



Q2 report 2018



HIGH ACTIVITY LEVEL AND POSITIVE OPERATIONAL PERFORMANCE

HIGHLIGHTS

- 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 ratio⁽³⁾ 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 at USD 6.8 million with increase in pipeline of opportunities
- Aqualis announces dividend of NOK 0.90 per share

“We are pleased with the development in Q2 2018 led by strong performance by our operations in the Middle East. Most of our entities with focus on the oil & gas market have delivered solid results despite that the market remains very competitive with pressure on pricing. There are indications of improvements in market conditions as break-even costs are reduced and the oil price remain higher.

The prolonged downturn has altered the competitive landscape across our regions, creating both opportunities and challenges. Our aim is to continue to strengthen our market positions.

The activity in the offshore wind sector remains high, but with a very competitive business environment. Growth opportunities are now global and are likely to increase. We are excited about our ongoing global expansion and recognize opportunities to expand our business in emerging markets. Our focus is on capitalizing on these opportunities and leveraging our global office network” says Mr. David Wells, CEO of Aqualis ASA.

KEY FIGURES

<i>Amount in USD thousands (except shares, backlog, employees)</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
FINANCIAL					
Total revenues	9,595	7,324	17,754	14,874	31,134
EBITDA ⁽¹⁾	776	429	1,006	922	1,860
Operating profit (loss) (EBIT)	742	406	939	626	(5,628)
Operating profit (EBIT) adjusted ⁽¹⁾	742	398	939	859	1,729
Profit (loss) after taxes	1,357	79	1,109	180	(6,477)
Profit (loss) after taxes adjusted ⁽¹⁾	1,066	72	818	413	879
Basic earnings per share (USD)	0.03	0.00	0.03	0.00	(0.15)
Average number of outstanding shares (thousands)	42,293	42,293	42,293	42,293	42,293
Cash and cash equivalents at the end of the period	9,839	8,949	9,839	8,949	9,709
OPERATIONS⁽⁴⁾					
Order backlog at the end of the period (USD million) ⁽¹⁾	6.8	10.3	6.8	10.3	8.9
Average number of full-time equivalent employees ⁽²⁾	188	160	179	161	169
Billing ratio ⁽³⁾	84%	83%	83%	80%	83%

(1) Refer Alternative Performance Measures

(2) Includes subcontractors on 100% utilisation basis

(3) Billing ratio for technical employees including subcontractors on 100% utilisation basis. Excludes management, business development, administrative support employees and temporary redundancies. Figure calculated as billable hours over available hours. Available hours excludes paid absence and unpaid absence.

(4) Figures excluding Adler Solar

GROUP FINANCIAL REVIEW

(Figures in brackets represent same period prior year or balance sheet date as of 31st December 2017. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period).

Group results

Total operating revenues increased by 31% to USD 9.6 million in Q2 2018 (USD 7.3 million in Q2 2017). This increase was due to higher activity levels for the group in the Middle East and Americas. The revenues in the Middle East region increased during Q2 2018 on the back of strengthened market position and increased work in particular in Saudi Arabia.

The total operating revenues were USD 17.8 million in H1 2018 (USD 14.9 million in H1 2017).

Payroll and related expenses increased by 11% to USD 4.1 million in Q2 2018 (USD 3.7 million in Q2 2017). Other operating expenses increased by 48% to USD 4.8 million in Q2 2018 (USD 3.2 million in Q2 2017) mainly due to increased use of subcontractors. The subcontractors expenses increased by 78% to USD 3.3 million in Q2 2018 (USD 1.9 million in Q2 2017) due to higher activity level and a flexible business model with a higher proportion of subcontractors.

Operating expenses were USD 16.8 million in H1 2018 (USD 14.0 million in H1 2017).

Operating profit (EBIT) amounted to USD 0.7 million in Q2 2018 (USD 0.4 million in Q2 2017). Strong performance for entities in the Middle East and Americas was offset partly by weaker results in Europe, impacted in particular by weak performance by our operations in Norway which have been scaled down. EBIT amounted to profit of USD 0.9 million in H1 2018 (profit of USD 0.6 million in H1 2017).

Adjusted EBIT amounted to USD 0.7 million in Q2 2018 (US 0.4 million in Q2 2017). Adjusted EBIT amounted to profit of USD 0.9 million in H1 2018 (profit of USD 0.9 million in H1 2017)

Most entities have had positive 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 84% in Q2 2018, compared to 81% in Q1 2018.

The Group has disposed its entire 49.9% interest in ADLER Solar for a consideration of USD 0.3 million. The gain on disposal has been included in statement of income in Q2 2018.

Net currency gain of USD 0.4 million in Q2 2018 (loss of USD 0.3 million in Q2 2017) mainly represents unrealised loss on revaluation of USD bank accounts. The net currency losses were USD 0.0 million in H1 2018 (loss of USD 0.4 million in H1 2017).

Profit after taxes amounted to USD 1.4 million in Q2 2018 (profit of USD 0.1 million in Q2 2017). Profit after taxes amounted to USD 1.1 million in H1 2018 (profit of USD 0.2 million in H1 2017).

Financial position and liquidity

At 30 June 2018, cash and cash equivalents amounted to USD 9.8 million, the same level as of 31 March 2018. The net working capital will fluctuate during the year with the type of projects, milestone payments and the overall revenues.

The Board of Directors proposed distribution of dividend of NOK 0.90 per share. On 9 July 2018, a total dividend of USD 4.7 million was paid to the shareholders.

Aqualis does not have any interest bearing debt.

Order backlog

The order backlog at the end of Q2 2018 decreased to USD 6.8 million compared with USD 7.2 million at the end of Q1 2018. Pipeline of future opportunities has increased since the end of last quarter. New order intake in the group was higher during Q2 2018, particularly in the Middle East.

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

Organisational development

Aqualis had in Q2 2018 on average 188 employees (full time equivalents, "FTEs"), including subcontractors compared with 171 in Q1 2018. Aqualis had on average 150 (FTEs) technical staff, including subcontractors in Q2 2018 compared with 133 in Q1 2018. The use of subcontractors allows for 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 and OWC has roughly 1.4 million man-hours without a lost time incident (LTI) since its incorporation.

Market update

Oil and gas market

Q2 2018 started with high activity level led by our operations in the Middle East. Oil price remains at a good level and there are increasing signs of recovery, but the market is still highly competitive with continuing price pressures. Early indications of slightly improved activity levels in some regions continue but it is not yet across the board. Some oil companies are starting to

make significant new investments, but it takes some time for these investments to work their way down through the industry. Visibility is still expected to remain short term.

Aqualis expects the Middle East to remain active where we are gaining an increasingly dominant position. The Far East is gradually becoming more buoyant and sentiment slowly improves in the Americas. The market conditions for our entity in Norway remains challenging and further measures have been implemented to align capacity with market requirements.

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 very competitive. Offshore Wind Consultants (OWC) have maintained high bidding levels and secured a number of good new contract awards allowing OWC's first significant foray into the Taiwanese market.

Outlook

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

The activity level across the oil and gas market still remains short term and demand visibility is hard to gauge. Aqualis is still focused on expanding its portfolio of services that it offers to the market to enhance growth and leverage its global foot print.

The activity level in Q3 2018 is seasonally expected to be lower than in Q2 2018 due to the annual adverse weather conditions associated with the monsoon period offshore the Indian Ocean and impact of summer vacation months.

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.

The general availability of resources is starting to tighten with the availability of experienced marine consultants expected to become more challenging. We expect price pressure to gradually weaken and some 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 is strengthening its' market position in Europe and has a strong outlook for second half of 2018.

OWC is expanding growth opportunities in emerging offshore wind market in 2018. OWC aims to set up an office in Taiwan during Q3 2018. OWC is focusing on improving its margins and enhancing its service offering

Aqualis' current strategy remains unchanged being focused on widening and strengthening its global client portfolio and enhancing 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, 19 July 2018

The Board of Directors of
Aqualis ASA

Condensed interim consolidated financial statements Q2 2018

Consolidated Statement of Income

<i>Amounts in USD thousands</i>	Note	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Revenues	5	9,595	7,324	17,754	14,874	31,134
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	6	(4,767)	(3,228)	(8,874)	(6,198)	(13,951)
Depreciation, amortisation and impairment	7	(34)	(31)	(67)	(63)	(4,061)
Impairment of loan and investment in associates	8	-	-	-	-	(2,919)
Share of net profit (loss) from associates	8	-	7	-	(233)	(507)
Operating profit (loss) (EBIT)	5	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	8	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)

Consolidated Statement of other Comprehensive Income

<i>Amounts in USD thousands</i>	Note	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Profit (loss) after taxes		1,357	79	1,109	180	(6,477)
Other comprehensive income						
Currency translation differences		(869)	660	(224)	1,000	1,680
Income tax effect		-	-	-	-	148
Total comprehensive income		488	740	885	1,180	(4,650)
Attributable to:						
Equity holders of the parent company		488	740	885	1,180	(4,650)
Non-controlling interests		-	-	-	-	-
Earnings per share (USD): basic and diluted		0.03	0.00	0.03	0.00	(0.15)

Condensed interim consolidated financial statements Q2 2018

Consolidated Statement of Financial Position

<i>Amounts in USD thousands</i>	Note	30.06.2018	31.12.2017
ASSETS			
Non-current assets			
Equipment		180	160
Intangible assets	7	12,908	13,063
Deferred tax assets		67	69
Total non-current assets		13,155	13,292
Current assets			
Trade receivables	9	7,663	7,886
Other current assets	10	3,242	3,033
Cash and cash equivalents	4	9,839	9,709
Total current assets		20,744	20,628
Total assets		33,899	33,920
EQUITY AND LIABILITIES			
Equity			
Share capital		690	690
Share premium		42,670	47,344
Share-based compensation reserve		565	563
Retained earnings		(6,450)	(7,559)
Foreign currency translation reserve		(12,811)	(12,587)
Total equity		24,664	28,451
Non-current liabilities			
Deferred tax liabilities		158	156
Other non-current liabilities		673	617
Total non-current liabilities		831	773
Current liabilities			
Trade payables		1,242	1,888
Income tax payable		76	74
Dividend payable		4,674	-
Other current liabilities		2,412	2,734
Total current liabilities		8,404	4,696
Total liabilities		9,235	5,469
Total equity and liabilities		33,899	33,920

Condensed interim consolidated financial statements Q2 2018

Consolidated Statement of Cash Flows

<i>Amounts in USD thousands</i>	Note	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Cash flow from operating activities						
Profit (loss) before taxes		1,427	104	1,245	224	(6,333)
Non-cash adjustment to reconcile profit before tax to cash flow:						
Estimated value of employee share options		1	3	2	18	20
Depreciation, amortisation and impairment		34	31	67	63	4,061
Impairment of loan and investment in associates		-	-	-	-	2,919
Share of net profit (loss) from associates		-	(7)	-	233	507
Gain on disposal of interest in associates		(291)	-	(291)	-	-
Changes in working capital:						
Changes in trade receivables and trade payables		(998)	(873)	(423)	(566)	(1,616)
Changes in other current assets and other liabilities		279	(239)	(474)	(1,315)	(99)
Interest received		(20)	(12)	(38)	(31)	(61)
Income tax paid		(71)	(24)	(132)	(44)	(148)
Effects related to currency unrealised		(432)	327	(42)	402	487
Cash flow from/(used in) operating activities		(71)	(690)	(86)	(1,016)	(263)
Cash flow from investing activities						
Purchase of equipment		(63)	(29)	(86)	(34)	(99)
Interest received		20	12	38	31	61
Proceeds on disposal of interest in associates		291	-	291	-	-
Cash flow from/(used in) investing activities		248	(17)	243	(3)	(38)
Net change in cash and cash equivalents						
		177	(707)	157	(1,019)	(301)
Cash and cash equivalents at the beginning of the period		9,778	9,615	9,709	9,910	9,910
Effect of movements in exchange rates		(116)	41	(27)	58	100
Cash and cash equivalents at the end of the period	4	9,839	8,949	9,839	8,949	9,709

Condensed interim consolidated financial statements Q2 2018

Consolidated Statement of Changes in Equity

<i>Amounts in USD thousands</i>	Share capital	Share premium	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total equity
Equity at 1 January 2017	690	47,344	543	(1,082)	(14,414)	33,081
Profit (loss) after taxes	-	-	-	(6,477)	-	(6,477)
Foreign currency translation reserve	-	-	-	-	1,827	1,827
Share-based payment	-	-	20	-	-	20
Equity at 31 December 2017	690	47,344	563	(7,559)	(12,587)	28,451
Equity at 1 January 2018	690	47,344	563	(7,559)	(12,587)	28,451
Profit (loss) after taxes	-	-	-	1,109	-	1,109
Dividends	-	(4,674)	-	-	-	(4,674)
Foreign currency translation reserve	-	-	-	-	(224)	(224)
Share-based payment	-	-	2	-	-	2
Equity at 30 June 2018	690	42,670	565	(6,450)	(12,811)	24,664

Condensed interim consolidated financial statements Q2 2018

Notes to the interim consolidated financial statements

Note 1: General information

Aqualis ASA ("the Company") is a limited liability company incorporated on 13 June 2014 and domiciled in Norway. The shares of the Company were listed on Oslo Stock Exchange on 13 August 2014.

The group consolidated 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 wherein all the shares in subsidiaries were transferred to Aqualis ASA on 24 July 2014. The ownership of the subsidiaries and the related excess values from the acquisitions are consequently continued in the group consolidated financial statements.

The Company and its subsidiaries (collectively the "Aqualis Group" or the "Group") is a public company that offers energy consultancy services to the oil & gas and wind sectors globally. The group employs experienced consultants across 17 offices in 14 countries worldwide.

Aqualis ASA's office is at Bleikerveien 17, 1387 Asker, Norway

Note 2: Basis of preparations and changes to the accounting policies

This condensed consolidated interim financial report for the period ended 30 June 2018 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and accordingly this report should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's last annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018 as described in below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial statements are presented in US Dollars (USD or US\$) and all values in the tables are rounded to the nearest thousand (US\$'000), except when otherwise indicated. As a result of rounding adjustments, the figures in one or more rows or columns included in the condensed consolidated financial statements may not add up to the total of that row or column.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group provides consultancy services to the marine and offshore industry. Under IFRS 15, the Group concluded that revenue from such services will continue to be recognised as a performance obligation satisfied over time when services are performed and delivered and measured based on the consideration specified in a contract with customers. Payment for services is not due from the customers until the services are complete and therefore contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date.

The Group does not have any significant financing component in the contracts. Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. Prior to the adoption of IFRS 15, the Group presented billing in excess of revenue as deferred revenue, which is now included in contract liability.

Consequently, IFRS 15 do not have a significant impact on the Group's accounting policies except the presentation of certain amounts in the statement of financial position changed to reflect the terminology of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Group do not have significant impact on its consolidated statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. The financial assets at amortised cost consist of trade receivables, cash and cash equivalents and contract assets. These are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

The group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 2.

Note 4: Cash and cash equivalents

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

<i>Amounts in USD thousands</i>	30.06.2018	31.12.2017
Cash and bank balances	9,839	9,709
Total	9,839	9,709

Distributed in the following currency:

<i>Amounts in USD thousands</i>	Local Currency	USD	Local Currency	USD
US Dollars (USD)	3,232	3,232	7,460	7,460
Norwegian Krone (NOK)	43,303	5,317	6,925	844
Other currencies		1,290		1,405
Total		9,839		9,709

Note 5: Segment information

The Group's businesses are managed on a regional basis. The internal management reports provided by management to the board of directors of Aqualis, which is the groups decision maker, is in accordance with this structure. These regional segments comprise of entities within the region and forms the basis for the segment reporting presented below.

The following is summary of revenues and operating profit (loss) (EBIT) for entities in different geographical regions. Eliminations reflects the eliminations of intra-group revenue to the extent that these arise between the regions.

<i>Amounts in USD thousands</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Revenues					
Middle East	5,029	2,851	9,013	6,218	12,505
Far East	1,858	1,913	3,453	3,556	7,764
Europe	2,168	2,288	4,163	4,340	9,029
Americas	1,173	640	2,233	1,412	3,434
Eliminations	(634)	(368)	(1,108)	(653)	(1,598)
Total revenues	9,595	7,324	17,754	14,874	31,134

<i>Amounts in USD thousands</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Operating profit (loss) (EBIT)					
Middle East	860	281	1,260	580	1,097
Far East	153	166	190	297	603
Europe	(141)	245	(316)	440	392
Americas	100	(142)	156	(145)	101
Corporate group costs	(230)	(152)	(351)	(314)	(464)
Share of net profit (loss) from associates	-	7	-	(233)	(507)
Impairment of goodwill	-	-	-	-	(3,930)
Impairment of loan and investment in associates	-	-	-	-	(2,919)
Total operating profit (loss) (EBIT)	742	406	939	626	(5,628)

The following is summary of trade receivables and cash and cash equivalents for entities in different geographical areas.

<i>Amounts in USD thousands</i>	30.06.2018	31.12.2017
Trade receivables		
Middle East	4,099	3,400
Far East	1,456	1,897
Europe	1,030	1,971
Americas	1,078	618
Total	7,663	7,886
Cash and cash equivalents		
Middle East	366	536
Far East	983	711
Europe	858	1,010
Americas	291	421
Corporate group	7,341	7,031
Total	9,839	9,709

Note 6: Other operating expenses

<i>Amounts in USD thousands</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Subcontractors cost	3,345	1,879	6,163	3,613	8,936
Office lease and maintenance expenses	241	249	491	501	982
Insurance cost	140	111	253	187	367
Cost of recharged expenses	439	287	798	518	1,054
General and administrative expenses	602	702	1,170	1,379	2,611
Total other operating expenses	4,767	3,228	8,874	6,198	13,951

Note 7: Intangible assets

<i>Amounts in USD thousands</i>	Customer contracts	Goodwill	Total
Cost			
At 1 January 2018	547	19,206	19,753
Effect of movements in exchange rates	-	(223)	(223)
At 30 June 2018	547	18,984	19,531
Amortisation and impairment			
At 1 January 2018	547	6,144	6,691
Effect of movements in exchange rates	-	(68)	(68)
At 30 June 2018	547	6,076	6,623
Net book value at 30 June 2018	-	12,908	12,908
Net book value at 31 December 2017	-	13,063	13,063

Goodwill is tested for impairment at least annually, or when there are indications of impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculations requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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 Group has not recognised current year's losses relating to Adler Solar where its share of losses exceeds the Group's interest in the associate, following the Group's decision to impair its investment and loan to associates to nil at 31 December 2017.

On 24 May 2018, the Group has disposed its entire 49.9% interest in ADLER Solar together with the loan for the fixed consideration of USD 0.3 million. The gain on disposal of shares have been included in statement of income. There is an earn-out clause that may release up to EUR 349 thousand depending on the financial performance and ability of ADLER Solar to repay its original shareholder loan. Due to the considerable uncertainty and low probability associated with the repayment of the loan amount, the Company has not recognised the contingent asset.

Note 9: Trade receivables

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

<i>Amounts in USD thousands</i>	30.06.2018	31.12.2017
Not overdue	3,761	3,038
Overdue 1-30 days	1,474	1,940
Overdue 31-60 days	1,021	1,336
Overdue 61-90 days	390	289
More than 90 days	1,017	1,283
Total	7,663	7,886

As at 30 June 2018, trade receivables of USD 0.4 million (31 December 2017 - USD 0.4 million) were impaired.

Note 10: Other current assets

At 30 June 2018, other current assets include contract assets of USD 1.8 million (31 December 2017 - USD 1.4 million).

Note 11: Subsequent events

The Board of Directors in their meeting on 20 June 2018 proposed distribution of dividend of NOK 0.90 per share. On 9 July 2018, total dividend of USD 4.7 million was paid to the shareholders. For tax purposes, the distribution was considered repayment of paid in capital.

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

<i>Amounts in USD thousands</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Operating profit (loss) (EBIT)	742	406	939	626	(5,628)
Depreciation, amortisation and impairment	34	31	67	63	4,061
Impairment of loan and investment in associates	-	-	-	-	2,919
Share of net profit (loss) from associates	-	(7)	-	233	507
EBITDA	776	429	1,006	922	1,860

Operating profit (loss) adjusted

Management believes that “Operating profit (loss) 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) (EBIT) and operating profit (loss) adjusted is shown below.

<i>Amounts in USD thousands</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Operating profit (loss) (EBIT)	742	406	939	626	(5,628)
Impairment of goodwill	-	-	-	-	3,930
Impairment of loan and investment in associates	-	-	-	-	2,919
Share of net profit (loss) from associates	-	(7)	-	233	507
Operating profit (loss) adjusted	742	398	939	859	1,729

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 reported profit (loss) after taxes and profit (loss) after taxes adjusted is shown below.

<i>Amounts in USD thousands</i>	Q2 2018	Q2 2017	H1 18	H1 17	FY 2017
Profit (loss) after taxes	1,357	79	1,109	180	(6,477)
Impairment of goodwill	-	-	-	-	3,930
Impairment of loan and investment in associates	-	-	-	-	2,919
Share of net profit (loss) from associates	-	(7)	-	233	507
Gain on disposal of interest in associates	(291)	-	(291)	-	-
Profit (loss) after taxes adjusted	1,066	72	818	413	879

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 is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2018, which has been prepared in accordance with IAS 34 Interim Financial Statement, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Asker, 19 July 2018

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Chairman of the Board

Yvonne L. Sandvold
Board member

Reuben Segal
Board member

Synne Syrrist
Board member

David Wells
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