

# Aqualis ASA

FIRST QUARTER RESULTS 2016

Oslo, 26 April 2016

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# Agenda



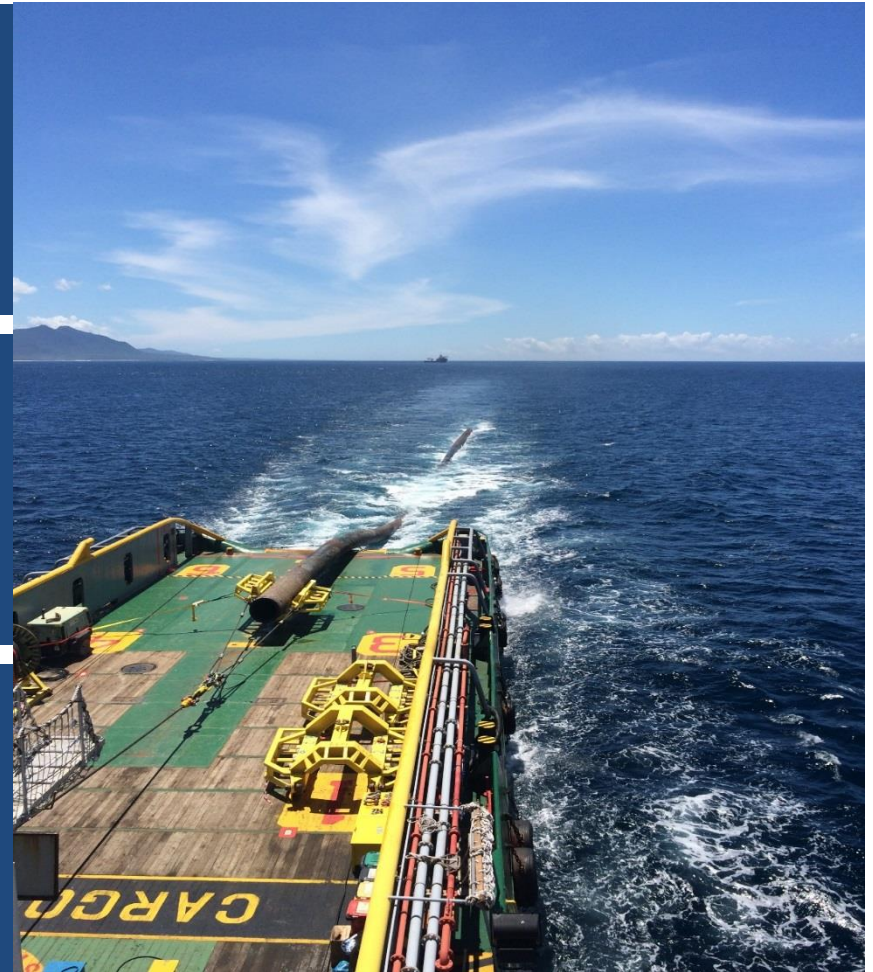
**1. Highlights**  
**David Wells**  
CEO



**2. Financial review**  
**Kim Boman**  
CFO



**3. Outlook**  
**David Wells**  
CEO



# Q1 2016 highlights

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- Strengthened market position within offshore wind market
- The oil and gas market remains challenging
  - Continuing low activity levels in Europe and the Americas. Underlying market strength in Middle East market remains good and relatively strong in Asia Pacific but results were weaker than anticipated
  - Capex and deep water related services hardest hit by reduction in demand
- Improved market push has led to increased number of new client wins and numerous small projects awards
- Billing ratio for Technical staff of 67%, down from 73% in Q4 2015
- Continued solid HSE performance: no lost time incidents (LTIs) during the quarter
- Seasonal slowdown for ADLER Solar<sup>1</sup> in the winter months but with positive 2016 outlook

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

# Financial summary Q1 2016

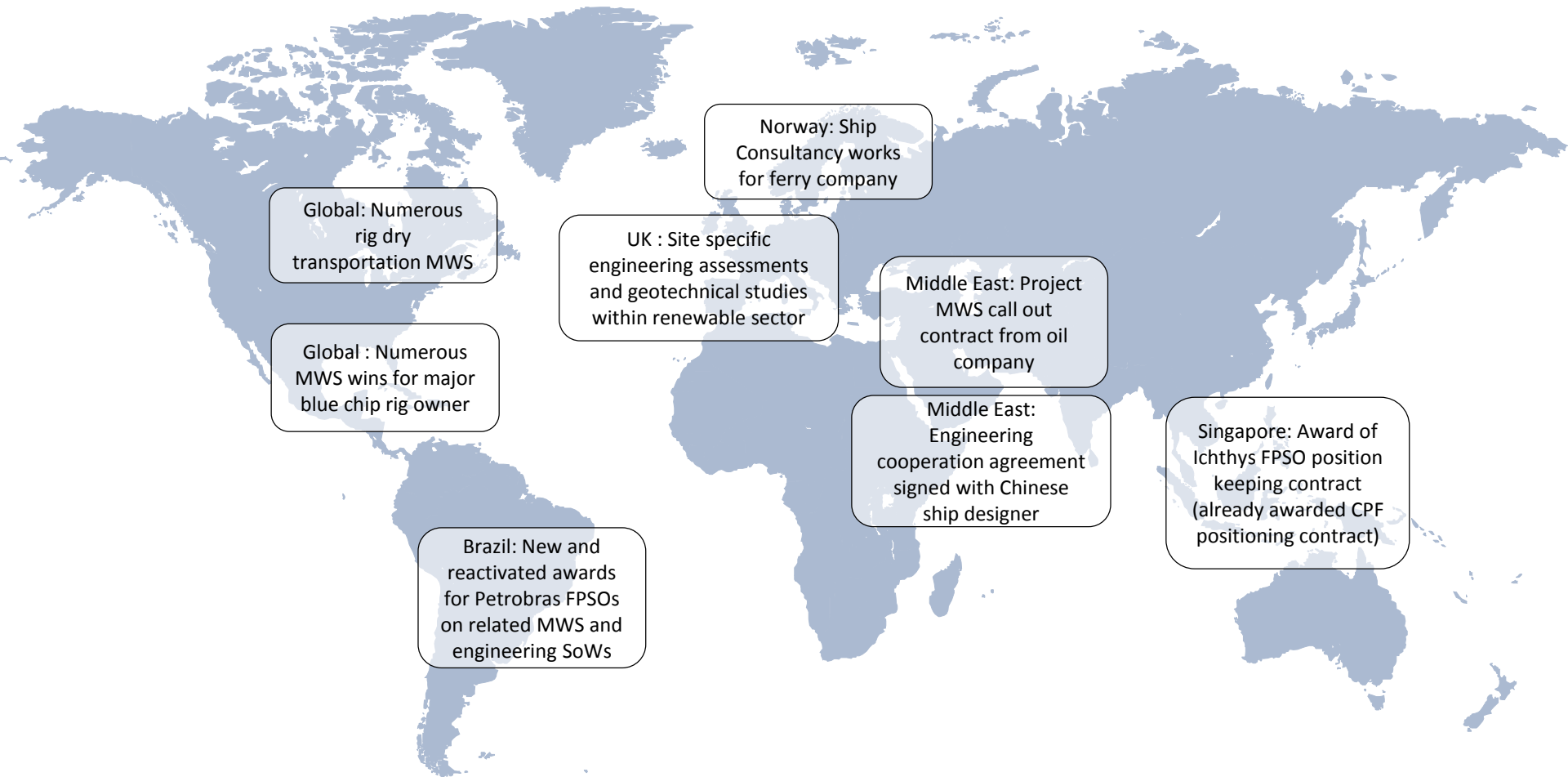
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- Total operating revenue of USD 6.9 million
  - Reduction due to softer market conditions across regions and reduced large Capex opportunities
  - Regional differences with strong reduction in activity level in Norway (market) and the Far East (Capex related)
- Operating loss (EBIT) of USD 1.5 million
- Cash balance of USD 13.2 million
- 193 employees<sup>1</sup> at end of Q1 2016, down from 220 at end of Q4 2015

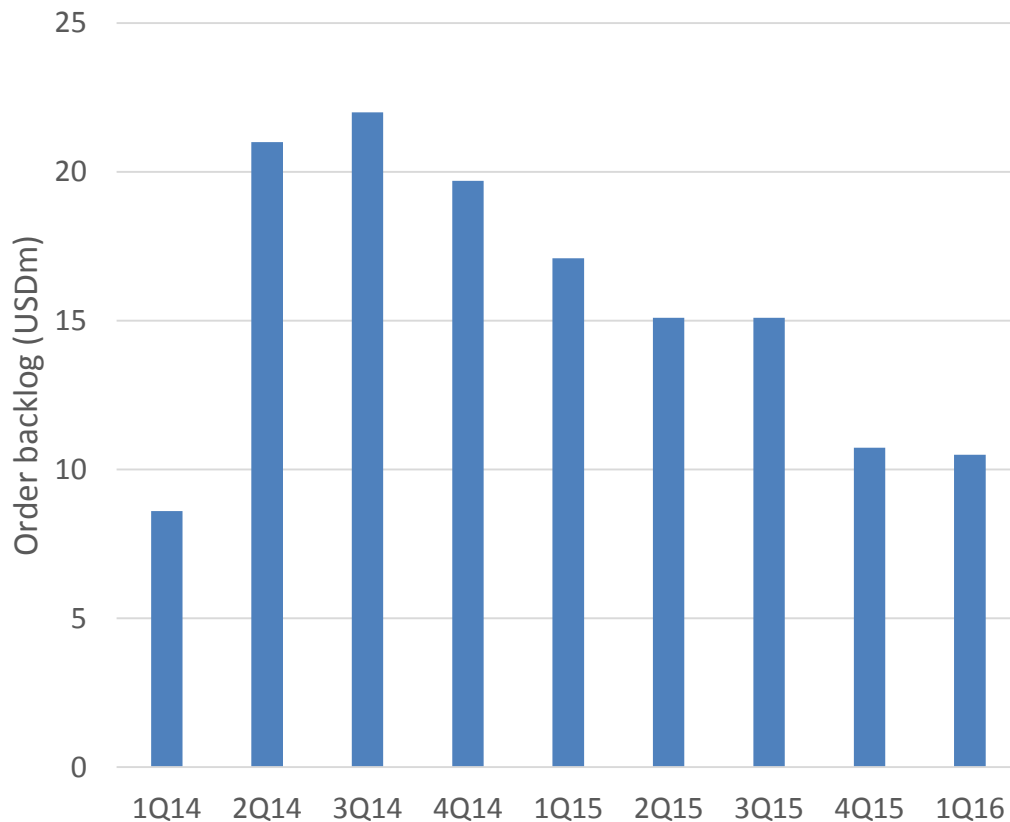
Notes:

(1) Includes contractors on 100% utilisation equivalent basis

# Q1 2016 – main new contract wins



# Order backlog – quarterly development



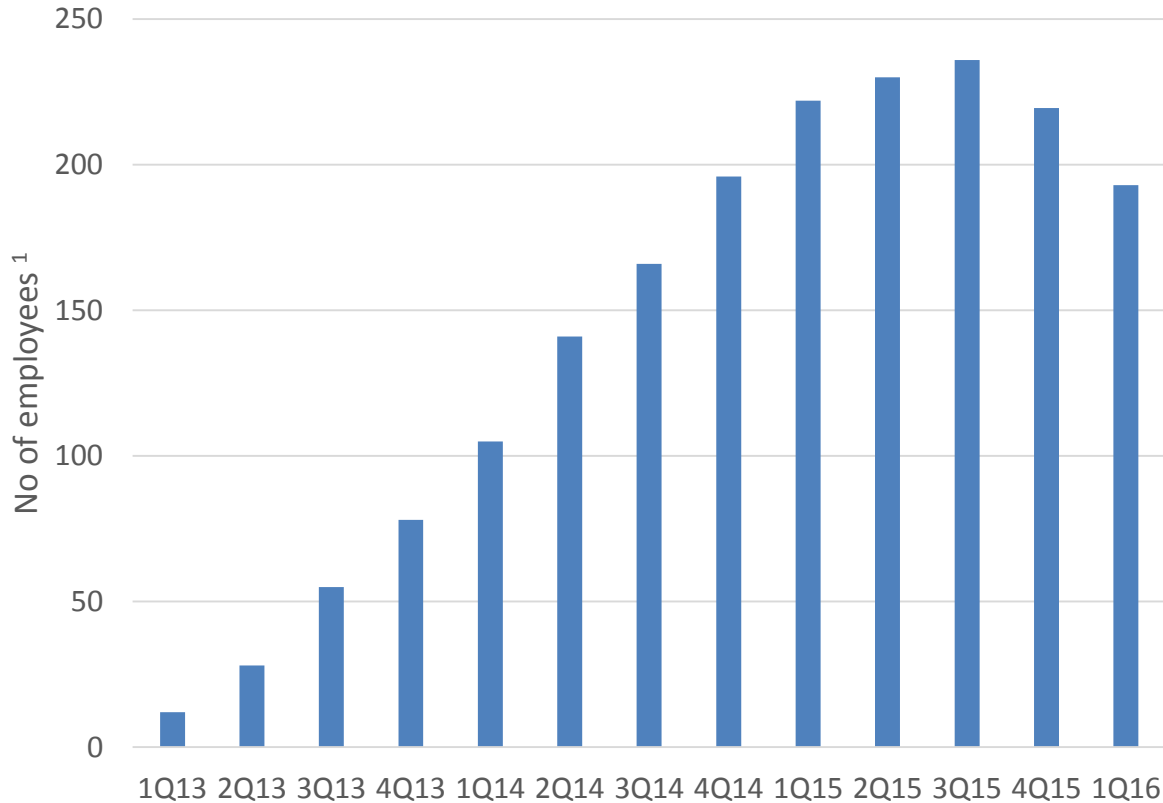
## Highlights Q1 2016

- Pipeline of work expected from call out contracts continues to look solid, but visibility is limited
- Backlog 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 level maintained

### Notes:

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

# Staff level – quarterly development



## Highlights Q1 2016

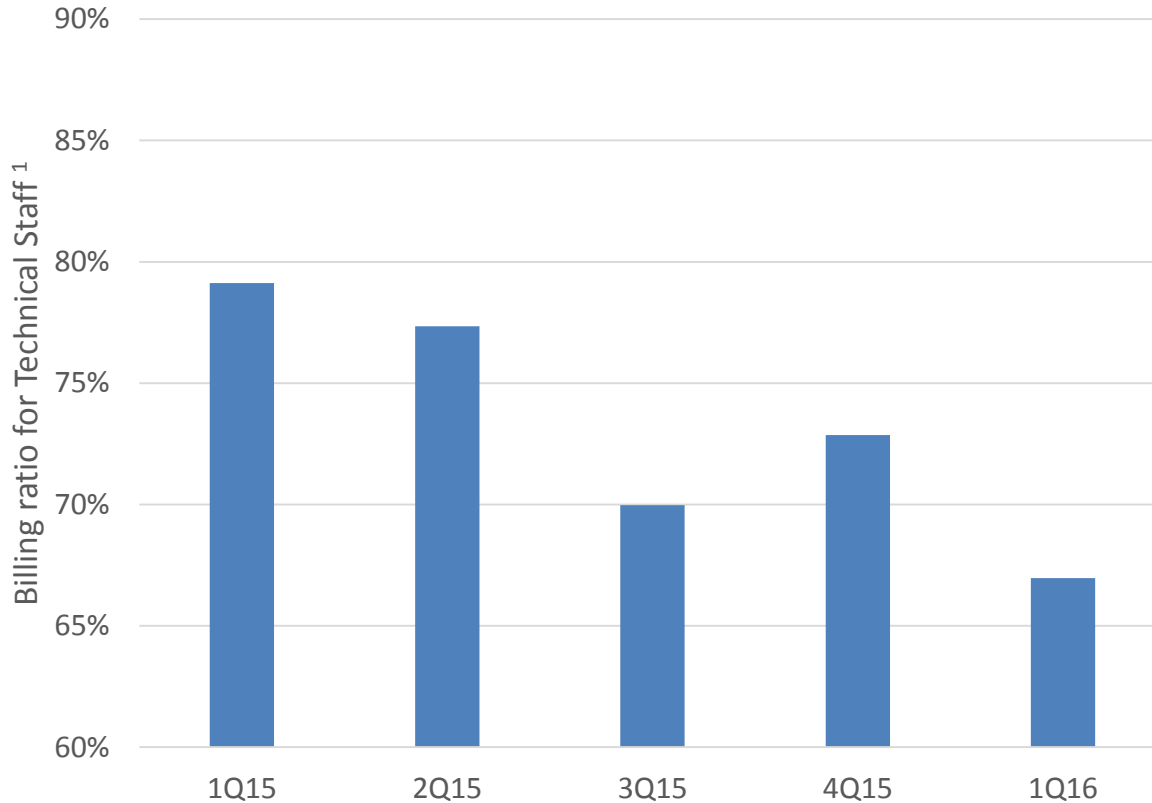
- The decrease in staff levels is related to a reduction in specialist technical staff and use of subcontractors
- Rationalisation of the Rio office and the engineering departments in Dubai and Houston are taking effect in Q1 2016
- Additional efficiency measures underway in underperforming entities

### Notes:

- (1) 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



# Billing ratio Technical Staff - quarterly development



## Highlights Q1 2016

- A sharp reduction in demand (notably at the start of the quarter) has led to too low utilization of technical staff in Q1
- Aqualis has strong focus on improving the billing ratio in underperforming entities

### Notes:

- (1) Billing ratio for Technical Staff including subcontractors. Excludes management, business development and admin support staff. 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

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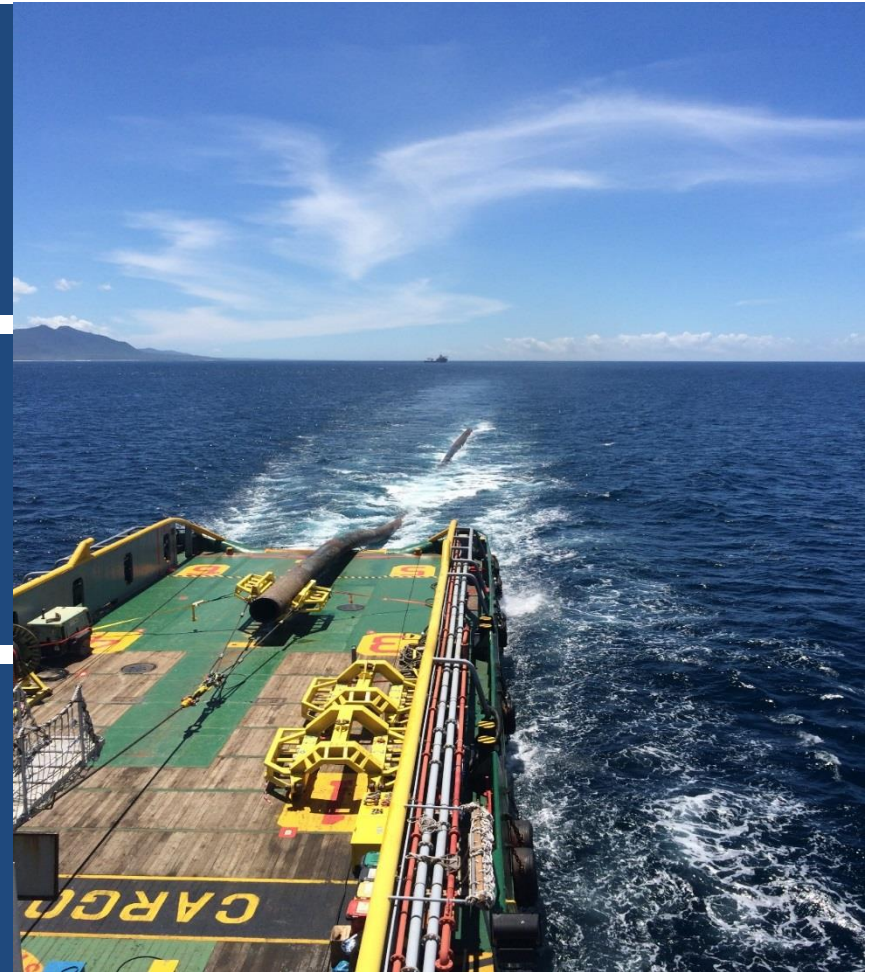
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**David Wells**  
CEO



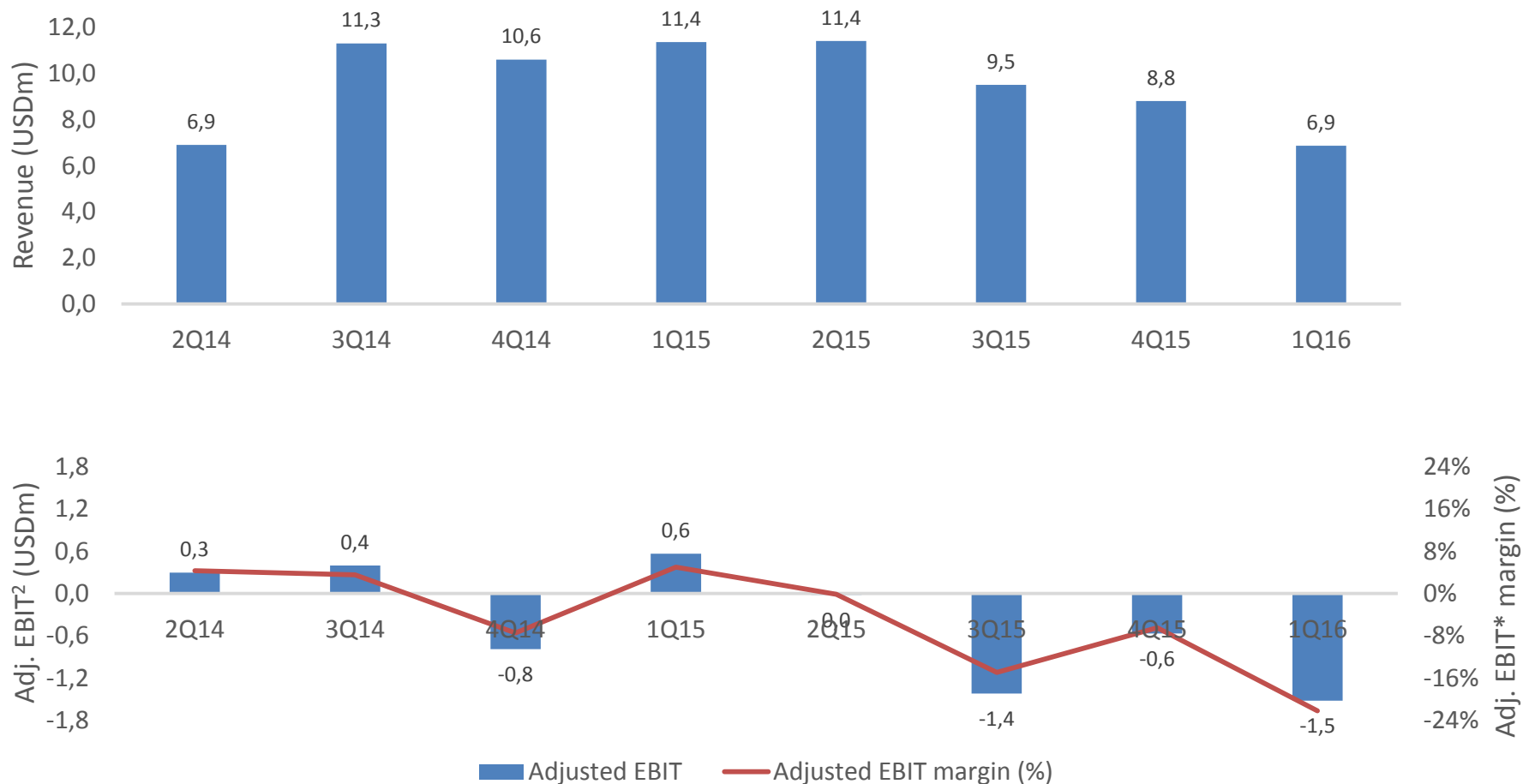
**2. Financial review**  
**Kim Boman**  
CFO



**3. Outlook**  
**David Wells**  
CEO



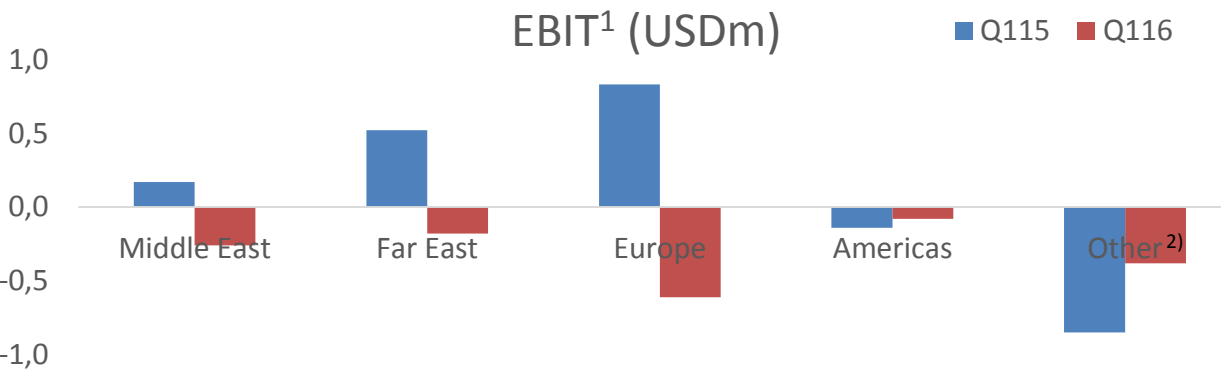
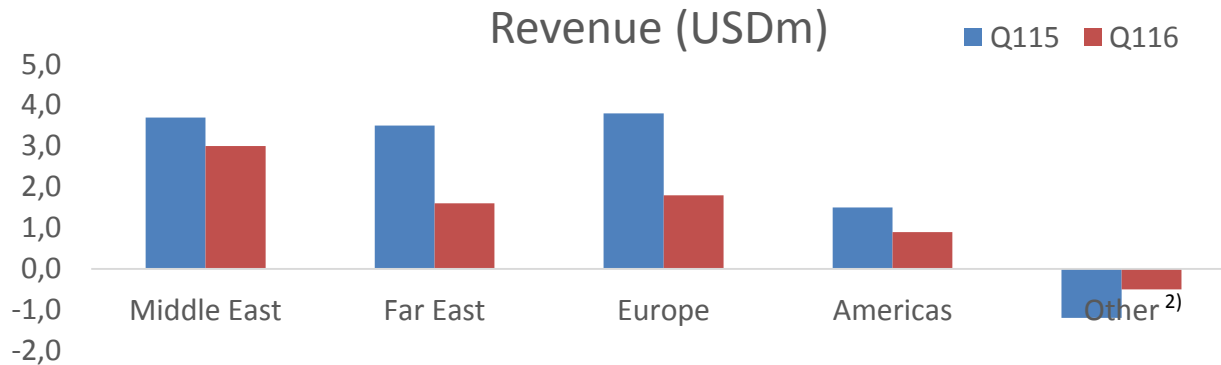
# Revenue and adjusted EBIT trend



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 -19%, Far East -54%, Europe -53% and Americas -40%

- Operations weakened substantially during Q1 2016 in Norway

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>	<b>Q1 16</b>	<b>Q1 15</b>	<b>FY2015</b>
Total operating income	6 860	11 359	40 998
Payroll and payroll related costs	(5 652)	(6 172)	(23 717)
Depreciation, amort. and impairment	(72)	(247)	(2 027)
Other operating costs	(2 578)	(4 422)	(17 965)
<b>Total operating expenses</b>	<b>(8 302)</b>	<b>(10 841)</b>	<b>(43 709)</b>
Share of net income from associates	(79)	-	(197)
<b>Operating profit (EBIT)</b>	<b>(1 521)</b>	<b>518</b>	<b>(2 908)</b>
Finance income	11	9	28
Finance costs	-	(2)	(45)
Net currency gains/losses	(831)	1 036	1 419
<b>Profit before taxes</b>	<b>(2 341)</b>	<b>1 561</b>	<b>(1 506)</b>
Taxes	(17)	(140)	(692)
<b>Profit after taxes</b>	<b>(2 358)</b>	<b>1 421</b>	<b>(2 198)</b>
Financial ratios			
<i>Operating margin (EBIT), %</i>	<i>(22,2)</i>	<i>4,6</i>	<i>(7,1)</i>
<i>Profit after tax, %</i>	<i>(34,4)</i>	<i>12,5</i>	<i>(5,4)</i>

- Revenues down 40 % y-o-y
- Operating loss of USD 1.5 million
- Q1 2016 results impacted by the lower activity level and low utilization of technical staff
- Net currency loss due to weakening of USD/NOK rate in Q1 and revaluation of USD bank accounts

# Balance sheet

<i>Amounts in USD thousands</i>	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>31.03.2015</b>
Equipment	311	371	544
Investment in associates	3 431	3 283	-
Intangible assets	17 646	17 119	19 246
Deferred tax assets	15	14	-
Trade receivables	6 835	7 667	8 101
Other receivables	2 821	2 876	2 966
Cash and cash equivalents	13 171	14 864	20 534
<b>Total assets</b>	<b>44 230</b>	<b>46 194</b>	<b>51 391</b>
Equity	36 461	37 662	43 313
Non current liabilities	626	587	-
Trade payables	793	1 128	1 386
Tax payable	606	586	-
Other current liabilities	5 744	6 231	6 691
<b>Total equity and liabilities</b>	<b>44 230</b>	<b>46 194</b>	<b>51 391</b>
Financial ratios			
Net debt, USD thousands	(13 171)	(14 864)	(20 534)
Equity/Assets ratio, %	82 %	82 %	84 %

- Strong financial position, cash of USD 13.2 million
- No interest bearing debt

# Cash flow

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<i>Amounts in USD thousands</i>	Q1 16	Q1 15	FY2015
Operating cashflow	(1 466)	(494)	(2 255)
Investing cash flow	(1)	(117)	(3 757)
Financing cash flow	(368)	-	289
<b>Net change in cash and cash equivalents</b>	<b>(1 835)</b>	<b>(611)</b>	<b>(5 723)</b>
Cash and cash equivalents beginning period	14 864	21 790	21 790
Net change in cash and cash equivalents	(1 835)	(611)	(5 723)
Net foreign exchange difference	142	(645)	(1 203)
<b>Cash and cash equivalents end period</b>	<b>13 171</b>	<b>20 534</b>	<b>14 864</b>

- Net operating cash flow of negative USD 1.5 million

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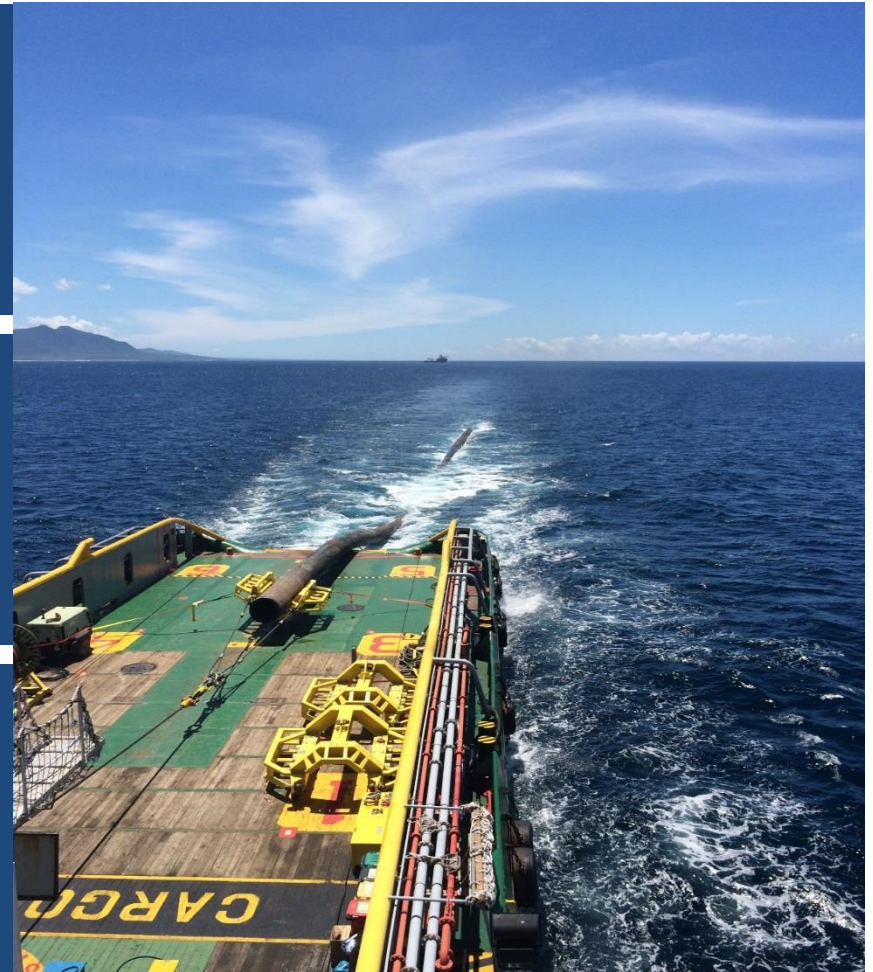
1. Operational highlights  
David Wells  
CEO



2. Financial highlights  
Kim Boman  
CFO



3. Outlook  
David Wells  
CEO





# Outlook

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- The overall oil and gas market is expected to remain challenging throughout 2016. All regions are likely impacted to a greater or lesser extent
- The Middle East and Far East markets are expected to remain active, especially within marine related businesses, while the market in Europe and the Americas continues to be difficult
- Q1 2016 has indicated that there are still plenty of smaller consultancy work opportunities available in all regions
- We expect to continue gradually taking more market share in the consultancy markets
- Short term outlook (6 month) for Aqualis' offshore wind market activity is strong
- Opportunities for ADLER Solar in 2016 look promising and we expect stronger trading for the remainder of 2016
- Aqualis will continue to focus on further improving billing ratio, increasing efficiencies and aligning the cost base with the weakened market conditions
- Target to achieve breakeven EBIT in Q2 2016 and positive EBIT for 2H 2016 subject to current market outlook

# Aqualis ASA

## APPENDIX

# Top 20 shareholders (22.04.16)

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%	Name	Shares	%
1	GROSS MANAGEMENT AS	7 281 109	16,74
2	AQUALIS HOLDCO LIMIT	2 187 500	5,03
3	PERSHING LLC MAIN CUSTODY ACCOUNT	1 974 505	4,54
4	MP PENSJON PK	1 925 000	4,42
5	AQUALIS ASA	1 212 498	2,79
6	BINKLEY CAPITAL AS	1 133 664	2,61
7	Diab Badreddin	1 001 302	2,30
8	AGITO HOLDING AS	900 000	2,07
9	LENOX PHILIP ALAN	830 583	1,91
10	SAXO BANK A/S	826 572	1,90
11	GISLERØD MAGNE	800 000	1,84
12	J.P. MORGAN BANK LUX JP MORGAN BANK	772 731	1,78
13	VERDIPAPIRFONDET DNB	671 740	1,54
14	SIX SIS AG 25PCT ACCOUNT	665 159	1,53
15	ALSTO CONSULTANCY LT 1 ST FLOOR 5	598 122	1,37
16	OFFSHORE & MARINE CO	586 500	1,35
17	TIGERSTADEN AS	582 315	1,34
18	BONNON IAN DENNIS	555 074	1,28
19	THEOFANATOS ANDREAS	512 188	1,18
20	KULA INVEST AS	504 362	1,16
	<b>Top 20 shareholders</b>	<b>25 520 924</b>	<b>58,68</b>