AQUALIS | ANNUAL REPORT 2016

CONTENTS

KEY FINANCIAL FIGURES

Key figures from P&L (USD 1 000)	2016	2015
Total revenues	27,564	40,998
Payroll and payroll related costs	(19,303)	(23,717)
Other operating costs	(11,016)	(17,965)
Profit (loss) after taxes	(3,874)	(2,198)

Key figures from the balance sheet (USD 1 000)		
Cash and cash equivalent	9,910	14,864
Non current liabilities	952	1,076
Total assets	37,905	46,194
Total equity	33,081	37,662

Share data		
Earnings per share (USD)	(0.09)	(0.05)
Number of shares outstanding as at 31.12	42,293,239	43,505,737
Number of employee share options outstanding as at 31.12	750,000	750,000
Share price at 31.12	4.00	3.87

FINANCIAL CALENDAR 2017

Event	Date
First quarter results	27/04/2017
Annual General Meeting	15/05/2017
Second quarter results	21/07/2017
Third quarter results	26/10/2017

Ticker symbol	
Oslo Børs	AQUA
Reuters	AQUA:OL
Bloomberg	AQUA:NO

LETTER FROM THE CHAIRMAN

A CHALLENGING YEAR FOR AQUALIS

Dear fellow shareholders,

In last year's shareholder letter, I focused primarily on the background for the last long lasting oil and gas market boom, the expected development of the oil and gas market and a discussion of the strategy and future development of Aqualis and our industry.

My conclusion from last year's shareholder letter regarding the general oil and gas market and the downturn can be summarized in the following key points:

1. The oil and gas market has always been cyclical
2. The current downturn is a normal cyclical downturn and not a structural downturn
3. The last upcycle was one of the longest and biggest in the industry's history. The downturn that follows will be the same on the negative side (deeper and longer than average)
4. The bottom of the current oil price cycle is likely in 2016 or 2017
5. The bottom of the current earnings cycle for offshore oil service companies will be between 2017-2019
6. The next replacement cycle for drilling rigs, PSV and similar asset heavy equipment will not be before the 2030's
7. The marginal oil in the market is the US shale oil with a break even around USD 50 per barrel
8. The new 'normal range' for the oil price is 40-60 USD/barrel

Furthermore, I discussed the expected development of Aqualis given the expected market development. The key conclusions/predictions from last year were the following:

9. Aqualis is preparing for the new 'normal' oil price of 40-60 USD/barrel
10. Our goal is to be cash positive in 2016 (adjust the cost base to the lower market)
11. We expect to start growing again in 2017 or 2018
12. Renewables – Aqualis expects both OWC and Adler Solar to grow revenue and improve EBITDA in 2016
13. There are several synergies between renewables and oil and gas consultancy
14. There will be three phases for the industry in this down cycle; firstly adjustment of capacity, secondly repair of the balance sheet and lastly consolidation (M&A) activity

Now 12 months later, it's time to evaluate the performance of the market view Aqualis has been basing its strategy on (items 1-8 above) and how we have been able to adjust our operations and cost during the sharp downturn during 2015 and 2016 (items 9-14 above). Regarding the former, with the oil and gas market, I have not materially changed my mind on the oil market since last year. In fact, today a year later I am even more sure about the 'new fundamentals' in the oil market reflected in items 1-8 above. The only prediction that might have been too pessimistic is item 5. Today I believe the majority of the oil service companies will pass the earning bottom during 2016 and 2017. The major customers of the oil service industry, the E&P companies, probably passed the earnings bottom in 2016 (adjusted for one-offs and restructuring costs). Year 2017 is likely to be the first year of the upcycle for the E&P companies.

The big mistake last year was my prediction regarding Aqualis (items 9-14 above) and how we were going to perform at the bottom of the cycle in 2016.

Aqualis performed much worse in 2016 than undersigned expected. We expected our revenue to fall, but the 33% reduction in revenue was higher than expected. Even worse performance was the cash outflow of USD 4.1m from operations. Including financial items (share buyback and loan to Adler Solar) Aqualis reduced its cash from 14.9m to 9.9m during 2016. We used one third of our cash reserves during 2016 mainly as a result of not being able to reduce cost fast enough as the activity dropped.

In principle most of the cost base in Aqualis is flexible and should be able to adjust to the market conditions relatively fast. In practice, we have been too optimistic (or not negative enough) and the lag from decision of reducing the capacity (in our case it implies reduction of employees and overhead costs) until it's reflected in the actual cost base is 3-6 months. The lag from decision of cost adjustments is shortest in Middle East and the US and longest in Europe (Norway, UK and Germany). Therefore, the biggest losses in 2016 were in Europe (Norway and Adler (Germany)). In general, our cost cutting efforts during 2016 were following the reduction of the activity/order intake, but due to the lag factor from decision to full effect on cost, our actual cost reduction was 3-4 months behind the curve. The challenge with Aqualis' order intake is the short term horizon. While companies, such as the SURF contractors like Subsea7 and engineering and construction companies like Aker Solutions and Kværner, have close to perfect foresight regarding the activity level for the next 3-12 months based on their orderbook, Aqualis' business is more driven by day to day order intake with very short visibility. Only about 1/3 of our business is based on 'order book' while about 2/3 of our business is call out orders and very short term work. Our capacity and cost adjustments need to be based on correct forecasting of expected orders/call out demand compared to more than 'simple' calculations of capacity need based on a defined order book in SURF and construction. In 2016, undersigned, the board and management did not manage to estimate the business volume for the next 3-6 months correctly and we were too optimistic and too late with corrective actions.

The second big miss in my forecast in last year's Chairman's letter was that revenue and EBITDA for the two renewable energy companies in Aqualis would grow. For OWC the prediction was largely true, but the margin did not expand as expected due to competition and pressure on margins. The revenue in Adler Solar grew in 2016, but the bottom line was a big disappointment due to heavy price pressure on Adler traditional services, smaller average size of each contract/sale (but higher volume of contracts) and a lag in revenue from new higher margin business. Adler Solar has implemented bold cost reduction measures during second half of 2016 and into 2017 and is reviewing the sales strategy based on activity based accounting.

Finally, last year undersigned argued that there were significant synergies between our oil & gas and renewables

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Glen Rødland | Chairman of the Board

companies. This argument is still valid, but there was one important synergy between the industries that I largely overlooked. Due to the significant reduction in demand for engineers, geologists and other highly skilled labour from the oil and gas industry, the supply of this labour has moved to other similar industries like renewables and civil engineering. Hence, due to the O&G recession, profitability in industries like renewables and civil engineering has been hurt despite a healthy demand side (growing revenue).

Despite my relatively poor micro predicting capabilities last year, I will try again to give some guidance on the development of Aqualis and our industry in 2017 and beyond. Assuming that the oil price does not fall significantly below USD 50 bbl during 2017, my key guidance for how Aqualis' board and management are thinking and planning to manage the company for 2017 is detailed below:

1. Aqualis is continuing to adjust to the new 'normal' oil price of 40-60 USD/barrel
2. Our goal is to be cash positive in 2017 (align the cost base to the current market)
3. We expect the activity to flatten out in 2017 and start growing again in 2018. On a quarterly basis the bottom of the market was likely in second half 2016
4. The order book (about 3 months of revenue) is expected to increase in 2017
5. Renewables – Aqualis expect both OWC and Adler Solar to continue to grow revenue and improve EBITDA in 2017. Adler Solar's goal is to break even on EBITDA while we expect increased revenues and margins for OWC

6. There are several synergies between our renewables and the oil and gas consultancy. When the fundamentals in the oil and gas market improve then this will indirectly, also positively affect the renewables market. Firstly as O&G price increase, renewables will become more of a competitive energy alternative and secondly as capacity is soaked up by the O&G industry, margins will improve in renewables too
7. In the next upturn our customers will have less internal capacity and outsource more of the work related to marine operations and engineering. This expected outsourcing trend could represent a growth opportunity for Aqualis
8. Aqualis needs to grow differently during the next upturn. Due to the short term order backlog, we need to have a more flexible cost base. This implies less own employees and more contractors on the margin. Hence, my prediction is that after the largest and most painful downturn in the O&G industry for more than 30 years, both the OilCo's and the service companies will re-engineer the cost base in order to be more flexible and build in dampening effects into the operating model to better tackle the cyclicality of the industry
9. There will be three phases for the oil service industry in this down cycle; the first phase, adjustment of capacity, is completed or near completion. The second phase, repair of the balance sheet is also well under way and finally and third phase is consolidation (M&A) activity

I would like to elaborate some on the last point. Given that the industry is close or at the bottom of this cycle the players need to think about the next up cycle. Since most of our customers are asset heavy oil service companies (drilling rig, OSV, FPSO), the upturn in activity is expected to be gradual. I believe the expression that 'the market take the elevator down (fast down turn) and the stairs up (slow recovery, step by step)' is relevant for our industry. In order to improve our industry's margin quicker we need to consolidate the industry. The revenue of our industry is down about 40% from the peak in 2014. There is simply too much competition now trying to cover the overhead costs associated with running a global network. It will take years for the consultancy industry to have sufficient critical mass to be properly aligned with covering these current overheads. However, nobody would like to merge or acquire a company that is bleeding cash. Given that my prediction about the market bottoming out is correct, the attractiveness of M&A will increase shortly. Aqualis plans to be an active player/consolidator in this market at the same time as we restart growing our business organically. The key is to fast change the mentality of the management from playing in defence (reducing cost and minimising damages) to play a more offensive game and score goals. The key for our strategy will be increasing shareholder values, organic growth and utilizing the opportunities that arise in the M&A market. We are ready.

I would like to take this opportunity to thank the management team and employees of Aqualis for the hard and largely unpleasant work the team has done during 2016. Reducing costs and see your employees and colleagues leaving the company is not pleasant, but a necessity for our survival. Further, I am impressed, despite the internal focus during the downturn, that the Aqualis team has been able to gain important market territory and develop new business relationship and business lines. I think part of the reason for the 'relative success' in a depressed market is the quality and stability of our team. Aqualis have not changed any of our executive management during the last 3 years except for the new CFO, Kim Boman. I think this stability is good both for internal morale and external relationships. The Aqualis team was world class during the growth period from 2013 to 2015 when they grew the company from zero employees and revenues to a cyclical peak in 2015 of close to 250 full time equivalent employees and revenue of USD 41m. Reprogramming the Aqualis team from growth to cost and capacity reduction from 2H15 has been challenging for all of us. The growth phase was executed better than the consolidation phase. Given that we now are getting closer to a growth phase again, we have the team in place that I know can grow the business better than any management team in the industry. The team is ready for the future.

Glen Rødland | Chairman of the Board

OFFSHORE OIL & GAS

Aqualis ASA's offshore oil and gas activities are carried out by Aqualis Offshore. The company provides marine and engineering consultancy services to the offshore oil and gas industry worldwide. Our multi-disciplinary engineering and marine teams are recognised in the industry for their competence and experience. We work closely with clients to understand their requirements, identify solutions and to help execute their projects and marine operations in a timely, cost effective and safe manner. Aqualis Offshore is operating out of 19 offices and 15 countries worldwide.

KEY SERVICES

Aqualis Offshore specialise in the following marine and engineering consultancy services:

- Marine operations and associated consultancy, including rig moving and tow master services, together with supporting engineering services
- Concept, FEED and basic design for new-build and vessel upgrades
- Deep and shallow water installation engineering and related marine operations
- Engineering and project management support to the renewable industry
- Third party approvals on behalf of owners and underwriters including marine warranty services
- Audits of dynamic positioning systems
- Vessel construction supervision and owner representation

Our engineering and marine team comprises:

- Naval Architects
- Mooring Analysts
- Hydrodynamicists
- Structural Engineers
- Geotechnical Engineers
- Installation Engineers
- Project Managers / Site Superintendents
- Marine Engineers
- Marine Advisors
- Marine Warranty Surveyors
- Marine Surveyors (vessel / rig surveys)
- Master Mariners (Tow Masters / Rig Movers / Mooring Masters)
- DP Vessel Auditors (Marine Engineers / Electrical Engineers)
- Risk Managers / Engineers

ENGINEERING

Aqualis Offshore provides a unique solutions-based approach to engineering. Our engineers are trained to work with our Clients as a one-stop-shop to find efficient solutions to their engineering projects. Due to our independent nature, all solutions are cost-effective, fit for purpose and tailored to suit the specific needs and constraints of the Client. Our offshore engineering expertise covers the life-cycle of an offshore facility from concept and basic design through installation and on to aging platform integrity management and finally, decommissioning.

We are involved in both the shallow and deep water ends of the offshore oil and gas industry and operate from the

Aqualis Offshore is well established with a global footprint. We aim to be a reliable long term partner.

major centers of the offshore industry. Our team of highly qualified engineers can provide unique solutions for many platform types including Mobile Offshore Drilling Units (MODU), Wind Turbine Installation Vessels and Liftboats, Mobile Offshore Production Units (MOPU) including FPSO, FSO, FLNG, as well as other offshore installations and floating structures.

These solutions range from:

- Concept Design
- FEED and Pre-FEED solution
- Basic Design
- Upgrade and modification Engineering
- Advanced engineering solutions

Our combined teams of engineers include:

- Naval Architects
- Structural Engineers
- Piping and Mechanical Engineers
- Electrical and Instrumentation Engineers

TRANSPORTATION & INSTALLATION

Our multi-disciplined teams of Engineers, Surveyors and Master Mariners have many years of experience in the offshore industry. We specialise in complex marine operations and can provide valuable early planning and advice to optimise the solutions with regard to vessel and equipment selection, structural design and offshore procedures. Subsequent engineering comprises analysis and design associated with all temporary phases of a marine operation from loadout and transportation to installation or discharge of high value offshore assets.

Such calculations include:

- Vessel ballasting
- Global and local vessel strength
- Vessel motions and stability
- Grillage and seafastening design
- Dynamic lifting and rigging
- Hydrodynamic analysis
- Jacket launch and upending
- Dynamic analysis for floatover installations
- Geotechnical analysis etc.
- Production of appropriate documentation

Our service then extends to offshore operation supervision and support from our qualified and experienced Marine Superintendents and Project Engineers. We draw on the services of external companies where supplementary skills or input are required – for example metocean data for transportation assessment and planning. These services are tailored to suit our Clients' requirements and can be supplied as conceptual / feasibility studies, detailed engineering and operation, or verification.

MARINE WARRANTY

Our teams of Marine Warranty Engineers, Surveyors and Master Mariners act to protect the interests of Underwriters' or self-insured Clients. We provide independent third party review and approval of offshore projects. The teams have extensive experience in a wide range of offshore activities from simple marine operations to complex and challenging offshore projects.

Typical activities may include:

- Document reviews
- Location Approvals for MODUs
- Offshore rig move attendance onboard MODUs
- Loadout, transportation and installation of offshore platforms, topsides and sub-sea structures
- Floating construction activities, floatover, deck mating, FPSO mooring installation & TLP hook-up
- Pipelay operations
- Mooring analyses
- Ocean towages
- Barge transportations
- Unusual / oversized cargoes on ships
- Bridge and harbour construction activities
- Suitability surveys of offshore marine spreads

MARINE CONSULTANCY

We offer a wide range of marine capability to the oil & gas and maritime industries. Our mariners have many years of experience associated with drilling rigs and offshore vessels. We aim to assist our clients in finding practical solutions to their marine operations and projects and / or protect their interests when sub-contracting or making asset investments.

We can offer:

- Provision of Towmasters and Rig movers
- Provision of Marine Advisors
- Dry transportation consultancy and operations
- Vessel inspections
- Rules & Regulations compliance
- Inclining experiments
- Pilotage operations
- Rig move procedures
- Suitability surveys
- Pre-charter audits / surveys
- Pre-purchase surveys
- Bollard pull certifications
- Drafting and review of offshore project related procedures
- Mooring plans
- Anchor handling procedures
- Witnessing equipment trials and tests
- Towing plans and procedures
- Common Marine Inspection Document & Offshore Vessel Inspection Database Surveys

RIG MOVING

We offer a full range of rig moving support services; our teams being fully experienced with both jack-up and floating units. We also offer full engineering assessments for site specific location approvals and provide both Marine Warranty Surveyors and Rig Movers / Towmasters for offshore attendance during rig moves.

The following services are provided:

- Marine Consultancy
- Jack-up engineering related studies including Site Specific Assessments, fatigue analysis, collision studies, earthquake assessments, wet/dry transit
- Pre-contract rig suitability engineering analyses
- Leg penetration analyses
- Site Specific Location Approvals
- Mooring analyses

- Dry transportation approvals and consultancy
- Towage approvals
- Towmaster services
- Turnkey marine operations
- General rig moving consultancy

DYNAMIC POSITIONING

We provide an experienced multidisciplinary team of engineering and operational resources to support the Dynamic Positioning (DP) industry. Our aim is to assist our Clients to operate and validate according to their units' specific industrial mission. Whether identifying the critical activity mode or verifying the worst case failure mode through FME(C)A, Aqualis Offshore aims to provide Clients with independent technical reviews to enhance safe operations. Through experience with our DP FME(C)A work, we can also provide analyses of cranes, bilge and ballast systems, pipelay systems, and many more complex systems.

DP Services Include:

- FME(C)A
- DP FMEA Proving & Annual Trials
- DP Design Review / Redundancy Analysis
- DP Suitability / Condition Surveys
- DP Gap Analysis
- Development of WSOG & ASOG
- DP Incident Investigation
- DP Manuals & Procedures
- DP Operator Competence Assessment & Verification
- DP Project Management & Sea Trials Management
- Planning for DP Conversions

TECHNICAL DUE DILIGENCE

With our assistance, owners and financial institutions can obtain an objective expert view on the actual project performance or asset value, as an important input to the decision making process related to loans, consolidation or acquisitions. With a combination of engineers responsible for engineering from the first concepts to sail away, including yard contract negotiations, the operational phase, yard stays for repairs, upgrades, modifications and special periodic surveys; and mariners that have been in charge of vessels, rig moves, and major marine operations including vessel inspection/survey, Aqualis Offshore is well placed to perform solid, independent technical due diligence.

- Assessment of vessel requirement vs. capabilities
- Design review, professional peer review
- Assessment of owner, project management team and project plans/schedule
- CAPEX/OPEX budget evaluation
- Identify delay risks and other project risks
- Pre- and post- contract reviews
- Yard evaluation and inspection
- Verification of project progress / payment milestone audits
- Suitability survey, condition survey, assessment of vessel function
- Lifetime assessments

The above services are performed for the following vessels:

- Drilling units: Semi submersibles, jack-ups, drillships and tender barges
- Production units: Ship-shaped, semi submersibles and jack-ups
- Accommodation units: Semi submersibles, jack-ups and tender barges
- Offshore service vessels: Anchor handlers, supply vessels, cable layers, crane vessels, liftboats, tugs, etc.
- Other vessels: Shuttle tankers, oil tankers, floating storage units, wind turbine installation vessels, barges, cargo vessels

STACKING OF OFFSHORE UNITS

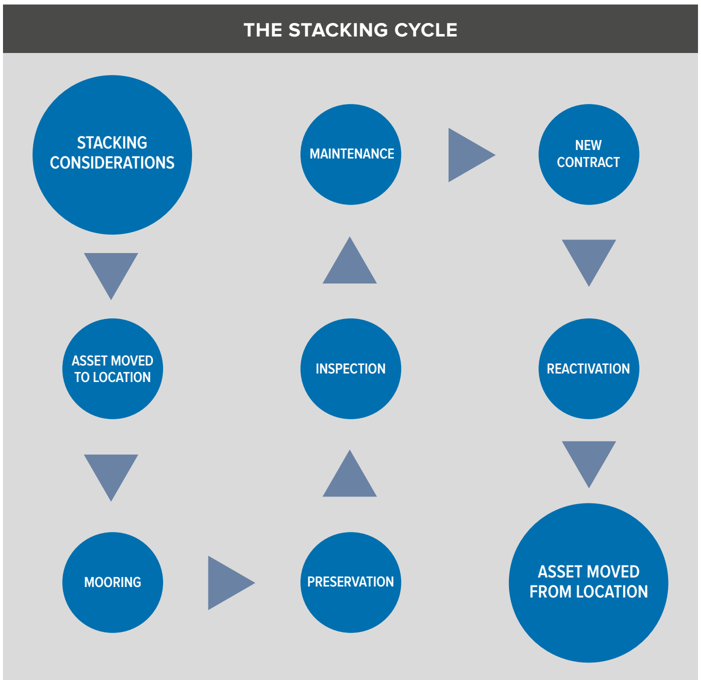
Stacking of offshore units have been an increasing service area for Aqualis Offshore. With a combination of engineers and mariners, we have inspected, verified and been advisors to the stakeholders of units to ensure their interests and values are properly protected during the stacking period, and to ensure each unit is preserved to reduce the reactivation cost.

Stacking considerations:

- Hot stacking
- Warm stacking
- Cold stacking
- Long-term cold stacking
- Insurance/Class
- Running costs
- Lay up plan
- Assessment of risk factors and mitigating measures

Mitigation of risks associated with:

- Environmental pollution
- Transportation
- Mooring
- Fire
- Insurance/class
- Corrosion/Degradation
- Equipment loss/theft
- Water intrusion
- Operational costs



RISK CONSULTING

The Risk Consulting business line strengthens Aqualis Offshore's marine and engineering services with methodological and systematic approach to risk management. Our engineering risk management experiences include marine operations and drilling and productions facilities. Within marine operations we have performed numerous risk management activities within load out, transport, anchor handling, rig move, heavy lifting, subsea and SURF installation, dynamic position (DP), hook-up, diving and ROV operations, personnel transport, vessel layup and decommissioning.

We provide the best practices for identifying and managing risks and hazards to personal safety, assets, environment and reputation both in engineering and in operations. We can lead, facilitate or contribute to risk management activities such as:

- Hazard identification analysis (HAZID)
- Hazard and operability analysis (HAZOP)
- Quantitative risk analysis (QRA)
- 3-dimensional Fire Consequence Modelling using FLACS
- Safety Case development for regulatory regimes around the world
- Risk assessments
- Failure Mode, Effect and Criticality Analysis (FMECA)
- Carry out inspections
- Provide people who can work within a Client's team to manage risk within a project

CONSTRUCTION SUPERVISION

Aqualis Offshore provides teams to work with the Client throughout the construction or conversion of an offshore asset. The project team monitors the project to ensure that it is carried out in accordance with the contract, the specifications, Clients' expectations, flag and Class requirements. The project team consists of key personnel with the necessary skills to ensure that the construction meets the build schedule. Aqualis Offshore provides a group of engineers and inspectors of various disciplines to be utilised at different stages of the project. In addition, dedicated planning and document control functions are provided throughout the duration of the construction phase. Key project control activities include, inter alia:

- Development and implementation of project procedures
- Review of machinery and equipment purchase orders and specifications
- Development and implementation of project execution plans
- Monitoring of work progress and testing activity
- Monitoring of quality control of each activity throughout the construction
- Attendance at formal safety meetings
- Attendance at Factory Acceptance testing (FAT)
- Audits of subcontractor's facilities
- Attendance during sea trials and inclining experiments
- Reporting to the Client on a weekly and monthly basis
- Tracking of site queries, observing safety policy, monitoring quality control measures
- Maintaining electrical & mechanical completion and commissioning records and database

PORTS AND HARBOURS SERVICES

Project Management, Advisory- and Engineering services for planning, design and installation or modification of infrastructure:

- Fender and foundation systems
- Linkspan, loading ramps and passenger gangway systems
- Terminal buildings and key logistics (incl. facilities for Check-in and Customs)
- Erosion protection

Project management, engineering services, design and site management for maintenance projects:

- Large and small modification work

Risk consulting services for:

- Environmental risk analysis and assessments
- Safety case studies
- Container-handling risk analysis

Planning, project management and engineering services for special operations:

- Special lifts and load outs
- Special transports (heavy / oversized)

OFFSHORE RENEWABLES

Aqualis ASA offers services in the offshore renewables sector through Offshore Wind Consultants and Aqualis Offshore.

Offshore Wind Consultants Limited ('OWC') is a leading provider of consultancy services to the offshore renewables industry. The core team within OWC has unrivalled expertise and experience in the industry, which dates back to the first offshore wind farm development project in the UK. The key members of the team have been involved in most of the major offshore wind projects that have been developed in the UK and the rest of Europe to date, and also have established reputations in both North America and the Far East.

In combination with the Group's other services, Offshore Wind Consultants is able to deliver enhanced services to their clients by sharing knowledge, expertise, and resources, particularly where engineering and offshore attendances are required.

KEY SERVICES

Offshore Wind Consultants and Aqualis Offshore specialises in providing services to offshore wind farm developers and investors for offshore wind projects. The personnel in Offshore Wind Consultants Limited has a deep industry knowledge and unrivalled practical experience which can be applied to projects through their full life cycle. We align our services with our clients' business goals and strategies which enables us to deliver practical and innovative solutions, which ultimately yields tangible results for our clients. Offshore Wind Consultants and Aqualis Offshore provide the following services within the offshore renewables sector:

- Consultancy services
- Project management and support services
- Due diligence
- Engineering services
- Expert witness

CONSULTANCY SERVICES

Offshore Wind Consultants has experience in providing consultancy advice through the project life cycle of an offshore wind farm project. The company assists with developing contracting strategies for projects and with selecting and assessing the most advantageous offshore sites from both a technical and commercial perspective. The company can provide the following consultancy services:

Developing strategies for projects and site selection:

- CAPEX and OPEX estimates
- Procurement strategies
- Design and construction methodologies
- Installation and commissioning
- Development of financial models
- Risk mitigation
- Development of interface registers

The team's experience also enables it to provide direct advice and support through the final installation and commissioning stage of the project. This is achieved with a thorough understanding of all logistical issues, combined with access to extensive databases of information on vessels, barges and equipment. This insight covers both the installation of foundations and turbines as well as the critical subsea cable installation works. The company also has direct experience of decommissioning work, which will be an important feature for consideration in the future for offshore wind farm development projects.

PROJECT MANAGEMENT SUPPORT SERVICES

Offshore Wind Consultants offers project management services through all stages of an offshore wind farm project, from early stages planning through design and engineering to construction and installation. The company's reputation is based on early involvement in projects from the planning, design and engineering stages and then seeing our role expand to a project management service provider through the construction and installation phases.

The team can either undertake a leading role and manage a project directly on behalf of a developer, or more commonly, work as part of an integrated team with a client, managing specific work packages and providing support and advice to all other areas of the project. OWC have recently taken on a number of new assignments in this field both in the UK and Germany.

DUE DILIGENCE

As Offshore Wind Consultants has extensive knowledge and experience of the entire project life cycle of offshore wind farm projects, the company is positioned to provide due diligence services to potential investors into projects as well as investors who may be looking to take a holding in organisations within the supply chain of the industry.

The company uses its extensive databases of project and company information which provides a vital reference for this type of work. It also has its own capital cost evaluation models for projects which can reliably predict the estimated capital expenditure of all the phases of an offshore wind farm project. Offshore Wind Consultants can provide these services to either partners wishing to take equity in a project or on behalf of banks and lenders who are providing a debt facility for the project development.

ENGINEERING SERVICES

Offshore Wind Consultants can provide engineering services for the following tasks connected to offshore wind farm developments:

- Site evaluation
- Geotechnical and geophysical site investigations and evaluations
- Foundation structures
- Health and safety management
- Marine operations
- Offshore installation
- Special assessments
- Subsea cable installation and protection

EXPERT WITNESS

Offshore Wind Consultants can leverage on its knowledge of the offshore wind farm industry to act as an expert witness in assignments where the company has no conflicts of interest. Expert witness services are typically provided for wind farm commercial evaluations and also in cases of failure or damage of subsea cable systems. Any expert witness assignment will only be undertaken where there is a clearly established 'no conflict of interest.

OWC is now over 5 years old and the company continues to grow and expand with an enhanced business reputation within the industry. In 2016 the company also received ISO 9001 accreditation.

SOLAR

Aqualis ASA offers services for the solar industry through ADLER Solar.

In October 2015, Aqualis acquired a 49.9 percent stake in the Germany-based company ADLER Solar GmbH Services, a leading independent full-service provider for the photovoltaic (PV) industry. The company based in Bremen with about 90 employees has a high expertise and broad experience in the services for the PV sector, which dates back to 2008. Right from the beginning ADLER Solar has been devoting itself to the needs and challenges of its clients to develop customized solutions and provide appropriate services. In this way, the PV experts are able to offer a broad range of industry services and solutions to ensure the high performance and smooth operation over the entire lifetime of PV plants and components.

In March 2015, ADLER Solar founded the pvXchange Trading GmbH with offices in Bremen und Berlin, continuing the business of the established brand pvXchange, one of the worldwide biggest online trading platforms for solar modules, inverters and further components. With more than 10.000 registered business clients pvXchange is one of the worldwide biggest online trading platforms for solar modules, inverters and further components. Due to the collaboration with pvXchange, ADLER Solar is able to enhance its services by offering replacement and/ or substitute PV products from its own stock.

The merger of ADLER Solar and BEC Solar, a PV company focusing on planning, precision measurements, technical due diligence and quality assurance, took place in April 2015.

In July 2015, ADLER Solar and its Japanese partner company Yokohama Kankyo Design Co., Ltd (YKD) founded the Yokohama-based Joint Venture ADLER Solar Works, which since then has been operating as the first full-service provider for the PV industry in Japan. The team in Yokohama consists of 10 employees.

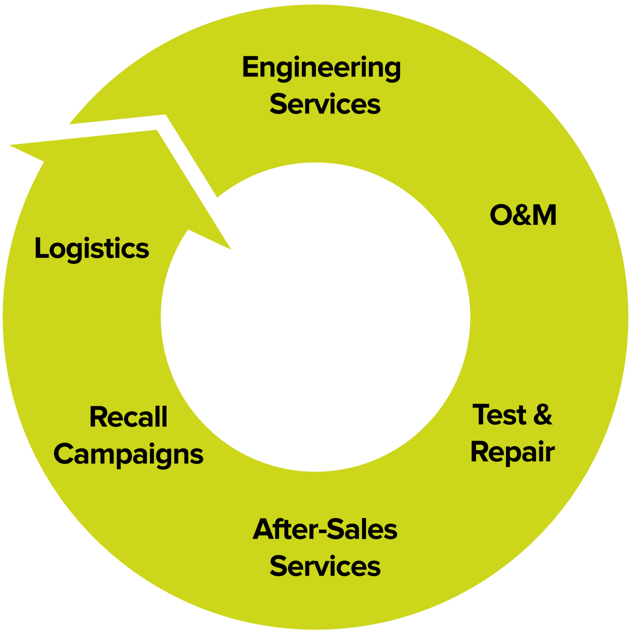
KEY SERVICES

The personnel of ADLER Solar has a profound knowledge and many years of practical experience which can be applied to projects and single measures through the entire lifespan of PV installations. ADLER Solar operates for the various stakeholders involved in the PV sector, above all:

- Manufacturers
- Owners
- Insurance companies
- EPC companies / installers
- Utilities
- Plant managers/ operators
- Wholesalers
- Engineering offices
- PV experts
- Banks and funds

ADLER Solar has been able to develop various new products the past years to provide its clients with even more services ensuring the high performance and quality of PV plants and components. ADLER Solar offers the following main services:

- Recall Campaigns
  - Replacement of modules
  - Refitting
  - Repair
  - Product recalls
  - PV modules, components, storage
- Engineering Services
  - Planning and technical consultation
  - Construction supervising and monitoring
  - Measurements for Commissioning
  - Plant optimization
  - Expert reports
  - Technical Due Diligence
- O&M support
  - Maintenance and inspection (according to valid standards)
  - PV E-Check
  - Spare parts/ components
  - Fault clearance
- After-Sales Services
  - Customer support
  - Warranty management
  - Guarantee checks
  - Claim management
- Test & Repair
  - Visual inspection, testing, measurements, repair
  - Offsite services in Bremen(Test Center)
  - Onsite services via Mobile PV Test Center (MBJ)
- Logistics
  - Transportation
  - Warehousing
  - Spare parts management
  - Recycling and disposal



MEMBERS OF THE BOARD

GLEN RØDLAND | CHAIRMAN

Glen Rødland is a senior partner at HitecVision. Before joining HitecVision, he was for 10 years a partner and co-investor of Direct Active Investments in Ferncliff TIH AS. Mr. Rødland has worked for 15 years with portfolio management and investment banking for DNB (Vital) and Swedbank (formerly First Securities and Elcon Securities). In addition, Mr Rødland has also worked as a market and investment analyst at JEBSENS, as a management consultant in PWC, and as a research assistant at the Norwegian school of economics and business administration (NHH). He has MBA and Post Graduate studies in Finance from NHH and UCLA. Mr Rødland is a Norwegian citizen and resides in Bærum, Norway

YVONNE L. SANDVOLD | BOARD MEMBER

Yvonne L. Sandvold is the Chief Operating Officer of Frognerbygg AS, and has extensive experience from the Norwegian real estate industry. Ms Sandvold currently serves on the board of several private and public companies. She holds a cand. psychol. degree from the University of Oslo. Ms Sandvold is a Norwegian citizen and resides in Oslo, Norway.

REUBEN SEGAL | BOARD MEMBER

Reuben Segal is the Chief Operating Officer of Aqualis and has almost 20 years' experience in the offshore and shipping sectors covering both engineering design and ship surveying. Mr Segal is a naval architect, and has extensive recent global business development experience with focus on design and construction of offshore oil and gas assets, including MODU and MOPU units from FEED through to yard delivery. He holds a master degree in Engineering from the University of Newcastle. Mr Segal is a British citizen and resides in Dubai, UAE.

SYNNE SYRRIST | BOARD MEMBER

Synne Syrrist is an independent business consultant, and has extensive experience as a non-executive director of both private and public companies. Ms Syrrist was previously a partner and financial analyst at First Securities. She currently serves on the board of several public companies, including Awilco LNG ASA, Awilco Drilling Ltd and Eidesvik Offshore ASA. She holds an MSc from the Norwegian University of Science and Technology, and qualified as an authorised financial analyst at the Norwegian School of Economics and Business Administration. Ms Syrrist is a Norwegian citizen and resides in Oslo, Norway.

EXECUTIVE MANAGEMENT

DAVID WELLS | CHIEF EXECUTIVE OFFICER

David Wells, a Master Mariner, was a founding member of Aqualis. Mr. Wells has more than 30 years' experience in the offshore consultancy sector with particular focus on offshore operations, MWS and marine consultancy. He is a specialist on jack up rig move operations, location approvals and all aspects of rig moving. Prior to joining Aqualis, Mr. Wells was a specialist consultant to the offshore market, and previously held senior Global and Regional MD roles for a major leading global oil & gas consultancy. His focus during the latter was on Middle East and Africa and Indian sub-continental regions where he managed seven offices and a multi-cultural staff of some 200 employees. Mr. Wells resides in London, UK.

REUBEN SEGAL | CHIEF OPERATING OFFICER

Reuben Segal is the Chief Operating Officer of Aqualis and has almost 20 years' experience in the offshore and shipping sectors covering both engineering design and ship surveying. Mr Segal is a naval architect, and has extensive recent global business development experience with focus on design and construction of offshore oil and gas assets, including MODU and MOPU units from FEED through to yard delivery. He holds a master degree in Engineering from the University of Newcastle. Mr Segal is a British citizen and resides in Dubai, UAE.

KIM BOMAN | CHIEF FINANCIAL OFFICER

Kim Boman has almost 20 years professional experience from corporate finance, accounting/auditing, strategy consulting and investor relations. Particular industrial experience within the offshore, shipping and renewable energy industry. Mr. Boman holds a Master's degree in Business and Economics from the Norwegian School of Management and a MSc in Finance from the London Business School. Mr. Boman resides in Oslo, Norway.

SENIOR MANAGEMENT

DR. BADER DIAB | DIRECTOR OF ENGINEERING AND NORTH AMERICA
Dr. Bader Diab is a structural and global performance engineer. He has 25 years offshore engineering global experience covering both shallow and deep water sectors with extensive structural design experience of MODUs, mooring systems, motions, installation engineering and familiarity with shipyards. Dr. Bader Diab holds a PhD and is based in Houston, USA.

PHIL LENOX | DIRECTOR OF ASIA PACIFIC
Phil Lenox is a structural engineer and has over 40 years of onshore/offshore experience with both contractors and consultancies including conceptual design, detailed structural analysis and design through to construction and installation. He specialises in transportation and installation projects including use of HLVs, topside floatovers and has extensive MWS experience. Mr. Lenox is based in Singapore.

BEN LAZENBY | DIRECTOR OF MIDDLE EAST
Ben Lazenby is a master mariner with 25 years' experience in the maritime offshore industry. His specialist areas of competence are marine operations, rig moving and marine warranty. He has conducted more than 300 rig moves as Tow Master or Marine Warranty Surveyor. Mr. Lazenby is based out of Aqualis Offshore's regional headquarters in Dubai, UAE and oversees the operations of the company's other offices in the region: Abu Dhabi, UAE; Manama, Bahrain; Doha, Qatar; and Dammam, Kingdom of Saudi Arabia.

DR. ANDREW THEOPHANATOS | DIRECTOR OF SOUTH AMERICAS
Dr. Andrew Theophanatos is a naval architect with over 30 years of experience in offshore engineering and project management around the world and latterly in Brazil. He specialises in offshore engineering projects in both consultancy and MWS capacities for services related to all recent deepwater field development projects. Dr. Andrew Theophanatos holds a PhD and is based in Rio de Janeiro, Brazil.

BJØRN HÅVARD BRÆNDEN | DIRECTOR OF EUROPE
Bjørn Håvard Brænden has a M.Sc. in Naval Architecture and Marine Engineering with more than 20 years of experience in engineering and offshore sectors. He has specialised in design and worked as project manager for projects involving ships, semi submersibles, offshore service vessels, tankers and conversions to FSU/FPSO including offshore construction and marine installation. The last 10 years, he has been heavily involved in business development and played a key role in building up several companies. Mr. Brænden is based in Sandefjord, Norway.

IAN BONNON I MANAGING DIRECTOR OF OFFSHORE WIND CONSULTANTS
Ian Bonnon has over 30 years of experience in the offshore wind, oil & gas, marine & subsea cable industries. He is a specialist in provision of consultancy services to offshore wind farm developers and investors for a full life cycle of projects. He is a Chartered Civil Engineer who continues to have direct involvement on project work whilst combining this role with senior management. Mr. Bonnon is based in London, UK.

RODGER DICKSON I GROUP MARINE DIRECTOR
Rodger Dickson has over 30 years experience in the marine and offshore sectors with particular focus on offshore operations, project Marine Warranty Services and marine consultancy. Mr Dickson is a specialist on jack-up operations, location approvals and all aspects of rig moving. He has a proven track record of technical and management experience. Mr. Dickson is based in Dubai.

STUART MILL I GROUP COMMERCIAL DIRECTOR
Stuart Mill is a fellow of The Royal Institution of Naval Architects (FRINA) with over 30 years' experience in ship-repair, shipbuilding, FPSO conversion and marine related oil and gas sectors. He has core expertise within project control, cost engineering, contracts and commercial management in large offshore construction projects. Mr. Mill has experience from technical, commercial and managerial positions at major shipyards worldwide, working on all types of floating structures and vessels. Mr. Mill is based in Dubai, UAE.

AMISH SANGHAVI I GROUP CONTROLLER
Amish Sanghavi is qualified finance professional with over 18 years of experience in the area of financial control, statutory audit and reporting, financial planning and budgeting, management and business performance reporting and transaction processing. Mr. Sanghavi is a fellow member of the Institute of Chartered Accountants of India and has passed all three levels of the CFA program. Mr. Sanghavi is based in Dubai, UAE.

SANTOSH GEORGE I GROUP QHSE MANAGER
Santosh George is a specialist QHSE consultant and auditor with extensive risk analysis experience covering shipyards and offshore assets together with implementation of Group Management systems and ISO accreditations. Mr. George is based in Dubai, UAE.

CORPORATE GOVERNANCE

Corporate Governance regulates the relationship between the Group's management, its Board of Directors and the shareholders of the Company. Aqualis believes that good corporate governance is an important component of sustainable business conduct and long-term value creation.

1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE

In accordance with the Norwegian Code of Practice for Corporate Governance (NCPCG), the Board of Directors of Aqualis ASA has prepared a Corporate Governance policy document. Aqualis aspires to follow the NCPCG as closely as possible. Through its board and management, the Company conducts a review and evaluation of its principles for corporate governance on an annual basis.

The Company's compliance with the Code is detailed in this report and section numbers refer to the Code's articles. Aqualis' Corporate Governance guidelines are published in full at the Company's website. Adherence to the code is based on the 'comply or explain' principle, which means that a company must comply with the recommendations of the code or explain why it has chosen an alternative approach to specific recommendations.

Aqualis is complying with the NCPCG with the exception of the following:

- Reuben Segal, the Chief Operating Officer in Aqualis ASA and is also a member of the Board of Directors. The background for this is that Mr. Segal is a significant shareholder in the Company, and also represents the interest of other employees who hold shares in the Company.

2. BUSINESS

Aqualis is a Norwegian public company which has positioned itself as a global energy-consulting group covering the primary energy sectors: oil & gas and renewables (offshore wind and solar) – a key differential to any of its major competitors. The Group's strategy is to offer its specialist marine and engineering consultancy services through a growing network of global offices. The Group has established a presence in all major offshore energy centres.

The scope of Aqualis' business is defined in its Articles of Association, published on the Company's website. The Company's objectives and strategies are presented in the Directors' report.

3. EQUITY AND DIVIDENDS

Equity

The Company's consolidated equity at 31 December 2016 was USD 33.1 million, representing an equity ratio of 87.3%. The Board aims to maintain an equity ratio that remains satisfactory in light of the Company's goals, strategy and risk profile.

Shares and share capital

At the end of 2016 Aqualis had 42 293 239 ordinary shares outstanding with a par value of NOK 0.10 per share (see note 25 to the Financial Statements). The Company has one share class, and each share carries one vote. At 31 December 2016, the Company had 1,898 shareholders, and foreign registered shareholders held 29.3% of the shares of the Company.

Increases in share capital

The Board will only propose increases in the share capital when this is beneficial over the long term for the shareholders of the Company.

The Board was given authority by the shareholders at the Annual General Meeting held on 20 May 2016 to increase the share capital with up to NOK 2,144,661.0 through one or more share issues. This authorisation expires on the date of the 2017 annual general meeting, however no later than 20 August 2017. Under the authorization the Company may issue shares for the purposes of investments / M&A or general corporate purposes. Up to five percent of the issued shares of the Company prior to the issue of any new shares, can be issued in connection with the share purchase programs for the company's employees during the calendar year.

Aqualis has approval to purchase its own shares, limited to 10% of the total shares outstanding. If Aqualis disposes or cancels own shares, this amount shall be increased by an amount equal to the face value of the shares disposed of or cancelled. This authorisation is valid until the Annual General Meeting, but shall in any event expire at the latest on 20 August 2017.

Dividend policy

It is the Company's objective to generate returns to the shareholders in the form of dividends and share appreciation, which is at least on the same level as other investment possibilities with comparable risk. This should be achieved, first and foremost, through strong and profitable growth within the Company's business areas. Future dividends will depend on the group's financial strength, cash flow, investment needs and growth opportunities.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has only one class of shares and there are no voting restrictions. Any potential purchase of own shares shall be carried out via a stock exchange at market prices.

Where the Board resolves to carry out an increase in share capital on the basis of an authority given to the Board, and waive the pre-emption rights of existing shareholders, the justification will be publicly disclosed in connection with the increase in share capital.

Transactions with related parties shall be at arm's length and at fair value which, in the absence of any other pertinent factors, shall be at market value. All material transactions with related parties shall be valued by an independent third party, unless assessed and resolved upon by the General Meeting. Transactions with related parties are described in note 21 to the Financial Statements.

5. FREELY NEGOTIABLE SHARES

There are no limitations on trading of shares and voting rights in the Company and each share gives the right to one vote at the Company's General Meeting.

6. GENERAL MEETING

Annual General Meeting

The General Meeting is the Company's supreme body and elects the members of the Board.

The call for the General Meeting

The Company observes the minimum notice period set out in the Norwegian Public Limited Companies Act, i.e. providing 21 days' notice. The call for the General Meeting is issued in writing via mail, or electronically through VPS, to all shareholders with registered addresses. Transmitted with the summons are documents, which have sufficient detail for the shareholders to take a position on all the cases to be considered. However, documents relating to matters which shall be considered at a general meeting need not be sent to the shareholders if the documents have been made available to the shareholders on the Company's website. The summons also addresses the shareholder's right to propose resolutions to the matters to be resolved upon at the General Meeting, and gives information regarding the required steps necessary to exercise the shareholder's rights. The summons and the said documents are made available on the Company's website at least 21 days prior to the relevant General Meeting.

Voting at the General Meeting

Any shareholder is entitled to vote at the General Meeting, and to cast a vote, a shareholder must attend or give a proxy to someone who is attending. The proxy form will be distributed with the summons to the General Meeting. A proxy will only be accepted if submitted by mail, fax, or e-mail (provided the proxy is a scanned document with signature), or registered directly through VPS. It is not possible to vote via the Internet or in any other way. For shareholders who cannot attend the General Meeting, the Board will nominate the Chairman and/or the CEO to vote on behalf of shareholders as their proxy. To the extent possible, the Company uses a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

The attendance at the General Meeting

The Board and the management of the Company seek to facilitate the largest possible attendance at the General Meeting. The Chairman of the Board and the Company's auditor will always attend the General Meeting. Other members of the Board and the election committee will also attend whenever practical.

Chairman of the meeting and minutes

The Chairman of the Board, or another person nominated by the Board, will declare the General Meeting open. Considering the Company's organisation and shareholder structure the Company considers it unnecessary to appoint an independent chairman for the General Meeting, and this task will for practical purposes normally be performed by the Chairman of the Board.

7. ELECTION COMMITTEE

The Election Committee is elected by the General Meeting. In addition, the Chairman of the Election Committee is also appointed by the General Meeting. The members of the Election Committee should be selected to ensure there is a broad representation of shareholders' interests.

The Election Committee's task is to propose candidates for election to the Board of Directors and to suggest remuneration for the Board. The recommendations shall be justified. The Election Committee currently consists of two members, who shall be shareholders or representatives of the shareholders, and no more than one member of the Election Committee shall be a member of the Board. Further information on the duties of the Election Committee can be found in the Instructions to the Election Committee, which has been approved by the General Meeting and made available on the Company's website.

Aqualis is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Election Committee have direct or indirect interests. The Election Committee's composition is designed to maintain its independence from the Company's administration.

The Election Committee currently consists of the following members:

- Martin Nes, Chairman (up for election in 2018)
- Bjørn Håvard Brænden (up for election in 2018)

Further information on the membership is available on the Company's webpage.

8. THE BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

The Chairman and the other members of the Board are elected for a period of two years at a time and currently comprises four members. All members of the Board may be re-elected for a period of up to two years at a time.

The Chairman of the Board, Glen Rødland, owns 17,4% of shares in Aqualis, through Gross Management AS which is owned 100% by Mr Rødland. Reuben Segal is both a member of the Company's Board of Directors and a member of the Company's executive management team as Chief Operating Officer.

In electing members to the Board, it is emphasised that the Board has the required competence to independently evaluate the cases presented by the Executive Management as well as the Company's operations. It is considered important that the Board functions well as a body of colleagues.

The female representation among Board members is 50%.

The current composition of the Board, including Board members' shareholding in Aqualis per the date of this annual report is detailed below.

9. THE WORK OF THE BOARD

The Board's work follows an annual plan and it conducts an annual self-evaluation of its performance and expertise, which is made available to the Election Committee. The annual plan is devised after each Annual General Meeting, and includes the number of meetings to be held and specific tasks to be handled at the meetings. Typical tasks that are handled by the Board during the year include an annual strategic review, review and approval of the following year's budget, evaluation of management and competence required, and continuous financial and risk reviews based on budget or prognosis. The Board has held 5 board meetings and regular monthly board calls during the period between 1 January 2016 and 31 December 2016 which were well attended by Board members.

Name	Position in the Board	Member since (year)	Up for election (year)	Committee membership	Shareholding in Aqualis*
Glen Rødland	Chairman	2014	2018	Audit Remuneration	7,367,996 [1]
Yvonne L. Sandvold	Member	2013	2017	Audit Remuneration	-
Reuben Segal	Member	2014	2018	Remuneration	1,263,869 [2]
Synne Syrrist	Member	2013	2017	Audit	-

* At the date of the Annual Report

1. The shares are held through Gross Management AS, owned 100% by Mr. Rødland
2. The shares are held through AmAn Marine Limited

Audit Committee

In accordance with the Company's Articles of Association, the Company has elected to have the full Board constitute the Audit Committee. The Board is of the opinion that this will be in the best interest of the Company in an initial stage as it will allow the Company to utilise the competence of all the board members in the committee work. Reuben Segal, a member of the executive management team, will disqualify himself from participating in the audit committee.

Remuneration Committee

The remuneration committee, appointed by the Board, makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO, and other members of the Executive Management, as well as the details of the employee share scheme. These proposals are also relevant for other management entitled to variable salary payments. Currently, the Company's full Board constitutes the remuneration committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the Executive Management shall at all times see to it that the Company has adequate systems and internal control routines to handle any risks relevant to the Company and its business, including that the Company's ethical guidelines, corporate values and guidelines for corporate social responsibility are maintained and safeguarded.

The Board carries out an annual detailed review of the Company's most important areas of exposure to risk and its internal control systems. The risk areas, changes in risk levels and how the risk is being managed, are on the agenda at each regular Board meeting.

Aqualis, through its subsidiaries Aqualis Offshore and Offshore Wind Consultants, provides marine and engineering services to the offshore sector. These services are provided in compliance with relevant international and local laws and regulations governing this industry. The Company has adopted a Corporate Code of Conduct and a QHSE system governing daily business practices.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of Board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the business. The remuneration needs to be sufficient to attract both Norwegian and foreign Board members with the right expertise and competence. The compensation shall be a fixed annual amount and shall be determined by the Annual General Meeting based on a proposal from the Election Committee.

For more information on remuneration of the Board see Note 21 to the Financial Statements.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board decides the salary and other compensation of the CEO, pursuant to relevant laws and regulations, having references to the main principles for the compensation policy of the Company as well as market norms and performance of the individual.

For more information on remuneration of the CEO and other members of Executive Management see note 21 to the Financial Statements and the statement regarding the determination of salary and other remuneration for Executive Management in note 22.

13. INFORMATION AND COMMUNICATION

Aqualis is strongly committed to maintaining an open dialogue with its shareholders, potential investors, analysts, investment banks and the financial markets in general. Our goal is for the share price to reflect the underlying value of the Company by providing all price-relevant information to the market on a timely basis.

The Board of Directors and the Executive Management of the Company assign considerable importance to giving the shareholders and the financial market in general timely, relevant and current information about the Company and its activities, while maintaining sound commercial judgement in respect of any information, which, if revealed to competitors, could adversely influence the value of the Company.

The CEO and CFO are responsible for the Company's investor relations activities and all communication with the capital markets, and all information is provided in accordance with the laws and regulations imposed by the Norwegian Securities Trading Act and the Oslo Stock Exchange.

Regular information is published in the form of Annual Reports and interim reports and presentations. Aqualis distributes all information relevant to the share price to the Oslo Stock Exchange in accordance with applicable regulations. Such information is distributed without delay and simultaneously to the capital market, the media and on the Company website.

The Company publishes all information concerning the Annual General Meeting, quarterly reports and presentations and other presentations on the Company website, as soon as they are made publicly available.

The Executive Management holds regular meetings with shareholders and other investors, and presents at domestic and international investor conferences.

14. TAKE-OVERS

The Board shall not without specific reasons attempt to hinder or exacerbate any attempt to submit a takeover bid for the Company's activities or shares, hereunder make use of any proxy for the issue of new shares in the Company. In situations of takeover or restructuring, it is the Board's particular responsibility to ascertain that all shareholders' values and interests are protected. If a take-over offer is made, the Board will issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board will arrange a valuation from an independent expert that shall be made public no later than the disclosure of the Board's recommendation.

15. AUDITOR

Ernst & Young AS was appointed as the Company's auditors on 2 June 2014. The Auditor participates in meetings of the Audit Committee and in the Board meeting that approves the annual financial statements, and otherwise when required. The Auditor meets with the Board, without the Company's Executive Management being present, at least once a year.

The Auditor each year presents a plan for the implementation of the audit work, and following the annual statutory audit presents a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

Remuneration to the Auditor is disclosed in note 7 to the Financial Statements.

The full Corporate Governance Policy is published on Aqualis' home page: **www.aqualis.no.**

BOARD OF DIRECTORS' REPORT

Key figures and events in 2016

- Revenues of USD 27.6 million in 2016 vs USD 41.0 million in 2015
- Operating loss (EBIT loss) of USD 4.1 million in 2016 vs loss of USD 2.9 million in 2015
- Loss after taxes of USD 3.9 million in 2016 vs loss after taxes of USD 2.2 million in 2015
- Net cash out flow from operating activities of USD 4.1 million in 2016 vs outflow of USD 2.3 million in 2015
- Market position strengthened, but operations impacted by weak activity level in the oil & gas market
- Cost efficiency have taken effect throughout the year
- 151 employees at year-end 2016 with continued solid HSE performance

BACKGROUND

Aqualis Offshore Holding ASA (later renamed Aqualis ASA) was incorporated on 2 June 2014 as a wholly-owned subsidiary of Aqualis ASA (later renamed Weifa ASA), a publicly listed company on the Oslo Stock Exchange which operated in the offshore and marine industry as well as the pharmaceutical industry. Aqualis Offshore Holding ASA was listed on Oslo Stock Exchange on 13 August 2014. The company subsequently changed its name to Aqualis ASA (ticker 'AQUA'). Aqualis ASA and its subsidiaries are together 'Aqualis', 'Aqualis Group', 'Company' or the 'Group'.

STRATEGY AND OBJECTIVES

Aqualis focuses on the provision of high end consultancy to the offshore oil and gas and renewables (offshore wind and solar energy) markets. The Group's strategy is to offer its specialist marine and engineering consultancy services through a growing network of global offices. The Group has established a presence in most major shipping and marine and offshore energy centres.

This global presence allows the business to respond quickly when high-end marine or engineering consultancy is required. Although some of the offices have special focus on certain areas of operations, all service offerings are provided to the oil and gas market across all regions and to certain regions for renewables.

Due to the challenging market conditions in 2016 in the oil and gas industry, the Group has had to change its focus to adapt to the changed market conditions. The focus for 2016 has been to

- scale down the organisation to adjust capacities to lower market demand
- implement cost efficiency measures across all regions and functions
- target new markets less exposed to the oil & gas market
- increase the portfolio of clients and gain market share

OPERATIONS AND MARKETS

The Group slowed down the rapid expansion over the past years and only opened one new office in Kuala Lumpur, Malaysia during year 2016.

Oil & gas

Aqualis' offshore oil and gas activities are carried out by Aqualis Offshore. The demand for Aqualis' services is, estimated by management, down by about 40% from the peak in 2014. The activity level and demand visibility remains short term across the oil and gas market. Clients are under pressure to reduce both costs and headcount. Those with physical assets have many of their units stacked and off contract. Many projects have been delayed, cancelled or reduced in scope.

The activity level in the O&G market is weak and very competitive. The industry continues to be under pressure to be more efficient. The gradual increase in rigs / vessels being stacked and off-contract has been ongoing throughout the year. Until the oil companies resume new infrastructure investment, the oil service industry will have a reduced momentum.

Aqualis' regions have experienced weaker market conditions in 2016. The Middle East, Indian and Chinese markets have maintained relative high activity level and have become increasingly important regions for the Group. The market in the North Sea and Gulf of Mexico has been very weak. The Group have had to reduce staff numbers in most of its offices and the group's organisational structure has become leaner.

Most of Aqualis' service lines have experienced lower demand. Bidding levels on smaller jobs, particularly within marine, has nevertheless strengthened. The market for new large engineering and construction related opportunities is weak. Aqualis holds an increasing number of Master Service Agreements (MSAs) and call out contracts, for day-to-day operational requirements, with an increasing number of offshore clients. Aqualis focus has been to support its clients with their day-to-day offshore operations, since capex related opportunities remain weak.

Jack up rig moving operations still remains an important service line. Operations have remained strong particularly in the Middle East and India but has seen some weakening elsewhere in the world and most particularly within the NCS. The Group estimates that it is still associated with about 20% of the active global jack up fleet.

Aqualis' transportation and installation team still experiences some good market opportunities though these remain slow to manifest themselves into contracts. DP has grown weaker as has general engineering. New investment into construction of new build assets has weakened considerably with very limited opportunities coming to the market.

Renewables

Aqualis offers services in offshore renewables industry through Offshore Wind Consultants Ltd ('OWC') which has offices in London and Hamburg.

The offshore wind energy industry has improved its competitiveness towards other energy sources as the levelised cost of energy for offshore wind has fallen significantly throughout 2016. Global offshore wind investment was USD 30 billion in 2016, up 40% from 2015 according to industry analysts. Developers in Europe and China have taken advantage of bigger turbines and improved economics.

OWC has strengthened its market position and has continued to build and expand its client base. OWC has successfully secured work from the major developers in Northern Europe as well as in from clients in emerging markets, but the market has become increasingly competitive with new players entering the market with resultant rate pressure and low margins manifesting themselves.

Aqualis offers services for the solar industry through ADLER Solar Services GmbH ('Adler Solar'). ADLER Solar has a strong market position in Germany and is an independent full service provider for the solar industry. It offers engineering and maintenance services, test & repair, after sales services, recall campaigns and logistics. ADLER Solar and its Japanese partner company Yokohama Kankyo Design Co., Ltd has a joint venture ADLER Solar Works in Yokohama, Japan. ADLER Solar is owned 49.9% by Aqualis.

The demand for ADLER Solar's services has remained strong in 2016, but skewed towards smaller sized projects with higher competition and lower margins. ADLER Solar launched new services focusing on re-powering of solar plants at the beginning of the year.

The solar market has grown strongly over the past years penetrating into new geographical markets while the installed annual volumes have fallen in Germany. Germany is a mature market with 41 GW cumulative solar capacity at the end of 2016. The installed volume was 1.2 GW versus the federal government's target of 2.5 GW in 2016. The balance of system prices and solar module prices have fallen sharply in 2016. The sector is moving towards integrated solutions with PV, energy storage systems and technology, e-mobility and smart grids.

FINANCIAL REVIEW

Financial statements

The consolidated financial statements of Aqualis are prepared in accordance with International Financial Reporting Standards. A financial review of the Group is provided below.

Profit and loss

Total operating revenues decreased by 32.8% to USD 27.6 million compared to USD 41.0 million in 2015. The decrease is mainly attributable to the weakening of market conditions in the oil and gas sector – in particular in the North Sea and a reduced portfolio of long term construction monitoring contracts in the Far East

Total operating expenses decreased by 28.8% to USD 31.1 million compared to USD 43.7 million in 2015. The reduction in operating expenses were mainly due to the lower activity levels and the phase in of measures implemented to align the cost base with weaker market conditions. The operating expenses are impacted by a goodwill impairment of USD 0.6 million related to the operations in Norway and Singapore where market conditions have been challenging.

EBIT amounted to a loss of USD 4.1 million compared with a loss of USD 2.9 million in 2015. The result was mainly impacted by the weak market conditions in the oil & gas sector, allowance for doubtful accounts receivables, goodwill impairment and share of net loss from associates.

Share of net income from associates amounted to a loss of USD 0.5 million in 2016 and relates to the investment in ADLER Solar. ADLER Solar had weak results due to adverse market conditions and too high cost base. During 2016 ADLER Solar launched new services and a cost efficiency program to improve the profitability.

Net financial items amounted to USD 0.0 million in 2016 compared with a gain of USD 1.4 million in 2015.

Loss after taxes was USD 3.9 million in 2016 compared with a loss of USD 2.2 million in 2015.

Cash flow, liquidity and financial position
Net cash outflow from operating activities was USD 4.1 million in 2016. This was mainly due to the operating losses made during the year. Net cash outflow used in investing activities was USD 0.4 million in 2016 and was primarily related to the shareholder loan provided to ADLER Solar. Net cash outflow from financing activities were USD 0.4 million in 2016 and related to buy back of shares. At 31 December 2016, cash balance amounted to USD 9.9 million compared with USD 14.9 million at 31 December 2015

At 31 December 2016, total assets amounted to USD 37.9 million compared with USD 46.2 million as of 31 December 2015. The shareholders' equity was USD 33.1 million at 31 December 2016, corresponding to an equity ratio of 87%. The shareholders' equity was USD 37.7 million at 31 December 2015, corresponding to an equity ratio of 82%. Aqualis had no interest bearing debt as of 31 December 2016.

GOING CONCERN
Based on Aqualis' cash position at 31 December 2016, and the estimated net cash flow for 2017, Aqualis has the necessary funds to meet its contractual obligations for the next 12 months.

In accordance with the Norwegian accounting act § 3-3a, the Board of Directors confirm that the Financial Statements have been prepared under the assumption of going concern and that this assumption is valid.

AQUALIS ASA
Aqualis ASA prepares its financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. Aqualis ASA is an ultimate holding company for the Group's operations.

Aqualis ASA reported loss after taxes in 2016 of NOK 3.9 million compared with profit after taxes of NOK 13.3 million in 2015. The decrease is due to significant currency gain in 2015. Total assets as of 31 December 2016 were NOK 320.1 million compared with NOK 333.8 million in 2015. The company's cash balance at year-end 2016 was NOK 63.6 million vs NOK 87.5 million at year-end 2015. Net cash outflow used in investing activities was NOK 10.9 million in 2016 and was primarily related to loan given to group companies.

Aqualis ASA is exposed to credit risk related to loans to subsidiaries. The loans to subsidiaries do not have a specific due date.

The total shareholder's equity at 31 December 2016 was NOK 315.7 million with a corresponding equity ratio of 99%. The Board proposed that the loss for the year of NOK 3.9 million is allocated to retained earnings.

Aqualis ASA has its' headquarters in Asker, Norway and it had no permanent employee and 1 full time consultant at the end of 2016.

SUBSEQUENT EVENTS
There are no significant events after balance sheet date

RISK FACTORS
Risk exposure and risk management
Aqualis' regular business activities routinely encounter and address various types of risks some of which may cause our future results to be different than we presently anticipate. A disciplined approach to risk is important and the Group proactively manages such risks.

The Executive Management regularly analyses its operations and potential risk factors with a focus on the most significant risks facing the Group, including strategic, operational, financial and legal risks and takes measures to reduce risk exposure. Aqualis places a strong emphasis on Quality, Health & Safety Assurance and has management systems implemented, in line with the requirements for its business operations.

Operational risk

Aqualis' regular business activities routinely encounter and address various types of risks some of which may cause our future results to be different than we presently anticipate. A disciplined approach to risk is important and the Group proactively manages such risks.

Credit and interest rate risk

With no debt financing at 31 December 2016, the Group is not exposed to any interest rate risk. Credit risk is primarily related to trade receivables. In trade receivable, credit risk include geographic, industry and customer concentration and risks related to collection. Aqualis is tightly managing its receivables as the oil & gas industry is facing more challenging market conditions. Market and customer specific developments affect credit risk.

Liquidity risk

The group's policy is to maintain satisfactory liquidity at the corporate level. The Group has a strong cash position and no interesting-bearing debt at year-end. The Group's cash and cash equivalents of USD 9.9 million at 31 December 2016. Based on the year-end cash balance, available liquidity resources and the current structure and terms of the Group's liabilities, it is the Board's opinion that the Group has adequate funding and liquidity to support its operations and investment program.

Foreign currency risk

Aqualis operates internationally and is exposed to currency risk primarily to fluctuations in USD, NOK, SGD, GBP and AED, arising from commercial transactions and assets and liabilities in currencies other than the entity's functional currency, Aqualis' net investments in foreign subsidiaries and its foreign currency denominated cash deposits. During the year 2016, the Group had a net unrealized foreign exchange loss of USD 0.0 million.

Further details on financial risk can be found in note 23 to the Financial Statements.

CORPORATE GOVERNANCE

The statement of corporate governance is included as a separate document in the annual report. Corporate governance is important to ensure that our business is operated in a way that protects the long-term interest of all stakeholders. The Board of Directors has approved and implemented corporate governance principles endorsing and complying with the Norwegian Accounting Act (§ 3-3b) and the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board. Aqualis' compliance with the Code of Practice is described in detail in the report on Corporate Governance for 2016 which is included in the Annual Report on page 22.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Aqualis is required to report on its corporate responsibility. Aqualis recognise that Health, Safety and Environmental (HSE) matters are an integral part of its business performance and exemplary performance in the areas of HSE is essential to fulfil our vision and meet the expectations of our stakeholders.

Aqualis is committed to prevention of all types of accidents, protecting people, the environment and customer property and conducting its business legitimately, ethically and in a socially responsible manner. The people employed in the Group are its most important resource for success, and the Group strives to create a healthy and safe working environment for all employees and contractors.

The group continues to improve upon the practices, policies, procedures and discover areas of improvement. Processes are in place to ensure compliance with HSE regulatory requirements, identify hazards and manage risks, report and investigate incidents, communicate lessons learned and to impart necessary training and awareness.

The group's management systems are certified to ISO9001 and BS OHSAS 18001 standards. In 2016, the Group continued its excellent personnel safety record and have now clocked over 1 Million man-hours with zero lost time incidents (LTI's).

Absence due to sick leave (none of which was due to occupational illness) was 0.6% in 2016 vs 0.9% the previous year.

Given the nature of Aqualis' business, its activities have a limited direct detrimental effect on the environment.

The Group does not have any production or storage facilities. It is the Board's view that the Aqualis' business does not materially contaminate the external environment. Aiming to contribute to environmental protection Aqualis works with clients to improve environmental performance in the regions and countries it operates in as per applicable environmental regulations.

Our employees

At the end of 2016, Aqualis had a total workforce of 151 employees (representing 36 nationalities) including contractors on a 100% utilisation equivalent basis. This is a decrease of 31% compared to 2015.

Emphasising on diversity and inclusion (as outlined in HR and operational policies), the Group recognises the great benefits in having a workforce with a diverse range of backgrounds, solely employed on skillset and ability. This helps Aqualis to create an inclusive corporate culture where its people feel valued, respected and fairly treated, therefore enhancing its reputation as an employer of choice.

Aqualis has a clear policy stating that the Group is committed to providing equal opportunities to all employees in all aspects of employment without discrimination and irrespective of gender, race, marital status, terms and conditions of service, age, disability, pregnancy, gender reassignment, sexual orientation, faith or religion.

A large majority of Aqualis' workforce are either offshore staff, mariners or on-site staff – who have been recruited from professional communities that historically have had a significantly higher proportion of men than women. This is still the case in both the oil and gas and renewables industries. The gender split of Aqualis' global permanent workforce (excluding contractors) by the end of 2016 is 18% women and 82% men. 50% of the directors on the Board of Directors are women.

Conscious of preventing discrimination the Group abides by the ethics of equal pay for equal work applied in wage determination, while only relevant qualifications, education, results and other professional criteria form the grounds in connection with recruiting, selection, training, compensation and promotion.

Working time arrangements are influenced by position and not by gender. Aqualis continues to monitor the Equal Opportunity policy's effectiveness in order to demonstrate its commitment to promoting equality and diversity.

Awareness of equal opportunities in Aqualis is also raised regularly, making sure that employees are recruited in such a way that avoids discrimination.

Business conduct

The Group is committed to conducting its business in a manner that adheres to the highest industry standards and strictly in accordance with applicable laws and regulations in the regions and countries where Aqualis operates. Standard operating procedures and other policy guidelines covering the conduct of the Group and its employees are in place to ensure the Group's effects on environmental and social wellbeing.

Aqualis is committed to a work environment where all employees feel safe and are valued for the diversity they bring to the business. The Group follows domestic and internationally accepted labour standards where it operates. It respects and supports Human Rights and will not be complicit or engage in activities that solicit or encourage human rights abuse. Aqualis is committed to making a positive impact in the communities and environments where it operates. Its locations support programmes and initiatives specific to their locations.

The Group advocates high standards of honesty, integrity and ethical behaviour in its daily business and it expect all representatives of Aqualis to conduct their daily business in a safe, fair, honest, respectful and ethical manner. A formal Code of Conduct has been established as well as a set of HSEQ policies and procedures, including a system for reporting and monitoring workplace accidents. Key safety indicators are monitored and reported on a monthly basis. The Group is committed to creating a work culture where prevention of harm is a priority for everyone.

The Code of Conduct sets the Group's commitments, and all employees are required to uphold and comply with the code. The Code of Conduct prohibits giving anything of value, directly or indirectly to officials of foreign governments or political candidates or to any other person, in order to obtain or retain business. It is strictly prohibited to make illegal payment to government officials, or any other person of any country. Aqualis has a corporate compliance officer and employees are instructed to report suspected violations of the Group's code.

OUTLOOK

Outlook is subject to changes in market conditions and operational performance. Aqualis financial performance is driven primarily by activity within the European renewables sector and the global oil and gas markets.

Offshore wind has improved its competitiveness towards other energy sources as the levelised cost of energy for offshore wind has fallen significantly. Northern Europe has a reasonable project pipeline for offshore renewables predicted through to 2020 and demand in emerging markets such as China and Taiwan is expected to pick up.

The solar industry has grown strongly over the past years. Industry analyst HIS Technology expect global PV demand in 2017 to be around 79 GW, an increase from 77 GW in 2016. The main driver for new business for ADLER Solar is the services for the installed base of PV plants in Germany. The demand for ADLER Solar's services is expected to grow as the installed solar plants age and as new solar plants are installed. The gradual phase in of new services, combined with the ongoing cost reduction program, is expected to improve the profitability of ADLER Solar.

The oil and gas market is expected to remain subdued in 2017 in spite of a more stable oil price and that substantial cost efficiencies have been achieved across the industry. The overall activity is currently leveling off and, based on recent experience, in some regions it appears to be slightly increasing. There are reasons therefore to believe that the industry is at or close to the bottom of this cycle.

The board of directors in Aqualis is of the opinion that consolidation is required within the offshore marine and engineering consultancy service industry to further improve cost efficiencies and regain critical mass in several smaller regions. The industry is oversupplied and too fragmented to likely give a reasonable return to stakeholders in the near to medium term. Aqualis intends to be proactive in the expected M&A activity in the industry.

Strong project execution, adaptability to market changes and demand, responsiveness and a continued broadening of the client base provides the foundation for developing Aqualis going forward. Aqualis' greatest long term growth potential lies with its' ability to widen and strengthen the global client portfolio and client loyalty. A more flexible business model with ability to quickly adapt to market demand fluctuations will be important to ensure consistent profitability. The Group sees itself in a good position to continue to increase its market share.

Asker, 30 March 2017

Glen Rødland Chairman of the Board	**Yvonne L. Sandvold** Board member	**Reuben Segal** Board member
Synne Syrrist Board member	**David Wells** CEO	

RESPONSIBILITY STATEMENT

We confirm that,to the best of our knowledge,the Financial Statements 2016, which have been prepared in accordance with IFRS as adopted by EU, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations,and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-5.

Asker, 30 March 2017

Glen Rødland
Chairman of the Board

Yvonne L. Sandvold
Board member

Reuben Segal
Board member

Synne Syrrist
Board member

David Wells
CEO

AQUALIS GROUP
FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Profit and Loss for the year ended 31 December

Amounts in USD thousands	Note	2016	2015
Revenues	5	27,564	40,998
Total revenues		**27,564**	**40,998**
Payroll and payroll related expenses	6	(19,303)	(23,717)
Other operating expenses	7	(11,016)	(17,965)
Depreciation, amortisation and impairment	11, 12	(794)	(2,027)
Share of net profit (loss) from associates	13	(506)	(197)
Operating profit (loss) (EBIT)		**(4,055)**	**(2,908)**
Finance income	8	47	28
Finance expenses	8	(0)	(45)
Net foreign exchange gain (loss)	8	(10)	1,419
Net financial items		**37**	**1,402**
Profit (loss) before taxes		**(4,018)**	**(1,506)**
Tax income (expenses)	9	144	(692)
Profit (loss) after taxes		**(3,874)**	**(2,198)**
Profit (loss) after taxes attributable to:			
Equity holders of the parent company		(3,874)	(2,198)
Non-controlling interests		-	-
Total		**(3,874)**	**(2,198)**
Earnings per share (USD): basic and diluted	**10**	**(0.09)**	**(0.05)**

Consolidated Statement of Other Comprehensive Income for the year ended 31 December

Amounts in USD thousands	Note	2016	2015
Profit (loss) after taxes		**(3,874)**	**(2,198)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences		(516)	(4,543)
Income tax effect	9	66	(587)
Other comprehensive income for the year, net of tax		(450)	**(5,130)**
Total comprehensive income for the year, net of tax		**(4,324)**	**(7,328)**

Consolidated Statement of Financial Position as of 31 December

Amounts in USD thousands	Note	2016	2015
ASSETS			
Non-current assets			
Equipment	11	184	371
Intangible assets	12	16,257	17,119
Investment in associates	13	2,853	3,283
Loan to associates	14	289	-
Deferred tax assets	9	122	14
Total non-current assets		**19,705**	**20,787**
Current assets			
Trade receivables	15	5,475	7,667
Other current assets	16	2,815	2,876
Cash and cash equivalents	17	9,910	14,864
Total current assets		**18,200**	**25,407**
Total assets		**37,905**	**46,194**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	690	705
Share premium		47,344	47,344
Other paid in capital		543	432
Retained earnings		(15,496)	(10,819)
Total equity		**33,081**	**37,662**
Non-current liabilities			
Deferred tax liability	9	425	587
Other non-current liabilities	19	527	489
Total non-current liabilities		**952**	**1,076**
Current liabilities			
Trade payables	20	1,093	1,128
Income tax payable	9	-	586
Other current liabilities	19	2,779	5,742
Total current liabilities		**3,871**	**7,456**
Total liabilities		**4,824**	**8,532**
Total equity and liabilities		**37,905**	**46,194**

Asker, 30 March 2017

Glen Ole Rødland

Glen Rødland
Chairman of the Board

Yvonne L. Sandvold
Board member

R. Segal

Reuben Segal
Board member

Synne Syrrist

Synne Syrrist
Board member

David Wells

David Wells
CEO

Consolidated Statement of Changes in Equity for the year ended 31 December

Amounts in USD thousands	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Foreign currency translation reserve	Total equity
As at 1 January 2015		702	47,058	178	5,343	(8,834)	44,447
Profit (loss) after taxes		-	-	-	(2,198)	-	(2,198)
Foreign currency translation reserve		-	-	-	-	(5,130)	(5,130)
Issue of share capital		3	286	-	-	-	289
Share-based payment	18	-	-	254	-	-	254
As at 31 December 2015		**705**	**47,344**	**432**	**3,145**	**(13,964)**	**37,662**
As at 1 January 2016		705	47,344	432	3,145	(13,964)	37,662
Profit (loss) after taxes		-	-	-	(3,874)	-	(3,874)
Foreign currency translation reserve		-	-	-	-	(450)	(450)
Share buy-back	18	(15)	-	-	(353)	-	(368)
Share-based payment	18	-	-	111	-	-	111
As at 31 December 2016		**690**	**47,344**	**543**	**(1,082)**	**(14,414)**	**33,081**

Consolidated Statement of Cash Flows for the year ended 31 December

Amounts in USD thousands	Note	2016	2015
Cash flow from operating activities			
Profit (loss) before taxes		(4,018)	(1,506)
Non-cash adjustment to reconcile profit before tax to cash flow:			
Estimated value of employee share options		111	254
Depreciation, amortisation and impairment	11, 12	794	2,027
Share of net loss from associates	13	506	197
Changes in working capital:			
Changes in trade receivables and trade creditors		2,157	(2,537)
Changes in other current assets and other liabilities		(2,783)	693
Proceeds on realisation of customer contract		-	421
Interest received		(4)	(16)
Income tax paid		(691)	(142)
Effects related to currency unrealised		(199)	(1,646)
Cash flow (used in)/from operating activities		**(4,127)**	**(2,255)**
Cash flow from investing activities			
Purchase of equipment	11	(16)	(293)
Acquisition of associate	13	-	(3,480)
Interest received		4	16
Loan to associates	14	(370)	-
Cash flow (used in)/from investing activities		**(382)**	**(3,757)**
Cash flow from financing activities			
Buy back of shares		(368)	-
Proceeds from share issue		-	289
Cash flow from financing activities		**(368)**	**289**
Net change in cash and cash equivalents		**(4,877)**	**(5,723)**
Cash and cash equivalents beginning period	17	14,864	21,790
Effect of movements in exchange rates		(77)	(1,203)
Cash and cash equivalents end period	**17**	**9,910**	**14,864**

Note 1. Corporate Information

Aqualis ASA ('the Company') is a Norwegian public limited liability company. The Company was established on 13 June 2014 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 was therefore not considered a business combination. Accordingly, the 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.

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 consolidated 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 (collectively the 'Aqualis Group' or 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 22 offices in 16 countries worldwide.

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

Note 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements and directors' report are prepared in English only.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, and are mandatory for fiscal years beginning on or after 1 January 2016, their interpretations adopted by the International Accounting Standards Board (IASB) and Norwegian disclosure requirements listed in the Norwegian Accounting Act. Furthermore, the consolidated financial statements have been prepared on a historical cost basis. The group has no assets or liabilities which have been recognised at fair value.

For the year ended 31 December 2016 Aqualis Offshore Limited was entitled to exemption from audit under section 479A of the UK Companies Act 2006 relating to subsidiary companies. Aqualis ASA has provided a guarantee for all outstanding liabilities of Aqualis Offshore Limited to which it was subject to at the end of the financial year.

CONSOLIDATION PRINCIPLES

The Group's consolidated financial statements comprise the parent company and it's subsidiaries as of 31 December 2016. An entity has been assessed as being controlled by the Group when the Group is exposed for or have the rights to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the amount of the Group's returns.

Thus, the Group controls an entity if and only if the Group has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of the Group's returns

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the Group and shareholder's agreement or other contractual agreements. See note 3 for a more detailed description of the Group's assessments regarding control.

The assessments are done for each individual investment.

The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Business combinations are accounted for by using the acquisition method. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests is presented separately under equity in the Group's financial position.

Change in ownership interest without loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The consideration is recognised at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognised at the equity attributable to the parent.

Loss of control
In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets (including goodwill) and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognised at the date when the control is lost.

The fair value of the consideration received is recognised and any investment retained is recognised at fair value. Gain or loss is recognised in profit and loss at the date when the control is lost.

INVESTMENT IN ASSOCIATES

The investment in associates is accounted for using the equity method of accounting in the Group's financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the Group's balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. These cumulative post-acquisition movements are adjusted against the carrying amount of the investments in the Group's balance sheet. Dividends receivable from associates are recognised in the parent entity's profit and loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associate entities. Upon loss of significant influence over the associate, Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

SEGMENT REPORTING

The Group has organised its activities into one operating segment, Marine and Offshore, which is based in different regions. The internal reporting provided to the Board of Directors of Aqualis, which is the Group's chief decision maker, is in accordance with this structure. These segments comprise the basis for the segment reporting presented in note 5. In addition, the regional operating units within Marine and Offshore form the basis for the geographical distribution in the segment.

FOREIGN CURRENCY TRANSLATION

The Group's presentation currency is USD. The statement of financial position figures of subsidiaries, with a different functional currency, are translated at the exchange rate prevailing at the end of the reporting period, while the statement of profit and loss figures are translated at the transaction exchange rate. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognised in other comprehensive income ('OCI'). When investments in foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary attributable to the equity holders of the parent are recognised in the consolidated statement of profit and loss.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which these entities operate (i.e. the 'functional currency'). Internally, the board bases its performance evaluation and many investment decisions on US Dollars (USD) financial information. The board therefore believes that USD financial reporting provides more relevant presentation of the group's financial position, funding and treasury functions, financial performance and its cash flows. These consolidated financial statements are therefore presented in US Dollars (USD) to provide greater alignment to the most significant operating currency and underlying financial performance. The functional currency of the parent company is Norwegian Krone (NOK).

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency of the Group's entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the consolidated statement of profit and loss. Monetary assets and liabilities are translated at the closing rate at the reporting date.

Any goodwill arising on the acquisition of a foreign entity, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operation and translated at the closing rate at the reporting date.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rendering of services

The Group's operations mainly consist of engineering and marine consultancy work. Consequently, revenue recognition is based on hourly/daily rates and actual registered hours when the service is delivered. Revenue is recognised when it is probable that transactions will generate future economic benefits that will flow to the Group and revenue can be reliably estimated. Services rendered on fixed price contracts are recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of the total estimated labour hours for each contract. For projects expected to generate a loss, the full estimated loss is recorded as cost immediately. When contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period.

INCOME TAX

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and taxation authority.

BALANCE SHEET CLASSIFICATION

The Group presents assets and liabilities in consolidated statement of financial position on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to settle in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

EQUIPMENT

Equipment is mainly made up of equipment acquired to render services, and consists of office related equipment as software, computer hardware, furniture and other.

All equipment are stated at cost, net of accumulated-depreciation and/or accumulated impairment losses, if any. Such cost includes expenditures that are directly attributable to the acquisition of the items. Costs accrued for major replacements and upgrades to equipment are added to cost if it is probable that the costs will generate future economic benefits and if the costs can be reliably measured. All other repairs and maintenance are charged to the income statement when incurred. Depreciation is calculated on a straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Equipment: 2- 5 years.

The residual values, useful lives and methods of depreciation of production and lab equipment and other equipment are reviewed at each financial year end and adjusted, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's net sales value and its value in use.

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line-basis over the period of the lease.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Customer contracts

Customer contracts represents the excess of cost of the contracts over the fair value at acquisition of subsidiaries at the date of acquisition. Customer contracts is included within intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets.

Goodwill that arises on the acquisition of subsidiaries is allocated to cash generating units (CGUs).

Goodwill is measured at cost (residual) less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when there are indications of impairment. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

When the Group disposes of an operation within a CGU or group of CGUs, to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation disposed of when determining the gain of loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of the partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the Group reorganises its businesses.

FINANCIAL ASSETS - RECOGNITION AND SUBSEQUENT MEASUREMENT

Financial assets within the scope of IAS 39 have been classified as financial assets at fair value through profit and loss or loans and receivables. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The Group's financial assets include cash and short-term deposits, money market funds and trade and other receivables.

The Group's financial assets have mainly been classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

Financial assets at fair value through profit or loss would include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value presented as finance cost or finance income in the income statement. The Group has not designated any financial assets at fair value through profit or loss, except for cash held in money-market funds.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at banks and on hand, and other short-term highly liquid investments with original maturities of three months or less.

FINANCIAL LIABILITIES - RECOGNITION AND SUBSEQUENT MEASUREMENT

Financial liabilities within the scope of IAS 39 have been classified as financial liabilities measured at amortised cost using the effective interest method. The Group determines the classification of its financial liability at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of direct attributable transactions costs. The Group's financial liabilities include trade and other payables and borrowings, and a financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

TRADE PAYABLES

Trade payables are recognised at the original invoice amount, with the addition of any accrued interest.

EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction - net of tax - from the proceeds.

EMPLOYEE BENEFITS

Pension

The Group currently has defined contribution plans only. For defined contribution plans, contributions are paid to pension insurance plans and charged to profit and loss in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Share-options

In connection with acquisition of Tristein AS and Offshore Wind Consultants Ltd, key personnel was given share options. The fair value of the options granted to employees for services received have been recognised as an expense (payroll and payroll related costs) over the vesting period. The total amount to be expensed over the vesting period have been determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions have been included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The fair value of the options have been estimated at grant date and is not subsequently changed.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

EVENTS AFTER THE BALANCE SHEET DATE

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are stated if significant.

PRIOR-YEAR INFORMATION

The presentation of certain prior year information has been reclassified to conform to the current year presentation.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. New standards, amendments to standards and interpretations that could have potential impact on the consolidated financial statements of the Group are:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations). According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard permits the use of either the retrospective or cumulative effect transition method. In September 2015, the IASB issued an amendment to IFRS 15, deferring the adoption of the standard to periods beginning on or after January 1, 2018. Aqualis has decided not to early adopt IFRS 15 as a detailed assessment of the impact, additional disclosure and reporting requirement is still in progress. Based on our preliminary work the Group estimates the impact will be immaterial.

IFRS 9 Financial Instruments

In July 2014, the IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9: Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new guidance regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 16 Leases
On January 13, 2016, the International Accounting Standards Board issued the final version of IFRS 6, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of IFRS 16 is annual periods beginning on or after January 1, 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. Aqualis is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

There are no other IFRSs and IFRIC interpretations not yet effective, that are relevant for Aqualis Group.

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

The preparation of the consolidated 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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Goodwill
In accordance with the stated accounting policy, the Group tests annually whether goodwill has suffered any impairment or more frequently if impairment indicators are identified. The recoverable amount of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and are consistent with the market valuation of the Group. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and estimates for the next five years and do not include significant investments that will enhance the performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows (sensitive to estimates of sales and cost levels) and the growth rate used for extrapolation purposes. Further details about goodwill and impairment reviews are included in note 12.

Deferred taxes
Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those

temporary differences and tax loss carry-forwards become deductible. The Group considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Other estimates
The Group estimates the uncollectability of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required. The share-based payment expense is determined based on the Group's estimate of equity instruments that will eventually vest.

JUDGEMENTS IN TERMS OF ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Consolidation of Aqualis Offshore Marine Services LLC, UAE & Aqualis Offshore LLC, Qatar
The Group owns 49% of Aqualis Offshore Marine Services LLC registered in UAE and Aqualis Offshore LLC registered in Qatar, and the remaining shares of each entity are owned by a local sponsor in accordance with statutory regulations in UAE and Qatar respectively. Through trust agreements with the respective local sponsors, the Group controls 100% of the financial and ownership rights of both entities. The Group has ownership over all the assets of both entities, with all dividends, proceeds of sale etc. belonging solely to the Group. As the Group has full power of the investee, is fully exposed to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns, both entities have been fully consolidated in the consolidated financial statements of the Group, and the 51% owned by the local sponsors has not been treated as a non-controlling interest. Payments to the local sponsors have been charged to the profit and loss as Other operating costs and presented as current liability in the balance sheet.

Investment in Adler Solar Services GmbH
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.

Note 4. List of subsidiaries and associates

The following subsidiaries and associates are included in the consolidated financial statements:

Subsidiaries	Country of incorporation	Main operations	Ownership interest 2016	Voting power 2016	Ownership interest 2015	Voting power 2015
Aqualis Offshore Limited*	UK	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore UK Ltd.	UK	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore Pte. Ltd	Singapore	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore Marine Services LLC	UAE	Marine & Offshore	49%	100%	49%	100%
Aqualis Offshore Inc.	US	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore Servicos Ltda	Brazil	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore AS	Norway	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore S. de R.L. de C.V.	Mexico	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore Marine Consulting (Shanghai) Co. Ltd.	China	Marine & Offshore	100%	100%	100%	100%
Offshore Wind Consultants Ltd.*	UK	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore LLC	Qatar	Marine & Offshore	49%	100%	49%	100%
Aqualis Offshore Korea Ltd	Korea	Marine & Offshore	100%	100%	100%	100%
OWC (Aqualis) GmbH	Germany	Marine & Offshore	100%	100%	100%	100%
Aqualis Offshore Malaysia Sdn Bhd	Malaysia	Marine & Offshore	100%	100%	100%	100%
Associates	**Country of incorporation**	**Main operations**	**Ownership interest 2016**	**Voting power 2016**	**Ownership interest 2015**	**Voting power 2015**
Adler Solar Services GmbH*	Germany	Marine & Offshore	49.9%	49.9%	49.9%	49.9%

* Directly owned by Aqualis ASA

Note 5. Segment Information

The Group has organised its activities into one operating segment which are based in different regions all within Marine and Offshore, and the internal reporting provided to the Board of Directors of Aqualis, which is the Group's chief decision maker, is in accordance with this structure.

Aqualis delivers services to the marine and offshore sector. This includes services within engineering, transportation and installation, marine warranty, rig moving, constructions supervision, dynamic positioning and marine consultancy.

Segment performances are measured by operating profit before finance income and costs, depreciation, amortisation and impairment (EBITDA) and operating profit (EBIT), as included in the internal management reports that are reviewed by executive management and the Board of Directors.

Amounts in USD thousands	2016	2015
Revenues		
Middle East	10,867	12,953
Far East	6,725	13,298
Europe	7,658	12,030
Americas	4,081	5,662
Eliminations	(1,767)	(2,945)
Total revenues	**27,564**	**40,998**
Operating profit (loss) (EBIT)		
Middle East	(524)	(404)
Far East	(146)	709
Europe	(1,010)	768
Americas	(226)	(719)
Share of net income from associates	(506)	(197)
Corporate group costs	(952)	(933)
Eliminations	(691)	(2,132)
Operating profit (loss) (EBIT)	**(4,055)**	**(2,908)**

Note 6. Payroll and payroll related expenses

Amounts in USD thousands	2016	2015
Payroll	16,884	20,781
Payroll tax	1,036	1,435
Estimated value of share options granted to employees	111	254
Pension costs - defined contribution plan	153	190
Other personnel costs	1,119	1,057
Total payroll and payroll related expenses	**19,303**	**23,717**
Average number of man-years*	**181**	**227**

* Includes subcontractors on full-time equivalent (FTE) basis

The Group currently has defined contribution plans only. In 2016, a total of USD 153 thousand was expensed under the plans (2015: USD 190 thousand). The Group's obligations are limited to annual contributions. Aqualis meets the Norwegian requirements for mandatory occupational pension ('obligatorisk tjenestepensjon').

Note 7. Other operating expenses

Amounts in USD thousands	2016	2015
Subcontractors cost	5,267	10,745
Office lease and maintenance expenses	1,249	1,053
Insurance cost	589	753
Cost of recharged expenses	873	1,421
General and administrative expenses	3,037	3,993
Total other operating expenses	**11,016**	**17,965**
Remuneration to the Auditors		
Audit	99	83
Other assurance services	1	42
Tax advisory services	-	-
Total	**100**	**125**

All fees are exclusive of VAT

Note 8. Financial items

Amounts in USD thousands	2016	2015
Interest income	4	16
Other finance income	43	12
Total finance income	**47**	**28**
Other finance expenses	(0)	(45)
Total finance expenses	**(0)**	**(45)**
Net foreign exchange gain (loss)	(10)	1,419
Net financial items	**37**	**1,402**

Net foreign exchange gain includes unrealised foreign currency gain related to bank accounts in Aqualis ASA and its subsidiaries, which have bank accounts in different currencies than their functional currencies.

Long term loans to subsidiaries have been assessed to be a part of the net investments in the subsidiaries. In compliance with IAS 21, the unrealised currency effects related to these loans have been recognised in currency translation reserve in the consolidated statement of other comprehensive income.

Note 9. Taxes

Amounts in USD thousands	2016	2015
Income tax expenses recognised in profit or loss		
Current year income tax expenses	(6)	612
Withholding taxes	81	79
Changes in deferred tax	(219)	1
Income tax expenses	**(144)**	**692**
Income tax effect recognised in other comprehensive income		
Effect of movements in exchange rates on net investment in subsidiaries	66	(587)
Total comprehensive income tax effect	**66**	**(587)**
Deferred tax in the balance sheet		
Deferred tax asset	122	14
Deferred tax liability	425	587
Net deferred tax	**303**	**573**
Changes in temporary differences		
Non-current assets	2,187	2,349
Current assets	1	(5)
Current liabilities	-	(76)
Losses carried forward	(2,126)	-
Net temporary differences	**62**	**2,268**
Deferred tax asset	375	14
Deferred tax assets not capitalised	(253)	-
Deferred tax assets	**122**	**14**
Deferred tax liability	425	587
Deferred tax liability	**425**	**587**

Amounts in USD thousands	2016	2015
Reconciliation of the effective tax rate:		
Profit before income tax	(4,018)	(1,506)
Share of net income from associates	(506)	(197)
Profit before income-tax excluding share of net income from associates	**(3,512)**	**(1,309)**
Income tax using the Group's domestic tax rate of 25% (2015 - 27%)	**(878)**	**(353)**
Effect of tax rates in foreign jurisdictions	117	(93)
Effect of non-deductible expenses	173	575
Unrecognised current year tax losses	555	593
Withholding taxes	81	79
Utilisation or recognition of previously unrecognised tax losses	(168)	(58)
Income tax related to prior years	(6)	-
Effect of changes in tax rate	(18)	(51)
Income tax expenses	**(144)**	**692**

The Group has recognised deferred tax assets in respect of carry forward losses of its various subsidiaries as at 31 December 2015 and 2016. Management's projections of future taxable income and tax planning strategies support the assumption that it is probable that sufficient taxable income will be available to utilize these deferred tax assets.

Deferred tax asset amounting to USD 253 thousands as at 31 December 2016 in respect of unused tax losses have not been recognised by the Group. The tax loss carry-forwards of USD 1,057 thousands as at 31 December 2016 relates to certain subsidiaries on which deferred tax asset has not been recognised by the Group because there is a lack of reasonable certainty that these subsidiaries may generate future taxable profits. These tax loss carry-forwards is not currently subject to expiration dates.

Deferred taxes on unrealised foreign exchange gain/loss relating to long terms loans considered as net investment in subsidiaries are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve. Other than these, the change in deferred tax assets and liabilities is primarily recorded in the statement of income.

Deferred tax asset and deferred tax liabilities are presented separately due to different tax regimes.

Goodwill is not deductible for tax purposes.

Note 10. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, based on the following data:

Amounts in USD thousands	2016	2015
Profit (loss) after taxes	(3,874)	(2,198)
Earnings per share (USD): basic and diluted	**(0.09)**	**(0.05)**
Number of average shares (thousand)	42,492	43,337

The following instruments that could potentially dilute basic earnings per share in the future, have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. See note 18 for further information.

Number of instruments	2016	2015
Employee share options	750,000	750,000
Total number of share options	**750,000**	**750,000**

Note 11. Equipment

2016

Amounts in USD thousands	Equipment	Total
Cost		
At 1 January	1,467	1,467
Additions	16	16
Effect of movements in exchange rates	(25)	(25)
At 31 December	**1,458**	**1,458**
Depreciation and impairment		
At 1 January	1,096	1,096
Depreciation charge for the year	215	215
Effect of movements in exchange rates	(37)	(37)
At 31 December	**1,274**	**1,274**
Net book value at 31 December	**184**	**184**
Useful life	2-5 years	

2015

Amounts in USD thousands	Equipment	Total
Cost		
At 1 January	1,267	1,267
Additions	293	293
Effect of movements in exchange rates	(93)	(93)
At 31 December	**1,467**	**1,467**
Depreciation and impairment		
At 1 January	639	639
Depreciation charge for the year	507	507
Effect of movements in exchange rates	(50)	(50)
At 31 December	**1,096**	**1,096**
Net book value at 31 December	**371**	**371**
Useful life	2-5 years	

Note 12. Intangible assets

2016

Amounts in USD thousands	Customer contracts	Goodwill	Total
Cost			
At 1 January	547	18,540	19,087
Additions	-	-	-
Effect of movements in exchange rates	-	(146)	(146)
At 31 December	**547**	**18,394**	**18,941**
Amortisation and impairment			
At 1 January	547	1,421	1,968
Impairment charge for the year	-	579	579
Effect of movements in exchange rates	-	137	137
At 31 December	**547**	**2,137**	**2,684**
Net book value at 31 December	**-**	**16,257**	**16,257**
Useful life	2 years	tested for impairment	

2015

Amounts in USD thousands	Customer contracts	Goodwill	Total
Cost			
At 1 January	968	20,190	21,158
Additions	-	-	-
Realisation of customer contract	(421)	-	(421)
Effect of movements in exchange rates	-	(1,650)	(1,650)
At 31 December	**547**	**18,540**	**19,087**
Amortisation and impairment			
At 1 January	448	-	448
Amortisation charge for the year	99	-	99
Impairment charge for the year	-	1,421	1,421
At 31 December	**547**	**1,421**	**1,968**
Net book value at 31 December	**-**	**17,119**	**17,119**
Useful life	2 years	tested for impairment	

Recognised goodwill in the Group amounts to USD 16,257 thousands as of 31 December 2016 (2015 - USD 17,119 thousands) 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 CGUs are listed below.

Carrying amount of goodwill (Amounts in USD thousands)	2016	2015
Aqualis Offshore Pte. Ltd, Singapore	5,567	6,181
Aqualis Offshore Marine Services LLC, UAE	5,731	5,730
Aqualis Offshore AS, Norway	3,566	3,594
Aqualis Offshore Inc, USA	66	66
Offshore Wind Consultants Ltd.	1,194	1,439
Aqualis Offshore Servicos Ltda, Brazil	133	109
Total	**16,257**	**17,119**

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 2016. 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 2016:

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 2017-2020 are based primarily on the budget for 2017 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 2017 and 2018 and that the market conditions will gradually improve from 2019 and onwards 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 1,0%. 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 and risk free interest rates, which were differentiated based on country and the relevant currency. 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 (0.79)
- Capital structure: Equity ratio of 85%.

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

Cash-generating unit	Discount rate 2016	Discount rate 2015
Aqualis Offshore Pte. Ltd, Singapore	7.8 %	8.5%
Aqualis Offshore Marine Services LLC, UAE	7.8 %	8.5%
Aqualis Offshore AS, Norway	7.8 %	8.5%
Aqualis Offshore Inc, USA	7.8 %	8.5%
Offshore Wind Consultants Ltd, UK	7.8 %	8.5%
Aqualis Offshore Servicos Ltda, Brazil	11.8 %	14.4%

The reduction in the discount rate for Brazil is mainly due to lower country specific risk premium.

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 a write down of a total of USD 6,380 thousands, with the split below.

Cash-generating unit	(Amounts in USD thousands)
Aqualis Offshore Pte. Ltd, Singapore	3,867
Aqualis Offshore AS, Norway	2,269
Aqualis Offshore Servicos Ltda, Brazil	240
Total	**6,380**

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 107 thousands and USD 472 thousands respectively. Impairment charge on goodwill is included in depreciation, amortisation and impairment expenses in the consolidated statement of profit and loss. Aqualis has scaled down the operations both in Singapore and Norway in 2016 due to the weaker market conditions.

Note 13. 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.

Movement during 2016 and 2015 are as follows:

Amounts in USD thousands	2016	2015
At 1 January	**3,283**	**-**
Acquisition of associate	-	3,480
Share of net profit (loss)	(445)	(189)
Amortisation of customer relationships (net of taxes)	(60)	(8)
Effect of movements in exchange rates	76	-
At 31 December	**2,853**	**3,283**

Following are Adler Solar's consolidated statement of income for the year ended 31 December 2016 and period from date acquisition to 31 December 2015 and consolidated financial position at 31 December.

Amounts in USD thousands	2016	2015
Current assets	2,800	1,972
Non-current assets	1,096	1,003
Current liabilities	(3,482)	(1,350)
Non-current liabilities	(0)	(305)
Net assets	**414**	**1,320**

Amounts in USD thousands	For the year ended 31 December 2016	For the period ended 31 December 2015
Revenue	13,355	1,481
Profit and loss for the year / period	(893)	(378)

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

Amounts in USD thousands (49.9%)	2016	2015
Proportion of the Group's ownership interest in ADLER Solar	207	659
Goodwill	2,241	2,466
Customer relationships	220	287
Deferred tax liability	(32)	(45)
Currency translation differences	217	(84)
Carrying amount of Group investment in ADLER Solar	**2,853**	**3,283**

Note 14. Loan to associates

Amounts in USD thousands	2016	2015
Current portion	81	-
Non-current portion	289	-
Total	**370**	**-**

On 8 November 2016, the Company extended loan of Euro 349 thousands to its associate, Adler Solar Services GmbH. The loan is repayable over a period of 2 years. The loan carries annual interest rate of 4% over EURIBOR 360.

Current portion of loan is included in other current assets (refer note 16) in the consolidated statement of financial position.

Note 15. Trade receivables

Amounts in USD thousands	2016	2015
Trade receivables	5,626	7,832
Allowance for doubtful accounts receivable	(151)	(165)
Total trade receivables	**5,475**	**7,667**

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days.

As at 31 December 2016, trade receivables of USD 151 thousands (2015 - USD 165 thousands) were impaired and was included in other operating expenses.

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

Amounts in USD thousands	2016	2015
Not overdue	1,934	3,608
Overdue 1-30 days	1,364	1,756
Overdue 31-60 days	368	648
Overdue 61-90 days	312	396
More than 90 days	1,497	1,259
Total trade receivables	**5,475**	**7,667**

Refer note 23 on credit risk of trade receivables, which explains how the Group manages credit risk.

Note 16. Other current assets

Amounts in USD thousands	2016	2015
Revenues earned not invoiced	1,533	1,408
Deposits	290	160
Current portion of loan to associates (note 14)	81	-
Prepayments	653	1,066
Other receivables	258	242
Total other current assets	**2,815**	**2,876**

Deposits includes USD 190 thousand (2015 - USD 25 thousand) which are under lien marked as margin money deposits.

Note 17. Cash and cash equivalents

Amounts in USD thousands	2016	2015
Cash and bank balances	9,910	14,864
Total cash and cash equivalents	**9,910**	**14,864**

Amounts in thousands	2016		2015	
Distributed in following currencies:	Local Currency	USD	Local Currency	USD
US Dollars	8,423	8,423	11,442	11,442
Norwegian Krone	6,010	697	17,235	1,957
Other currencies		790		1,465
Total		**9,910**		**14,864**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group has restricted cash at banks of USD 164 thousand at 31 December 2016 (2015 - USD 185 thousand) of which all is unpaid withholding tax deducted from employees' salaries.

Note 18. Issued shares, share capital and reserves

Amounts in USD thousands	Number of shares (thousand)	Share capital
At 1 January 2016	43,506	705
Share buy-back	(1,212)	(15)
At 31 December 2016	**42,293**	**690**
At 1 January 2015	43,191	702
Proceeds from share issue	315	3
At 31 December 2015	**43,506**	**705**

Each share has a par value of NOK 0.10 per share.

Share buy-back

On 2 March 2016, the Company purchased a total of 1,212,498 shares, representing approximately 2.8 percent of the Company's common shares and votes, at a price of NOK 2.50 per share. The total purchase price was approximately NOK 3.0 million.

Share-based payments

The Company has used share-options for key personnel in connection with the acquisition of Tristein AS (merged with Aqualis Offshore AS effective 1 January 2015) and Offshore Wind Consultants Ltd.

The total expense recognised for allotment of share options to employees in Tristein AS and Offshore Wind Consultants Ltd. was USD 111 thousand for the year ended 31 December 2016 (2015: USD 254 thousand).

The following table illustrates the numbers of options granted and their weighted average exercise price (WAEP):

	2016		2015	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
Outstanding at the beginning of the year	750,000	-	750,000	-
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at the end of year	**750,000**		**750,000**	
Exercisable at the end of year	**-**		**-**	

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 8.91 per option. The following table list the key inputs to the model used for the years ended 31 December 2016 and 2015:

The weighted average assumptions used	2016	2015
Expected volatility (%)	0.51	0.51
Risk-free interest rate (%)	0.97	0.97
Expected life of options (year)	0.34	1.34
Weighted average exercise price (NOK)	**8.91**	**8.91**

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility is estimated based on historical volatility of the Company's share price and reflects the assumption that the historical volatility over a period similar to the life of the share options is indicative of future volatility, which may not necessarily be the actual outcome. No dividends are expected during the remaining life of the share options.

Note 19. Other liabilities

Amounts in USD thousands	2016	2015
Current:		
Taxation and social security contributions	553	533
Employee benefit obligations	290	489
Deferred revenue	744	2,931
Accrued expenses and other payables	1,192	1,789
Total	**2,779**	**5,742**
Non-current:		
End of service gratuity	527	489
Total	**527**	**489**
Total	**3,306**	**6,231**

Note 20. Fair values of financial assets and financial liabilities

			Carrying amount		Fair value	
Amounts in USD thousands	Fair value hierarchy level	Category	2016	2015	2016	2015
Financial assets						
Trade receivables		Loans and receivables	5,475	7,667	5,475	7,667
Other receivables		Loans and receivables	2,815	2,876	2,815	2,876
Cash and cash deposits		Loans and receivables	9,910	14,864	9,910	14,864
Total			**18,200**	**25,407**	**18,200**	**25,407**
Financial liabilities						
Trade payables		Other financial liabilities at amortised cost	1,093	1,128	1,093	1,128
Other payables		Other financial liabilities at amortised cost	3,306	6,231	3,306	6,231
Total			**4,399**	**7,359**	**4,399**	**7,359**

The financial assets principally consist of cash and cash equivalents and trade and other receivables arising directly from operations. The financial liabilities principally consist of a trade and other payables arising directly from operations.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and bank deposits, trade and other current receivables and trade and other current payables approximate their carrying amounts due to the short-terms maturities of these instruments.

Note 21. Related parties disclosures

Related party relationships are those involving control, joint control or significant influence. Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. All transactions within the group have been based on arm's length principle. There has been no significant transactions with related parties in 2016.

Compensation to Board of Directors

Amounts in USD thousands	2016	2015
Glen Rødland, Chairman	24	31
Yvonne Litsheim Sandvold	15	19
Reuben Segal	-	19
Synne Syrrist	15	19
Øystein Stray Spetalen**	-	8
Martin Nes***	-	4
Total	**55**	**99**

** Board member until May 2015 *** Board member until October 2015

Compensation to Executive Management 2016

Amounts in USD thousands	Salary	Bonus earned in 2016	Pension contributions	Other	Total
Davis Wells, CEO	272	-	-	109	382
Kim Boman, CFO	155	-	6	2	163
Reuben Segal, COO	251	-	-	115	365
Christian Opsahl, CFO (previous)	22	-	-	4	25
Total	**700**	**-**	**6**	**229**	**935**

Compensation to Executive Management 2015

Amounts in USD thousands	Salary	Bonus earned in 2015	Pension contributions	Other	Total
Davis Wells, CEO	335	-	0	75	409
Reuben Segal, COO & Director Middle East	251	-	-	113	364
Christian Opsahl, CFO (previous) Jul-Dec	179	-	7	1	187
Total	**765**	**-**	**7**	**189**	**960**

According to the Norwegian Public Limited Companies Act (the 'Act') section 6-16a, the Board of Directors have prepared a statement on the establishment of wages and other remuneration for the Managing Director and other senior employees (see note 22).

At year end 2016 there are no loan or prepayments to Board of Directors, Executive Management or any other related parties

There are no additional options issued, except for the options mentioned in note 18.

Shares owned by members of the Board of Directors and Executive Management at 31 December 2016

Name	No of options	Number of shares
Board of Directors:		
Glen Rødland, Chairman	-	7,367,996 [1]
Yvonne Litsheim Sandvold	-	-
Reuben Segal	-	1,263,869 [2]
Synne Syrrist	-	-
Executive Management:		
Davis Wells, CEO	-	786,776 [3]
Kim Boman, CFO		400,000
Reuben Segal, COO	-	incl. above
Total	**-**	**9,818,641**

1. The shares are held through Gross Management AS company owned 100% by Mr. Rødland
2. The shares are held through AmAn Marine Limited
3. The shares are held through Alsto Consultancy Ltd, Banque Pictet & Cie SA and under own name

Note 22. Statement regarding the determination of salary and other remuneration to executive management

According to the Norwegian Public Limited Companies Act (the 'Act') section 6-16a, the Board of Directors shall prepare a statement regarding the establishment of wages and other remuneration for the Chief Executive Officer and members of senior management.

In this statement, executive management means CEO, CFO and other executives who are employed at the same level in the organisation.

A statement pursuant to section 6-16a of the Act shall contain guidelines for the establishment of salaries and other remuneration, and should also indicate the main principles of the Company's wage policy for senior employees.

Section 6-16a third paragraph of the Act also requires the Board to give an account of the actual salary policy for senior management as applied in the preceding financial year.

The Company's salary policy for executive management – main principles
Due to the international scope of its business, Aqualis ASA has to compete on the international market when it comes to salaries for executive management

In order to reach the ambition of becoming one of the leading participants within its line of business, Aqualis ASA is dependent on offering salaries making the Company able to recruit and keep skilled managers. In order to ensure the best possible leadership the Company must offer a satisfactory salary, which is internationally competitive.

Salaries and other remuneration
It is the Company's policy that management salaries primarily shall take the form of a fixed monthly salary, reflecting the level of the position and experience of the person concerned.

Principally, pension plan shall be the same for management as what is generally agreed for other employees.

As of today the Board has established a bonus plan that applies to all employees.

The Board has also established a share purchase plan for all employees, under which employees can buy shares in the

Company at a discount to the prevailing market price, either through the issue of new shares, or the purchase of treasury shares held by the Company. The aggregate number of shares over which the Board may grant in a calendar year, shall not exceed five per cent (5%) of the issued shares of the Company prior to the issue of any new shares. Shares purchased under the share purchase plan will be subject to a lock-up period.

Specific conditions and limits as regards to the bonus- and share purchase plan are regulated by the overall allocation parameters approved by the Board.

Termination payment agreements will be seen in connection with confidentiality clauses and non-compete clauses in the employment contract of each employee, in such a way that they basically compensate for limitations in the employee's opportunities to seek new employment. When agreements extend beyond such limitations, other income shall normally be deducted from payments made under termination payment agreements.

Deviations from the above described principles may be done under special circumstances, i.e. in relation to employment in international competition.

Note 23. Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables, and the Group has no borrowings at 31 December 2016. The Group has trade and other receivables, and cash and cash equivalents. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group's senior management oversees the management of these risks, which is being reviewed by the Board of Directors.

Interest rate risk
For cash deposits interest rate changes will only have an immaterial impact on the Group's financial statements.

Credit risk
Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks.

Customer credit risk is managed by each subsidiary in the Group, subject to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed on an individual basis, and outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. At December 2016 the Group had total trade receivables of USD 5.5 million (2015: USD 7.7 million).

The counter parties for cash deposits are Norwegian and large international commercial banks.

Liquidity risk
Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk to a shortage of funds using cash flow forecasts. The Group is in a build-up phase and currently the strategy is to fund the growth of the business through existing cash reserves and if needed, by raising additional equity capital. The Group had cash and cash equivalents of USD 9.9 million at 31 December 2016 (2015: USD 14.9 million). Based on the current cash position, the Group assesses the liquidity risk to be low.

2016

Amounts in USD thousands	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Trade payables	-	1,093	-	-	-	1,093
Other liabilities	-	2,779	-	-	-	2,779
Total	**-**	**3,871**	**-**	**-**	**-**	**3,871**

2015

Amounts in USD thousands	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Trade payables	-	1,128	-	-	-	1,128
Other liabilities	-	6,328	-	-	-	6,328
Total	**-**	**7,456**	**-**	**-**	**-**	**7,456**

Capital management

The primary objective of the Group's capital management is to ensure that the Company maintains a solid capital structure enabling it to develop and build the business units to maximize shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for at least the next 12 - 24 months. No changes were made in the objectives, policies or process for managing capital during the years ended 31 December 2016 and 31 December 2015.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency), the Group's net investments in foreign subsidiaries, and the Group's foreign currency denominated cash deposits. The operating revenue, and thus the trade receivables, of the Group is primarily denominated in USD, while operating expenses are generally denominated in the functional currency of the Group's entities.

The bank accounts in currencies other than the functional currencies will expose the group to foreign currency risk. The major part of foreign bank accounts is in Aqualis ASA. Changes in the USD will have following effect on the profit and loss of the group:

Change in USD vs local currency Amounts in USD thousands	Note	USD amount 31.12.2016	+5% change in USD	-5% change in USD
USD bank account	17*	8,423	421	-421
Change in profit and loss			**421**	**421**

* See also note 10 in Aqualis ASA

Further the group will be exposed to changes in the equity due to changes in foreign currency rates on long terms loans to subsidiaries that have been assessed to be a part of the net investments in the subsidiaries. This effects will be recognised in currency translation reserve through the equity.

Note 24. Commitments and contingencies

Operating lease commitments

The Group leases premises, office and computer equipments under non-cancelable operating lease agreements. The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

Lease commitments (in USD thousands)	2016	2015
Next 1 year	589	590
1 to 5 years	294	936
After 5 years	-	-
Future minimum lease payments	**883**	**1,526**

Guarantees

As at 31 December 2016, performance and financial guarantees provided by banks on behalf of the Company to the customers amount to approximately USD 190 thousands (2015 - USD 25 thousands).

Note 25. Shareholder information

Name of shareholder	No. of shares	% ownership
Gross Management AS	7,367,996	17.4%
Tigerstaden AS	2,458,588	5.8%
Mp Pensjon Pk	1,697,628	4.0%
Agito Holding AS	1,350,000	3.2%
Binkley Capital AS	1,133,664	2.7%
J.P. Morgan Bank Luxembourg S.A.	1,017,776	2.4%
Diab, Badreddin	1,001,302	2.4%
Saxo Bank A/S	891,409	2.1%
Lenox, Philip Alan	830,583	2.0%
Gislerød Magne	800,000	1.9%
Six Sis Ag	627,159	1.5%
Verdipapirfondet Dnb Smb	617,592	1.5%
Alsto Consultancy Ltd	598,122	1.4%
Bonnon, Ian Dennis	555,074	1.3%
Theophanatos, Andreas	512,188	1.2%
Kula Invest AS	504,362	1.2%
Valhall Invest AS	500,000	1.2%
Rewal AS	468,594	1.1%
Nordnet Livsforsikring AS	465,075	1.1%
Offshore & Marine Consulting AS	461,500	1.1%
Top 20 shareholders	**23,858,612**	**56.4%**

The list of shareholdings above is based on the shareholder register as per 31 December 2016. Actual shareholding may deviate due to the use of nominee accounts.

At 31 December 2016, the Company had 1 898 shareholders, and 29.3% of the shares of the Company were held by foreign registered shareholders. The total number of outstanding shares at 31 December 2016 is 42 293 239 each with a par value of NOK 0.10. At the Annual General Meeting on 20 May 2016, the Board was authorized to increase the share capital with up to NOK 2,114,661.0 through one or several share capital increase. The Annual General Meeting also authorized the Board to acquire treasury shares in Aqualis ASA, limited to 10% of the total shares outstanding.

Note 26. Events after the reporting period

There are no significant events after the balance sheet date.

AQUALIS ASA
FINANCIAL STATEMENTS AND NOTES

Statement of Profit and Loss

Aqualis ASA 1 January - 31 December

(NOK 000's)	Note	2016	2015
Revenues	2	1,907	968
Total revenues		**1,907**	**968**
Payroll and payroll related expenses	3	(773)	(3,980)
Depreciation, amortisation and impairment	13	(24)	(18)
Other operating expenses	4	(5,136)	(4,452)
Operating profit (loss)		**(4,026)**	**(7,482)**
Finance income	6	2,372	1,877
Finance expenses	6	(1)	(47)
Net foreign exchange gain (loss)	6	(3,793)	26,493
Net financial items		**(1,422)**	**28,323**
Profit (loss) before taxes		**(5,448)**	**20,841**
Tax income (expenses)	7	1,515	(7,583)
Profit (loss) after taxes		**(3,933)**	**13,258**

Balance Sheet

Aqualis ASA as of 31 December

(NOK 000's)	Note	2016	2015
ASSETS			
Non-current assets			
Equipment	13	53	78
Shares in subsidiaries	8	127,346	127,346
Shares in associates	8	30,651	30,651
Long term portion of loans	5	97,342	87,169
Total non-current assets		**255,392**	**245,244**
Current assets			
Current portion of loans	5	698	-
Other current assets	12	452	1,115
Cash and cash equivalents	10	63,597	87,470
Total current assets		**64,747**	**88,585**
Total assets		**320,139**	**333,829**
EQUITY AND LIABILITIES			
Equity			
Share capital	9,11	4,229	4,351
Share premium	9	294,388	294,388
Retained earnings	9	17,107	23,963
Total equity		**315,724**	**322,702**
Non-current liabilities			
Deferred tax liability	7	3,663	5,178
Total non-current liabilities		**3,663**	**5,178**
Current liabilities			
Trade payables	12	412	2,009
Tax payable	7	-	2,405
Other current liabilities	12	340	1,535
Total current liabilities		**752**	**5,949**
Total liabilities		**4,415**	**11,127**
Total equity and liabilities		**320,139**	**333,829**

Asker, 30 March 2017

Glen Ole Rødland

Glen Rødland
Chairman of the Board

Yvonne L. Sandvold
Board member

R. Segal

Reuben Segal
Board member

Synne Syrrist

Synne Syrrist
Board member

David Wells

David Wells
CEO

Statement of Cash Flows

Aqualis ASA 1 January - 31 December

(NOK 000's)	Note	2016	2015
Cash flow from operating activities			
Profit (loss) before taxes		(5,448)	20,841
Non-cash adjustment to reconcile profit before tax to cash flow:			
Taxes paid		(2,405)	-
Depreciation and impairment		24	18
Changes in working capital:			
Changes in other receivables and other liabilities		(2,130)	(939)
Net cash flow (used in)/from operating activities		**(9,959)**	**19,920**
Cash flow from investing activities			
Loan payment to group companies (net)	5	(10,871)	(27,104)
Purchase of equipment	13	-	(95)
Purchase of associates	8	-	(30,651)
Net cash flow (used in)/from investing activities		**(10,871)**	**(57,850)**
Cash flow from financing activities			
Shares buy-back		(3,043)	-
Proceeds from share issue	9	-	2,368
Net cash flow (used in)/from financing activities		**(3,043)**	**2,368**
Net change in cash and cash equivalents		**(23,873)**	**(35,562)**
Cash and cash equivalents beginning period		87,470	123,031
Cash and cash equivalents end period		**63,597**	**87,470**

Note 1. Accounting Principles

Aqualis ASA was established on 13th of June 2014. The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

INCOME TAX

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated at applicable rate of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

BALANCE SHEET CLASSIFICATION

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognised at nominal value.

SHARES IN SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries and associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary or associate, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

OTHER RECEIVABLES

Other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Note 2. Revenues

(NOK 000's)	2016	2015
Corporate services	1,907	968
Total	**1,907**	**968**

Note 3. Payroll and payroll related expenses

(NOK 000's)	2016	2015
Salaries	643	3,100
Bonus	-	125
Social security costs	128	490
Pension costs - defined contribution plan	-	235
Other personnel costs	2	6
Other social costs	-	24
Total payroll and payroll related expenses	**773**	**3,980**
Average number of man-years	**-**	**2**

The company has defined contribution plan for employees in the Company. The company meets the requirements for an occupational pension plan in accordance with the Norwegian law on required occupational pensions.

Please refer to note 20 and 21 in annual accounts of Aqualis Group for further information regarding the remuneration to executive management.

Note 4. Other operating expenses

(NOK 000's)	2016	2015
Professional fees	3,350	2,089
Share of central costs	971	1,187
Office rental cost	159	304
Other costs	655	872
Total	**5,136**	**4,452**

Remuneration to the Auditors

(NOK 000's)	2016	2015
Audit	450	245
Other attestation service	6	339
Tax service	-	-
Total	**456**	**584**

All fees are exclusive of VAT.

Note 5. Related party

(NOK 000's)	2016	2015
Loans to related party		
Aqualis Offshore Limited	49,019	42,998
Aqualis Offshore UK Limited	8,531	8,489
Aqualis Offshore Inc.	5,543	5,520
Aqualis Offshore Marine Services LLC	24,576	24,471
Aqualis Offshore S. de R.L. de C.V	452	450
Aqualis Offshore Servicos Ltda	2,590	2,577
Aqualis Offshore Korea Youhanheosa	1,339	1,332
OWC (Aqualis) GmbH	445	442
Aqualis Offshore LLC	2,354	890
Adler Solar Services GmbH	3,191	-
Total	**98,040**	**87,169**
Current portion	698	-
Non-current portion	97,342	87,169
Total	**98,040**	**87,169**

The loans to Group companies carry an annual interest rate of 2% over 3 months USD LIBOR. Loans to subsidiaries have a long term perspective and does not have a specific repayment date.

On 8 November 2016, the Company extended loan of Euro 349 thousands to its associate, Adler Solar Services GmbH. The loan is repayable over a period of 2 years. The loan carries annual interest rate of 4% over EURIBOR 360.

(NOK 000's)	2016	2015
Other current assets		
Aqualis Offshore Limited	394	968
Adler Solar Services GmbH	13	-
Total	**407**	**968**
Other current liabilities		
Aqualis Offshore Limited	244	1,222
Aqualis Offshore AS	162	-
Total	**405**	**1,222**
Revenues		
Corporate services	1,907	968
Total	**1,907**	**968**
Financial items		
Interest income on loans	2,354	1,630
Interest expenses	-	-
Net financial items	**2,354**	**1,630**

Note 6. Financial items

(NOK 000's)	2016	2015
Interest income on loans	2,354	1,630
Interest income from bank deposits	16	246
Other financial income	1	1
Total finance income	**2,372**	**1,877**
Other financial expenses	(1)	(47)
Total finance expenses	**(1)**	**(47)**
Net foreign exchange gain (loss)	(3,793)	26,493
Net financial items	**(1,422)**	**28,323**

Note 7. Tax

(NOK 000's)	2016	2015
Income tax expenses recognised in profit or loss		
Tax expense on tax base	-	2,405
Changes in deferred tax	(1,515)	5,592
Effect of changes in tax rate	-	(414)
Income tax expenses	**(1,515)**	**7,583**
Tax base calculation		
Profit (loss) before income tax	(5,448)	20,841
Permanent differences	-	8,779
Temporary differences	1,509	(20,711)
Tax base	**(3,939)**	**8,909**
Tax payable in the balance sheet	**-**	**2,405**
Temporary differences:		
Receivables	7	19
Long-term receivables in foreign currency	19,187	20,681
Equipment	8	11
Total	**19,202**	**20,711**
Accumulated losses carried forward	**(3,939)**	**-**
Base for deferred tax liability	**15,263**	**20,711**
Deferred tax liability	**3,663**	**5,178**

Tax rate for 2016 is 25%. As of 1 January 2017 the tax rate in Norway was reduced to 24%. Deferred tax liability as of 31 December 2016 has been calculated with a tax rate of 24%. The effect on the current year's tax expense is NOK 153 thousands (2015 - NOK 414 thousands).

(NOK 000's)	2016	2015
Reconciliation of the effective tax rate:		
Profit (loss) before tax	(5,448)	20,841
Income tax using tax rate in Norway	(1,362)	5,627
Effect of permanent differences	-	2,370
Effect of change in the tax rate	(153)	(414)
Income tax expenses	**(1,515)**	**7,583**
Effective tax rate	**27.8%**	**36.4%**

Note 8. Shares in subsidiaries and associates

Name of subsidiaries	Registered office	Functional currency	Share capital	Ownership and voting interest	Equity as of 31.12.2016	Net profit of the year	Net book value (NOK 000's)
Subsidiaries owned by Aqualis ASA (figures presented in functional currency thousands, only net book value in NOK thousands)							
Aqualis Offshore Limited	UK	GBP	4,462	100%	501	(750)	118,678
Offshore Wind Consultants Ltd	UK	GBP	0.1	100%	377	16	8,668
Total							**127,346**
Associates owned by Aqualis ASA (figures presented in functional currency thousands, only net book value in NOK thousands)							
Adler Solar Services GmbH	Germany	EUR	393	49.9%	392	(816)	30,651
Total							**30,651**

Note 9. Equity

(NOK 000's)	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2015	**4,319**	**292,051**	**10,705**	**307,075**
Issue of share capital	32	2,337	-	2,368
Profit after taxes	-	-	13,258	13,258
At 31 December 2015	**4,351**	**294,388**	**23,963**	**322,701**
At 1 January 2016	**4,351**	**294,388**	**23,963**	**322,701**
Shares buy-back	(121)	-	(2,922)	(3,043)
Profit after taxes	-	-	(3,933)	(3,933)
At 31 December 2016	**4,229**	**294,388**	**17,107**	**315,724**

Note 10. Cash and cash equivalents

(NOK 000's)	2016	2015
Cash at banks	63,597	87,329
Cash restricted	-	142
Total	**63,597**	**87,470**

The cash consist following currency:

Currency	(Currency 000's)	(NOK 000's)
NOK	1,075	1,075
USD	7,262	62,522
Total		**63,597**

Restricted cash relates to employee's tax deduction.

Note 11. Share capital

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 January 2016	**43,506**	**4,351**
Shares buy-back	(1,212)	(121)
At 31 December 2016	**42,294**	**4,229**

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 January 2015	**43,191**	**4,319**
Proceeds from share issue	315	32
At 31 December 2015	**43,506**	**4,351**

Each share has a par value of NOK 0.10 per share.

Share buy-back

On 2 February 2016, the Company purchased a total of 1,212,498 shares, representing approximately 2.8 percent of the Company's common shares and votes, at a price of NOK 2.50 per share. The total purchase price was approximately NOK 3.0 million.

Share-based payments

The Company has used share-options for key personnel in connection with the acquisition of Tristein AS and Offshore Wind Consultants Ltd. Refer note 18 in Aqualis Group annual accounts for more information.

Please refer to note 25 in annual accounts of Aqualis Group for further information regarding the company's largest shareholders.

Note 12. Other current assets, trade payables and other current liabilities

Other current assets

(NOK 000's)	2016	2015
Group companies	407	968
Other receivables	45	54
Other current assets	1	93
Total	**452**	**1,115**

Amount due from group companies are unsecured, non-interest bearing and are repayable on demand. Other receivables are non-interest bearing and are generally on terms of 30 to 45 days.

Trade payables

(NOK 000's)	2016	2015
Group companies	405	1,222
Trade payables	7	787
Total	**412**	**2,009**

Other current liabilities

(NOK 000's)	2016	2015
Other accrued expenses	340	1,119
Social security taxes	-	142
Allowance for vacation pay	-	274
Total	**340**	**1,535**

Amount due to group companies are unsecured, non-interest bearing and are repayable on demand. Trade and other payables are non- interest bearing and are normally settled on 30 days term.

Note 13. Equipment

2016

(NOK 000's)	Equipment	Total
At 1 January	95	95
Additions	-	-
At 31 December	**95**	**95**
Depreciation and impairment		
Accumulated depreciation at 1 January	(18)	(18)
Depreciation charge for the year	(24)	(24)
Accumulated depreciation at 31 December	**(42)**	**(42)**
Net book value	**53**	**53**
Useful life	2-5 years	

2015

(NOK 000's)	Equipment	Total
At 1 January	-	-
Additions	95	95
At 31 December	**95**	**95**
Depreciation and impairment		
Accumulated depreciation at 1 January	-	-
Depreciation charge for the year	(18)	(18)
Accumulated depreciation at 31 December	**(18)**	**(18)**
Net book value	**77**	**77**
Useful life	2-5 years	

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Aqualis ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aqualis ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the statement of profit and loss and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2016, the statement of profit and loss, the statements of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Assessment of impairment of goodwill

The impairment evaluation of goodwill is dependent on the expected future activity level in the market and economic conditions. Management exercises judgment when determining if goodwill is impaired and an impairment charge of 0.579 MUSD was recognized in 2016. Goodwill accounts for approx. 43 % of total assets of the Group. Due to the significance of goodwill and the related estimation uncertainty, we considered impairment assessment a key audit matter.

We obtained an understanding of the process related to impairment testing, we tested key controls and performed test of supporting documentation for the evaluation of the impairment. We assessed data used in the impairment models, including the forecasted future cash flows and Weighted Average Cost of Capital based on available market information, comparable companies and Company's budgets. We compared assumptions with external information such as expected marked conditions and development. Our audit procedures also included analysis and evaluation of historical accuracy of prior year's forecasts and testing of mathematical accuracy in the models.

We refer to the Group's disclosures in note 3 Critical accounting estimates and judgements in terms of accounting principles and note 12 Intangible assets.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statement on corporate governance, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 March 2017
ERNST & YOUNG AS

Anja Maan
State Authorised Public Accountant (Norway)

ALTERNATIVE PERFORMANCE MEASURES ('APM')

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:

OPERATING PROFIT ADJUSTED

Management believes that 'Operating profit adjusted' which excludes impairments of goodwill and other charges/(income) 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 below.

PROFIT (LOSS) AFTER TAXES ADJUSTED

Management believes that 'Profit (loss) after taxes adjusted' which excludes impairments of goodwill and other charges/(income) 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 below.

Amounts in USD thousands	2016	2015
Operating profit (loss) (EBIT)	(4,055)	(2,908)
Goodwill impairment charge for the year	579	1,421
Operating profit (loss) adjusted	**(3,476)**	**(1,487)**

Amounts in USD thousands	2016	2015
Profit (loss) after taxes	(3,874)	(2,198)
Goodwill impairment charge for the year	579	1,421
Profit (loss) after taxes adjusted	**(3,295)**	**(777)**

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