AQUALIS

ANNUAL REPORT **2017**

www.aqualis.no

OFFSHORE OIL & GAS • OFFSHORE WIND • SOLAR

CONTENTS

KEY FINANCIAL FIGURES

Results		2017	2016
Total revenues	USD thousands	31,134	27,564
EBITDA [1]	USD thousands	1,860	(2,755)
EBIT	USD thousands	(5,628)	(4,055)
EBIT adjusted [1]	USD thousands	1,729	(2,970)
Profit (loss) after taxes	USD thousands	(6,477)	(3,874)
Profit (loss) after taxes adjusted [1]	USD thousands	879	(2,789)
Financial position and cash flow			
Cash and cash equivalents at 31 December	USD thousands	9,709	9,910
Equity ratio	%	83.9 %	87.3 %
Cash flow from operating activities	USD thousands	(263)	(4,127)
Operations			
Order backlog at 31 December	USD thousands	8,942	6,707
Employees at 31 December [2]	Full-time equivalents	177	151
Billing ratio [2]	%	83%	73%
Lost time incident frequency	Per million worked hours	-	-
Sick-leave rate	%	0.8 %	0.6 %
Share data			
Basic earnings per share	USD	(0.15)	(0.09)
Number of shares outstanding at 31 December	million	42.29	42.29
Number of options outstanding at 31 December	million	0.25	0.75
Share price at 31 December	NOK	3.80	4.00

1. Alternative Performance Measures
2. Figures including subcontractors and excluding Adler Solar

FINANCIAL CALENDAR 2018

Event	Date
First quarter results	26/04/2018
Annual General Meeting	15/05/2018
Second quarter results	20/07/2018
Third quarter results	25/10/2018

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

LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

Last year, 2017, was a very good year for Aqualis Offshore and for Offshore Wind Consultants. Revenue grew by 8% for our Oil and Gas services and by 62% for our Offshore Wind services in 2017 compared to 2016. Aqualis has made a significant turnaround with EBITDA margin improving from a loss of 10% in 2016 to a positive EBITDA margin of 6% in 2017 – in total an improvement of 16%. 2017 was our first year of profitability since we started Aqualis in 2012. During the growth period after establishing the company, we lost money due to heavy investments and various growth initiatives as we expanded our operations globally. In 2015 and 2016 we lost money due to the downscaling and restructuring of the company to align to a new market reality. Based on this "roller-coaster" market experience Aqualis decided in 2016 to implement a strategy to significantly increase the flexibility of the cost base by using more subcontractors, having more flexible employment contracts and reducing the fixed cost base. This has resulted in a more robust and profitable company. The organizational changes are permanent and expected to benefit the company also into the next upturn. The lesson for the Aqualis management and board has been to implement a business model that is more flexible and more adaptable to the cyclical swings that are inevitable in our industry. We shall not be "caught" off-guard again with too high fixed cost base if the market demand turns weaker in the future.

The oil service market hit the bottom during 2017 and a moderate growth is expected in offshore oil and gas investments from 2018. My forecast is that we are at the start of a multi-year upturn. When we entered the downturn in 2014, the supply growth was excessive in most segments in the service industry. The number of rigs, vessels, service companies and the resulting growth in oil and gas production lead to an oversupply of "everything" during the 2015-2017 period. The oversupply in assets (rigs, vessels etc.) is still excessive and most segments within the capital intensive oil service industry will struggle with profitability for years despite increase in demand expected from 2018 and beyond. The rates will slowly increase as assets need to move from layup to active service, but I do not expect that rates will be sufficient to justify newbuilds for several years.

While rigs and boats are in layup and can be mobilized again if needed, the people that were laid off during the 2014-2017 downturn have largely moved to jobs in other industries, retired or by other ways left the oil and gas industry. My prediction is that the rates for consultants, mariners and engineers will start to increase early in the next upcycle. Rates in our industry (Aqualis) are down by 30-40% from the peak in 2014. We see some early signs of shortage of key specialists and increasing charge-out rates already and I think the industry might struggle to attract the younger generation. The Oil and Gas industry has probably become a less attractive employer for at least two reasons. At first, due to the focus on potential negative effect on the climate from fossil fuel, the young talents might be more tempted to work for other more politically correct industries.

Secondly, the last down cycle was painful for many employees in the Oil and Gas industry with layoffs and reduced compensation. Very cyclical industries like O&G will probably again have to compensate its workers for the higher risk associated with working in our industry. The cost of this risk compensation will have to be borne by the industry itself. In conclusion, I expect average charge out rates for consultants, mariners and engineers to increase gradually again starting from 2018 and accelerating in 2019.

The offshore wind energy industry has substantially improved its competitiveness towards other energy sources as the levelised cost of energy for offshore wind has fallen throughout 2017. I expect that demand will continue to increase. Industry experts, such as IRENA, expects that offshore wind capacity will grow by 15% a year up to 2030. We look to extend our global footprint and increase our activity within offshore wind.

A popular theme in all industries today is Artificial Intelligence ("AI"), internet of things ("IoT") and robotics. IT has gradually changed most service and production industries over the last 30 years. Consultants and other so-called experts would say most companies do not have the competence needed to adapt and be competitive in a fast changing world. I would say that these "IT prophets" are mostly exaggerating and are more "sales men" by "scaring" their clients. You do not need to be a mobile phone specialist to use a mobile phone. The benefits of a smartphones is as large for an organization or an individual regardless of if you understand the inner working of the smart phone or not. In the same way that you do not need to be a specialist in combustion engines to understand that it was smart to sell your horse and buy a lorry to distribute your goods 100 years ago. The key is to be an early (but not too early) adapter of new technology that reduces cost and improves your service to customers. This is a strategy that will work for 90% of existing companies. In some industries, the new technology is more disruptive. I think for most of the oil service industry the AI, IoT and robotics will be welcome and improve how we do business and reduce cost for our industry on a permanent basis. This is happening already.

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Glen Rødland | Chairman of the Board

The total demand for engineers and other specialists will probably not reach the previous high we saw during the last up-cycle as standardization of equipment/solutions and AI is reducing the demand for more basic engineering. Oil companies and leading engineering companies have indicated savings of 50-60% on engineering hours on a typical project. The productivity increase for marine personnel is currently less obvious and rules and regulations for offshore work make this part of the industry less flexible. Finally, there seems to be a trend of more outsourcing by our clients. For some clients it's a consequence of previous downsizing while for other clients it's a deliberate decision to outsource more tasks to outside specialists like Aqualis. Many of our clients, have as Aqualis, implemented a more flexible cost base/organization, to mitigate swings in activity from period to period and from geographical region to region.

In conclusion, the market for niche specialists like Aqualis is expected to be affected by three positive factors and one negative in the next few years. The positive trends are more outsourcing by our clients, a general cyclical increase in O&G activity/investments and increased pricing/charge out rates. The negative factor is simplification, standardization and more use of AI especially within engineering.

ADLER Solar was a profitable business until 2015. The main market was in the past recall campaigns for large solar panel manufacturers. As prices continued to drop for solar panels and the quality improved, the market for recall and repair reduced dramatically. An analogy might be the TV repair shops that are also more or less history. When the TV fails, you rather buy a new one than paying for repair. The same is increasingly also the case for solar panels. ADLER Solar have managed largely to compensate the loss of revenue from recall campaign with revenue from other services for the solar industry. However, the profitability of the new business lines has been lower and ADLER Solar have not been able to cover its costs and reporting losses for the three consecutive years 2015, 2016 and 2017. The investment in ADLER Solar has now been written off completely to nil. The investment in ADLER Solar was with hindsight a bad decision by Aqualis. Our strategy was (and is) to be an energy consultancy. Our offshore wind business is closely related to our offshore oil and gas business with significant synergies between the businesses. The solar business was more complicated and faster changing than we anticipated when we made the initial investment. Further, the solar business service is a local (Germany) business and quite different from our oil and gas business which is truly a global business. We lost about 3 million Euro on ADLER Solar. It has been an expensive learning experience.

Since most of our customers are asset heavy oil service companies (drilling rig, OSV, FPSO), the upturn in activity is expected to be gradual. There is a saying that the market takes the elevator down (fast down turn) and the stairs up (slow recovery, step by step) and I think this is relevant for our industry too. Therefore, to improve the margin faster we need to consolidate the industry. As discussed earlier, the revenue of our industry is down about 40% from the peak in 2014. There is simply too many competitors with an expensive global presence and overhead and it could will take years to "fill the overhead capacity" that currently exist. Aqualis plans to be an active player/consolidator in this market at the same time as we continue to grow our business organically. The key for our strategy will be to increase shareholder value and utilize the opportunities that arise in the M&A market.

I would like to take this opportunity to thank the management team and employees at Aqualis for the turnaround we achieved in 2017. We managed to report a satisfactory EBITDA profit at the bottom of the market at the same time as our team managed to grow the business. The growth is most likely a result of increased market share in key regions. The management team in Aqualis has been with the company since the start and have many years of experience in the industry prior to joining Aqualis. Retention of key personnel is important in a human capital based business with specialist competence requirements and that has close relationship with clients. I expect Aqualis to continue to grow organically in 2018 and remain profitable. The company was about cash breakeven in 2017 (positive cash flow from operations, but an increase in working capital neutralized the cash from operation) and we expect to be cash positive in 2018. A company such as Aqualis should in a normal market situation be able to pay out a relative high share of its' income as dividend and/or through share buybacks. I expect that Aqualis will soon be in a position to start servicing its shareholders.

Glen Rødland | Chairman of the Board

OFFSHORE OIL & GAS

AQUALIS OFFSHORE

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 recognized 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 17 offices and 14 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
- Drilling rig inspection and audit services

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 Consultants
- Marine Superintendents
- Marine Warranty Surveyors
- Marine Surveyors (vessel / rig surveys)
- Master Mariners (Tow Masters / Rig Movers / Mooring Masters)
- Client representatives
- DP Vessel Auditors (Marine Engineers / Electrical Engineers)
- Risk Managers / Engineers
- Rig Inspection teams (Marine, Mechanical, Electrical & Subsea Engineers)

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

ENGINEERING

Aqualis Offshore provides a unique solutions-based approach to engineering. Our engineers aim to work with our Clients as a one-stop-shop to find efficient solutions to their engineering projects.

Due to our independent status, focus is on cost-effective solutions, fit for purpose and tailoring to suit the specific needs and constraints of our Client. Our offshore engineering expertise covers the life-cycle of an offshore facility from concept and basic design through installation, 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 major centers of the offshore industry.

Our experienced team of 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. Our capability covers the marine systems, structural, geotechnical and naval architectural disciplines.

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
- Vessel/cargo interaction
- Grillage and seafastening design
- Design of fendering and installation aids
- Dynamic lifting and rigging
- Hydrodynamic analysis
- Jacket launch and upending
- Dynamic analysis for floatover installations
- Towing analysis and design
- 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.

We have formed strategic alliances with vessel partners enabling us to provide package solutions for T&I projects such as platform installations, including topside floatovers, plus tow, positioning and hook-up of floating structures along with associated engineering, preparation of procedures and offshore operations management.

MARINE WARRANTY

Our teams of Marine Warranty Surveyors, Engineers, and Master Mariners act to protect the interests of Underwriters' or self-insured Clients. We provide independent third-party review and approval of marine activities. 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
- Heavy Lift vessel dry transportations
- Unusual / oversized cargoes on ships
- Bridge and harbour construction activities
- Suitability surveys of offshore marine spreads
- Vessel and equipment audits

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 / offshore vessels / trading 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
- Provision of Marine Advisors
- Dry transportation consultancy and operations
- Vessel inspections
- Rules & Regulations compliance
- Inclining experiments
- Pilotage operations
- Rig move procedures
- Suitability surveys and audits
- 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 for Mobile Offshore Drilling Units. We offer full engineering assessments for site specific location approvals and provide both Marine Warranty Surveyors and Rig Movers / Towmasters for offshore attendance during jack up and floating unit rig moves.

The following services are provided:

- Jack-up engineering 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
- Rig movers
- Turnkey marine operations
- General rig moving consultancy

MARINE CASUALTY SURVEYS

We offer a range of marine damage investigation services to the shipping and offshore energy insurance markets; sectors include Cargo, construction, Liability and Hull & Machinery surveys. Our surveyors have many years of experience carrying out insurance damage surveys on marine and offshore vessels.

We offer:

- Vessel hull and machinery damage surveys
- Damage to fixed and floating objects including collision assessment
- Casualty
- Litigation
- Expert Witness
- Port risks
- Voyage risks
- Loss prevention services
- Loss of Hire
- Personal Injury
- Damage surveys of high value equipment and cargo
- Project cargo risk management
- Risk assessments
- Feasibility studies
- Shipbuilding & repair facilities, procedures
- Salvage and Wreck removal
- Moorings, structural design and failure analysis, intact and damage stability
- Additional services include vessel vetting and entry condition surveys

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 FMECA Proving & Annual Trials
- DP Design Review / Redundancy Analysis
- DP Suitability / Condition Surveys
- DP Gap Analysis
- Development of ASOG, WSOG & CAMO
- DP Incident Investigation
- DP Manuals & Procedures
- DP Operator Competence Assessment & Verification
- DP Project Management & Sea Trials Management
- Planning for DP Conversions

DIVE AUDITING AND FMEA WORK

- Dive System FMEA
- Dive System FMEA Proving Trials
- Dive System Auditing
- ROV Auditing

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
- Assessment of equipment preservation and re-activation

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

RIG INSPECTION

Aqualis Offshore offer our clients an offshore environment focused rig inspection service. Our multi-disciplined engineering teams have in-depth knowledge of Drillships, Semi-submersibles and Jack-Ups equipment and systems, ranging from traditional manually operated drilling rigs to the latest 7th generation Cyberbased Drilling Rigs with complex Integrated Control Management Systems & Dynamic Positioning Systems.

Aqualis Offshore Rig Inspection teams offer the following services:

- Rig Inspection and Assurance Services
- Rig Selection Services
- Rig Reactivation Assurance Services
- New Build Delivery Assurance
- Rig Preservation Assurance Services
- Focused Rig Equipment inspections including
  - Well Control Systems
  - Cyberbased Drilling Equipment
  - Integrated Control Management Systems
  - ROV Systems
  - Dynamic Positioning Systems
  - Planned Maintenance Systems
- Drilling Equipment Factory Acceptance Testing (FAT) client witnessing services

STACKING OF OFFSHORE UNITS

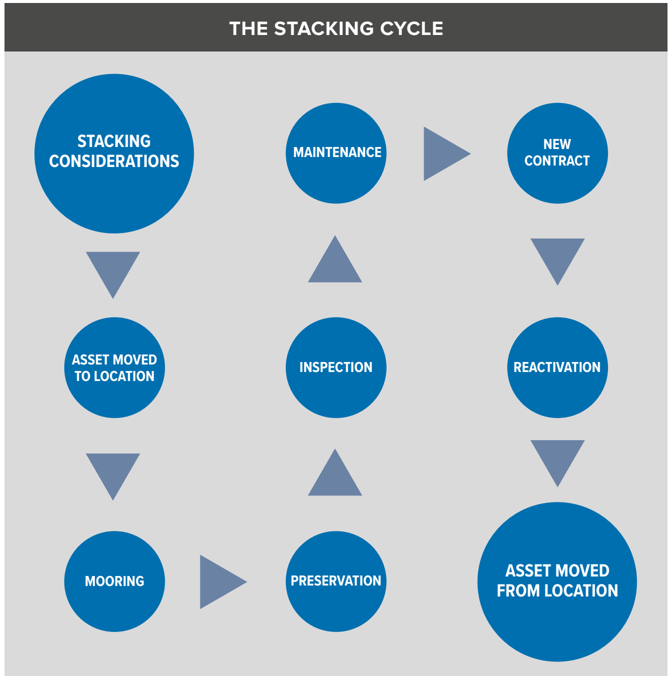
Stacking of offshore units have been an increasing service area for Aqualis Offshore. With a combination of engineers and mariners, we have inspected, verified and been advisors to the stakeholders of units ensure their interests and values are properly protected during the stacking period, and to ensure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

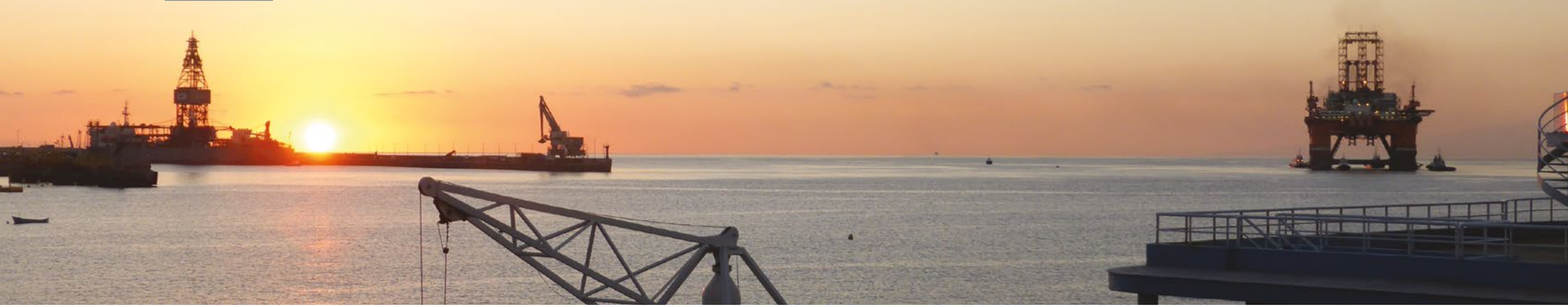
Stacking considerations:

- 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
- Failure Mode, Effect and Criticality Analysis (FMECA)
- HSE (Safety) Inspections and Audits
- Provide people who can work within a Client's team to manage risk within a project
- Human Factors Analysis

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 & 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 global engineering and project management consultancy focused on the full value chain of offshore renewables technology and projects. The core team within OWC has experience in the industry, dating 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. Since OWC's establishment in 2011 they have delivered assignments amounting to over 23 Gigawatts of projects across Europe, Asia and the US.

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

OWC and Aqualis Offshore specialise in providing services to offshore renewables developers, lenders and investors. We add value to clients through our experience whether they need support to realise a project or invest into a technology or project or develop their business or technology. We can align closely with our clients' business goals and strategies which enabling us to deliver practical and innovative solutions.

We support the following offshore renewables market segments:

- Offshore wind (fixed and floating)
- Ocean energy (wave and tidal)
- Subsea cables
- Energy storage

PROJECTS

Our team of offshore renewable experts take a full lifecycle approach to your project, whether that is from feasibility to operation or repowering or supporting a specific phase of the project.

BUSINESS INTELLIGENCE

Data, analysis and insightful opinion is the key for making the right business decisions. We help clients analyse and identify opportunities and gain real benefit from evidence-based insights, while focusing firmly on their outcomes.

TRANSACTIONS

We can advise on projects and technology around the world. With hands on experience of developing, constructing and realizing offshore wind projects we provide real world advice regardless of the stage of the technology or project.

OWC and Aqualis Offshore's service portfolio is broad and delivered by experts with deep experience. Our offshore renewables service portfolio is:

STRATEGY, MARKET & POLICY STUDIES

OWC offer advice and consultancy for all current and emerging offshore renewables markets and technologies.

TECHNICAL STUDIES

OWC draws on a vast range of technical expertise enabling us to provide technical studies in almost every area of interest. Some of our delivered studies cover fixed and floating foundation design, including coupled load assessments, weather downtime analysis (sequenced downtime analysis utilising Monte Carlo simulation), technical risk assessments and CAPEX and OPEX modelling.

WIND MEASUREMENT ADVISORY SERVICES

OWC combines first hand research knowledge in the field of wind measurements with practical experience from a large number of commercial project assignments. OWC experts have provided technical and consultancy services to several floating Lidar deployments in commercial projects making OWC a leading technical advisory in the field of floating Lidar technology and measurements.

OWNERS ENGINEERING

We bring in depth design and construction experience, first-hand experience of offshore installation and all the associated technological challenges as well bringing the lessons learnt from many other projects. We cover the entire project lifecycle and can either monitor or consult on a project on clients' behalf, or supplement clients' own teams.

OPERATION & MAINTENANCE CONSULTANCY

OWC advises on all phases and aspects of O&M including deep expertise in subsea cables. We cover emergency cable repair support, cable remediation solutions and works, scour issues, survey management, operations management, technical support services, commercial management, O&M concept and strategy, modelling for OPEX, operational CAPEX, logistics, WTG availability and downtime calculations and QHSE.

TECHNICAL DUE DILIGENCE

OWC offers specialist technical due diligence supporting the financing, acquisition, sale and refinancing of assets, technology and companies within the offshore renewables market. Owners and financial institutions can obtain an objective expert view on the actual offshore wind project performance or asset value, as an important input to the decision-making process related to loans, consolidation or acquisitions.

GEOTECHNICAL ENGINEERING SERVICES

The OWC geotechnical team consists of engineers who have many years of experience within the offshore wind industry and possess both excellent design and analytical skills combined with direct experience of working offshore.
We bring leading experience and expertise in Offshore Geophysical and geotechnical site investigations, Live interpretation of site investigation data to inform ground model updates and immediate design assessments, foundation design and installation analysis, cable route risk analysis and planning and site specific assessments for jack-up locations including leg penetration analyses. OWC combine this expertise with a number of in-house innovative tools that have reduced DEVEX & CAPEX costs on projects.

PROJECT MANAGEMENT

OWC provide project management service support through all stages of an offshore wind farm project. Our reputation is based on early involvement in projects; from the planning, design and engineering and then seeing our role expand to a project management service provider through the construction, installation and commissioning phases of the project. Our team can either undertake a leading role and manage a project directly on behalf of an owner, or more commonly, work as part of an integrated team with our client, managing specific packages of work and providing support and advice to all other areas of the project.

ENGINEERING

OWC is able to provide structural engineering services support through all stages of an offshore wind farm project. The services we can provide you include: Structural analysis and design for offshore WTGs and offshore substations, both fixed and floating and for all stages of the design process/projects including optioneering and concept, FEED studies, optimisation to reduce LCoE and increase profitability and detailed design. We also have specialists in mooring line and cable analysis.

EXPERT WITNESS

OWC offers expert witnesses.

TRANSPORT & INSTALLATION / MARINE OPERATIONS CONSULTANCY

We offer transportation & offshore installation feasibility studies, loadout engineering, harbour engineering related to seabed levelling, concrete structures, fenders, linkspans and gangways, transportation engineering, installation engineering for jack-up units going on location, jacket launching and lifting installation engineering, inspection and supervision and marine operations management.

RISK MANAGEMENT & INTERFACE MANAGEMENT

OWC provides risk and interface management through all stages of an offshore wind farm project. We apply proven and state of the art risk and interface management tools and techniques such as Monte-Carlo Simulation, combined with solid experience of our team. Either as a member of your risk or interface management team or taking the lead on this role.

HSEQ

OWC's multi-disciplinary background gives us a very broad experience base across different industries, continents and technical disciplines. We apply risk tools such as standardised risk profiling for projects or operations, integrated risk, planning and commercial profiling and HSE risk categorization and benchmarking. We use such risk methods in the evaluations of marine operations, qualification of new vessel concepts, risk assessment of wind turbine maintenance tasks, wind farm diving and ROV operations and also for offshore wind helicopter operations.

MARINE WARRANTY SERVICES

Aqualis Offshore 's marine warranty engineers, surveyors and master mariners act to protect underwriters' or self-insured clients interests. We provide independent third party review and approval of offshore wind projects. We have extensive experience of a wide range of offshore activities from simple marine operations to challenging and complex offshore projects.

SOLAR

ADLERSOLAR

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 Services GmbH ("ADLER Solar"), a leading independent full-service provider for the photovoltaic (PV) industry. The company based in Bremen with about 80 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.

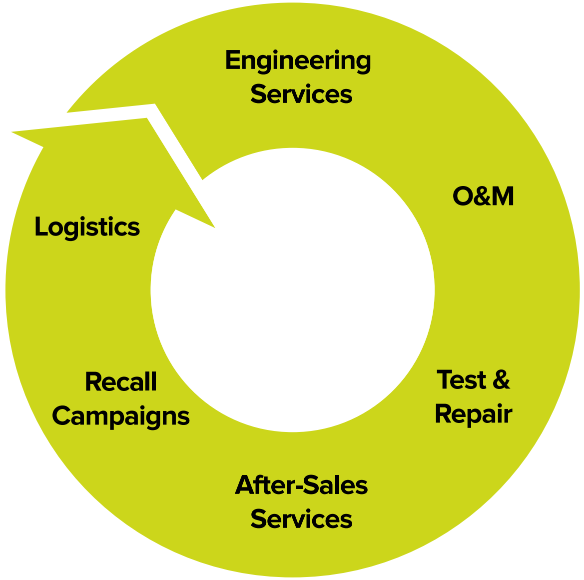
KEY SERVICES

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.

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.

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.

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 AND DIRECTOR OF UK

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.

KIM BOMAN | CHIEF FINANCIAL OFFICER

Kim Boman has 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.

REUBEN SEGAL | CHIEF OPERATING OFFICER

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

SENIOR MANAGEMENT

DR. BADER DIAB I 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. Diab holds a PhD and is based in Houston, USA.

DR. ANDREW THEOPHANATOS I DIRECTOR OF SOUTH AMERICA

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. Theophanatos holds a PhD and is based in Rio de Janeiro, Brazil.

PHIL LENOX I 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.

DR. BJARTE RØED I DIRECTOR OF NORWAY

Dr. Bjarte Røed is a master mariner with a Ph.D. in Human Factors and M.Sc. in marine engineering with over 30 years of marine experience. He has 20+ years experience in the Norwegian Navy as ship officer, commanding officer and navigation technology expert and has over 10 years experience in offshore projects involving drilling, subsea, marine operations, engineering and risk analyses. Dr. Røed is based in Sandefjord, Norway.

BEN LAZENBY I 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.

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.

SENIOR MANAGEMENT

RODGER DICKSON | 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.

AMISH SANGHAVI | GROUP FINANCIAL 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.

STUART MILL | 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 Aberdeen, Scotland.

SANTOSH GEORGE | 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 2017 was USD 28.5 million, representing an equity ratio of 83.9%. 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 2017 Aqualis had 42 293 239 ordinary shares outstanding with a par value of NOK 0.10 per share (see note 26 to the Financial Statements). The Company has one share class, and each share carries one vote. At 31 December 2017, the Company had 1,525 shareholders, and foreign registered shareholders held 34.7% 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 15 May 2017 to increase the share capital with up to NOK 2,114,661 through one or more share issues. This authorisation expires on the date of the 2018 annual general meeting, however no later than 15 August 2018. 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 15 August 2018.

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 12 board meetings and board calls during the period between 1 January 2017 and 31 December 2017 which were well attended by Board members.

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.

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	2019	Audit Remuneration	-
Reuben Segal	Member	2014	2018	Remuneration	1,263,869 [2]
Synne Syrrist	Member	2013	2019	Audit Remuneration	-

*** At the date of the Annual Report**

1. The shares are held by Gross Management AS, an entity owned 100% by Mr. Rødland
2. The shares are held by AmAn Marine Limited, an entity controlled by Mr. Segal. Some of the share are placed under nominee accounts

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

PricewaterhouseCoopers AS was appointed as the Company's auditors on 15 May 2017. 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' website:
www.aqualis.no

BOARD OF DIRECTORS' REPORT

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".

KEY FIGURES AND EVENTS IN 2017:

- Revenues of USD 31.1 million in 2017 vs USD 27.6 million in 2016
- Operating loss (EBIT) of USD 5.6 million in 2017 vs loss of USD 4.1 million in 2016
- Adjusted EBIT[1] of USD 1.7 million in 2017 vs loss of USD 3.0 million in 2016
- Loss after taxes of USD 6.5 million in 2017 vs loss of USD 3.9 million in 2016
- Adjusted profit after taxes[1] of USD 0.9 million in 2017 vs loss of USD 2.8 million in 2016
- Net cash out flow from operating activities of USD 0.3 million in 2017 vs outflow of USD 4.1 million in 2016
- Strong operational performance with billing ratio of 83% in 2017 and solid HSE performance
- Robust financial position with cash balance of USD 9.7 million at 31 December 2017
- 177 full-time equivalent employees[2] at 31 December 2017

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 network of global offices. The Group has established a presence in most major 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.

The focus for 2017 has been to:

- Turn the company into profitability
- Widen and strengthen the global client portfolio
- Phase in a flexible business model more adaptive to market dynamics
- Have strong operational performance
- Assess organic growth and M&A opportunities

OPERATIONS AND MARKETS

The Group opened one representative office in Tainan City, Taiwan in 2017 and closed down the offices in Kristiansund, Norway and Ciudad del Carmen, Mexico.

Oil & gas

Aqualis' offshore oil and gas activities are carried out by Aqualis Offshore. 2017 has been a year of readjustment and realignment for the oil service industry as a whole. The activity level in the oil & gas industry has been generally weak and competitive throughout the year, but have stabilized after the significant reduction in demand in 2016. The demand visibility remains short term across the oil and gas market, but by the end of 2017 there are increasing signs of recovery. However, until the oil companies resume new infrastructure investment, the oil service industry will have challenging market conditions.

Aqualis' regions have experienced varied market conditions in 2017. The Middle East market has maintained relative high activity level and has become an increasingly important region for the Group together with Asia Pacific which has experienced good activity level during the year. The market in the North Sea, Gulf of Mexico and Brazil has been weak for Aqualis. The Group has aligned capacity to changes in market conditions and the group's organisational structure has become leaner and more flexible.

Aqualis holds a growing number of Master Service Agreements (MSAs) and call out contracts, for day-to-day operational requirements, with a growing number of offshore clients. Aqualis' focus has been to support its clients with their day-to-day offshore operations as capex related opportunities remain weak.

Most of Aqualis' service lines have increased their activity level during 2017 on the back of strengthened market position and important client wins. We have experienced more demand for marine related services while the demand for engineering services have remained weak compared to previous years. Whilst the market for new large engineering and construction related opportunities is weak, Aqualis has managed to maintain a foothold through winning selected contracts in Asia Pacific. Our transportation and installation team have won important projects during the year.

Jack up rig moving operations remains an important service line for the Group and operations have remained strong particularly in the Middle East and India. The Group estimates that it is associated with about 20% of the active global jack

1. Alternative Performance Measures
2. Figures including subcontractors and excluding Adler Solar

up fleet and our workload in the Kingdom of Saudi Arabia has grown steadily throughout 2017.

Our weakest market has been North Sea related and in particular servicing opportunities on the Norwegian continental shelf. Volumes of our marine work, in particular, have decreased and our operations have become increasingly reliant on non O&G market segments.

Backlog levels have been more or less maintained throughout the year and the company ended with USD 8.9m by year end. Billing ratio has gradually increased during the year, averaging at 83%, and ending the year at 88%.

Renewables

Aqualis offers services in offshore renewables industry through Offshore Wind Consultants Ltd ("OWC") and Aqualis Offshore.

The offshore wind energy industry has improved its competitiveness towards other energy sources as the levelised cost of energy for offshore wind has fallen throughout 2017. Wind energy represents 6% of the global energy mix. Offshore wind represents 8% of total capacity in wind energy in Europe and 3% globally. For the period up to 2030, IRENA expects that offshore wind capacity to grow by 15% a year.

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 from clients in emerging markets. The market remains competitive with new players entering the market with resultant rate pressure.

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. ADLER Solar is owned 49.9% by Aqualis.

The solar industry in Germany remains competitive, but the number of players in the industry have been reduced over the past year. The industry is still facing margin pressure mainly driven by the required return on investments in new solar plants. The fall in solar module prices over the past quarters have led to more interest from clients to develop both rooftop and ground mounted solar systems.

The demand for ADLER Solar's services have been weaker than expected as some of the key clients have reduced their demand.

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 for 2017 is provided below.

Profit and loss

Total operating revenues increased by 13.0% to USD 31.1 million compared to USD 27.6 million in 2016. The increase is mainly attributable to strengthened market positions for several entities in the group – in particular for our entities in the Middle East, Asia Pacific and for Offshore Wind Consultants.

Total operating expenses increased by 16.3% to USD 36.8 million compared to USD 31.6 million in 2016. The increase in operating expenses is due to impairment of goodwill and investment in and loan to associates representing in total USD 6.9 million. The goodwill impairment is primarily related to our operations in Norway where market conditions have been challenging. Profitability measures implemented in 2016 to align the business model and cost base with weaker and more dynamic market conditions took effect during 2017.

EBIT amounted to a loss of USD 5.6 million compared to a loss of USD 4.1 million in 2016. The result was mainly impacted by impairment of goodwill and investment in associates. Adjusted EBIT was USD 1.7 million in 2017 vs loss of USD 3.0 million in 2016. Adjusted profit after taxes was USD 0.9 million in 2017 vs loss of USD 2.8 million in 2016

Share of net income from associates amounted to a loss of USD 0.5 million compared to a loss of USD 0.5 million in 2016 and relates to the investment in ADLER Solar. ADLER Solar continued to face challenging market conditions and reduced demand from its main clients in 2017. The measures taken by ADLER Solar to improve the profitability have not been sufficient to turn the company into profitability. Due to ADLER Solar's severe financial situation and the uncertain economic outlook, the investment in ADLER Solar is now considered to be fully impaired.

Net financial items amounted to a gain of USD 0.7 million compared with a gain of USD 0.0 million in 2016.

Loss after taxes USD 6.5 million compared to a loss of USD 3.9 million in 2016.

Cash flow, liquidity and financial position

Net cash outflow from operating activities was USD 0.3 million in 2017. This was mainly due to increased working capital. Net cash outflow used in investing activities was USD 0.0 million in 2017. Net cash outflow from financing activities was USD 0.0 million in 2017. At 31 December 2017, cash balance amounted to USD 9.7 million compared with USD 9.9 million at 31 December 2016

At 31 December 2017, total assets amounted to USD 33.9 million compared with USD 37.9 million as of 31 December 2016. The shareholders' equity was USD 28.5 million at 31 December 2017, corresponding to an equity ratio of 84%. The shareholders' equity was USD 33.1 million at 31 December 2016, corresponding to an equity ratio of 87%. Aqualis had no interest bearing debt as of 31 December 2017.

GOING CONCERN

Based on Aqualis' cash position at 31 December 2017, and the estimated net cash flow for 2018, 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 2017 of NOK 38.1 million compared with loss after taxes of NOK 3.9 million in 2016. The increase is mainly due to impairment of investment in and loan to ADLER Solar in total NOK 34.3 million. Total assets as of 31 December 2017 were NOK 279.5 million compared with NOK 320.1 million in 2016. The company's cash balance at 31 December 2017 was NOK 53.7 million vs NOK 63.6 million at 31 December 2016. Net cash outflow from operating activities was NOK 7.0 million in 2017 and was primarily related to the losses made during the year. Net cash outflow used in investing activities was NOK 3.0 million in 2017 and 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 2017 was NOK 277.7 million with a corresponding equity ratio of 99%. The Board proposed that the loss for the year of NOK 38.1 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 2017.

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.

Aqualis Board is committed to effective risk management in pursuit of the Group's strategic objectives with the aim of growing shareholder value. Further, the Board realises that proactive risk management is both an essential element of good corporate governance and an enabler in realising opportunities.

The Executive Management is responsible for the governance of risk and is assisted by the risk committee, which reviews and monitors the effectiveness of the risk management processes within the Group in accordance with corporate risk governance requirements. They ensure that the risk management process complies with the relevant standards and works effectively.

Risk registers are tabled at Company and Board meetings under the categories of economic, financial, political, operational, strategic, legal and human resources risks. Action plans are monitored and discussed to reduce the risks to acceptable levels.

Operational risk

Operational Risk typically involves the risk of loss resulting from inadequate internal processes, people and systems or from external events, including political and legal risks. The Executive Management regularly analyses its operations and potential risk factors with a focus on the most significant risks facing the Group and takes appropriate 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.

Credit and interest rate risk

With no debt financing at 31 December 2017, 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 still facing 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 9.7 million at 31 December 2017. 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 2017, the Group had a net foreign exchange loss of USD 0.8 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 which is included in the Annual Report on page 19.

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 2017, the Group continued its excellent personnel safety record and have now clocked over 1.33 million man-hours with zero lost time injuries(LTI's).

Absence due to sick leave (none of which was due to occupational illness) was 0.8% in 2017 vs 0.6% 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 31 December 2017, Aqualis had a total workforce of 177 employees including contractors on a 100% utilisation equivalent basis. This is an increase of 17.2% compared to 2016. At 31 December 2017, Aqualis' own staff consisted of 26 nationalities.

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 is 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 2017 is 21% women and 79% 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.

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

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

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

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

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

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

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

Asker, 4 April 2018

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 2017 financial statements 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, 4 April 2018

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 Income for the year ended 31 December

Amounts in USD thousands	Note	2017	2016
Revenues	5	31,134	27,564
Total revenues		**31,134**	**27,564**
Payroll and payroll related expenses	6	(15,324)	(19,303)
Other operating expenses	7	(13,951)	(11,016)
Depreciation, amortisation and impairment	11,12	(4,061)	(794)
Impairment of loan and investment in associates	13,14	(2,919)	-
Share of net profit (loss) from associates	13	(507)	(506)
Operating profit (loss) (EBIT)		**(5,628)**	**(4,055)**
Finance income	8	71	47
Net foreign exchange gain (loss)	8	(776)	(10)
Net financial items		**(705)**	**37**
Profit (loss) before taxes		**(6,333)**	**(4,018)**
Income tax (expenses) income	9	(144)	144
Profit (loss) after taxes		**(6,477)**	**(3,874)**
Profit (loss) after taxes attributable to:			
Equity holders of the parent company		(6,477)	(3,874)
Non-controlling interests		-	-
Total		**(6,477)**	**(3,874)**
Earnings per share (USD): basic and diluted	**10**	**(0.15)**	**(0.09)**

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

Amounts in USD thousands	Note	2017	2016
Profit (loss) after taxes		**(6,477)**	**(3,874)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences		1,680	(516)
Income tax effect	9	148	66
Other comprehensive income for the year, net of tax		**1,827**	**(450)**
Total comprehensive income for the year, net of tax		**(4,650)**	**(4,324)**

Consolidated Statement of Financial Position as of 31 December

Amounts in USD thousands	Note	2017	2016
ASSETS			
Non-current assets			
Equipment	11	160	184
Intangible assets	12	13,063	16,257
Investment in associates	13	-	2,853
Loan to associates	14	-	289
Deferred tax assets	9	69	122
Total non-current assets		**13,292**	**19,705**
Current assets			
Trade receivables	15	7,886	5,475
Other current assets	16	3,033	2,815
Cash and cash equivalents	17	9,709	9,910
Total current assets		**20,628**	**18,200**
Total assets		**33,920**	**37,905**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	690	690
Share premium		47,344	47,344
Share-based compensation reserve	18	563	543
Retained earnings		(7,559)	(1,082)
Foreign currency translation reserve		(12,587)	(14,414)
Total equity		**28,451**	**33,081**
Non-current liabilities			
Deferred tax liabilities	9	156	425
Other non-current liabilities	19	617	527
Total non-current liabilities		**773**	**952**
Current liabilities			
Trade payables	20	1,888	1,093
Income tax payable		74	-
Other current liabilities	19	2,734	2,779
Total current liabilities		**4,696**	**3,871**
Total liabilities		**5,469**	**4,824**
Total equity and liabilities		**33,920**	**37,905**

Asker, 4 April 2018

Glen Rødland
Chairman of the Board

Yvonne L. Sandvold
Board member

Reuben Segal
Board member

Synne Syrrist
Board member

David Wells
CEO

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

Amounts in USD thousands	Note	Share capital	Share premium	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total equity
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**
As at 1 January 2017		**690**	**47,344**	**543**	**(1,082)**	**(14,414)**	**33,081**
Profit (loss) after taxes		-	-	-	(6,477)	-	(6,477)
Foreign currency translation reserve		-	-	-	-	1,827	1,827
Share-based payment	18	-	-	20	-	-	20
As at 31 December 2017		**690**	**47,344**	**563**	**(7,559)**	**(12,587)**	**28,451**

Consolidated Statement of Cash Flows for the year ended 31 December

Amounts in USD thousands	Note	2017	2016
Cash flow from operating activities			
Profit (loss) before taxes		(6,333)	(4,018)
Non-cash adjustment to reconcile profit before tax to cash flow:			
Estimated value of employee share options		20	111
Depreciation, amortisation and impairment	11,12	4,061	794
Impairment of loan and investment in associates	13,14	2,919	-
Share of net loss from associates	13	507	506
Changes in working capital:			
Changes in trade receivables and trade payables		(1,616)	2,157
Changes in other current assets and other liabilities		(99)	(2,783)
Interest received		(61)	(4)
Income tax paid		(148)	(691)
Effects related to currency unrealised		487	(199)
Cash flow (used in)/from operating activities		**(263)**	**(4,127)**
Cash flow from investing activities			
Purchase of equipment	11	(99)	(16)
Interest received		61	4
Loan to associates	14	-	(370)
Cash flow (used in)/from investing activities		**(38)**	**(382)**
Cash flow from financing activities			
Buy back of shares		-	(368)
Cash flow from financing activities		**-**	**(368)**
Net change in cash and cash equivalents		**(301)**	**(4,877)**
Cash and cash equivalents at beginning of the year	17	9,910	14,864
Effect of movements in exchange rates		100	(77)
Cash and cash equivalents at end of the year	**17**	**9,709**	**9,910**

Note 1. Corporate information

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

The group consolidated financial statements of Aqualis ASA are a continuation of the group values transferred from Weifa ASA in the spin-off of the marine and offshore business wherein all the shares in subsidiaries were transferred to Aqualis ASA on 24 July 2014. The ownership of the subsidiaries and the related excess values from the acquisitions are consequently continued in the group consolidated financial statements.

The Company and its subsidiaries (collectively the "Aqualis Group" or the "Group") is a public company that offers energy consultancy services to the oil and gas, wind and solar sectors globally. The group including its associates employs experienced consultants across 19 offices in 14 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 2017, their interpretations adopted by the International Accounting Standards Board (IASB) and Norwegian disclosure requirements listed in the Norwegian Accounting Act. The consolidated financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in US Dollars (USD or US$) and all values in the tables are rounded to the nearest thousand (US$'000), except when otherwise indicated.

CONSOLIDATION PRINCIPLES

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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.

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 de-recognised 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's businesses are managed on a regional basis. The internal reporting provided by management to the board of directors of Aqualis, which is the group's decision maker, is in accordance with this structure. These regional segments comprise of entities within the region and forms the basis for the segment reporting presented in note 25.

FOREIGN CURRENCY TRANSLATION

The Group's presentation currency is US Dollars (USD). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity 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).

For consolidation purposes, the assets and liabilities of foreign operations are translated at the exchange rate prevailing at the end of the reporting period and their profit and loss are translated at the exchange rate prevailing at the date of transactions (transaction exchange rate). The monthly average exchange rates are used as an approximation of the transaction exchange rate. The exchange differences arising on translation are recognised in other comprehensive income ("OCI"). When investments in foreign operations are sold, the cumulative translation differences relating to the foreign operations attributable to the equity holders of the parent are recognised in the consolidated statement of income.

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

The Group derives revenue from offshore marine and engineering consultancy services.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, services have been delivered 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. The method for recognising revenues depends on the nature of the services rendered.

Rendering of services

Revenue from contracts priced on a time and material basis is recognised at the contractual rates as labour hours and direct expenses are incurred.

Revenue from contracts with fixed-price is recognised by reference to the stage of completion of the contract determined based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spend relative to the total expected labour hours. At the end of the reporting period, revenue in excess of billing is recognised as unbilled revenue and billing in excess of revenue is recognised as deferred revenue.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income is recognised using the effective interest rate method.

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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 de-recognised.

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 de-recognition 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 de-recognised.

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 cash equivalents 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.

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 de-recognised 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.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended standards and interpretations effective as at 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative;
- Amendments to IAS 12 Income taxes: Recognition of Deferred Tax Assets for unrealized Losses; and
- Annual Improvements Cycle 2014 – 2016.

The adoption of these new and amended standards did not have significant impact on the consolidated financial statements of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 10 and IAS 28 Sale of Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions;
- IFRS 16 Leases;
- IFRS 17 Insurance Contracts; and
- Annual Improvements 2014-2016 Cycle.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. As at the reporting date the Group has not completed detailed impact assessment of all three aspects of IFRS 9. This assessment may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when IFRS 9 is fully adopted. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity, including the effect of applying the impairment requirements of IFRS 9. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Group does not expect a significant impact on its consolidated statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group is currently developing unified approach with respect to application of IFRS 9 to be applied by the Group in 2018. As at reporting date, the Group did not possess sufficient reasonable and supportable information, including that which is forward looking, to assess the effect of IFRS 9 adoption.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

When effective, IFRS 15 replaces existing revenue recognition requirements in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. During 2017, the Company performed detailed analysis of IFRS 15.

The Group provides various consultancy services to the marine and offshore industry. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised when services are performed and delivered and measured based on the consideration specified in a contract with customers. Payment for services is not due from the customers until the services are complete and therefore contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date.

The Group does not have any significant financing component in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised service to a customer and when the customer pays that service will be one year or less.

Consequently, the Group concluded that there will be no significant impact upon application of IFRS 15.

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. Until the process has been completed, the Group is unable to quantify the expected impact.

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

Note 3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect that application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed below.

INCOME TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use for calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit 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 and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 12 to the financial statements.

EMPLOYEE COMPENSATION PLANS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or general changes in the economic conditions that correlate with defaults. The Group recognises allowance for doubtful receivables. Further details of the key assumptions applied in the impairment assessment are given in Note 13, 14 and 15 to the financial statements.

CONSOLIDATION; WHETHER THE GROUP HAS CONTROL OVER AN INVESTEE

In determining whether the Group has control over an investee requires management judgement. In exercising its judgement, management considers the proportion of its ownership interest and voting rights, the Group's decision making authority over the investee, as well as the Group's overall exposure to variable returns.

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 short term 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	Principal activities	Ownership interest 2017	Voting power 2017	Ownership interest 2016	Voting power 2016
Aqualis Offshore Limited [1,3]	UK	Service provider for Marine and Offshore Industry	100%	100%	100%	100%
Aqualis Offshore UK Ltd.	UK		100%	100%	100%	100%
Aqualis Offshore Pte. Ltd.	Singapore		100%	100%	100%	100%
Aqualis Offshore Marine Services LLC [2]	UAE		49%	100%	49%	100%
Aqualis Offshore Inc.	US		100%	100%	100%	100%
Aqualis Offshore Servicos Ltda	Brazil		100%	100%	100%	100%
Aqualis Offshore AS	Norway		100%	100%	100%	100%
Aqualis Offshore S. de R.L. de C.V.	Mexico		100%	100%	100%	100%
Aqualis Offshore Marine Consulting (Shanghai) Co. Ltd.	China		100%	100%	100%	100%
Offshore Wind Consultants Ltd [1]	UK		100%	100%	100%	100%
Aqualis Offshore LLC [2]	Qatar		49%	100%	49%	100%
Aqualis Offshore Korea Ltd	Korea		100%	100%	100%	100%
OWC (Aqualis) GmbH	Germany		100%	100%	100%	100%
Aqualis Offshore Malaysia Sdn Bhd	Malaysia		100%	100%	100%	100%
Associates	**Country of incorporation**	**Principal activities**	**Ownership interest 2017**	**Voting power 2017**	**Ownership interest 2016**	**Voting power 2016**
Adler Solar Services GmbH [1]	Germany	Service provider for Solar Industry	49.9%	49.9%	49.9%	49.9%

1. Investments held directly by Aqualis ASA. Investment in all other subsidiaries are held by Aqualis Offshore Limited
2. Aqualis Offshore Limited controls 100% of the financial and ownership rights of both subsidiaries (refer note 3)
3. For the year ended 31 December 2017 Aqualis Offshore Limited was entitled to exemption from audit under section 479A of the UK Companies Act 2006 relating to subsidiary companies. Aqualis ASA irrevocably guarantees all outstanding liabilities of Aqualis Offshore Limited to which it was subject to at the end of the financial year. The likelihood of the amounts being called upon is remote

Note 5. Revenues

Revenue comprises revenue from consultancy services provided by the group and also includes reimbursement of expenses and related services. It excludes dividends, interest income and intra-group transactions.

Amounts in USD thousands	2017	2016
Consultancy services	29,788	26,391
Reimbursement of expenses	1,057	1,011
Other	289	162
Total revenues	**31,134**	**27,564**

Note 6. Payroll and payroll related expenses

Amounts in USD thousands	2017	2016
Payroll	12,887	16,884
Payroll tax	727	1,036
Estimated value of share options granted to employees	20	111
Pension costs - defined contribution plan	154	218
Other personnel costs	1,536	1,055
Total payroll and payroll related expenses	**15,324**	**19,303**
Average number of employees*	**169**	**181**

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

The Group currently has defined contribution plans only. In 2017, a total of USD 154 thousand was expensed under the plans (2016: USD 218 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	2017	2016
Subcontractors cost	8,936	5,267
Office lease and maintenance expenses	982	1,249
Insurance cost	367	589
Cost of recharged expenses	1,054	873
General and administrative expenses	2,611	3,037
Total other operating expenses	**13,951**	**11,016**
Remuneration to the Auditors		
Audit	65	99
Other assurance services	-	1
Total	**65**	**100**

All fees are exclusive of VAT.

Note 8. Financial items

Amounts in USD thousands	2017	2016
Interest income	61	4
Other finance income	10	43
Total finance income	**71**	**47**
Net foreign exchange gain (loss)	(776)	(10)
Net financial items	**(705)**	**37**

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 foreign currency translation reserve in the consolidated statement of other comprehensive income.

Note 9. Taxes

Amounts in USD thousands	2017	2016
Income tax expenses recognised in profit or loss		
Current year income tax expenses (income)	113	(6)
Withholding taxes	110	81
Changes in deferred tax	(78)	(219)
Total income tax expenses (income)	**144**	**(144)**
Income tax effect recognised in other comprehensive income		
Effect of movements in exchange rates on net investment in subsidiaries	148	66
Total income tax effect in other comprehensive income	**148**	**66**
Changes in temporary differences		
Non-current assets	1,777	2,187
Current assets	(492)	1
Losses carried forward	(1,010)	(2,126)
Net income tax reduction temporary differences	**275**	**62**
Deferred tax asset	69	122
Deferred tax assets in the balance sheet	**69**	**122**
Deferred tax liability	156	425
Deferred tax liability in the balance sheet	**156**	**425**
Reconciliation of the effective tax rate:		
Profit before income tax	(6,333)	(4,018)
Share of net income from associates	(507)	(506)
Profit before income-tax excluding share of net income from associates	**(5,825)**	**(3,512)**

Amounts in USD thousands	2017	2016
Income tax using the Group's domestic tax rate of 24% (2016-25%)	**(878)**	**(353)**
Effect of non-deductible expenses	1,116	173
Effect of tax rates in other countries	(253)	117
Deferred tax assets not recognised	784	555
Withholding taxes	110	81
Utilisation or recognition of previously unrecognised tax losses	(208)	(168)
Income tax related to prior years	-	(6)
Effect of changes in tax rate	(7)	(18)
Income tax expense (income) recognised in profit or loss	**144**	**(144)**

The Group has recognized deferred tax assets in respect of carry forward losses of its various subsidiaries as at 31 December 2016 and 2017. 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 utilise these deferred tax assets.

Deferred tax assets on the tax losses relating to certain subsidiaries have not been recognized by the Group, due to uncertainty of its recoverability. The use of these tax losses is subject to the certain provisions of the tax legislation of the respective countries in which the companies operate.

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 change in deferred tax assets and liabilities is primarily recorded in the statement of income.

Deferred tax assets 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	2017	2016
Profit (loss) after taxes	(6,477)	(3,874)
Earnings per share (USD): basic and diluted	**(0.15)**	**(0.09)**
Number of average shares (thousand)	42,293	42,492

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	2017	2016
Employee share options	250,000	750,000
Total number of share options	**250,000**	**750,000**

Note 11. Equipment

2017

Amounts in USD thousands	Equipment	Total
Cost		
At 1 January	1,458	1,458
Additions	99	99
Disposals	(50)	(50)
Effect of movements in exchange rates	51	51
At 31 December	**1,558**	**1,558**
Depreciation and impairment		
At 1 January	1,274	1,274
Depreciation charge for the year	131	131
Disposals	(50)	(50)
Effect of movements in exchange rates	43	43
At 31 December	**1,398**	**1,398**
Net book value at 31 December	**160**	**160**
Useful life	2-5 years	

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	

Note 12. Intangible assets

2017

Amounts in USD thousands	Customer contracts	Goodwill	Total
Cost			
At 1 January	547	18,394	18,941
Additions	-	-	-
Effect of movements in exchange rates	-	812	812
At 31 December	**547**	**19,206**	**19,753**
Amortisation and impairment			
At 1 January	547	2,137	2,684
Impairment charge for the year	-	3,930	3,930
Effect of movements in exchange rates	-	77	77
At 31 December	**547**	**6,144**	**6,691**
Net book value at 31 December	**-**	**13,063**	**13,063**
Useful life	2 years	tested for impairment	

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	

Recognised goodwill in the Group amounts to USD 13,063 thousands as of 31 December 2017 (2016 - USD 16,257 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 carrying amount of goodwill per individual CGUs are listed below.

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

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

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

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

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

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

Discount rate:
The discount rate for each CGU is derived as the weighted average cost of capital (WACC) for a similar business in the same business environment. The input data is gathered from representative sources and this is used for management's best estimate of WACCs. The different WACCs were calculated pre tax. The same assumptions were used for all CGUs with the

exception of country specific risk which were differentiated based on country. All parameters were set to reflect the long term period of the assets and time horizon of the forecast period of the cash flows.

Key inputs in determining the WACC:

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

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

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

Impairment test results and conclusion:

The value in use exceeds the carrying amounts for all CGUs except for Norway and Singapore. The impairment test indicates a requirement to write down the goodwill in Norway and Singapore with USD 3,744 thousands and USD 186 thousands respectively. Impairment charge on goodwill is included in depreciation, amortisation and impairment expenses in the consolidated statement of income. Aqualis has scaled down the operations in Norway in 2017 and the economic outlook is uncertain due to challenging market conditions.

Sensitivity analysis for key assumptions:

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

- An increase of WACC discount rate of 2.0% points
- A reduction in the EBITDA margin of 3.0% points for the terminal year
- A reduction of nominal growth after year five of 1.5% point (to -0.5% growth)

A combined change of all three assumptions in the sensitivity analysis would result in an additional write down of a total of USD 4,151 thousands, with the split as follows:

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

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.

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

ADLER Solar has over the past years taken steps to re-position its services to new market segments and implemented profitability measures to improve efficiencies and margins. The measures taken by the company have not been sufficient to offset the negative effects of challenging market conditions in Germany and reduced demand from its main clients. The increased bidding activity experienced over the past couple of quarters have failed to materialize in expected sales and losses have continued. Managements and owners expectations have not been meet. Due to ADLER Solar's severe financial situation and the uncertain economic outlook, the investment in ADLER Solar is considered to be fully impaired as no positive cash flow is expected in the future. An impairment loss of USD 2,490 thousands recognised in the consolidated statement of income.

Movements in investment during 2017 and 2016 are as follows:

Amounts in USD thousands	2017	2016
At 1 January	**2,853**	**3,283**
Share of net profit (loss)	(446)	(445)
Amortisation of customer relationships (net of taxes)	(61)	(60)
Effect of movements in exchange rates	144	76
Impairment loss	(2,490)	-
At 31 December	**-**	**2,853**

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

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

Amounts in USD thousands	2017	2016
Revenue	10,910	13,355
Profit and loss for the year	(894)	(893)

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

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

Note 14. Loan to associates

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

Loan to associate, Adler Solar Services GmbH of USD 434 thousands (2016: USD 370 thousands) which is unsecured, carries annual interest rate of 4% over EURIBOR 360 and is repayable by November 2018.

Due to ADLER Solar's severe financial situation and the uncertain future economic outlook, the loan is not expected to be rapid in next twelve months and is considered to be fully impaired. Loan loss allowance of USD 434 thousands is recognised in the consolidated statement of income.

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

Note 15. Trade receivables

Amounts in USD thousands	31.12.2017	31.12.2016
Trade receivables	8,311	5,626
Less: Impairment losses	(425)	(151)
Total trade receivables	**7,886**	**5,475**

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

The group has recognised impairment losses against certain specific receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. The group expects that a portion of receivables will be recovered and have recognised impairment losses of USD 425 thousands at 31 December 2017 (2016 - USD 151 thousands). Impairment losses are recognised in other operating expenses.

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

Amounts in USD thousands	31.12.2017	31.12.2016
Not overdue	3,038	1,934
Overdue 1-30	1,940	1,364
Overdue 31-60	1,336	368
Overdue 61-90	289	312
More than 90 days	1,282	1,497
Total trade receivables	**7,886**	**5,475**

Trade receivables are stated after impairment. Movement in the impairment account is as follows:

Amounts in USD thousands	2017	2016
At 1 January	151	165
Charge/(write-back) for the year	327	184
Written-off	(53)	(198)
At 31 December	**425**	**151**

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	31.12.2017	31.12.2016
Revenues earned not invoiced	1,402	1,533
Deposits	400	290
Current portion of loan to associates (note 14)	-	81
Prepayments	659	653
Other receivables	572	258
Total other current assets	**3,033**	**2,815**

Deposits includes USD 256 thousand (2016 - USD 190 thousand) which are under lien marked as margin money deposits.

Note 17. Cash and cash equivalents

Amounts in USD thousands	31.12.2017	31.12.2016
Cash and bank balances	9,709	9,910
Total cash and cash equivalents	**9,709**	**9,910**

Amounts in thousands	31.12.2017		31.12.2016	
Distributed in following currencies:	Currency	USD	Currency	USD
US Dollars	7,460	7,460	8,423	8,423
Norwegian Krone	6,925	843	6,010	697
Other currencies		1,405		790
Total		**9,709**		**9,910**

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

The Group has restricted cash at banks of USD 117 thousand at 31 December 2017 (2016 - USD 164 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 2017	42,293	690
Share buy-back	-	-
At 31 December 2017	**42,293**	**690**

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 20 thousand for the year ended 31 December 2017 (2016: USD 111 thousand).

During 2017, 250,000 options were granted at a weighted average exercise price of NOK 5.63 per share. The following table illustrates the numbers of options granted and their weighted average exercise price (WAEP):

Share option plan	2017		2016	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
Outstanding at 1 January	750,000	8.91	750,000	8.91
Granted	250,000	5.63	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	(750,000)	8.91	-	-
Outstanding at 31 December	**250,000**	**5.63**	**750,000**	**8.91**
Exercisable at 31 December	**-**		**-**	

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 5.63 per option. The following table list the key inputs to the model used for the years ended 31 December 2017 and 2016:

The weighted average assumptions used	2017	2016
Expected volatility (%)	0.30	0.51
Risk-free interest rate (%)	2.50	0.97
Expected life of options (year)	2.83	0.34
Weighted average exercise price (NOK)	**5.63**	**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 current liabilities

Amounts in USD thousands	31.12.2017	31.12.2016
Current:		
Taxation and social security contributions	412	553
Employee benefit obligations	169	290
Deferred revenue	606	744
Accrued expenses and other payables	1,547	1,192
Total	**2,734**	**2,779**
Non-current:		
End of service gratuity	617	527
Total	**617**	**527**
Total	**3,351**	**3,306**

Other payables have an average term of three to six months. These amounts are non-interest bearing.

Note 20. Fair values of financial assets and financial liabilities

Set out below is a comparison by class of carrying amounts and fair values of all financial instruments that are carried in the financial statements:

			Carrying amount		Fair value	
Amounts in USD thousands	Fair value hierarchy level	Category	2017	2016	2017	2016
Financial assets						
Trade receivables		Loans and receivables	7,886	5,475	7,886	5,475
Other receivables		Loans and receivables	3,033	3,104	3,033	3,104
Cash and cash deposits		Loans and receivables	9,709	9,910	9,709	9,910
Total			**20,628**	**18,489**	**20,628**	**18,489**
Financial liabilities						
Trade payables		Other financial liabilities at amortised cost	1,888	1,093	1,888	1,093
Other payables		Other financial liabilities at amortised cost	3,351	3,306	3,351	3,306
Total			**5,239**	**4,399**	**5,239**	**4,399**

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 2017.

Compensation to Board of Directors

Amounts in USD thousands	2017	2016
Glen Rødland, Chairman	24	24
Yvonne Litsheim Sandvold	16	15
Reuben Segal	-	-
Synne Syrrist	16	15
Total	**56**	**55**

Compensation to Executive Management 2017

Amounts in USD thousands	Salary	Bonus	Pension contributions	Other	Total
David Wells, CEO	225	-	1	99	326
Kim Boman, CFO	150	-	6	2	158
Reuben Segal, COO	231	-	-	115	346
Total	**606**	**-**	**7**	**217**	**830**

Compensation to Executive Management 2016

Amounts in USD thousands	Salary	Bonus	Pension contributions	Other	Total
David 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**

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 31 December 2017 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 2017:

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:		
David Wells, CEO	-	786,776 [3]
Kim Boman, CFO	-	400,000
Reuben Segal, COO	-	shown in previous
Total	**-**	**9,818,641**

1. The shares are held by Gross Management AS, an entity owned 100% by Mr. Rødland
2. The shares are held by AmAn Marine Limited, an entity controlled by Mr. Segal. Some of the share are placed under nominee accounts
3. Part of the shares are held by Alsto Consultancy Ltd and Banque Pictet & Cie SA, entities controlled by Mr. Wells. Some of the shares are placed under nominee accounts

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 2017. 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 counterparty 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.

Credit risk with respect to trade receivables is limited by the large base and geographic diversity of the customer base. 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.

With respect to trade receivables that are neither past due nor impaired at the end of the reporting period, there are no indications that customers, based on their past credit history and current credit assessment, are not able to meet their obligations. The credit risk on deposits with banks is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. At 31 December 2017 the Group had total trade receivables of USD 7,886 thousands (2016: USD 5,475 thousands) and cash deposits with bank of USD 9,709 thousands (2016: USD 9,910 thousands).

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 9,709 thousands at 31 December 2017 (2016: USD 9,910 thousands). Based on the current cash position, the Group assesses the liquidity risk to be low.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2017

Amounts in USD thousands	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Trade payables	-	1,888	-	-	-	1,888
Other liabilities	-	2,808	-	-	-	2,808
Total	**-**	**4,696**	**-**	**-**	**-**	**4,696**

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**

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 2017 and 31 December 2016.

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:

Changes in foreign currency rates Amounts in USD thousands	Note	31.12.2017	+5% change in rates	-5% change in rates
USD bank account	17*	7,460	373	(363)
Change in profit and loss			**373**	**(363)**

* See also note 10 in Aqualis ASA

Further, the group is 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 effect is recognised in foreign 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:

Amounts in USD thousands	2017	2016
Next 1 year	457	589
1 to 5 years	97	294
Future minimum lease payments	**554**	**883**

Guarantees

As at 31 December 2017, performance and financial guarantees provided by banks on behalf of the Company to the customers amount to approximately USD 256 thousands (2016 - USD 190 thousands).

Note 25. Segment reporting

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

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

Segment performance is 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. Neither assets, liabilities nor cash flows per segment are reported to the Board, nor is segment performance is assessed on this basis. The exception to this approach is certain current assets such as cash and cash equivalents and trade receivables is regularly analysed at a segment level.

The following is summary of revenues and operating profit (EBIT) for the year ended 31 December 2017 and 2016 for entities in different geographical regions. Eliminations reflects the eliminations of intra-group revenue to the extent that these arise between the regions.

Amounts in USD thousands	2017	2016
Revenues		
Middle East	12,505	10,867
Far East	7,764	6,725
Europe	9,029	7,658
Americas	3,434	4,081
Eliminations	(1,598)	(1,767)
Total revenues	**31,134**	**27,564**
Operating profit (loss) (EBIT)		
Middle East	1,097	(524)
Far East	603	(146)
Europe	392	(1,010)
Americas	101	(226)
Corporate group costs	(464)	(1,064)
Share of net income from associates	(507)	(506)
Impairment of goodwill	(3,930)	(579)
Impairment of loan and investment in associates	(2,919)	-
Operating profit (loss) (EBIT)	**(5,628)**	**(4,055)**

The following is summary of trade receivables and cash and cash equivalents at 31 December 2017 and 2016 for entities in different geographical areas.

Amounts in USD thousands	31.12.2017	31.12.2016
Trade receivables		
Middle East	3,400	1,746
Far East	1,897	1,351
Europe	1,971	903
Americas	618	1,475
Total	**7,886**	**5,475**
Cash and cash equivalents		
Middle East	536	194
Far East	711	573
Europe	1,010	1,055
Americas	421	155
Corporate group	7,031	7,933
Total	**9,709**	**9,910**

Note 26. Shareholder information

The list of top 20 shareholders below is based on the shareholder register as per 31 December 2017. Actual shareholding may deviate due to the use of nominee accounts.

Name of shareholder	No. of shares	% ownership
Gross Management AS	7,367,996	17.4%
Tigerstaden AS	3,074,549	7.3%
Mp Pensjon PK	1,667,628	3.9%
Carnegie Investment Bank AB	1,580,886	3.7%
Agito Holding AS	1,350,000	3.2%
Saxo Bank A/S	1,080,684	2.6%
Lgt Bank AG	1,016,830	2.4%
Diab Badreddin	1,001,302	2.4%
Dnb Nor Markets, Aksjehand/Analyse	1,000,000	2.4%
Oma Invest AS	900,000	2.1%
Lenox Philip Alan	830,583	2.0%
Gislerød Magne	800,000	1.9%
Six Sis AG	624,682	1.5%
Alsto Consultancy Ltd	598,122	1.4%
Nordnet Bank AB	575,754	1.4%
Bonnon Ian Dennis	555,074	1.3%
JP Morgan Chase Bank, N.A., London	550,000	1.3%
Theophanatos Andreas	512,188	1.2%
Kula Invest AS	504,362	1.2%
Silvercoin Industries AS	472,717	1.1%
Top 20 shareholders	**26,063,357**	**61.6%**

At 31 December 2017, the Company had 1,525 shareholders, and 34.7% of the shares of the Company were held by foreign registered shareholders. The total number of outstanding shares at 31 December 2017 is 42 293 239 each with a par value of NOK 0.10. At the Annual General Meeting on 15 May 2017, the Board was authorized to increase the share capital with up to NOK 2,114,661 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 27. 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

For the year ended 31 December

(NOK 000's)	Note	2017	2016
Revenues	2	1,505	1,907
Total revenues		**1,505**	**1,907**
Payroll and payroll related expenses	3	(564)	(773)
Other operating expenses	4	(3,394)	(5,136)
Depreciation, amortisation and impairment	13	(24)	(24)
Impairment of loan and investment in associates	5, 8	(34,313)	-
Operating profit (loss)		**(36,790)**	**(4,026)**
Finance income	6	3,527	2,372
Finance expenses	6	-	(1)
Net foreign exchange gain (loss)	6	(7,169)	(3,793)
Net financial items		**(3,643)**	**(1,422)**
Profit (loss) before taxes		**(40,433)**	**(5,448)**
Income tax (expenses) income	7	2,380	1,515
Profit (loss) after taxes		**(38,053)**	**(3,933)**

Balance Sheet

As of 31 December

(NOK 000's)	Note	2017	2016
ASSETS			
Non-current assets			
Equipment	13	30	53
Shares in subsidiaries	8	127,346	127,346
Shares in associates	8	-	30,651
Long term portion of loans	5	97,349	97,342
Total non-current assets		**224,725**	**255,392**
Current assets			
Other current assets	12	1,166	452
Current portion of loans	5	-	698
Cash and cash equivalents	10	53,658	63,597
Total current assets		**54,824**	**64,747**
Total assets		**279,549**	**320,139**
EQUITY AND LIABILITIES			
Equity			
Share capital	9,11	4,229	4,229
Share premium	9	294,388	294,388
Retained earnings	9	(20,946)	17,107
Total equity		**277,671**	**315,724**
Non-current liabilities			
Deferred tax liability	7	1,283	3,663
Total non-current liabilities		**1,283**	**3,663**
Current liabilities			
Trade payables	12	244	412
Other current liabilities	12	351	340
Total current liabilities		**595**	**752**
Total liabilities		**1,878**	**4,415**
Total equity and liabilities		**279,549**	**320,139**

Asker, 4 April 2018

Glen Rødland
Chairman of the Board

Yvonne L. Sandvold
Board member

Reuben Segal
Board member

Synne Syrrist
Board member

David Wells
CEO

Statement of Cash Flows

For the year ended 31 December

(NOK 000's)	Note	2017	2016
Cash flow from operating activities			
Profit (loss) before tax		(40,433)	(5,448)
Non-cash adjustment to reconcile profit before tax to cash flow:			
Depreciation and impairment	13	24	24
Impairment of loan and investment in associates	5, 8	34,313	-
Taxes paid		-	(2,405)
Changes in working capital:			
Changes in other receivables and other liabilities		(871)	(2,130)
Net cash flow (used in)/from operating activities		**(6,967)**	**(9,959)**
Cash flow from investing activities			
Loan payment to group companies (net)	5	(2,972)	(10,871)
Net cash flow (used in)/from investing activities		**(2,972)**	**(10,871)**
Cash flow from financing activities			
Shares buy-back		-	(3,043)
Net cash flow (used in)/from financing activities		**-**	**(3,043)**
Net change in cash and cash equivalents		**(9,939)**	**(23,873)**
Cash and cash equivalents at beginning of the year		63,597	87,470
Cash and cash equivalents at end of the year		**53,658**	**63,597**

Note 1. Accounting principles

Aqualis ASA was established on 13 June 2014 is a Norwegian public limited liability company. The shares of the Company were listed on Oslo Stock Exchange on 13 August 2014.

The registered office and principal place of business of the Company is located at Bleikerveien 17, 1387 Asker, Norway.

The Company is principally an investment holding company. Its other activities include provision of management services to related companies.

The principal activities of the subsidiaries and associates are disclosed in Note 4 to the group financial statements.

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.

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.

BALANCE SHEET CLASSIFICATION

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the normal operating cycle. Other balance sheet items are classified as non-current.

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. Deposits held by the bank against guarantees provided to the customers are classified and accounted for in other current assets.

Note 2. Revenues

(NOK 000's)	2017	2016
Corporate group management service	1,505	1,907
Total	**1,505**	**1,907**

Note 3. Payroll and payroll related expenses

(NOK 000's)	2017	2016
Salaries	496	643
Social security costs	-	128
Other personnel costs	69	2
Total payroll and payroll related expenses	**564**	**773**
Average number of employees	**-**	**-**

In 2016, the company had 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 21 and 22 in Aqualis Group financial statements for further information regarding the remuneration to executive management.

Note 4. Other operating expenses

(NOK 000's)	2017	2016
Professional fees	2,237	3,350
Share of central costs	407	971
Office rental cost	130	159
Other costs	620	655
Total	**3,394**	**5,136**

Remuneration to the Auditors

(NOK 000's)	2017	2016
Audit	260	450
Other attestation service	-	6
Total	**260**	**456**

All fees are exclusive of VAT.

Note 5. Related party

For the purposes of the Company's financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the group financial statements, the following significant related party transactions took place on terms agreed between the parties during the financial year:

(NOK 000's)	2017	2016
Loans to related party		
Aqualis Offshore Limited	48,245	49,019
Aqualis Offshore UK Limited	8,380	8,531
Aqualis Offshore Inc.	7,083	5,543
Aqualis Offshore Marine Services LLC	26,264	24,576
Aqualis Offshore S. de R.L. de C.V	444	452
Aqualis Offshore Servicos Ltda	2,545	2,590
Aqualis Offshore Korea Youhanheosa	1,315	1,339
OWC (Aqualis) GmbH	437	445
Aqualis Offshore LLC	1,753	2,354
Aqualis Offshore Pte Ltd	56	-
Aqualis Offshore AS	826	-
Adler Solar Services GmbH	3,566	3,191
Total	**100,915**	**98,040**
Allowance for losses	**(3,566)**	**-**
Total	**97,349**	**98,040**
Current portion	-	698
Non-current portion	97,349	97,342
Total	**97,349**	**98,040**

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.

Loan to associate, Adler Solar Services GmbH of NOK 3,566 thousands (2016: NOK 3,191 thousands) which is unsecured, carries annual interest rate of 4% over EURIBOR 360 and is repayable by November 2018.

Due to ADLER Solar's severe financial situation and the uncertain future economic outlook, the loan is not expected to be rapid in next twelve months and is considered to be fully impaired. Loan loss allowance of NOK 3,566 thousand is recognised in the statement of profit and loss.

(NOK 000's)	2017	2016
Other current assets		
Aqualis Offshore Limited	352	394
Adler Solar Services GmbH	-	13
Total	**352**	**407**
Other current liabilities		
Aqualis Offshore Limited	73	244
Aqualis Offshore AS	4	162
Total	**77**	**405**
Revenues		
Corporate group management services	1,505	1,907
Total	**1,505**	**1,907**
Financial items		
Interest income on loans	3,325	2,354
Net financial items	**3,325**	**2,354**

Note 6. Financial items

(NOK 000's)	2017	2016
Interest income on loans	3,325	2,354
Interest income from bank deposits	202	16
Other financial income	-	1
Total finance income	**3,527**	**2,372**
Other financial expenses	-	(1)
Total finance expenses	**-**	**(1)**
Net foreign exchange gain (loss)	(7,169)	(3,793)
Net financial items	**(3,643)**	**(1,422)**

Note 7. Tax

(NOK 000's)	2017	2016
Income tax expenses recognised in profit or loss		
Tax expense on tax base	-	-
Changes in deferred tax	(2,380)	(1,515)
Total income tax expenses	**(2,380)**	**(1,515)**
Tax base calculation		
Profit (loss) before tax	(40,433)	(5,448)
Permanent differences*	30,749	-
Temporary differences	8,082	1,509
Tax base	**(1,602)**	**(3,939)**
Temporary differences:		
Receivables	(3,566)	7
Long-term receivables in foreign currency	14,688	19,187
Fixed assets	(3)	8
Total	**11,119**	**19,202**
Accumulated losses carried forward	**(5,541)**	**(3,939)**
Base for deferred tax liability	**5,578**	**15,263**
Deferred tax liability	**1,283**	**3,663**

Tax rate for 2017 is 24%. As of 1 January 2018 the tax rate in Norway was reduced to 23%. Deferred tax liability as of 31 December 2017 has been calculated with a tax rate of 23%. The effect of change in tax rate on the current year's tax expense is NOK 56 thousands (2016 - NOK 153 thousands).

*Permanent differences represents impairment loss on investment in associates

(NOK 000's)	2017	2016
Reconciliation of the effective tax rate:		
Profit (loss) before tax	(40,433)	(5,448)
Income tax using tax rate in Norway	(9,704)	(1,362)
Effect of permanent differences	7,380	-
Effect of change in the tax rate	(56)	(153)
Total income tax expenses	**(2,380)**	**(1,515)**
Effective tax rate	**5.9%**	**27.8%**

Note 8. Shares in subsidiaries and associates

Name of subsidiaries	Registered office	Functional currency	Share capital	Ownership and voting interest	Equity as of 31.12.2017	Net profit (loss) for 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%	(2,040)	(2,541)	**118,678**
Offshore Wind Consultants Ltd	UK	GBP	0.1	100%	598	221	**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%	(408)	(800)	**30,747**
Impairment loss							**(30,747)**
Total							**-**

The company 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 at cost less any impairment loss in the Company's financial statements. Please refer to note 13 in Aqualis group financial statements for further information regarding impairment loss.

Note 9. Equity

(NOK 000's)	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2016	**4,351**	**294,388**	**23,963**	**322,701**
Shares buy-back	(121)	-	(2,922)	(3,043)
Profit (loss) after taxes	-	-	(3,933)	(3,933)
At 31 December 2016	**4,229**	**294,388**	**17,107**	**315,724**
At 1 January 2017	**4,229**	**294,388**	**17,107**	**315,724**
Profit (loss) after taxes	-	-	(38,053)	(38,053)
At 31 December 2017	**4,229**	**294,388**	**(20,946)**	**277,671**

Note 10. Cash and cash equivalents

(NOK 000's)	2017	2016
Cash at banks	53,658	63,597
Total	**53,658**	**63,597**

The cash at banks consist of following currency:

Currency	(Currency 000's)	(NOK 000's)
NOK	4,054	4,054
USD	6,031	49,515
EUR	9	88
Total		**53,658**

Deposits held by the bank against guarantees provided to the customers are classified and accounted for in other current assets (refer note 12).

Note 11. Share capital

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 January 2017	**42,294**	**4,229**
Shares buy-back	-	-
At 31 December 2017	**42,294**	**4,229**

	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**

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 financial statements for more information.

Please refer to note 26 in Aqualis Group financial statements 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)	2017	2016
Group companies	352	407
Other receivables	37	45
Other current assets	777	1
Total	**1,166**	**452**

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)	2017	2016
Group companies	77	405
Trade payables	167	7
Total	**244**	**412**

Other current liabilities

(NOK 000's)	2017	2016
Other accrued expenses	350	340
Total	**350**	**340**

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

2017

(NOK 000's)	Equipment	Total
At 1 January	95	95
Additions	-	-
At 31 December	**95**	**95**
Depreciation and impairment		
Accumulated depreciation at 1 January	42	42
Depreciation charge for the year	24	24
Accumulated depreciation at 31 December	**65**	**65**
Net book value	**30**	**30**
Useful life	2-5 years	

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	

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To the General Meeting of Aqualis ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aqualis ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow 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 accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and 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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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 judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	How our audit addressed the Key audit matters
Assessment of impairment of goodwill	
(See further information in Note 12)	
The carrying value of goodwill amounted to USD 13 063 thousand as of 31 December 2017. Goodwill is tested for impairment annually, or when there are indicators of impairment. An impairment test was performed at 31 December 2017. As a result, an impairment charge of USD 3 930 thousand was recognized. The impairment test involved management judgement; mainly related to estimating future cash flows and the discount rate. The future cash flow estimate was sensitive to the applied growth rate and the EBITDA margin.	We evaluated and challenged management's impairment model. We corroborated the elements in the model to the requirements in IFRS and found no inconsistencies. Further, we tested whether the model performed mathematical calculations as expected. We challenged management's use of assumptions in the future cash flow estimate. We found that income estimates were based on a detailed budgeting process. We tested managements' budgeting accuracy by comparing budgeted growth rate and EBITDA margin against actuals for 2016 and 2017. When we found deviations, we assessed management's explanations and corroborated with other evidence available to us. In order to challenge each of the assumptions in the forecast, we held discussions with management. The future cash flows were also compared to business forecasts and approved budgets by the Board of Directors. Based on our testing and discussions with management, we found managements budgeting for the purpose of this impairment test, to be reliable. In order to evaluate the assumptions used to build the discount rate, we used external market data and observable data from comparable companies. We found the assumptions to be reasonable based on our knowledge and available evidence.

Other information

Management is responsible for the other information. The other information comprises all information in The Annual Report, but does not include the financial statements and our auditor's report thereon.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 Group 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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. We 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 and the Group'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 and the Group'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 and the Group 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.

Independent Auditor's Report - Aqualis ASA

We communicate with the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

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 produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 4 April 2018
PricewaterhouseCoopers AS

Anders Ellefsen

Anders Ellefsen
State Authorised Public Accountant (Norway)

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA

Management believes that "EBITDA" which excludes share of net profit / (loss) from associates, depreciation, amortisation and impairments is a useful measure because it provides useful information regarding the Company's ability to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies. A reconciliation between reported operating profit/(loss) and EBITDA is shown below. EBITDA may not be comparable to other similarly titled measures from other companies.

RESTATEMENT OF APMs

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

OPERATING PROFIT (LOSS) ADJUSTED

Management believes that "Operating profit (loss) adjusted" which excludes share of net profit / (loss) from associates, impairments of goodwill and investments in associates is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. A reconciliation between reported operating profit/(loss) and operating profit adjusted is shown below.

PROFIT (LOSS) AFTER TAXES ADJUSTED

Management believes that "Profit (loss) after taxes adjusted" which excludes share of net profit / (loss) from associates, impairments of goodwill and investments in associates is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. A reconciliation between profit (loss) after taxes adjusted and profit (loss) after taxes is shown below.

Amounts in USD thousands	2017	2016
Operating profit (loss) (EBIT)	**(5,628)**	**(4,055)**
Depreciation, amortisation and impairment	4,061	794
Impairment of loan and investment in associates	2,919	-
Share of net loss from associates	507	506
EBITDA	**1,860**	**(2,755)**
Operating profit (loss) (EBIT)	**(5,628)**	**(4,055)**
Impairment of goodwill	3,930	579
Impairment of loan and investment in associates	2,919	-
Share of net loss from associates	507	506
Operating profit (loss) adjusted	**1,729**	**(2,970)**
Profit (loss) after taxes	**(6,477)**	**(3,874)**
Impairment of goodwill	3,930	579
Impairment of loan and investment in associates	2,919	-
Share of net loss from associates	507	506
Profit (loss) after taxes adjusted	**879**	**(2,789)**

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