineering Corp.

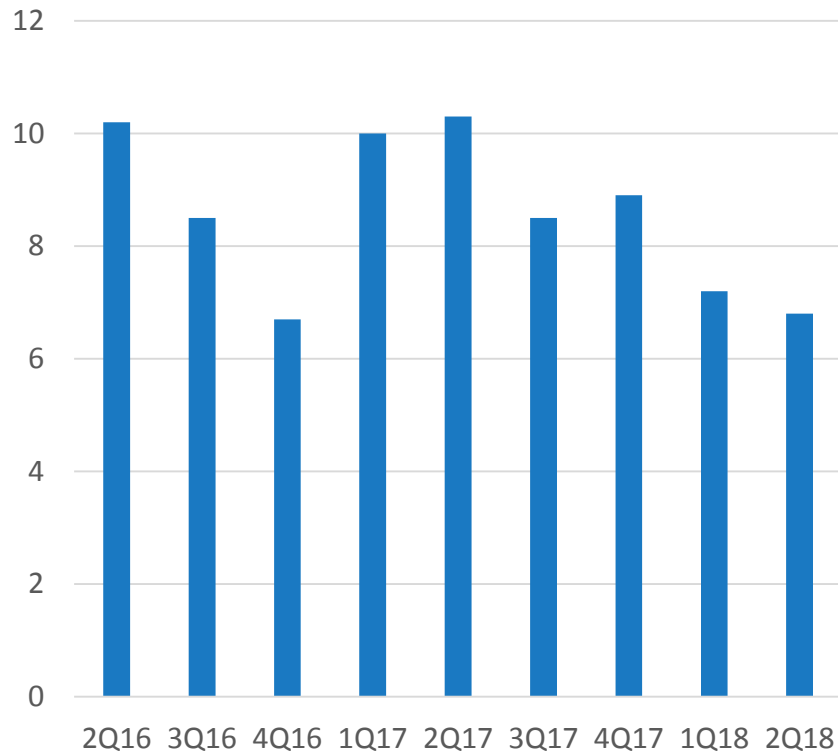


- OWC were contracted to develop and deliver a training course on offshore wind construction and risk
- China Energy Engineering Corporation chose OWC's consultancy services to deliver this training in preparation of their first offshore wind project in China
- The scope of the training included the manufacture and installation of wind turbine foundations, offshore substations, wind turbines and the installation of subsea cables
- The training material was developed by OWC personnel in London, Germany and Asia and is being delivered by London and Asian based OWC staff



Order backlog development

Order backlog (USDm)

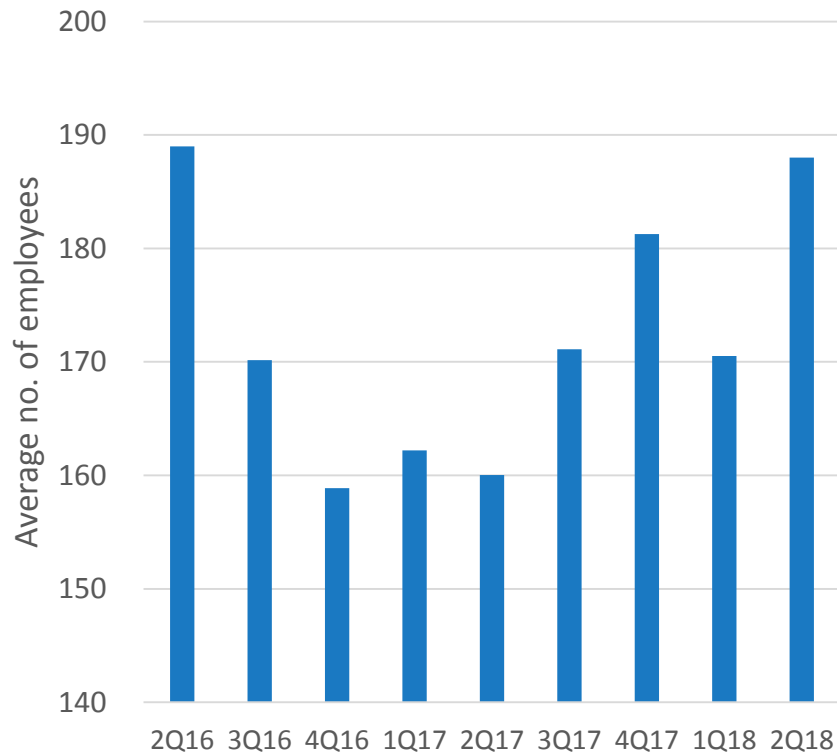


Highlights Q2 2018

- Decrease in order backlog to USD 6.8 m
- 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
- New order intake was higher, particularly in the Middle East.

Staff level development

Staff level development¹



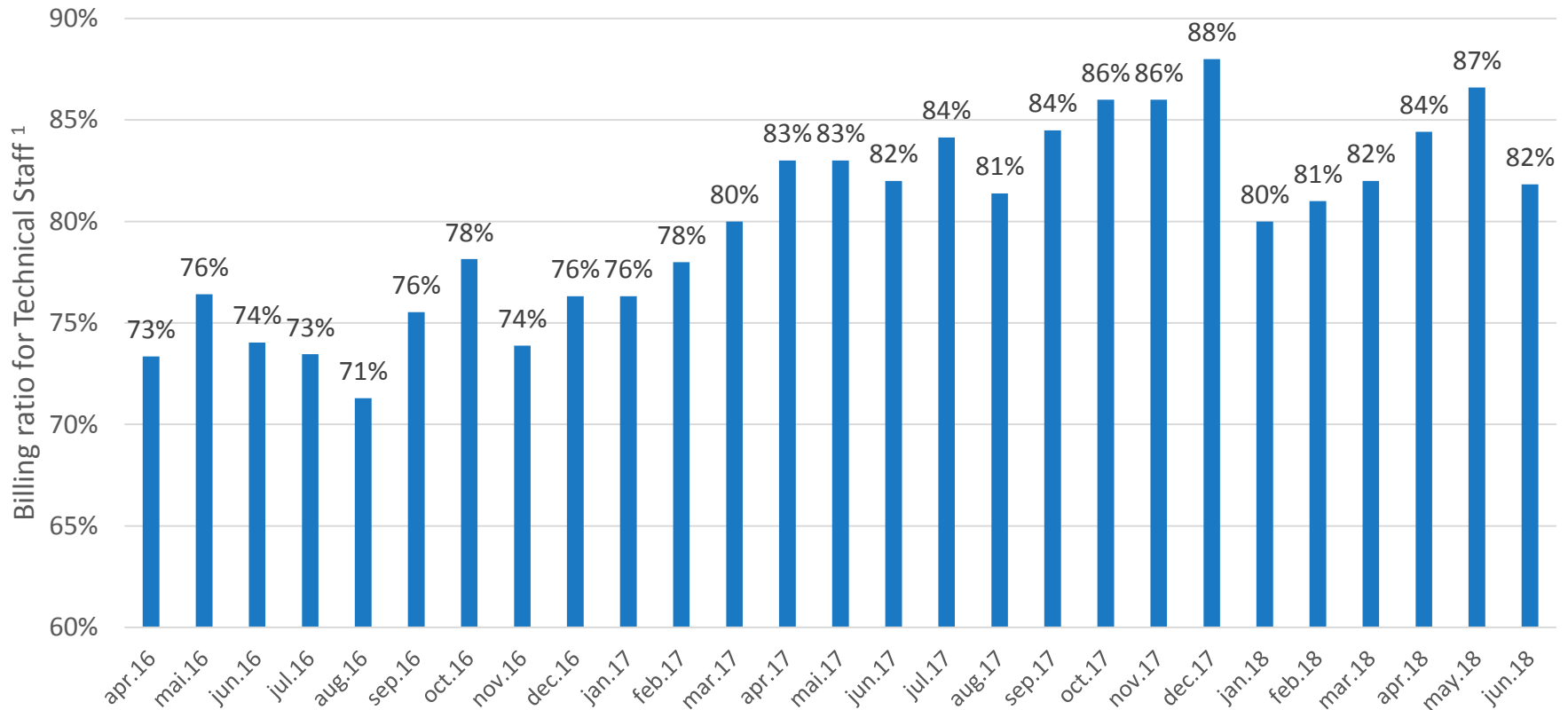
(1) Average full time equivalent in the quarter. Numbers include subcontractors on 100% utilization equivalent basis and excludes staff made temporary redundant

Highlights Q2 2018

- Net increase in average month end staff levels related to increase in use of subcontractors
- The increased use of subcontractors has allowed a more flexible cost base whilst the short term outlook / position of the market is assessed

Strong performance with high billing ratio in Q2 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).

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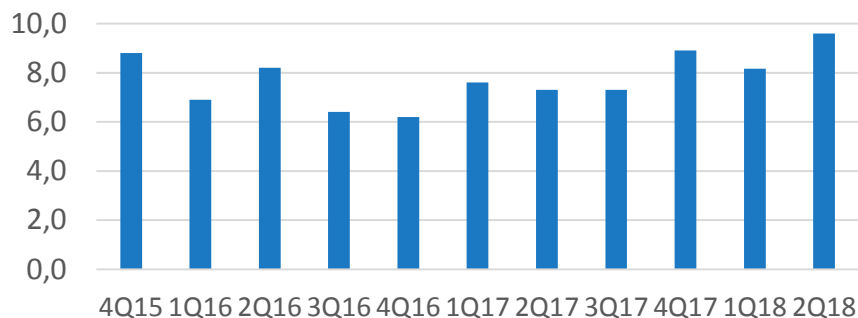
3. Outlook

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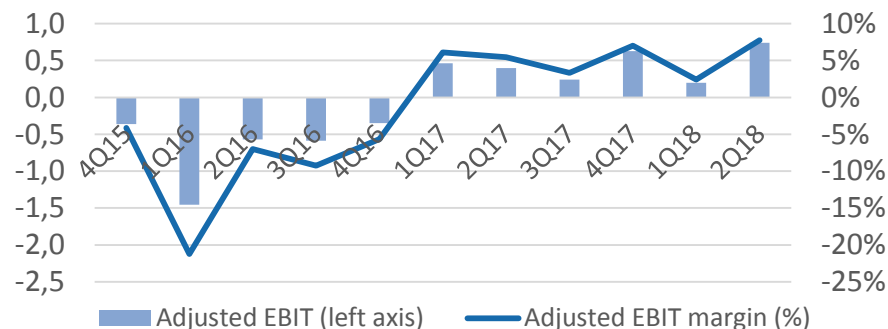


Revenues and adjusted EBIT trend

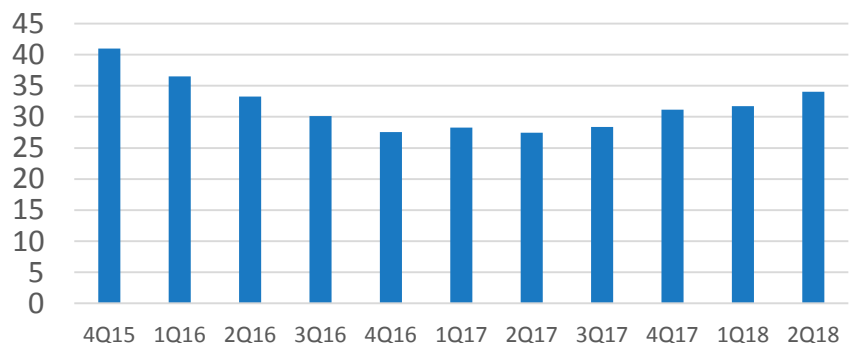
Revenues (USDm)



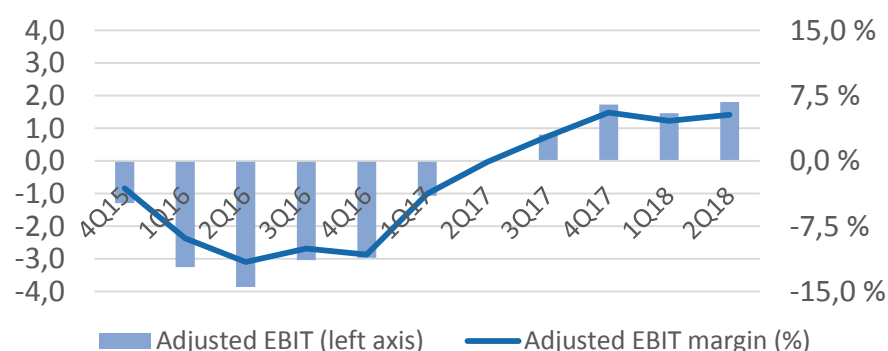
Adjusted EBIT¹ development (USDm, %)



Revenue LTM (USDm)



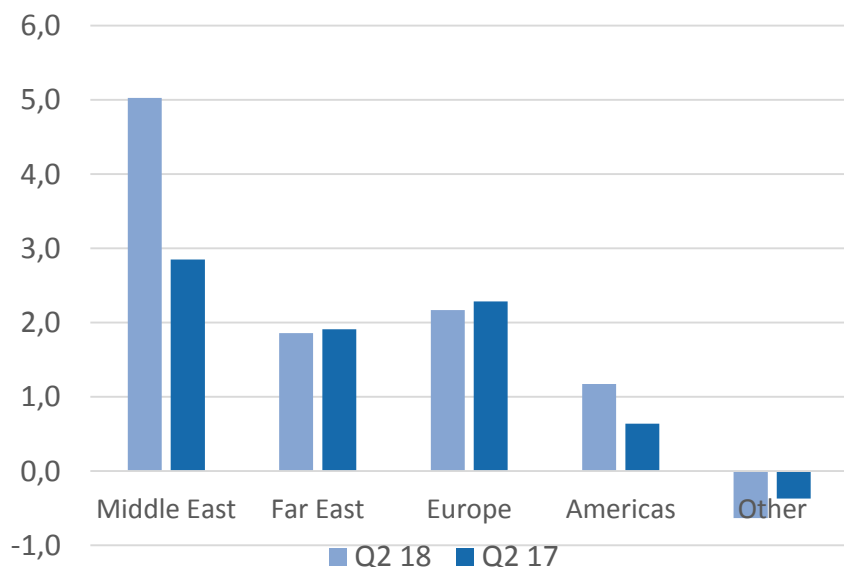
Adjusted EBIT¹ LTM (USDm, %)



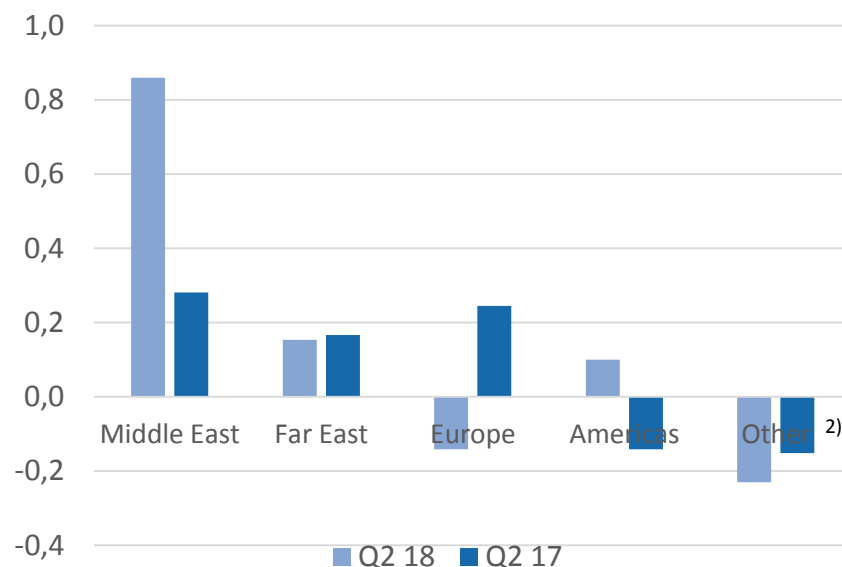
(1) Adjusted EBIT: Earnings before interest and taxes adjusted for corporate restructuring costs in connection with the IPO in Q3 2014 for goodwill impairments, share of net profit / (loss) from associates and impairment of loan to and investment in associates

Geographical split

Revenue split (USDm)



Adjusted EBIT¹ split (USDm)



- Regional revenue differences y-o-y for entities respectively in Americas + 83 %, Middle East +76 %, Far East -3% and Europe -5% (note: OWC increased revenues with +10% y-o-y)

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>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Total revenues	9,595	7,324	17,754	14,874	31,134
Payroll and payroll related expenses	(4,052)	(3,667)	(7,873)	(7,754)	(15,324)
Other operating expenses	(4,767)	(3,228)	(8,874)	(6,198)	(13,951)
Depr., amort. and impairment	(34)	(31)	(67)	(63)	(4,061)
Total operating expenses	(8,853)	(6,927)	(47,925)	(45,128)	(33,336)
Impairment of investment in associates	-	-	-	-	(2,919)
Share of net income from associates	-	7	-	(233)	(507)
Operating profit (loss) (EBIT)	742	406	939	626	(5,628)
Finance income	21	22	47	41	71
Finance expenses	(1)	(2)	(7)	(2)	-
Net foreign exchange gain (loss)	374	(322)	(25)	(442)	(776)
Gain on disposal of interest in associates	291	-	291	-	-
Profit (loss) before taxes	1,427	104	1,245	224	(6,333)
Income tax expense	(70)	(24)	(136)	(44)	(144)
Profit (loss) after taxes	1,357	79	1,109	180	(6,477)
Financial ratios					
<i>Adjusted EBIT</i>	<i>742</i>	<i>398</i>	<i>939</i>	<i>859</i>	<i>1,729</i>
<i>EBITDA</i>	<i>776</i>	<i>429</i>	<i>1,006</i>	<i>922</i>	<i>1,860</i>

- Revenues for Q2 2018 up 31% from Q2 2017
- EBITDA of USD 0.8 million
- Adjusted EBIT of USD 0.7 million
- Gain on sale of ADLER Solar of USD 0.3 million

Balance Sheet

<i>Amounts in USD thousands</i>	30.06.2018	31.12.2017
Equipment	180	160
Intangible assets	12,908	13,063
Deferred tax assets	67	69
Trade receivables	7,663	7,886
Other current assets	3,242	3,033
Cash and cash equivalents	9,839	9,709
Total assets	33,899	33,920
Equity	24,664	28,451
Deferred tax liabilities	158	156
Other non-current liabilities	673	617
Trade payables	1,242	1,888
Income tax payable	76	74
Dividend payable	4,674	-
Other current liabilities	2,412	2,734
Total equity and liabilities	33,899	33,920
Financial ratios		
Net debt, USD thousands	(9,839)	(9,709)
Equity/Assets ratio, %	73%	84%

- Strong financial position, cash of USD 9.8 million
- 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>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Operating cashflow	(71)	(690)	(86)	(1,016)	(263)
Investing cash flow	248	(17)	243	(3)	(38)
Financing cash flow	-	-	-	-	-
Net change in cash and cash equivalents	177	(707)	157	(1,019)	(301)
Cash and cash equivalents beginning period	9,778	9,615	9,709	9,910	9,910
Net change in cash and cash equivalents	177	(707)	157	(1,019)	(301)
Net foreign exchange difference	(116)	41	(27)	58	100
Cash and cash equivalents end period	9,839	8,949	9,839	8,949	9,709

- Net operating cash flow of USD -0.1 million

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Outlook

- Sentiment is increasingly positive in the oil and gas market as seen by FID's increasing and expectations of higher asset utilisations 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
- The activity level for Aqualis is expected to be seasonally lower in Q3 2018 than during Q2 2018 due to the annual adverse weather conditions associated with the monsoon period offshore the Indian Ocean and impact of summer vacation months
- 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. Whilst OWC has strengthened its market position and has a good outlook for 2H 2018, rates and margins are generally under pressure. OWC is focusing on improving its margins and enhancing its service offering. OWC is expanding its footprint and will set up an office in Taiwan during Q3 2018
- Aqualis aims to continue to 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	TIGERSTADEN AS	1 890 942	4,5
3	Carnegie Investment	NOM 1 468 886	3,5
4	MP PENSJON PK	1 463 128	3,5
5	AGITO HOLDING AS	1 350 000	3,2
6	LGT Bank AG	NOM 1 262 923	3,0
7	DnB NOR MARKETS, AKS DNB Bank ASA	1 250 000	3,0
8	Nordnet Bank AB	NOM 1 204 398	2,8
9	OMA INVEST AS	1 150 000	2,7
10	Saxo Bank A/S	NOM 1 037 984	2,5
11	DIAB BADREDDIN	1 001 302	2,4
12	LENOX PHILIP ALAN	830 583	2,0
13	GISLERØD MAGNE	800 000	1,9
14	JPMorgan Chase Bank, NORDEA TREATY	NOM 750 000	1,8
15	TIGERSTADEN INVEST A c/o Per Espen	750 000	1,8
16	Danske Bank A/S 3887 OPERATIONS SEC.	NOM 748 604	1,8
17	SIX SIS AG 25PCT ACCOUNT	NOM 629 916	1,5
18	ALSTO CONSULTANCY LT 1 ST FLOOR 5	598 122	1,4
19	BONNON IAN DENNIS	555 074	1,3
20	THEOFANATOS ANDREAS	512 188	1,2
Top 20 shareholders		26 622 046	62,9

Source: VPS, 13.07.2018

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

