



Aqualis ASA
2018 Q4 results
February 28, 2019

aqualis.no



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Agenda



1. Highlights
David Wells
CEO



2. Financial review
Kim Boman
CFO



3. Outlook
David Wells
CEO



2018 Highlights

Growth continues - Led by offshore renewables



Revenue growth led by offshore renewables

- Revenue of USD 36.2m in 2018, up 16%
- Offshore renewable revenues up 37%
- Oil & gas revenues up 13%



Strengthened market position and expansion

- Gaining market share in a flat O&G market
- New offices in Taiwan and Australia



Improved profitability

- Adjusted EBIT of USD 2.4 million in 2018 vs USD 1.7 million in 2017
- Robust results across the group



Strong operational performance

- Billing ratio of 83%¹
- Solid HSEQ performance



Return of cash to shareholders

- Dividend of NOK 0.90 per share in 2018
- The Board of Directors will propose a dividend of NOK 0.10 per share for AGM

(1) Billing ratio for Technical Staff including subcontractors

Q4 2018 Highlights

Growth continues - Led by offshore renewables

- Revenues of USD 9.8 million in Q4 2018 vs USD 8.9 million in Q4 2017
- EBITDA of USD 0.9 million in Q4 2018 vs USD 0.7 million in Q4 2017
- Adjusted EBIT of USD 0.9 million in Q4 2018 vs USD 0.6 million in Q4 2017
- Strong billing ratio¹ of 84 % in Q4 2018
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter
- Robust financial position with cash balance of USD 5.5 million
- Offshore renewable business growing and increasingly important for group
- Strong operational performance for our new office in Taiwan
- Activity in offshore wind market is high and expanding globally
- The oil & gas market showing signs of recovery
- Order backlog up to USD 7.8 million with similar increase in pipeline of opportunities

(1) Billing ratio for technical staff including subcontractors

New office opened in Perth, Australia

- Aqualis Offshore has established a new office in Perth, Western Australia, to support oil & gas and renewables developments in the Australasia region
- Aqualis Offshore will offer the full suite of the company's services including;
 - Concept, FEED and basic design engineering
 - Transportation & installation
 - Marine consultancy and rig moving
 - Dynamic positioning & critical systems
 - Marine warranty and marine casualty surveys
 - Construction supervision and rig inspection, preservation and reactivation
 - Technical due diligence; risk consulting and renewables



Aqualis at a glance – A leading global energy consultancy

OFFSHORE OIL & GAS



- Global presence with established market position
- Marine consultancy and engineering services
- Clients: Offshore asset owners, oil companies, EPC contractors, financial institutions, insurance companies, investors

AQUALIS
OFFSHORE

OFFSHORE RENEWABLES



- Active in Europe, the US & Asia
- Engineering & project management consultancy
- Clients: Offshore wind farm developers, utilities, vessel owners, financial institutions, insurance companies, investors

OFFSHORE
WIND
CONSULTANTS

18x offices in 15x countries

Leading niche player with strong track record

Strong financial position

ISO 9001 & OHSAS 18001

Listed on Oslo Stock Exchange



Global service offering

Quality

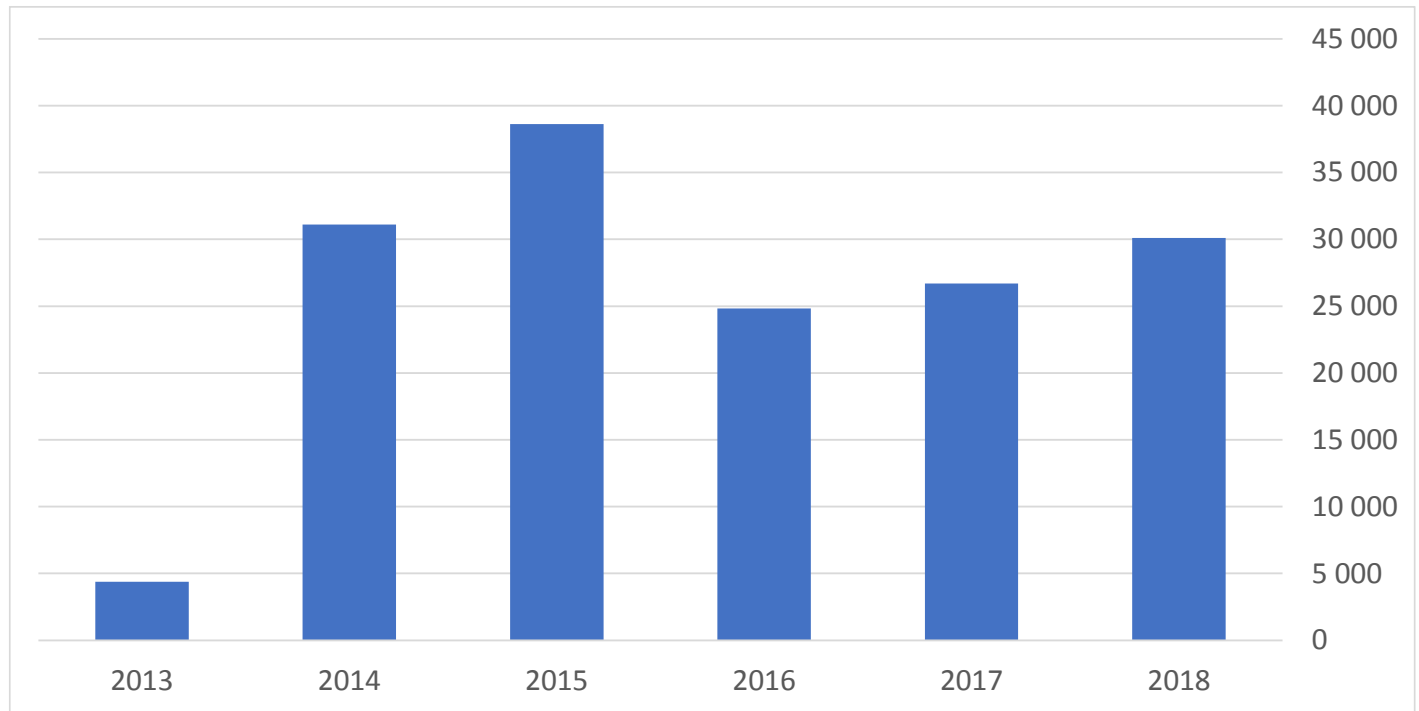
Flexibility

Experience

Aqualis Offshore – oil & gas focus

Development in revenues ¹ (USDk)

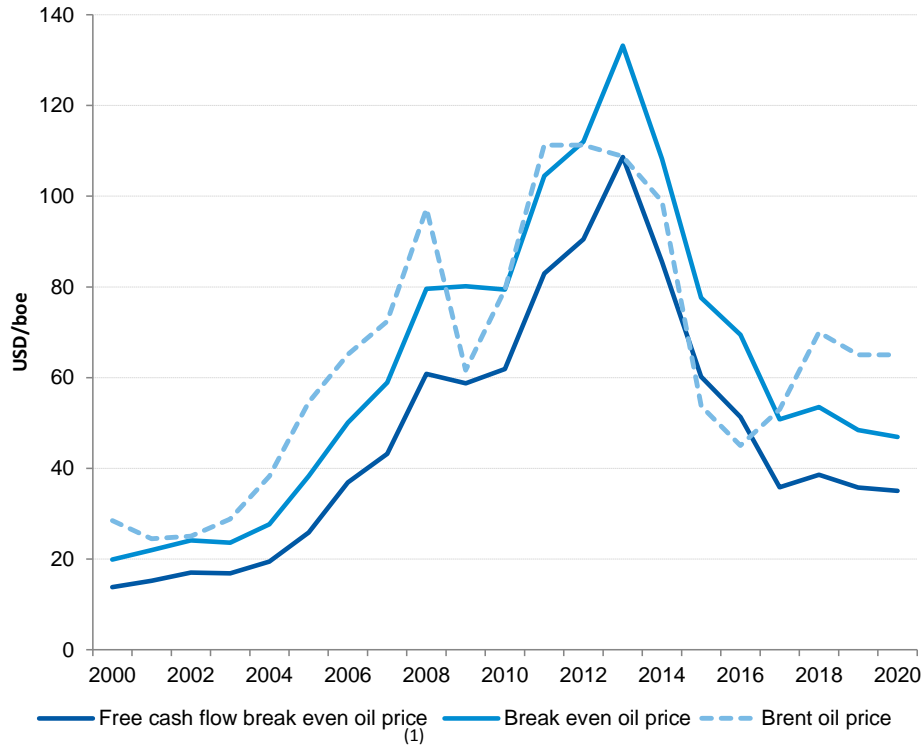
- Business expansion stopped by sharp fall in activity level in the oil & gas sector in 2H 2015
- Adjustment to market conditions in 2016 and 2017
- Expanding service lines (rig inspection)
- Geographical expansion



(1) Unaudited pro forma figures. Includes revenues from Tristein AS from May 2014 and onwards

E&P spending development

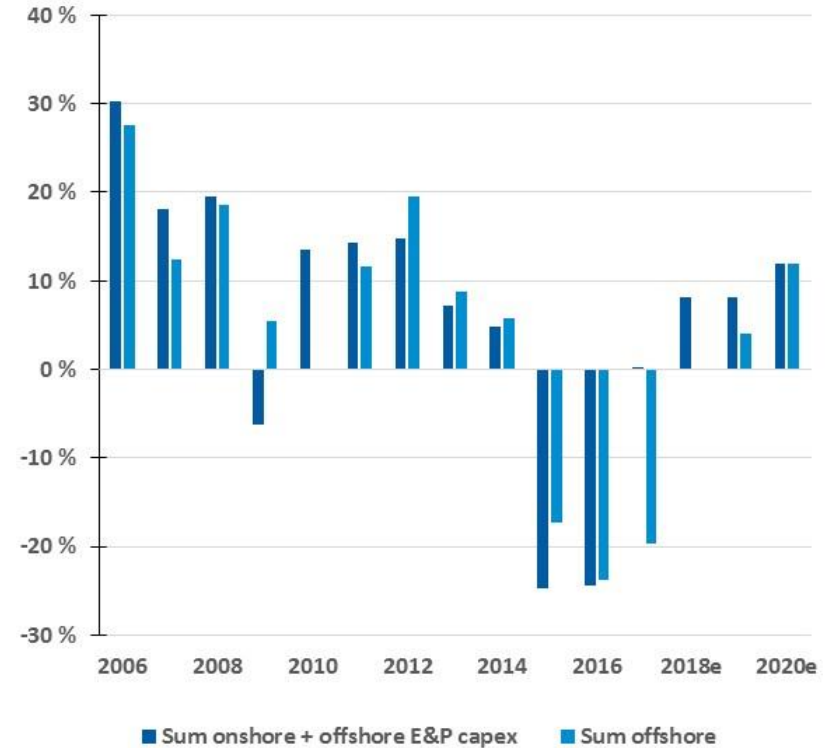
Break even oil price for oil majors



(1) Free cash flow break even oil price after capex and dividend

Source: Sparebank 1 Markets, Jan 2019

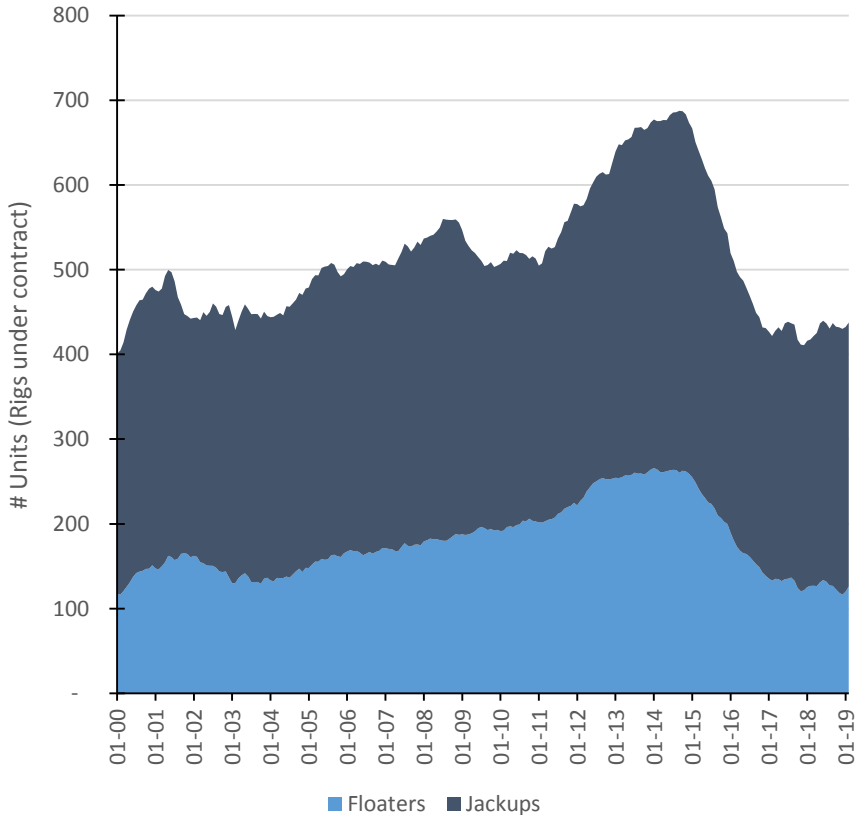
Global offshore E&P spending



Source: Sparebank 1 Markets, Jan 2019

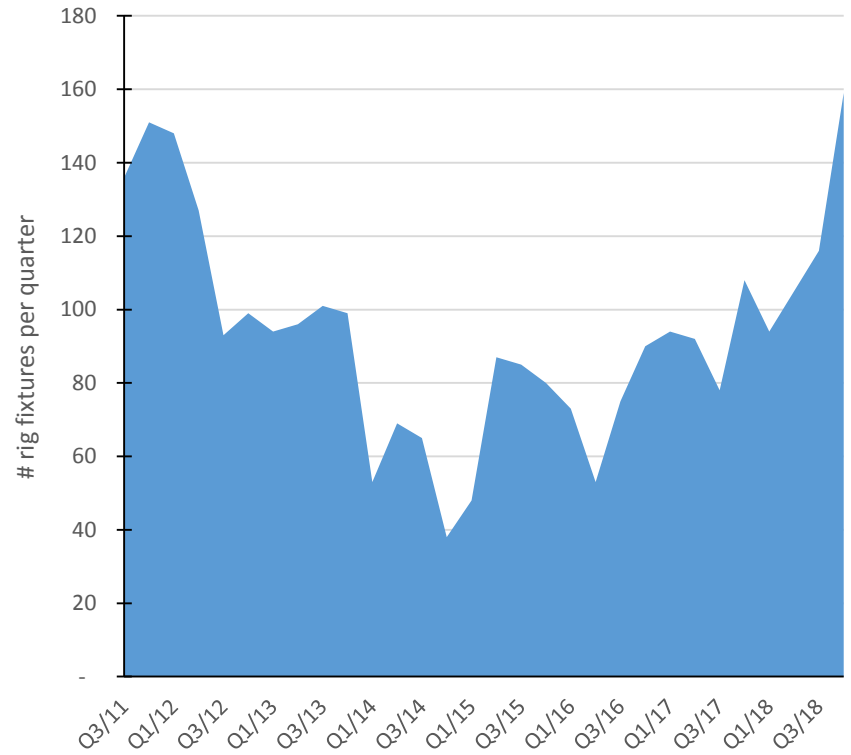
Rig market development

Working offshore rig count



Source: SpareBank 1 Markets & IHS Markit, Jan 2019

Rig contracting activity



Source: SpareBank 1 Markets & IHS Markit, Jan 2019

Wind Turbine Installation Vessel – Construction supervision

- Aqualis completed the construction supervision of Ouyang Offshore's new-build self-elevating wind turbine installation vessel, OuYang 1, at Dayang Offshore Equipment yard in Jiangsu, China. The delivery ceremony was held in January 2019
- Construction supervision for Ouyang Offshore's second wind turbine installation vessel, OuYang 2, is ongoing
- A wind turbine installation vessel can rapidly raise its hull clear of the water to provide a stable platform for offshore construction and O&M works



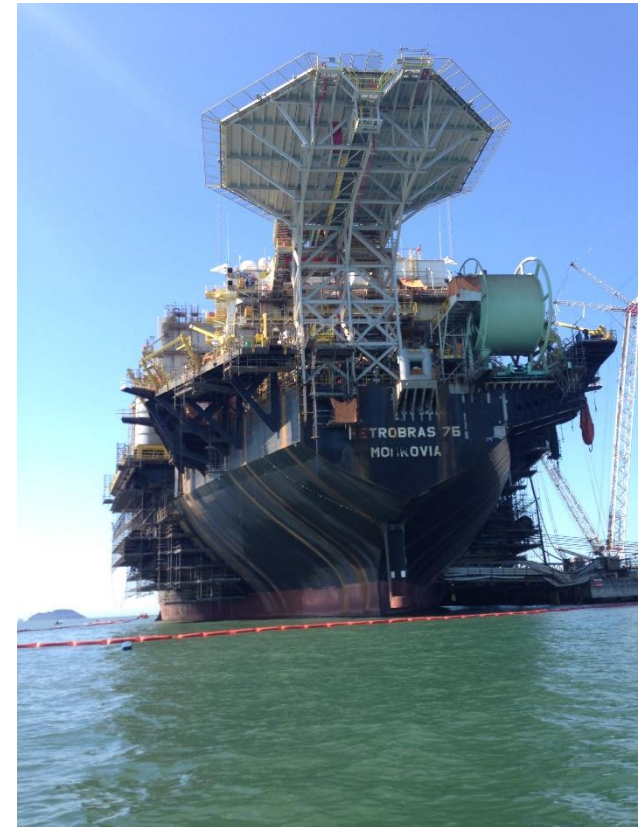
Bahrain LNG Terminal Project

– multi faceted loadout/marine installation operation completed

- Loadout of the 7200 MT topside took place in Thailand onto a smaller installation “Giant 5” barge
- Barge and topside piggy backed onto a large self propelled dry transportation HLV
- Topside and installation barge discharged offshore Bahrain
- Topside installed by floatover within shallower water terminal area
- Installation of the jacket, fabricated in South Korea, was engineered and managed by Aqualis in May 2018



FPSO P-76 – MWS, Naval Architecture and Marine Operations



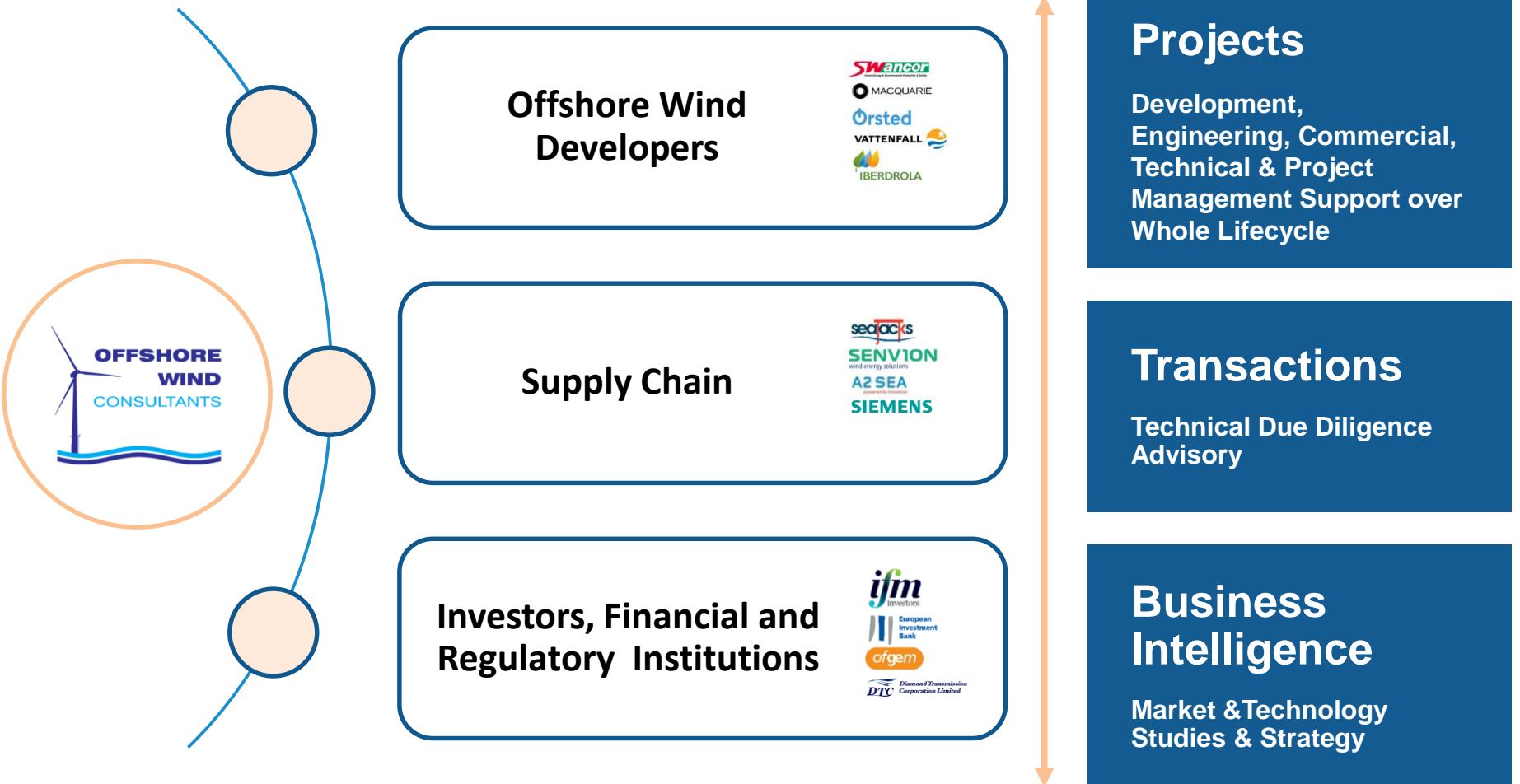
- MWS for the integration of topsides to the FPSO P-76 at Techint Yard, Brazil
- Additional work included Naval Architecture and Marine Operations scopes, incl. stability manuals, and provision of Towmasters for the tow to Santos Basin
- FPSO P-76 departed to the field in December 2018

Selected projects in Middle East

- Q4 2018 completion of MWS work on the Aramco field development jacket and deck loadouts in Dammam for SNP/Taqa
- Increased vessel inspection numbers and RMM client portfolio in KSA
- On going recruitment of new staff to our Bahrain, Doha and Dubai offices



OWC Provides Advisory Services Across the Market



Experience Snapshot In Some Segments



27 GW
(50 projects)

Of projects

We have worked on many projects world wide since 2011

19 GW

Geotech & engineering

We have experience of soil conditions world wide. We also optimise, reduce costs and reduce uncertainty of substructure concepts

6.5 GW

Due Diligence

We have undertaken peer reviews & TDD at many critical stages of projects

13 GW

Subsea cables

We design & evaluate risks of cable routes, determine or evaluate installation methodologies & advise on O&M & repair issues

5.1 GW

Project management

We have realised full projects & support developers during pre-construction & construction

3 GW

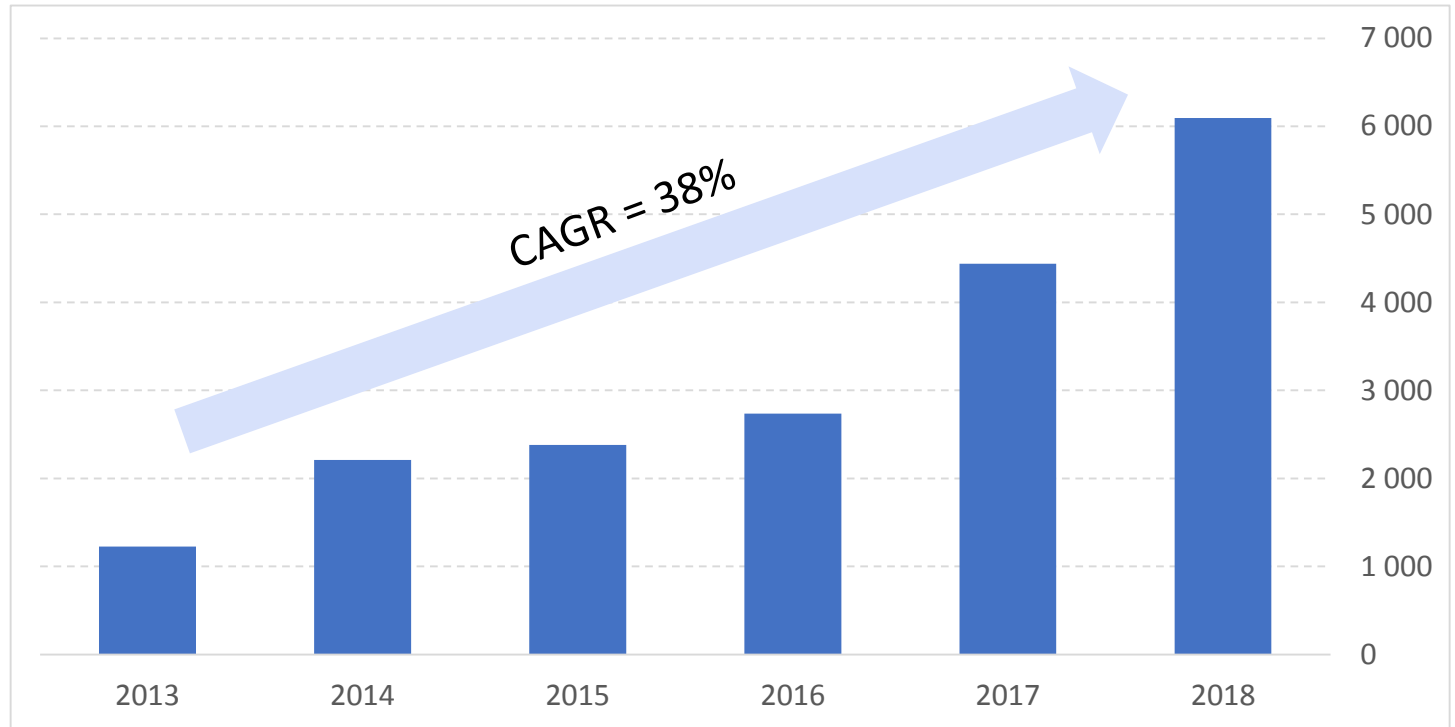
Offshore substations

We can advise on specification, siting, procurement & construction of offshore & onshore transmission assets

Offshore Wind Consultants – offshore wind focus

Development in Revenues¹ (USDk)

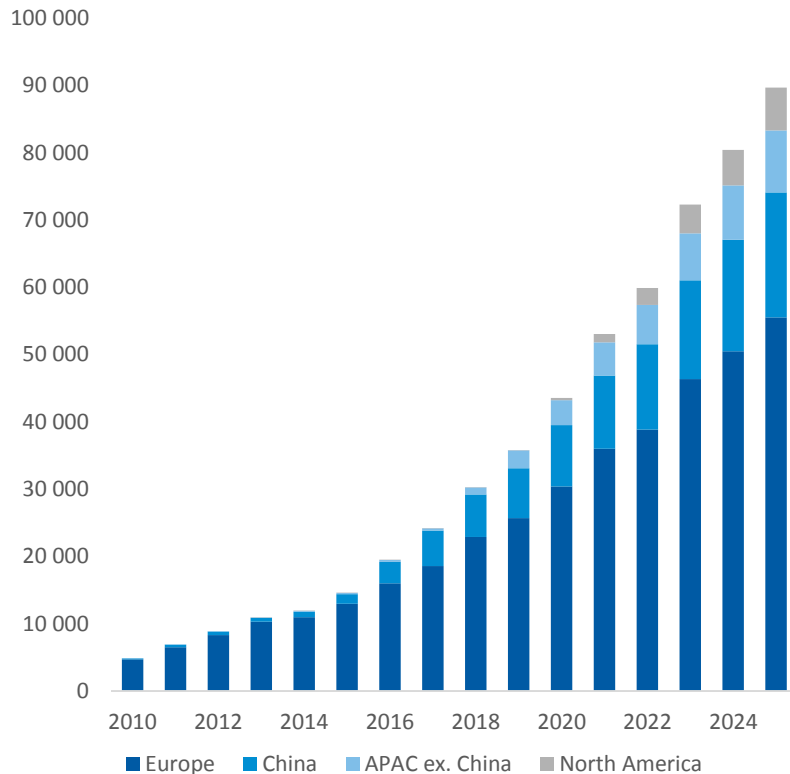
- OWC was established in 2011
- Initial focus on UK market
- Acquired by Aqualis in July 2014
- Opened office in Germany (2015) and Taiwan (2018)
- Assessing expansion opportunities in other emerging markets



(1) Unaudited pro forma figures

Global offshore wind market development

Offshore wind capacity development



Source: SB1M June 2018, 4C offshore, WindEurope 2017

Comments

- Industry analyst expect the global offshore wind market to grow at 17% compound annual return from 2018 to 2025
- Strong growth both in Europe and in emerging markets. Europe's share of global offshore wind capacity expected to fall from 76% in 2018 to 62% in 2025
- China expected to constitute 21% of the global installed base in 2025

Project Management Consultancy



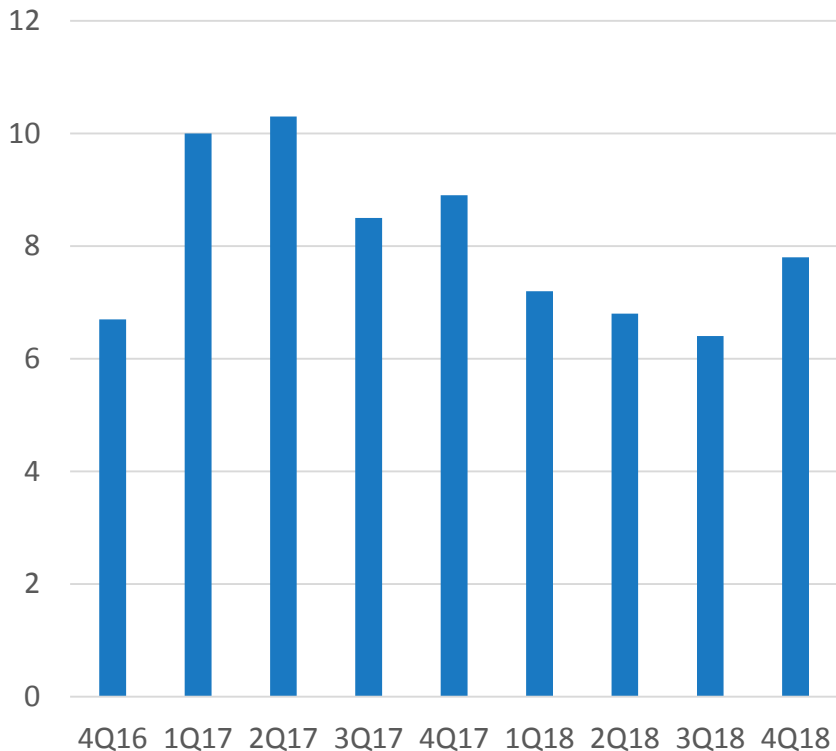
- **The project:**
 - Confidential Taiwan Offshore Wind project
 - **c400 MW project**
 - Circa **EUR 2.3 BN** of CAPEX
 - Jacket-foundation project in a highly seismic area
- **Client:** Confidential
- **OWC Scope:**
 - We are embedded into the project team – 16 roles including: EPC Director, Foundation Package Manager, Site Conditions Manager, Geotechnical Engineers, Risk Manager, Interface Manager, Transportation and Installation Team, GIS Engineer, Permitting/Environmental Support
 - We are using its experience across Europe to advise the Client, help set up controls to understand risk, and reduce CAPEX/DEVEX
 - Site Investigation (managed by OWC) completed in 2018
 - Design/Certification process ongoing, as well as contract negotiation
 - ***OWC brings deep OW experience, local regulatory knowledge and APAC supply chain knowledge (via Aqualis Offshore, group company)***

Technical Due Diligence Assignment

- **The Project:**
 - **Confidential** Taiwan Offshore Wind
 - **c650 MW project**
 - Circa **EUR 2.3 BN** of CAPEX
 - **Bid stake in the project is 49%**
- **Client:** Confidential
- **OWC Scope:**
 - **Project Development & Construction:** site suitability, WTGs, foundations & civil works, cables design & installation, project management, QA & certification, construction contracts, CAPEX, schedule, electrical design, grid connection, permitting/consenting/PPA & environmental
 - **O&M:** availability, OPEX assumptions, O&M contracts & decomm
 - **EY/Production:** review of 3rd party energy production forecasts, identify concerns, recommend base energy production assumptions, etc
 - **Financial model inputs**
- **OWC Approach:**
 - OWC put together an international expert team (utilising experts from their London, Hamburg and Taipei offices) for a shortened BO phase inc local OWC Taiwan consenting/PPA experts
 - Adjusted the scope to include scenario modelling for contingency sizing estimating/challenging due to risks identified

Order backlog development

Order backlog (USDm)

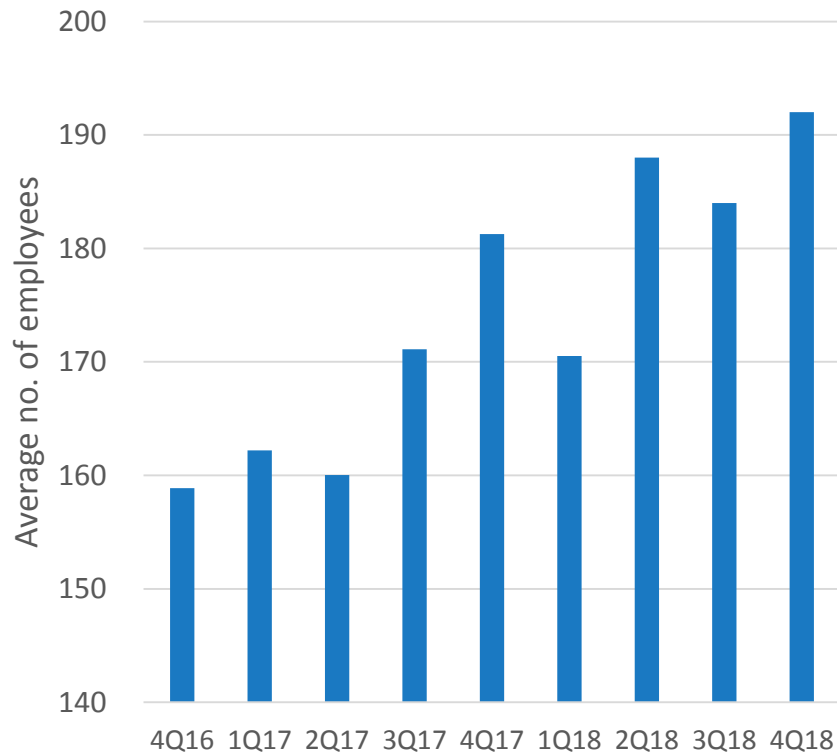


Highlights Q4 2018

- Order backlog at USD 7.8m
- Pipeline of future opportunities increasing, indicating that the low point in this cycle could be behind us
- Pipeline of work expected from call out contracts is positive and increasing, but visibility in our industry is limited and timing could be uncertain.
- Current focus is on supporting clients on day-to-day service operations - typically call-out contracts that are only included in backlog figures when reliable estimates are available

Staff level development

Staff level development¹



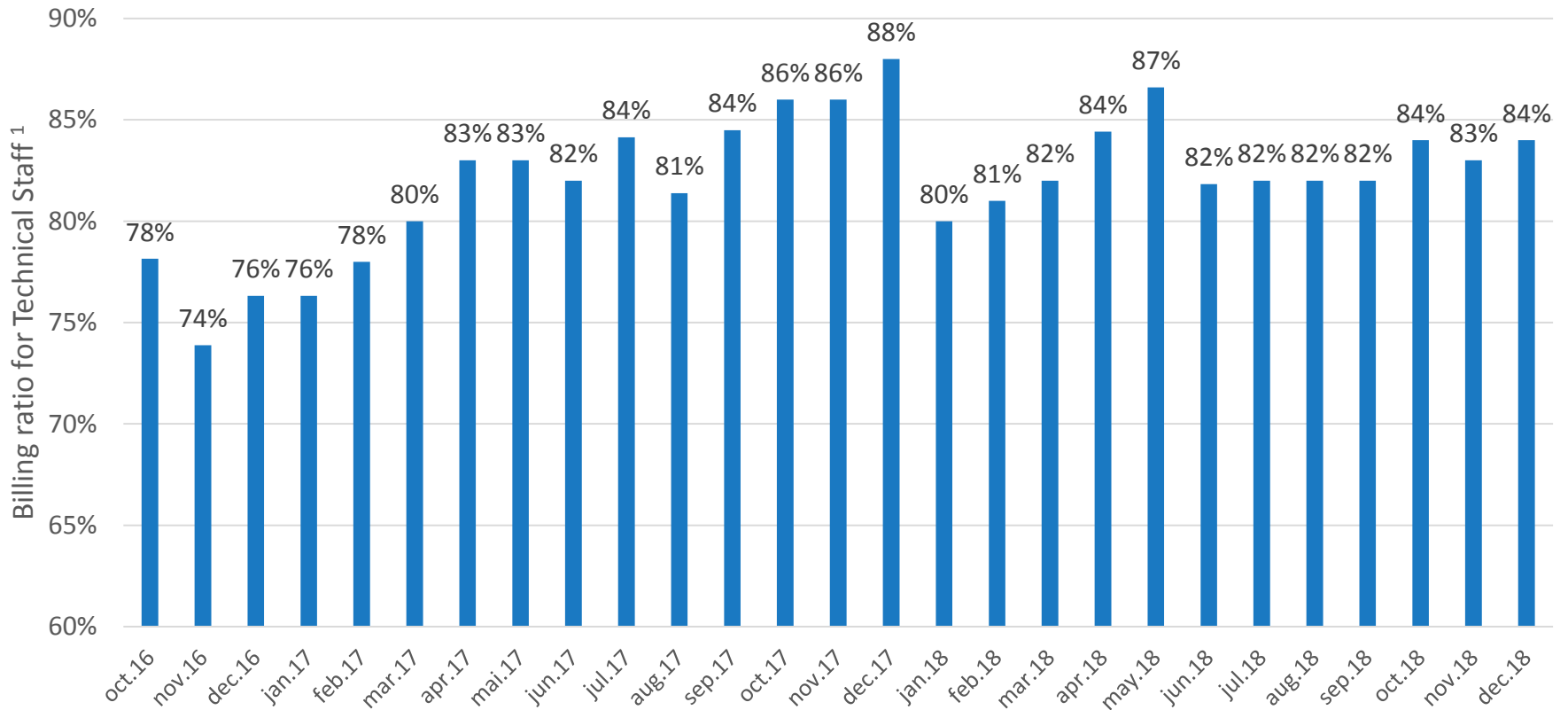
(1) Average full time equivalent in the quarter. Numbers include subcontractors on 100% utilization equivalent basis and excludes staff made temporary redundant

Highlights Q4 2018

- Staff levels increased from last quarter
- Employment opportunities in Aqualis attractive in the job market
- Increase in number of own technical staff and number of subcontractors
- The use of subcontractors allows for a more flexible cost base whilst the short term outlook / position of the market is assessed

Stable performance with high billing ratio in Q4 2018

- Total technical staff (including subcontractors), billing ratio¹ %



(1) Billing ratio for Technical Staff including subcontractors. Excludes management, business development, admin support staff and temporary redundancies. Figure calculated as billable hours / available hours. Available hours excludes paid absence (public holidays, time off in-lieu, compassionate leave, authorized annual leave) and unpaid absence (sabbatical and other unpaid leave).

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CEO



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CFO

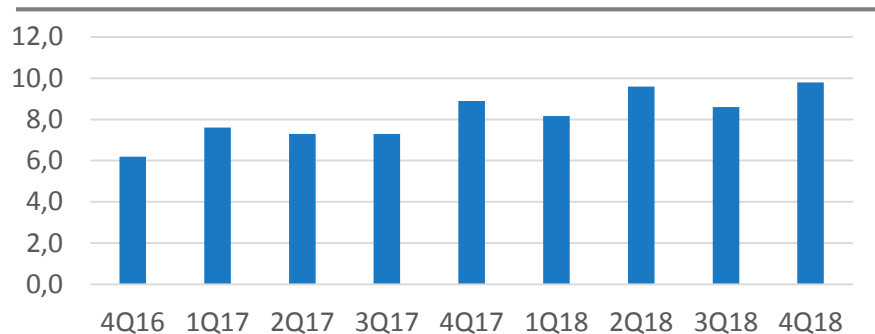


3. Outlook
David Wells
CEO

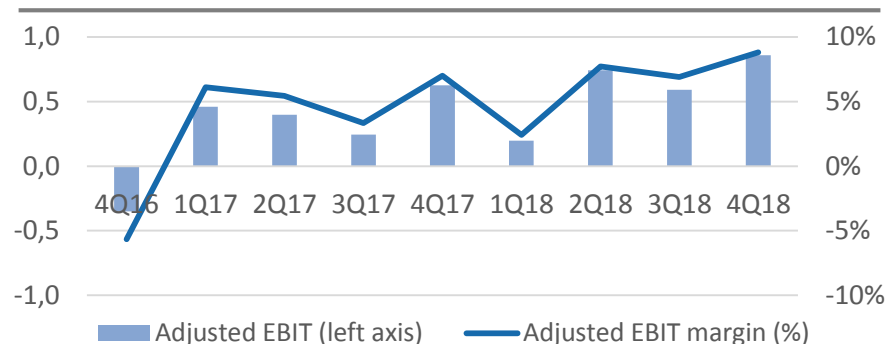


Revenues and adjusted EBIT trend

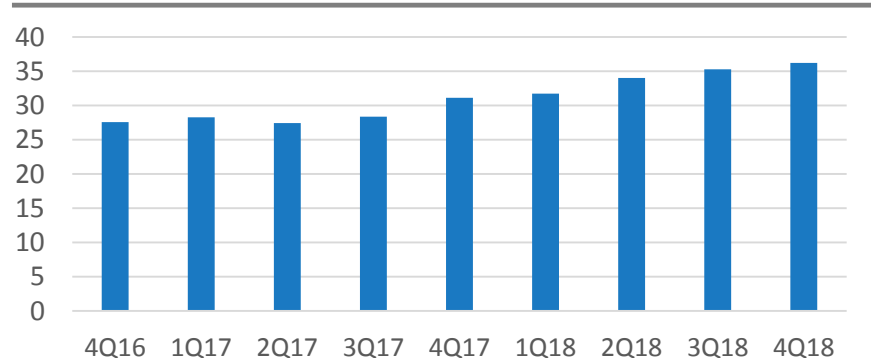
Revenues (USDm)



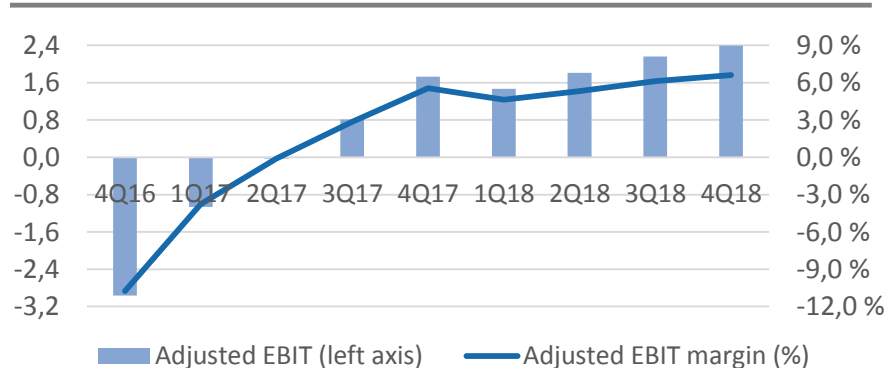
Adjusted EBIT¹ development (USDm, %)



Revenue LTM (USDm)



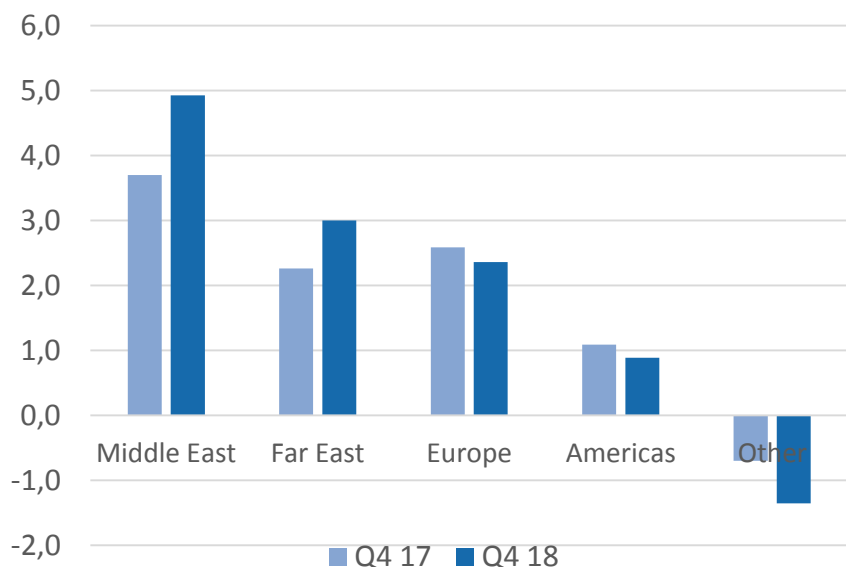
Adjusted EBIT¹ LTM (USDm, %)



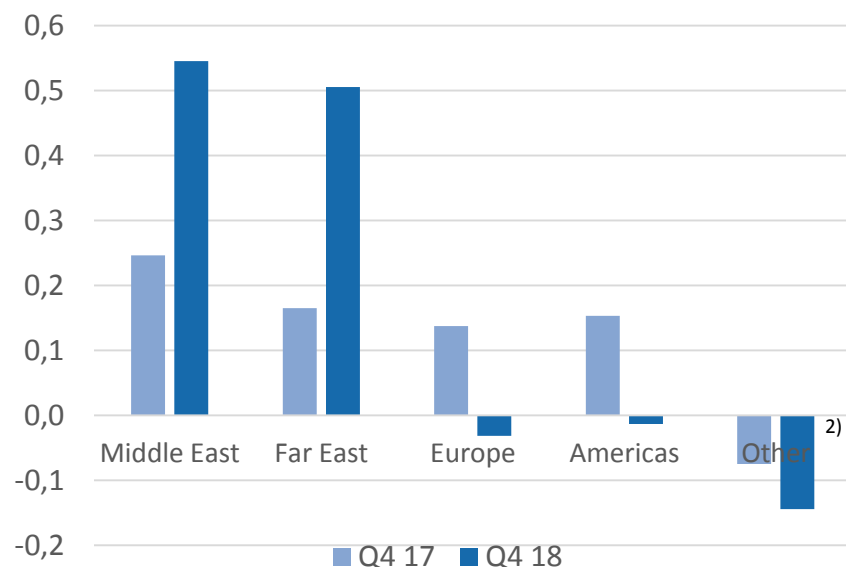
(1) Adjusted EBIT: Earnings before interest and taxes adjusted for goodwill impairments, share of net profit / (loss) from associates and impairment of loan to and investment in associates

Geographical split

Revenue split (USDm)



Adjusted EBIT¹ split (USDm)



- Regional revenue differences y-o-y for entities respectively in Middle East 33%, Far East 33%, Americas -18% and Europe -9% (note: OWC increased revenues with 56% y-o-y. OWC constitutes ~21% of group revenues in Q4 2018 and 17% in year 2018)

1) After allocation of group costs to entities. Corporate group costs that are not allocated to entities are included in «other»

2) Other excludes goodwill impairments, share of net profit / (loss) from associates and impairment of loan to and investment in associates

Income Statement

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenues	9,828	8,948	36,185	31,134
Total revenues	9,828	8,948	36,185	31,134
Payroll and payroll related expenses	(4,043)	(3,864)	(15,682)	(15,324)
Other operating expenses	(4,893)	(4,424)	(17,981)	(13,951)
Depreciation, amortisation and impairment	(32)	(3,963)	(129)	(4,061)
Total operating expenses	(8,967)	(12,251)	(33,792)	(33,336)
Gain (loss) on disposal of interest in associates	-	(3,080)	291	(3,426)
Operating profit (loss) (EBIT)	860	(6,383)	2,684	(5,628)
Finance income	118	19	167	71
Net foreign exchange gain (loss)	94	131	27	(776)
Profit (loss) before taxes	1,073	(6,233)	2,878	(6,333)
Income tax expenses	(259)	3	(456)	(144)
Profit (loss) after taxes	814	(6,230)	2,422	(6,477)
Financial ratios:				
Adjusted operating profit (loss)	860	627	2,393	1,729
EBITDA	892	660	2,522	1,860
Earnings per share (USD): basic and diluted	0.02	(0.15)	0.06	(0.15)

- Revenues for Q4 2018 up 10% from Q4 2017
- EBITDA of USD 0.9 million
- Adjusted EBIT of USD 0.9 million

New IFRS 16 Leases effective from 1 January 2019

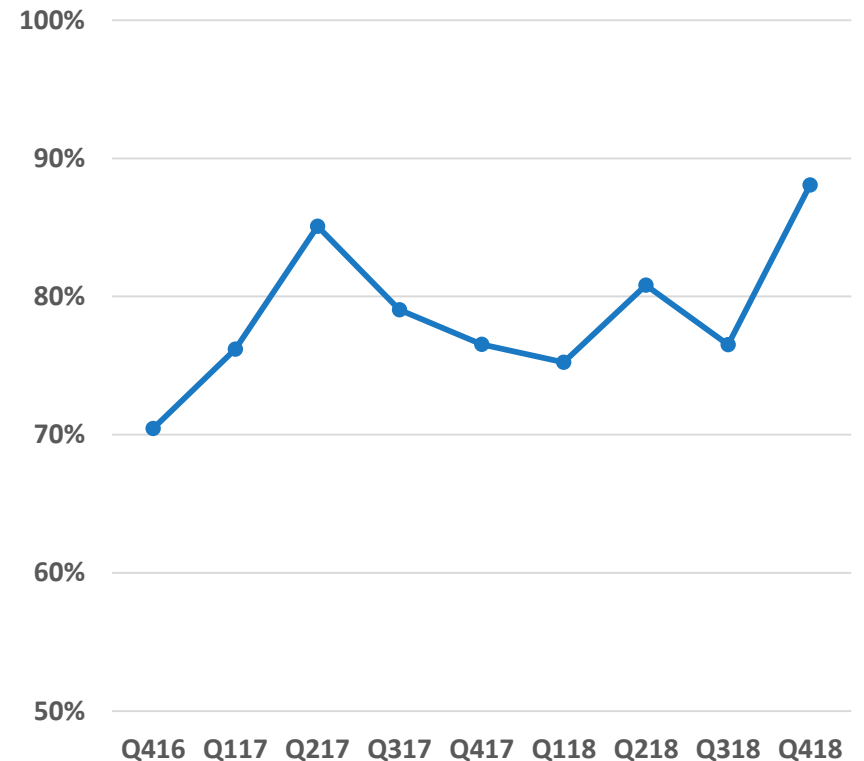
- Aqualis group will apply the new standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach with no restatement of comparable periods
- The group expects to recognise right-of-use assets and lease liabilities of approximately USD 0.1 million on 1 January 2019
- The group expects that operating expenses will be reduced and EBITDA will increase by approximately USD 0.1 million for 2019 as a result of adopting the new standard
- Depreciation for 2019 will increase by approximately USD 0.06 million
- Interest expense for 2019 will increase by approximately USD 0.05 million
- Above amounts are preliminary estimates based on current lease contracts. The actual impact upon implementation may change as a result of changed interest rates, signing of new lease contracts and re-assessment of renewal options. The impact may also change if new information and guidance becomes known before the group presents its first consolidated financial statements under the new standard

Cashflow and Financial Position

Highlights Q4 2018

- Solid financial position with no interest bearing debt and USD 5.5m in cash
- Negative operational cash flow of USD 0.3 million
- Working capital of USD 8.1 million, up from USD 7.0 million in Q3 2018
- The working capital % will fluctuate during the year with regional mix, type of projects and milestone payments

Working capital¹ (%)



(1) Working capital / average quarterly revenues last 2 quarters

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CEO



Outlook

- The O&G sector is expected to improve in 2019 as the markets gradually rebalance
- Revenues and adjusted EBIT margin expected to increase full year 2019 vs 2018 level¹⁾
- The marine consultancy market in Middle East and Asia Pacific remains strong and growth in other regions expected
- Aqualis expects to gain market share, expand and develop new business lines
- The global offshore renewables market has a strengthening outlook with growth opportunities identified globally leading us to plan for further expansion
- Recruitment drive ongoing and job applications increasing
- Consolidation is needed in the marine and engineering industry, including consultancy, to mitigate oversupply, rationalize global operations and achieve better economies of scale
- Aqualis will continue to actively work on any value adding consolidation opportunities

1) pre IFRS 16 effect

Appendix



Alternative Performance Measures

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

EBITDA

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

Adjusted operating profit (loss)

Management believes that “Adjusted operating profit (loss)” which excludes gain (loss) on disposal of interest in associates and impairments of goodwill is a useful measure because it provides an indication of the profitability of the Company’s operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. A reconciliation between reported operating profit (loss) (EBIT) and adjusted operating profit (loss) is shown below.

Adjusted profit (loss) after taxes

Management believes that “Adjusted profit (loss) after taxes” which excludes gain (loss) on disposal of interest in associates and impairments of goodwill is a useful measure because it provides an indication of the profitability of the Company’s operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. A reconciliation between reported profit (loss) after taxes and adjusted profit (loss) after taxes is shown below.

Order backlog

Order backlog is defined as the aggregate value of future work on signed customer contracts or letters of award. Aqualis’ services are shifting towards “call out contracts” which are driven by day-to-day operational requirements. An estimate for backlog on “call out contacts” are only included in the order backlog when reliable estimates are available. Management believes that the order backlog is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Working capital and working capital ratio

Working capital is a measure of the current capital tied up in operations. The amount of working capital will normally be dependent on the revenues earned over the past quarters. Working capital may not be comparable to other similarly titled measures from other companies. Working capital ratio provides an indication of the working capital tied up relative to the average quarterly revenue over the past two quarters.

Balance Sheet

Amounts in USD thousands	31.12.2018	31.12.2017
ASSETS		
Property, plant and equipment	141	160
Intangible assets	12 864	13 063
Deferred tax assets	7	69
Trade receivables	8 289	7 886
Other current assets	3 878	3 033
Cash and cash equivalents	5 454	9 709
Total assets	30 633	33 920
EQUITY AND LIABILITIES		
Equity	25 555	28 451
Deferred tax liability	314	156
Other non-current liabilities	713	617
Trade payables	1 352	1 888
Income tax payable	159	74
Other current liabilities	2 540	2 734
Total equity and liabilities	30 633	33 920
Financial ratios:		
Net debt, USD thousands	(5 454)	(9 709)
Equity/Assets ratio, %	83,4%	83,9%

Cash Flow

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating cashflow	(304)	(44)	312	(262)
Investing cashflow	7	17	214	(39)
Financing cashflow	-	-	(4,674)	-
Net change in cash and cash equivalents	(297)	(27)	(4,148)	(301)
Cash and cash equivalents at beginning of the period	5,814	9,753	9,709	9,910
Net change in cash and cash equivalents	(297)	(27)	(4,148)	(301)
Effect of foreign exchange rate changes	(63)	(17)	(107)	100
Cash and cash equivalents at end of the period	5,454	9,709	5,454	9,709

- Negative operating cash flow of USD 0.3 million due to increase in working capital

Top 20 shareholders

#	Name	Shares	%
1	Gross Management AS	7 367 996	17,4
2	Carnegie Investment Bank AB	2 453 386	5,8
3	Tigerstaden AS	1 886 663	4,5
4	Danske Bank A/S	1 702 046	4,0
5	Mp Pensjon PK	1 463 128	3,5
6	Lgt Bank AG	1 402 923	3,3
7	Oma Invest AS	1 400 000	3,3
8	Saxo Bank A/S	1 264 743	3,0
9	Nordnet Bank AB	1 238 872	2,9
10	Badreddin Diab	1 001 302	2,4
11	Dnb Nor Markets, Aksjehand/Analyse	971 735	2,3
12	Philip Alan Lenox	830 583	2,0
13	Magne Gislerød	800 000	1,9
14	Acme Capital AS	637 500	1,5
15	Six Sis AG	631 192	1,5
16	Alsto Consultancy Ltd	598 122	1,4
17	Andreas Theofanatos	512 188	1,2
18	Ian Dennis Bonnon	508 260	1,2
19	Kula Invest AS	504 362	1,2
20	Kim Magnus Boman	500 000	1,2
	Top 20 shareholders	27 675 001	65,4

Source: VPS, 13.02.2019

AQUALIS