Interim report Q4 2017

STRONG OPERATIONAL PERFORMANCE

HIGHLIGHTS

- Revenues of USD 8.9 million in Q4 2017 vs. USD 6.2 million in Q4 2016
- EBITDA of USD 0.7 million in Q4 2017 vs loss of USD 0.3 million in Q4 2016
- Adjusted EBIT of USD 0.6 million in Q4 2017 vs loss of USD 0.3 million in Q4 2016
- Impairment of goodwill and investment in associates of USD 6.9 million in Q4 2017
- Operating loss (EBIT) of USD 6.4 million in Q4 2017 vs loss of USD 1.0 million in Q4 2016
- Strong operational performance with billing ratio[1] of 86 % in Q4 2017
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter
- Robust financial position with cash balance of USD 9.7 million
- The oil & gas market remains challenging but with increasing signs of recovery
- Activity in offshore wind market still remains high and new contracts have been secured
- ADLER Solar's financial position is challenging and the economic outlook is uncertain
- Entry into rig inspection market using team of dedicated specialists
- Order backlog increased moderately to USD 8.9 million

"I am pleased that we, in challenging market conditions in the oil and gas sector, have turned around the business and achieved strong underlying results throughout 2017. Most of our entities have delivered robust results underpinned by strong operational performance and some solid new wins.

Our activity in the offshore wind sector remains very positive, given the highly competitive business environment in this sector. We have strengthened our market position and were able to take the first steps of expansion into North American operations.

The development in ADLER Solar has disappointed. The increased bidding activity experienced over the past couple of quarters have failed to materialize in sales as expected and losses have continued. The strategic initiatives and cost measures have not offset the fall in the activity level. Management's and owners expectations have not been met and the economic outlook is challenging and uncertain.

Our' view is that the upcycle has started, but it is likely to take some time for this to properly manifest itself through to increased activity in all regions/markets" says Mr. David Wells, CEO of Aqualis ASA.

KEY FIGURES

Amount in USD thousands (except shares, backlog, employees)	**Q4 17**	**Q4 16**	**FY 17**	**FY 16**
FINANCIAL				
Total revenues	8,948	6,184	31,134	27,564
EBITDA(1)	660	(256)	1,860	(2,755)
Operating profit (loss) (EBIT)	(6,383)	(1,049)	(5,628)	(4,055)
Operating profit (EBIT) adjusted(1)	627	(293)	1,729	(2,970)
Profit (loss) after taxes	(6,230)	(251)	(6,477)	(3,874)
Profit (loss) after taxes adjusted(1)	780	505	879	(2,789)
Basic earnings per share (USD)	(0.15)	(0.01)	(0.15)	(0.09)
Average number of outstanding shares (thousands)	42,293	42,293	42,293	42,492
Cash and cash equivalents at the end of the period	9,709	9,910	9,709	9,910
OPERATIONS(4)				
Order backlog at the end of the period (USD million)(1)	8.9	6.7	8.9	6.7
Employees at the end of the period (2)	177	151	177	151
Billing ratio(3)	86%	76%	83%	73%

(1) See note 2 for definition and note 12 for reconciliation of Alternative Performance Measures
(2) Full time equivalent. Numbers include subcontractors on 100% utilization equivalent basis
(3) Billing ratio for technical staff including subcontractors on 100% basis. Excludes management, business development, admin support staff and temporary redundancies. Figure calculated as billable hours / available hours. Available hours excludes paid absence and unpaid absence.
(4) Figures excluding Adler Solar

FOURTH QUARTER GROUP REVIEW

(Figures in brackets represent same period prior year or balance sheet date 2016. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.)

Group results
Total operating revenues increased by 45% to USD 8.9 million in Q4 2017 (USD 6.2 million in Q4 2016). The increase in revenues was mainly due to high activity levels for the group in the Middle East, Far East and for Offshore Wind Consultants ("OWC"). The revenues in the Middle East region increased during Q4 2017 on the back of strengthened market position and increased work in particular in Saudi Arabia.

Payroll and related expenses decreased by 6% to USD 3.9 million in Q4 2017 (USD 4.1 million in Q4 2016). Other operating expenses increased by 90% to USD 4.4m in Q4 2017 (USD 2.3 million in Q4 2016) mainly due to increased use of subcontractors. The subcontractors expenses increased by 157% to USD 3.1 million in Q4 2017 (USD 1.2 million in Q4 2016) due to higher activity level and the move to a more flexible business model with a higher proportion of subcontractors.

EBIT amounted to a loss of USD 6.4 million in Q4 2017 (loss of USD 1.0 million in Q4 2016). The results were impacted by goodwill impairment of USD 3.9 million (USD 3.7 million related to operations in Norway and USD 0.2 million related to operations in Singapore) and impairment of investment and loan to ADLER Solar totalling to USD 2.9 million. Adjusted EBIT of USD 0.6 million in Q4 2017 vs loss of USD 0.3 million in Q4 2016.

Most entities have had strong operational performance in the quarter despite continued weak market conditions in the oil and gas sector. The billing ratio for technical staff (including subcontractors) was 86% in Q4 2017 versus 83% in Q3 2017.

Results from associated companies amounted to a loss of USD 0.2 million in Q4 2017 (loss of USD 0.2 million in Q4 2016) and relates to the investment in ADLER Solar. Due to ADLER Solar's severe financial situation and the uncertain economic outlook, the investment and loan to ADLER Solar is considered to be fully impaired.

Net currency gain of USD 0.1 million in Q4 2017 (gain of USD 0.6 million in Q4 2016) mainly represents unrealised gains on revaluation of USD bank accounts.

Loss after taxes for Q4 2017 was USD 6.2 million (loss of USD 0.3 million in Q4 2016).

Financial position and liquidity
At 31 December 2017, cash and cash equivalents amounted to USD 9.7 million. This compares with USD 9.8 million as of 30 September 2017. The decrease in the cash and cash equivalents is due to an increase in net working capital due to higher activity level. The net working capital will fluctuate during the year with the type of projects, milestone payments and the overall revenues.

Aqualis does not have any interest bearing debt.

Order backlog
The order backlog at the end of Q4 2017 increased to USD 8.9 million compared with USD 8.5 million at the end of Q3 2017.

Services are primarily driven by "call out contracts" which are driven by day-to-day operational requirements. An estimate for backlog on "call out contacts" is only included in the order backlog when reliable estimates are available.

Organisational development
At end of Q4 2017, Aqualis had 177 employees (full time equivalents, including contractors on 100% equivalent basis), up from 168 at the end of Q3 2017. The increase is mainly due to an increase in the number of subcontractors. The use of subcontractors has increased, demonstrating the benefit of a move to a more dynamic business model more aligned with demand fluctuations.

Health, safety, environment and quality
Aqualis' HSEQ management system provides the framework to manage all aspects of our business. The management system is designed to ensure compliance with regulatory requirements, identify and manage risks and to drive continuous improvement in HSEQ performance. Aqualis has now roughly 1.3 million man-hours without a lost time incident (LTI) since its incorporation.

Market update
Oil and gas market
The activity level in the overall O&G sector remains challenging but there are increasing signs of recovery. The market is competitive and the industry continues to be under pressure to reduce costs and be more efficient. At the start of 2018 there are early indications of slightly improved activity levels in some regions. Whilst some oil companies are starting to make significant new investments, until the industry as a whole resumes new infrastructure investment, the oil service industry will continue to have a reduced momentum. Visibility is therefore expected to remain short term.

The market conditions in the Americas and Norway, in particular, still remain difficult. Aqualis expects the Middle East and Far East regions to remain active.

During the quarter the pipeline of new bidding opportunities remained satisfactory and new areas of business were identified.

Focus remains on supporting our clients with their day-to-day offshore operations, though some capex related opportunities are coming to the market. The group's organizational structure is leaner and more flexible at being able to adapt to new opportunities.

Renewables

The offshore wind sector remains solid but competitive. Offshore Wind Consultants (OWC) have secured a number of good new contract awards which has allowed OWC's first foray into the US market and expansion into other global regions is now being targeted for 2018

The solar industry in Germany remains competitive. The industry is still facing margin pressure mainly driven by the required return on investments in new solar plants and the weak financial situation for many of the companies operating in the industry. The fall in solar module prices over the past quarters have led to more interest from clients to develop both rooftop and ground mounted solar systems.

Outlook

Aqualis financial performance is driven primarily by activity within the European renewables sector and the global oil and gas markets.

The activity level across the oil and gas market still remains short term and demand visibility is hard to gauge. Aqualis' view is that the upcycle has started, but it is likely to take some time for this to properly manifest itself through to increased activity in all regions/markets.

Aqualis aims to expand the portfolio of services that it offers to the market to enhance growth. The introduction of a dedicated and complimentary specialist rig inspection / auditing service capability will be the first of these.

The general availability of resources is starting to tighten with the availability of experienced marine consultants expected to become more challenging. The hourly / daily rates have been reduced by between 20 – 40% since the peak in 2015. We expect price pressure to gradually weaken and some selected rate increases to materialize during 2018 for selected regions/business lines.

The marine consultancy and engineering industry is still oversupplied leading to continued competitive market conditions. The industry would benefit from further consolidation. As previously communicated, Aqualis aims to be proactive and assess consolidation opportunities to enhance shareholder value.

Our activity in the offshore renewables market remains high and Northern Europe has a reasonable project pipeline predicted through to 2024. OWC has strengthened its market position in Europe over the past quarters and the outlook is good. OWC aims to expand growth opportunities in emerging offshore wind market in 2018 and widening its service portfolio to clients.

The economic outlook is uncertain for ADLER Solar and the company has a challenging financial position.

Aqualis' remains focused on widening and strengthening its global client portfolio and client loyalty to take increased market share. The company now has the flexible cost base needed to adapt more quickly to market changes. Aqualis is well prepared for the expected recovery of the market and to continue to gain market share in our key regions and business lines

Asker, 26 February 2018

The Board of Directors of
Aqualis ASA

Condensed interim Financial Statements
Q4 2017

Consolidated Statement of Income

Amounts in USD thousands	Note	Q4 17	Q4 16	FY 17	FY 16
Revenues	5	8,948	6,184	31,134	27,564
Total revenues		**8,948**	**6,184**	**31,134**	**27,564**
Payroll and payroll related expenses		(3,864)	(4,115)	(15,324)	(19,303)
Other operating expenses	6	(4,424)	(2,325)	(13,951)	(11,016)
Depreciation, amortisation and impairment	7	(3,963)	(616)	(4,061)	(794)
Impairment of loan and investment in associates	8 & 9	(2,919)	-	(2,919)	-
Share of net profit (loss) from associates	8	(161)	(177)	(507)	(506)
Operating profit (loss) (EBIT)	5	**(6,383)**	**(1,049)**	**(5,628)**	**(4,055)**
Finance income		17	30	71	47
Finance expenses		2	3	0	(0)
Net foreign exchange gain (loss)		131	566	(776)	(10)
Profit (loss) before taxes		**(6,233)**	**(450)**	**(6,333)**	**(4,018)**
Income tax income (expenses)		3	199	(144)	144
Profit (loss) after taxes		**(6,230)**	**(251)**	**(6,477)**	**(3,874)**

Consolidated Statement of other Comprehensive Income

Amounts in USD thousands	Note	Q4 17	Q4 16	FY 17	FY 16
Profit (loss) after taxes		**(6,230)**	**(251)**	**(6,477)**	**(3,874)**
Other comprehensive income					
Currency translation differences		(331)	(1,682)	1,680	(516)
Income tax effect		148	66	148	66
Total comprehensive income		**(6,413)**	**(1,867)**	**(4,650)**	**(4,324)**
Attributtable to:					
Equity holders of the parent company		(6,413)	(1,867)	(4,650)	(4,324)
Non-controlling interests		-	-	-	-
Earnings per share (USD): basic and diluted		**(0.15)**	**(0.01)**	**(0.15)**	**(0.09)**

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Consolidated Statement of Financial Position

Amounts in USD thousands	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Equipment		160	184
Intangible assets	7	13,063	16,257
Investment in associates	8	-	2,853
Loan to associates	9	-	289
Deferred tax assets		69	122
Total non-current assets		**13,292**	**19,705**
Current assets			
Trade receivables	10	7,886	5,475
Other current assets	11	3,033	2,815
Cash and cash equivalents	4	9,709	9,910
Total current assets		**20,628**	**18,200**
Total assets		**33,920**	**37,905**
EQUITY AND LIABILITIES			
Equity			
Share capital		690	690
Share premium		47,344	47,344
Other reserves		563	543
Retained earnings		(20,146)	(15,496)
Total equity		**28,451**	**33,081**
Non-current liabilities			
Deferred tax liability		156	425
Other non-current liabilities		617	527
Total non-current liabilities		**773**	**952**
Current liabilities			
Trade payables		1,888	1,093
Other current liabilities		2,808	2,779
Total current liabilities		**4,696**	**3,872**
Total liabilities		**5,469**	**4,824**
Total equity and liabilities		**33,920**	**37,905**

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Consolidated Cash Flow Statement

Amounts in USD thousands	Note	Q4 17	Q4 16	FY 17	FY 16
Cash flow from operating activities					
Profit (loss) before taxes		**(6,233)**	**(450)**	**(6,333)**	**(4,018)**
Non-cash adjustment to reconcile profit before tax to cash flow:					
Estimated value of employee share options		2	14	20	111
Depreciation, amortisation and impairment	7	3,963	616	4,061	794
Impairment of loan and investment in associates	8 & 9	2,919	-	2,919	-
Share of net (profit) loss from associates	8	161	177	507	506
Changes in working capital:					
Changes in trade receivables and trade payables		(1,728)	(228)	(1,616)	2,157
Changes in other assets and other liabilities		1,331	(105)	(99)	(2,783)
Interest received		(20)	0	(61)	(4)
Income tax paid		(27)	(42)	(148)	(691)
Effects related to currency unrealised		(412)	(575)	487	(199)
Cash flow from/(used in) operating activities		**(44)**	**(593)**	**(263)**	**(4,127)**
Cash flow from investing activities					
Purchase of equipment		(3)	(8)	(99)	(16)
Interest received		20	0	61	4
Loan to associates		-	(370)	-	(370)
Cash flow from/(used in) investing activities		**17**	**(378)**	**(38)**	**(382)**
Cash flow from financing activities					
Buy back of shares		-	(0)	-	(368)
Cash flow from/(used in) financing activities		**-**	**(0)**	**-**	**(368)**
Net change in cash and cash equivalents		**(27)**	**(971)**	**(301)**	**(4,877)**
Cash and cash equivalents beginning period		9,753	11,091	9,910	14,864
Effect of movements in exchange rates		(17)	(210)	100	(77)
Cash and cash equivalents end period	**4**	**9,709**	**9,910**	**9,709**	**9,910**

Condensed interim Financial Statements
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Consolidated Statement of Changes in Equity

Amounts in USD thousands	Share capital	Share premium	Other reserves	Retained earnings	Foreign currency translation reserve	Total retained earnings	Total equity
Equity at 01.01.2016	**705**	**47,344**	**432**	**3,145**	**(13,964)**	**(10,819)**	**37,662**
Profit (loss) after taxes	-	-	-	(3,874)	-	(3,874)	(3,874)
Foreign currency translation reserve	-	-	-	-	(450)	(450)	(450)
Shares buy-back	(15)	-	-	(353)	-	(353)	(368)
Share-based payment	-	-	111	-	-	-	111
Equity at 31.12.2016	**690**	**47,344**	**543**	**(1,082)**	**(14,414)**	**(15,496)**	**33,081**
Equity at 01.01.2017	**690**	**47,344**	**543**	**(1,082)**	**(14,414)**	**(15,496)**	**33,081**
Profit (loss) after taxes	-	-	-	(6,477)	-	(6,477)	(6,477)
Foreign currency translation reserve	-	-	-	-	1,827	1,827	1,827
Share-based payment	-	-	20	-	-	-	20
Equity at 31.12.2017	**690**	**47,344**	**563**	**(7,559)**	**(12,587)**	**(20,146)**	**28,451**

Condensed interim Financial Statements
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Notes to the interim Financial Statements

Note 1: General information

Aqualis ASA ("the Company") is a Norwegian public limited liability company. The Company was established when the owners of Weifa ASA established it as a fully owned subsidiary and transferred the offshore business from Weifa ASA to this new company. The transfer of business within the group did not result in any change of economic substance and it is therefore not considered a business combination. Accordingly, the consolidated interim financial statements of Aqualis ASA are a continuation of the group values transferred from Weifa ASA in the spin-off of the marine and offshore business.

Weifa ASA transferred 100 percent of the shares in the subsidiaries Aqualis Offshore Ltd, Tristein AS and Offshore Wind Consultants Ltd to Aqualis ASA on the 24 July 2014. The ownership of the subsidiaries and the related excess values from the acquisitions of the subsidiaries are consequently continued in the group interim financial statement of Aqualis ASA.

The shares of the Company were listed on Oslo Stock Exchange on 13 August 2014. The Company and its subsidiaries (together the Aqualis Group/the Group) is a public company that offers energy consultancy services to the oil and gas, wind and solar sectors globally. The group, including associates employs experienced consultants across 19 offices in 14 countries worldwide.

Note 2: Basis of preparations and statements

Basis for preparation

The financial statements are presented in USD, rounded to the nearest thousand, unless otherwise stated. As a result of rounding adjustments, the figures in one or more row or column included in the financial statements and notes may not add up to the total of that row or column.

Statements and accounting policies:

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), and according to the group accounting principles as described in this report. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for the year ended 31 December 2016.

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. A reconciliation between reported operating profit/(loss) and EBITDA is shown in note 12. EBITDA may not be comparable to other similarly titled measures from other companies.

Restatement of APMs
During the period, management have amended the definition of the "Operating profit adjusted" and "Profit (loss) after taxes adjusted" by excluding share of net income from associates. The APMs has been amended to measure the underlying operating performance of Aqualis' core business, excluding results from associates. Comparative figures have been restated in note 12.

Operating profit adjusted
Management believes that "Operating profit adjusted" which excludes share of net profit / (loss) from associates, impairments of goodwill and investments 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. A reconciliation between reported operating profit/(loss) and operating profit adjusted is shown in note 12.

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 investments 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. A reconciliation between profit (loss) after taxes adjusted and profit (loss) after taxes is shown in note 12.

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 contacts" 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.

Note 3: Critical accounting estimates and judgements in terms of accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The most significant items affected by estimates in the consolidated group accounts includes intangible assets, investments in associates and assessment of value of trade receivables and loans to associates.

Note 4: Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents are comprised of the following:

Amounts in USD thousands	**31.12.2017**	**31.12.2016**
Cash at banks	9,709	9,910
Total	**9,709**	**9,910**

Distributed in the following currency:

Amounts in USD thousands	**Local Currency**	**USD**	**Local Currency**	**USD**
US Dollars (USD)	7,460	7,460	8,423	8,423
Norwegian Krone (NOK)	6,925	844	6,010	697
Other currencies		1,405		790
Total		**9,709**		**9,910**

Note 5: Segment information

Aqualis has one operating segment, which services the marine and offshore sector. This is the only business segment used for internal reporting. The table below shows operating revenues and profit for entities in different geographical areas.

Amounts in USD thousands	**Q4 17**	**Q4 16**	**FY 17**	**FY 16**
Revenues				
Middle East	3,702	2,382	12,505	10,867
Far East	2,262	1,616	7,764	6,725
Europe	2,590	1,515	9,029	7,658
Americas	1,090	911	3,434	4,081
Eliminations	(696)	(240)	(1,598)	(1,767)
Total revenues	**8,948**	**6,184**	**31,134**	**27,564**
Operating profit (loss) (EBIT)				
Middle East	246	(83)	1,097	(524)
Far East	165	(12)	603	(146)
Europe	138	(146)	392	(1,010)
Americas	153	39	101	(226)
Impairment of goodwill	(3,930)	(579)	(3,930)	(579)
Impairment of loan and investment in associates	(2,919)	-	(2,919)	-
Share of net income from associates	(161)	(177)	(507)	(506)
Corporate group costs	(75)	(90)	(464)	(1,064)
Total operating profit (loss)	**(6,383)**	**(1,048)**	**(5,628)**	**(4,055)**

Note 6: Other operating expenses

Amounts in USD thousands	**Q4 17**	**Q4 16**	**FY 17**	**FY 16**
Subcontractors cost	3,063	1,191	8,936	5,267
Office lease and maintenance expenses	238	249	982	1,249
Insurance cost	106	103	367	589
Cost of recharged expenses	303	200	1,054	873
General and administrative expenses	713	582	2,611	3,037
Total other operating expenses	**4,424**	**2,325**	**13,951**	**11,016**

Note 7: Intangible assets

Amounts in USD thousands	**Customer contracts**	**Goodwill**	**Total**
Cost			
At 01.01.2017	**547**	**18,394**	**18,941**
Additions	-	-	-
Effect of movements in exchange rates	-	812	812
At 31.12.2017	**547**	**19,206**	**19,753**
Amortisation and impariment			
At 01.01.2017	**547**	**2,137**	**2,684**
Impairment charge for the period	-	3,930	3,930
Effect of movements in exchange rates	-	77	77
At 31.12.2017	**547**	**6,144**	**6,691**
Net book value at 31.12.2017	**-**	**13,063**	**13,063**
Net book value at 31.12.2016	**-**	**16,257**	**16,257**

Recognised goodwill in the Group amounts to USD 13.1 million as of 31 December 2017 (2016 - USD 16.3 million) derived from the acquisition of Aqualis Offshore Limited, Tristein AS and Offshore Wind Consultants Ltd. Tristein AS has been merged into Aqualis Offshore AS.

Goodwill is tested for impairment for each cash-generating unit (CGU). The carrying amount of goodwill per individual CGUs are listed below.

Amounts in USD thousands	**31.12.2017**	**31.12.2016**
Aqualis Offshore Pte. Ltd, Singapore	5,829	5,567
Aqualis Offshore Marine Services LLC, UAE	5,728	5,731
Aqualis Offshore AS, Norway	-	3,566
Aqualis Offshore Servicos Ltda, Brazil	131	133
Aqualis Offshore Inc, USA	66	66
Offshore Wind Consultants Ltd.	1,309	1,194
Total	**13,063**	**16,257**

Goodwill is tested for impairment at least annually, or when there are indications of impairment. The impairment test was performed by Aqualis management in connection with the reporting of the results for the fourth quarter of 2017. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax for each CGU, using a discount rate reflecting the timing of the cash flows and the expected risk. The following assumptions were utilised when calculating the value in use as of 31 December 2017:

Cash flow projections and assumptions:
A 4 year forecast of discounted cash flows plus a terminal value (Gordon's growth model) was used to determine net present value of each CGU. Discounted cash flows were calculated before tax.

Cash flow estimates covering the period 2018-2021 are based primarily on the budget for 2018 and a forecast for the following years. Based on the uncertainty in the current market environment in the offshore oil & gas market it is challenging to build a forecast based on the overall market development. The forecast assumes that the overall market conditions will remain challenging in 2018 and 2019 and that the market conditions will gradually improve until 2021 as the competitive pressures soften due to a more balanced supply/demand situation.

The projected cash flows are based on the expected development in the total overall market, the CGUs performance and that Aqualis over time will reach a margin level in line with what other businesses within the industry historically has achieved. These are reasonable assumptions based on the development of the business so far, and the management's expectations for the long term development of the market and the Company.

The terminal growth rate after year 4 has been set to 1.5%. The estimated growth is mainly dependent on overall market growth for demand for our services and the CGU's ability to recruit the right personnel and its ability to create revenue growth through then proper utilisation of human resources.

Discount rate:
The discount rate for each CGU is derived as the weighted average cost of capital (WACC) for a similar business in the same business environment. The input data is gathered from representative sources and this is used for management's best estimate of WACCs. The different WACCs were calculated pre tax. The same assumptions were used for all CGUs with the exception of country specific risk which were differentiated based on country. All parameters were set to reflect the long term period of the assets and time horizon of the forecast period of the cash flows.

Key inputs in determining the WACC:

- Risk free rate: USD 10yr government yield
- Beta: Based on selected peer group consisting of companies with statistical data for the last 5 years (0.89)
- Capital structure: Equity ratio of 85%.

The net cash flows have been discounted using individual discount rates as follows:

Cash-generating units (CGU)	**FY 2017**	**FY 2016**
Aqualis Offshore Pte. Ltd, Singapore	8.6%	7.8%
Aqualis Offshore Marine Services LLC, UAE	9.1%	7.8%
Aqualis Offshore AS, Norway	8.6%	7.8%
Aqualis Offshore Servicos Ltda, Brazil	11.6%	11.8%
Aqualis Offshore Inc, USA	8.6%	7.8%
Offshore Wind Consultants Ltd.	9.1%	7.8%

Impairment test results and conclusion:
The value in use exceeds the carrying amounts for all CGUs except for Norway and Singapore. The impairment test indicates a requirement to write down the goodwill in Norway and Singapore with USD 3.7 million and USD 0.2 million respectively. Impairment charge on goodwill is included in depreciation, amortisation and impairment expenses in the consolidated statement of income. Aqualis has scaled down the operations in Norway in 2017 and the economic outlook is uncertain due to challenging market conditions.

Sensitivity analysis for key assumptions:
Sensitivity calculations are done for all CGUs that are tested for impairment. As a basis for the sensitivity assessment, Aqualis uses the following assumption changes for each CGU:

- An increase of WACC discount rate of 2.0% points
- A reduction in the EBITDA margin of 3.0% points for the terminal year
- A reduction of nominal growth after year five of 0.5% point (to 0.5% growth)

A combined change of all three assumptions in the sensitivity analysis would result in an additional write down of a total of USD 4.2 million, with the split as follows:

Cash-generating units (CGU)	**USD thousands**
Aqualis Offshore Pte. Ltd, Singapore	4,076
Aqualis Offshore Marine Services LLC, UAE	75
Total	**4,151**

Note 8: Investment in associates

Aqualis acquired a 49.9% share in ADLER Solar Services GmbH ("ADLER Solar") on 29 October 2015. The investment is classified as an associate in which Aqualis has significant influence. The investment is accounted for through the equity method in the group financial statements. In order to conclude on the classification of the investment, management has considered the relevant facts and circumstances including the ownership of shares, the composition of remaining shareholders, options to acquire further shares, composition of the Board of Directors and the decision-making processes related to relevant activities. Aqualis has an option right to acquire an additional 10.1% in ADLER Solar during the period 1 April 2017 through 31 March 2019.

Investment in associates is tested for impairment at the end of each reporting period when there are objective indications of impairment. If there are indicators of impairment, the deficit between the recoverable amount and its carrying value is recognised in the consolidated statement of income. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax of associate, using a discount rate reflecting the timing of the cash flows and the expected risk. The impairment test was performed by Aqualis management in connection with the reporting of the results for the fourth quarter of 2017.

ADLER Solar has over the past years taken steps to re-position its services to new market segments and implemented profitability measures to improve efficiencies and margins. The measures taken by the company have not been sufficient to offset the negative effects of challenging market conditions in Germany and reduced demand from its main clients. The increased bidding activity experienced over the past couple of quarters have failed to materialize in expected sales and losses have continued. Managements and owners expectations have not been meet. Due to ADLER Solar's severe financial situation and the uncertain economic outlook, the investment in ADLER Solar is considered to be fully impaired as no positive cashflow is expected in the future. An impairment loss of USD 2.5 million recognised in the consolidated statement of income during the fourth quarter of 2017.

Movements in investment during 2017 and 2016 are as follows:

Amounts in USD thousands	**31.12.2017**	**31.12.2016**
Balance at 1 January	2,853	3,283
Share of net profit (loss)	(446)	(445)
Amortisation of customer relationships (net of taxes)	(61)	(60)
Effect of movements in exchange rates	144	76
Impairment loss	(2,490)	-
Balance at 31.12.2017	**-**	**2,853**

Following are Adler Solar's consolidated financial position and consolidated statement of income:

Amounts in USD thousands	**31.12.2017**	**31.12.2016**
Current assets	2,023	2,800
Non-current assets	1,007	1,096
Current liabilities	(3,520)	(3,482)
Non-current liabilities	-	(0)
Net assets	**(490)**	**414**

Amounts in USD thousands	**Q4 17**	**Q4 16**	**FY 17**	**FY 16**
Revenue	2,027	3,267	10,910	13,355
Profit and loss for the period	(291)	(330)	(894)	(893)

Reconciliation of the above summarised financial information to the carrying amount of the interest in ADLER Solar recognised in the consolidated financial statements presented below:

Amounts in USD thousands (49.9%)	**31.12.2017**	**31.12.2016**
Proportion of the Group's ownership interest in ADLER Solar	(244)	207
Goodwill	2,550	2,241
Customer relationships	185	220
Deferred tax liability	(29)	(32)
Currency translation differences	28	217
Impairment loss	(2,490)	-
Carrying amount of Group investment in ADLER Solar	**-**	**2,853**

Note 9: Loan to associates

Amounts in USD thousands	31.12.2017	31.12.2016
Current portion	434	81
Non-current portion	-	289
	434	**370**
Allowance for losses	(434)	-
Total	**-**	**370**

The Company extended unsecured loan of Euro 349 thousands to its associate, Adler Solar Services GmbH. The loan carries annual interest rate of 4% over EURIBOR 360 and is repayable by November 2018.

Due to ADLER Solar's severe financial situation and the uncertain future economic outlook, the loan is not expected to be rapid in next twelve months and is considered to be fully impaired. Loan loss allowance of USD 0.4 million is recognised in the consolidated statement of income during the fourth quarter of 2017.

Current portion of loan is included in other current assets in the consolidated statement of financial position.

Note 10: Trade receivables

The ageing analysis of unimpaired trade receivables at the reporting date is as follows:

Amounts in USD thousands	31.12.2017	31.12.2016
Not overdue	3,038	1,934
Overdue 1-30	1,940	1,364
Overdue 31-60	1,336	368
Overdue 61-90	289	312
More than 90 days	1,283	1,497
Total	**7,886**	**5,475**

As at 31 December 2017, trade receivables of USD 0.4 million (31 December 2016 - USD 0.2 million) were impaired.

Note 11: Other current assets

As at 31 December 2017, other current assets include revenue earned but not invoiced of USD 1.4 million (31 December 2016 - USD 1.5 million).

Note 12: Reconciliation of selected Alternative Performance Measures

Amounts in USD thousands	Q4 17	Q4 16	FY 17	FY 16
Operating profit (loss) (EBIT)	**(6,383)**	**(1,049)**	**(5,628)**	**(4,055)**
Depreciation, amortisation and impairment	3,963	616	4,061	794
Impairment of loan and investment in associates	2,919	-	2,919	-
Share of net loss from associates	161	177	507	506
EBITDA	**660**	**(256)**	**1,860**	**(2,755)**
Operating profit (loss) (EBIT)	**(6,383)**	**(1,049)**	**(5,628)**	**(4,055)**
Impairment of goodwill	3,930	579	3,930	579
Impairment of loan and investment in associates	2,919	-	2,919	-
Share of net loss from associates	161	177	507	506
Operating profit (loss) adjusted	**627**	**(293)**	**1,729**	**(2,970)**
Profit (loss) after taxes	**(6,230)**	**(251)**	**(6,477)**	**(3,874)**
Impairment of goodwill	3,930	579	3,930	579
Impairment of loan and investment in associates	2,919	-	2,919	-
Share of net loss from associates	161	177	507	506
Profit (loss) after taxes adjusted	**780**	**505**	**879**	**(2,789)**

Note 13: Subsequent events
There are no significant events after balance sheet date.

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