Q3 report 2018

STRONG OPERATIONAL CASHFLOW

HIGHLIGHTS

- Revenues of USD 8.6 million in Q3 2018 vs. USD 7.3 million in Q3 2017
- Operating profit (EBIT) of USD 0.6 million in Q3 2018 vs USD 0.1 million in Q3 2017
- Adjusted EBIT of USD 0.6 million in Q3 2018 vs USD 0.2 million in Q3 2017
- Positive operational cash flow of USD 0.7m in Q3 2018
- Strong billing ratio(3) of 82% in Q3 2018
- Completed the 2000th jack up rig move attendance
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter
- Robust financial position with cash balance of USD 5.8 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
- Successful startup of new office in Taiwan
- Order backlog at USD 6.4 million with increase in pipeline of opportunities

"Aqualis has delivered strong execution globally across most of our entities despite the market remaining very competitive with pressure on pricing.

The prolonged downturn has altered the competitive landscape across our regions, creating both opportunities and challenges. Our aim is to strengthen our market positions both through organic growth and capitalizing on M&A opportunities.

The activity in the offshore wind sector remains high. We have established a new office in Taiwan to support the fast growing Taiwanese offshore wind sector. We are excited about our ongoing global expansion and opportunities to expand our offshore wind business in emerging markets." says Mr. David Wells, CEO of Aqualis ASA.

KEY FIGURES

Amount in USD thousands (except shares, backlog, employees)	**Q3 2018**	**Q3 2017**	**YTD 18**	**YTD 17**	**FY 2017**
FINANCIAL					
Total revenues	8,603	7,312	26,357	22,187	31,134
EBITDA(1)	624	277	1,630	1,200	1,860
Operating profit (loss) (EBIT)	594	130	1,533	756	(5,628)
Operating profit (EBIT) adjusted(1)	594	243	1,533	1,102	1,729
Profit (loss) after taxes	498	(425)	1,608	(246)	(6,477)
Profit (loss) after taxes adjusted(1)	498	(311)	1,317	100	879
Basic earnings per share (USD)	0.01	(0.01)	0.04	(0.01)	(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	5,814	9,753	5,814	9,753	9,709
OPERATIONS(4)					
Order backlog at the end of the period (USD million)(1)	6.4	8.5	6.4	8.5	8.9
Average number of full-time equivalent employees (2)	185	171	181	164	169
Billing ratio(3)	82%	83%	82%	81%	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 18% to USD 8.6 million in Q3 2018 (USD 7.3 million in Q3 2017). This increase was mainly due to higher activity levels in the Middle East, Americas and for our offshore wind business through OWC. The revenues in the Middle East region increased during Q3 2018 on the back of strengthened market position and increased workload across the Middle East region.

Payroll and related expenses increased by 2% to USD 3.8 million in Q3 2018 (USD 3.7 million in Q3 2017). Other operating expenses increased by 27% to USD 4.2 million in Q3 2018 (USD 3.3 million in Q3 2017) mainly due to increased use of subcontractors. The subcontractors expenses increased by 28% to USD 2.9 million in Q3 2018 (USD 2.3 million in Q3 2017) driven by a higher activity level and the corporate drive for a more flexible business model through servicing our business lines with a higher proportion of subcontractors.

Operating profit (EBIT) amounted to USD 0.6 million in Q3 2018 (USD 0.1 million in Q3 2017) with strong performance from entities in the Middle East, Far East and Americas. The scale down of our operations in Norway is expected to be finalized at the end of 2018

Adjusted EBIT amounted to USD 0.6 million in Q3 2018 (US 0.2 million in Q3 2017).

Most entities have had positive operational performance in the quarter despite continued overall weak market conditions in the oil and gas sector. The billing ratio for technical staff (including subcontractors) was 82% in Q3 2018, compared to 84% in Q2 2018.

Net currency loss of USD 0.0 in Q3 2018 (loss of USD 0.5 million in Q3 2017) which mainly represents unrealised losses on revaluation of USD bank accounts.

Profit after taxes amounted to USD 0.5 million in Q3 2018 (loss of USD 0.4 million in Q3 2017).

Financial position and liquidity

At 30 September 2018, cash and cash equivalents amounted to USD 5.8 million, down from USD 9.8m on 30 June 2018. On 9 July 2018, a total dividend of USD 4.7 million, representing 0.90 NOK per share, was paid to the shareholders. Positive operational cash flow of USD 0.7 million in Q3 2018.

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 Q3 2018 decreased to USD 6.4 million compared with USD 6.8 million at the end of Q2 2018. Pipeline of future opportunities has increased since the end of last quarter.

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

Aqualis had in Q3 2018 on average 185 employees (full time equivalents, “FTEs”), including subcontractors compared with 188 in Q2 2018. The slight decrease was driven by Q3 2018 being traditionally a less busy quarter for marine operations offshore India. Aqualis had on average 147 (FTEs) technical staff, including subcontractors in Q3 2018 compared with 150 in Q2 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. The Group has roughly 1.6 million man-hours without a lost time incident (LTI) since its incorporation.

Market update
Oil and gas market

Oil price remains at a good level and there are continued signs of optimism for recovery. The number of offshore FIDs in 2018 is expected by industry analysts to be the highest since 2013 with further growth in 2019. The increased number of FIDs is expected to lead to an improvement in the market from 2019

Whilst there are indications of slightly improved activity levels in some regions, margins remain very weak. The market is expecting increased E&P spending in 2019 and some oil companies are starting to make significant new investments. The visibility is still short term.

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 in Europe and Asia Pacific. OWC has set up an office in Taiwan which has been profitable in its' first quarter of operation.

Outlook

Aqualis financial performance is driven primarily by activity within the global oil and gas markets and the offshore 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, and gaining good success in some areas, to enhance growth and leverage its global foot print.

Aqualis expects the Middle East region to remain active where we are gaining an increasingly dominant position. The Far East region is gradually becoming more buoyant and sentiment slowly improves in North America. The market in Europe is improving though our operation within the oil and gas market in this region is relatively small given our decision to close down our operations in Norway by the end of 2018.

Aqualis' maintains the view 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 has tightened with the availability of experienced marine consultants becoming noticeably more challenging during the quarter. We expect price pressure to gradually weaken and some rate increases to materialize during 2019 for selected regions/business lines.

The marine and engineering consultancy industry remains 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 the industry has a reasonable project pipeline over the next years. OWC is strengthening its' market position and experiences increasing opportunities in emerging markets. OWC is enhancing its service offering and re-focusing on higher margin work

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 has a 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, 24 October 2018

The Board of Directors of
Aqualis ASA

Condensed interim consolidated financial statements Q3 2018

Consolidated Statement of Income

Amounts in USD thousands	Note	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Revenues	5	8,603	7,312	26,357	22,187	31,134
Total revenues		**8,603**	**7,312**	**26,357**	**22,187**	**31,134**
Payroll and payroll related expenses		(3,766)	(3,706)	(11,639)	(11,460)	(15,324)
Other operating expenses	6	(4,213)	(3,329)	(13,088)	(9,527)	(13,951)
Depreciation, amortisation and impairment	7	(30)	(34)	(97)	(98)	(4,061)
Impairment of loan and investment in associates	8	-	-	-	-	(2,919)
Share of net profit (loss) from associates	8	-	(113)	-	(346)	(507)
Operating profit (loss) (EBIT)	5	**594**	**130**	**1,533**	**756**	**(5,628)**
Finance income		2	12	49	53	71
Finance expenses		6	-	(1)	(2)	-
Net foreign exchange gain (loss)		(42)	(464)	(67)	(906)	(776)
Gain on disposal of interest in associates	8	-	-	291	-	-
Profit (loss) before taxes		**560**	**(322)**	**1,805**	**(99)**	**(6,333)**
Income tax expense		(62)	(103)	(197)	(147)	(144)
Profit (loss) after taxes		**498**	**(425)**	**1,608**	**(246)**	**(6,477)**

Consolidated Statement of other Comprehensive Income

Amounts in USD thousands	Note	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Profit (loss) after taxes		**498**	**(425)**	**1,608**	**(246)**	**(6,477)**
Other comprehensive income						
Currency translation differences		(98)	1,011	(322)	2,011	1,680
Income tax effect		-	-	-	-	148
Total comprehensive income		**400**	**586**	**1,286**	**1,765**	**(4,650)**
Attributtable to:						
Equity holders of the parent company		400	586	1,286	1,765	(4,650)
Non-controlling interests		-	-	-	-	-
Earnings per share (USD): basic and diluted		**0.01**	**(0.01)**	**0.04**	**(0.01)**	**(0.15)**

Condensed interim consolidated financial statements
Q3 2018

Consolidated Statement of Financial Position

Amounts in USD thousands	Note	30.09.2018	31.12.2017
ASSETS			
Non-current assets			
Equipment		167	160
Intangible assets	7	12,867	13,063
Deferred tax assets		67	69
Total non-current assets		**13,101**	**13,292**
Current assets			
Trade receivables	9	7,663	7,886
Other current assets	10	3,749	3,033
Cash and cash equivalents	4	5,814	9,709
Total current assets		**17,226**	**20,628**
Total assets		**30,327**	**33,920**
EQUITY AND LIABILITIES			
Equity			
Share capital		690	690
Share premium		42,670	47,344
Share-based compensation reserve		566	563
Retained earnings		(5,951)	(7,559)
Foreign currency translation reserve		(12,909)	(12,587)
Total equity		**25,066**	**28,451**
Non-current liabilities			
Deferred tax liabilities		158	156
Other non-current liabilities		652	617
Total non-current liabilities		**810**	**773**
Current liabilities			
Trade payables		1,882	1,888
Income tax payable		75	74
Other current liabilities		2,494	2,734
Total current liabilities		**4,451**	**4,696**
Total liabilities		**5,261**	**5,469**
Total equity and liabilities		**30,327**	**33,920**

Condensed interim consolidated financial statements Q3 2018

Consolidated Statement of Cash Flows

Amounts in USD thousands	Note	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Cash flow from operating activities						
Profit (loss) before taxes		**560**	**(322)**	**1,805**	**(99)**	**(6,333)**
Non-cash adjustment to reconcile profit before tax to cash flow:						
Estimated value of employee share options		1	1	3	18	20
Depreciation, amortisation and impairment		30	34	97	98	4,061
Impairment of loan and investment in associates		-	-	-	-	2,919
Share of net profit (loss) from associates		-	113	-	346	507
Gain on disposal of interest in associates		-	-	(291)	-	-
Changes in working capital:						
Changes in trade receivables and trade payables		640	678	217	112	(1,616)
Changes in other current assets and other liabilities		(446)	(115)	(920)	(1,430)	(99)
Interest received		(2)	(10)	(40)	(41)	(61)
Income tax paid		(62)	(77)	(194)	(121)	(148)
Effects related to currency unrealised		(36)	497	(79)	899	487
Cash flow from/(used in) operating activities		**685**	**799**	**598**	**(218)**	**(263)**
Cash flow from investing activities						
Purchase of equipment		(21)	(62)	(106)	(96)	(99)
Interest received		2	10	40	41	61
Proceeds on disposal of interest in associates		-	-	291	-	-
Cash flow from/(used in) investing activities		**(19)**	**(52)**	**225**	**(55)**	**(38)**
Cash flow from financing activities						
Dividend payment		(4,674)	-	(4,674)	-	-
Cash flow from/(used in) financing activities		**(4,674)**	**-**	**(4,674)**	**-**	**-**
Net change in cash and cash equivalents		**(4,008)**	**747**	**(3,851)**	**(273)**	**(301)**
Cash and cash equivalents at the beginning of the period		9,839	8,948	9,709	9,910	9,910
Effect of movements in exchange rates		(17)	58	(44)	116	100
Cash and cash equivalents at the end of the period	**4**	**5,814**	**9,753**	**5,814**	**9,753**	**9,709**

Condensed interim consolidated financial statements Q3 2018

Consolidated Statement of Changes in Equity

Amounts in USD thousands	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	-	-	-	1,608	-	1,608
Dividends	-	(4,674)	-	-	-	(4,674)
Foreign currency translation reserve	-	-	-	-	(322)	(322)
Share-based payment	-	-	3	-	-	3
Equity at 30 September 2018	**690**	**42,670**	**566**	**(5,951)**	**(12,909)**	**25,066**

Condensed interim consolidated financial statements Q3 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 18 offices in 14 countries worldwide.

Aqualis ASA's office is at Olav Vs gate 6, 0161 Oslo, Norway.

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

This condensed consolidated interim financial report for the period ended 30 September 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:

Amounts in USD thousands	30.09.2018	31.12.2017
Cash and bank balances	5,814	9,709
Total	**5,814**	**9,709**

Distributed in the following currency:

Amounts in USD thousands	Local Currency	USD	Local Currency	USD
US Dollars (USD)	3,129	3,129	7,460	7,460
Norwegian Krone (NOK)	3,271	402	6,925	844
Other currencies		2,283		1,405
Total		**5,814**		**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 group's 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.

Amounts in USD thousands	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Revenues					
Middle East	3,855	2,585	12,868	8,803	12,505
Far East	2,155	1,946	5,608	5,503	7,764
Europe	2,201	2,098	6,364	6,439	9,029
Americas	1,270	932	3,503	2,344	3,434
Eliminations	(878)	(249)	(1,986)	(902)	(1,598)
Total revenues	**8,603**	**7,312**	**26,357**	**22,187**	**31,134**

Amounts in USD thousands	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Operating profit (loss) (EBIT)					
Middle East	263	270	1,523	851	1,097
Far East	211	142	401	438	603
Europe	(21)	(186)	(338)	254	392
Americas	220	92	376	(53)	101
Corporate group costs	(79)	(75)	(429)	(388)	(464)
Share of net profit (loss) from associates		(113)	-	(346)	(507)
Impairment of goodwill	-	-	-	-	(3,930)
Impairment of loan and investment in associates	-	-	-	-	(2,919)
Total operating profit (loss) (EBIT)	**594**	**130**	**1,533**	**756**	**(5,628)**

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

Amounts in USD thousands	30.09.2018	31.12.2017
Trade receivables		
Middle East	3,865	3,400
Far East	1,845	1,897
Europe	1,083	1,971
Americas	870	618
Total	**7,663**	**7,886**
Cash and cash equivalents		
Middle East	958	536
Far East	1,632	711
Europe	805	1,010
Americas	470	421
Corporate group	1,949	7,031
Total	**5,814**	**9,709**

Note 6: Other operating expenses

Amounts in USD thousands	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Subcontractors cost	2,886	2,260	9,049	5,873	8,936
Office lease and maintenance expenses	236	243	727	744	982
Insurance cost	88	74	340	261	367
Cost of recharged expenses	370	233	1,169	751	1,054
General and administrative expenses	633	519	1,803	1,898	2,611
Total other operating expenses	**4,213**	**3,329**	**13,088**	**9,527**	**13,951**

Note 7: Intangible assets

Amounts in USD thousands	Customer contracts	Goodwill	Total
Cost			
At 1 January 2018	**547**	**19,206**	**19,753**
Effect of movements in exchange rates	-	(291)	(291)
At 30 September 2018	**547**	**18,915**	**19,462**
Amortisation and impariment			
At 1 January 2018	**547**	**6,144**	**6,691**
Effect of movements in exchange rates	-	(95)	(95)
At 30 September 2018	**547**	**6,049**	**6,596**
Net book value at 30 September 2018	**-**	**12,867**	**12,867**
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 calculated present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Note 8: Investment in associates

On 24 May 2018, the Group 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 was 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.

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

Note 9: Trade receivables

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

Amounts in USD thousands	**30.09.2018**	**31.12.2017**
Not overdue	3,236	3,038
Overdue 1-30 days	1,823	1,940
Overdue 31-60 days	875	1,336
Overdue 61-90 days	617	289
More than 90 days	1,112	1,283
Total	**7,663**	**7,886**

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

Note 10: Other current assets

At 30 September 2018, other current assets include contract assets of USD 2.0 million (31 December 2017 - USD 1.4 million).

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.

Amounts in USD thousands	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Operating profit (loss) (EBIT)	**594**	**130**	**1,533**	**756**	**(5,628)**
Depreciation, amortisation and impairment	30	34	97	98	4,061
Impairment of loan and investment in associates	-	-	-	-	2,919
Share of net profit (loss) from associates	-	113	-	346	507
EBITDA	**624**	**277**	**1,630**	**1,200**	**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.

Amounts in USD thousands	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Operating profit (loss) (EBIT)	**594**	**130**	**1,533**	**756**	**(5,628)**
Impairment of goodwill	-	-	-	-	3,930
Impairment of loan and investment in associates	-	-	-	-	2,919
Share of net profit (loss) from associates	-	113	-	346	507
Operating profit (loss) adjusted	**594**	**243**	**1,533**	**1,102**	**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.

Amounts in USD thousands	Q3 2018	Q3 2017	YTD 18	YTD 17	FY 2017
Profit (loss) after taxes	**498**	**(425)**	**1,608**	**(246)**	**(6,477)**
Impairment of goodwill	-	-	-	-	3,930
Impairment of loan and investment in associates	-	-	-	-	2,919
Share of net profit (loss) from associates	-	113	-	346	507
Gain on disposal of interest in associates	-	-	(291)	-	-
Profit (loss) after taxes adjusted	**498**	**(311)**	**1,317**	**100**	**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 contacts" 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.

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