Q4 report 2018

GROWTH CONTINUES - LED BY OFFSHORE RENEWABLES

HIGHLIGHTS Q4 2018

- 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
- Billing ratio(3) 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 remains challenging with signs of recovery
- Order backlog of USD 7.8 million with increase in pipeline of opportunities

HIGHLIGHTS FULL YEAR 2018

- Revenues of USD 36.2 million in 2018 vs. USD 31.1 million in 2017
- Offshore renewables revenues increased by 37% in 2018 vs 2017
- Offshore oil and gas revenues increased by 13% in 2018 vs 2017
- EBITDA of USD 2.5 million in 2018 vs USD 1.9 million in 2017
- Adjusted EBIT of USD 2.4 million in 2018 vs USD 1.7 million in 2017
- Billing ratio(3) of 83 % in 2018, same as in 2017
- Solid HSE performance and no lost time incidents (LTIs) during the year
- Successful start of new office in Taiwan and launch of rig inspection services
- Payment of dividend of NOK 0.90 per share in 2018
- The Board of Directors proposes an ordinary dividend of NOK 0.10 per share

"We have had another good quarter with strong execution and a strengthening of our market position globally. Our geographical expansion continues through the opening of an office in Perth, Australia. We look forward to support the oil & gas and renewables developments in the Australasia region.

The activity in the offshore wind sector remains high and we continue to expand our operations. Our operations in Taiwan have ramped up quickly and have had good performance. We are very excited about the future of the offshore wind business particularly in emerging markets where we have identified several growth opportunities. This combined with that growth is finally expected to return to offshore oil and gas investments this year lead us to be optimistic on a continued strong performance for 2019" says Mr. David Wells, CEO of Aqualis ASA.

KEY FIGURES

Amount in USD thousands (except shares, backlog, employees)	Q4 2018	Q4 2017	FY 2018	FY 2017
FINANCIAL				
Total revenues	9,828	8,948	36,185	31,134
EBITDA[1]	892	660	2,522	1,860
Operating profit (loss) (EBIT)	860	(6,383)	2,393	(5,628)
Adjusted operating profit (loss) (EBIT)[1]	860	627	2,393	1,729
Profit (loss) after taxes	814	(6,230)	2,422	(6,477)
Adjusted profit (loss) after taxes[1]	814	780	2,131	879
Basic earnings per share	0.02	(0.15)	0.06	(0.15)
Average number of outstanding shares (thousands)	42,293	42,293	42,293	42,293
Cash and cash equivalent	5,454	9,709	5,454	9,709
OPERATIONS[4]				
Order backlog at the end of the period (USD million)[2]	7.8	8.9	7.8	8.9
Average number of full-time equivalent employees[2]	192	181	184	169
Billing ratio[3]	84%	86%	83%	83%

(1) Refer Alternative Performance Measures

(2) Includes subcontractors on 100% utilisation basis

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

(4) Figures excluding Adler Solar

GROUP FINANCIAL REVIEW

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

Group results

Total operating revenues increased by 10% to USD 9.8 million in Q4 2018 (USD 8.9 million in Q4 2017). This increase was mainly due to higher activity levels in the Middle East and for our offshore wind business through OWC. The revenues in the Middle East region increased during Q4 2018 on the back of strengthened market position and increased workload.

Payroll and related expenses increased by 5% to USD 4.0 million in Q4 2018 (USD 3.9 million in Q4 2017). Other operating expenses increased by 11% to USD 4.9 million in Q4 2018 (USD 4.4 million in Q4 2017) mainly due to increased use of subcontractors. The subcontractors expenses increased by 9% to USD 3.3 million in Q4 2018 (USD 3.1 million in Q4 2017) driven by a higher activity level and the corporate drive for a more flexible business model through servicing our business lines with a higher proportion of subcontractors.

Operating profit (EBIT) amounted to USD 0.9 million in Q4 2018 (loss of USD 6.4 million in Q4 2017) with strong performance from entities in the Middle East and Far East. Results in the Americas were lower in Q4 due to reduced activity level. Operations in Norway were closed down by the end of 2018.

Adjusted EBIT amounted to USD 0.9 million in Q4 2018 (US 0.6 million in Q4 2017).

Most entities have had positive operational performance in the quarter despite continued overall weak market conditions in the oil and gas sector. The billing ratio for technical staff (including subcontractors) was 84% in Q4 2018, compared to 82% in Q3 2018.

Net currency loss of USD 0.1m in Q4 2018 (gain of USD 0.1 million in Q4 2017) which mainly represents unrealised losses on revaluation of USD bank accounts.

Profit after taxes amounted to USD 0.8 million in Q4 2018 (loss of USD 6.2 million in Q4 2017).

Financial position and liquidity

At 31 December 2018, cash and cash equivalents amounted to USD 5.5 million, down from USD 5.8m on 30 September 2018. Negative operational cash flow of USD 0.3 million in Q4 2018 due to increase in working capital. The working capital amounted to USD 8.1, up from USD 7.0 million in Q3 2018.

The working capital will fluctuate during the year with overall revenues, regional mix, type of projects and milestone payments.

Aqualis does not have any interest bearing debt.

The board of Directors propose for the AGM an ordinary dividend for 2018 equal to 0.10 NOK per share.

Order backlog

The order backlog at the end of Q4 2018 increased to USD 7.8 million compared with USD 6.4 million at the end of Q3 2018. Pipeline of future opportunities has increased since the end of last quarter.

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

Organisational development

Aqualis had in Q4 2018 on average 192 employees (full time equivalents, “FTEs”), including subcontractors compared with 185 in Q3 2018. Aqualis had on average 154 (FTEs) technical staff, including subcontractors in Q4 2018 compared with 147 in Q3 2018. The use of subcontractors allows for a more dynamic business model more aligned with demand fluctuations.

Health, safety, environment and quality

Aqualis’ HSEQ management system provides the framework to manage all aspects of our business. The management system is designed to ensure compliance with regulatory requirements, identify and manage risks and to drive continuous improvement in HSEQ performance. The Group has roughly 1.7 million man-hours without a lost time incident (LTI) since its incorporation.

Market update

Oil and gas market

Oil price dipped in Q4 but currently remains at a good level to support new investment and there are continued signs of optimism for recovery. The number of offshore FIDs is expected to grow in 2019 and lead to an improvement in the market.

Whilst there are indications of slightly improved activity levels in some regions, margins remain very weak. Rates remain very competitive especially in traditional business lines and clients are able to maintain pressure on their contractors. For the first time since 2014, market consensus is expecting increased E&P spending and some oil companies are starting to make significant new investments. The visibility in our industry is still relative short term.

During the quarter the pipeline of new bidding opportunities remained satisfactory and new areas of business were identified.

Focus remains on supporting our clients with their day-to-day offshore operations, though some capex related opportunities are coming to the market. The group's organizational structure is leaner and more flexible at being able to adapt to new opportunities.

Aqualis Offshore continues with selected expansion and opened an office in Perth, Western Australia in January 2019 to support oil and gas and renewable development in the Australasia region.

Renewables

The offshore wind sector remains solid but very competitive. Offshore Wind Consultants (OWC) have maintained high bidding levels and secured a number of good new contract awards in Europe and Asia Pacific. OWC has set up an office in Taiwan which has ramped up quickly and performed well showing the benefits of having a local presence.

The offshore wind sector is experiencing strong growth and expansion into new emerging markets which provides opportunities for OWC to expand geographically.

Outlook

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

Based on analyst estimates 2019 is expected to be the first year of global growth for offshore Investments since 2014. The increasing tender activity in the offshore rig market also supports expectations of increased demand and we expect market conditions to be stronger in 2019 as the market gradually rebalances and the competitive pressures start to normalize.

Aqualis expects the Middle East region to remain robust, a region where we are gaining an increasingly dominant position. The Asia Pacific region is gradually becoming more buoyant and sentiment slowly improves in North America and in Europe.

Our activity in the offshore renewables market remains high and the industry has a strong project pipeline over the next years. OWC is strengthening its market position and experiences increasing opportunities in emerging markets. Growth opportunities have been identified globally and further expansion is planned. OWC is enhancing its service offering and re-focusing on higher margin advisory work.

Aqualis' strategy remains unchanged being focused on widening and strengthening its global client portfolio and enhancing client loyalty to take increased market share. The company has a flexible cost base needed to adapt more quickly to market changes.

Aqualis will continue our focus on free cash flow and capital efficiency to support organic growth and continued dividends to our shareholders. Anticipated improvement in underlying operating margin in 2019 is expected to support stronger growth and dividends.

The industry would benefit from further consolidation. Aqualis will continue to actively work on any value adding consolidation opportunities.

Asker, 27 February 2019

The Board of Directors of
Aqualis ASA

Condensed interim consolidated financial statements
Q4 2018

Consolidated Statement of Income

Amounts in USD thousands	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenues	5	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	6	(4,893)	(4,424)	(17,981)	(13,951)
Depreciation, amortisation and impairment	7	(32)	(3,963)	(129)	(4,061)
Gain (loss) on disposal of interest in associates	8	-	(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)
Net financial items		**212**	**150**	**194**	**(705)**
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)**
Profit (loss) after taxes attributable to:					
Equity holders of the parent company		814	(6,230)	2,422	(6,477)
Total		**814**	**(6,230)**	**2,422**	**(6,477)**
Earnings per share (USD): basic and diluted		**0.02**	**(0.15)**	**0.06**	**(0.15)**

Consolidated Statement of other Comprehensive Income

Amounts in USD thousands	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
Profit (loss) after taxes		**814**	**(6,230)**	**2,422**	**(6,477)**
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences		(189)	(331)	(511)	1,680
Income tax effect		(138)	148	(138)	148
Other comprehensive income for the year, net of tax		**(327)**	**(184)**	**(648)**	**1,827**
Total comprehensive income for the year, net of tax		**487**	**(6,413)**	**1,773**	**(4,650)**

Condensed interim consolidated financial statements Q4 2018

Consolidated Statement of Financial Position

Amounts in USD thousands	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment		141	160
Intangible assets	**7**	12,864	13,063
Deferred tax assets		7	69
Total non-current assets		**13,012**	**13,292**
Current assets			
Trade receivables	**9**	8,289	7,886
Other current assets	**10**	3,878	3,033
Cash and cash equivalents	**4**	5,454	9,709
Total current assets		**17,621**	**20,628**
Total assets		**30,633**	**33,920**
EQUITY AND LIABILITIES			
Equity			
Share capital		690	690
Share premium		42,670	47,344
Share-based compensation reserve		567	563
Retained earnings		(5,137)	(7,559)
Foreign currency translation reserve		(13,235)	(12,587)
Total equity		**25,555**	**28,451**
Non-current liabilities			
Deferred tax liability		314	156
Other non-current liabilities		713	617
Total non-current liabilities		**1,027**	**773**
Current liabilities			
Trade payables		1,352	1,888
Income tax payable		159	74
Other current liabilities		2,540	2,734
Total current liabilities		**4,051**	**4,696**
Total liabilities		**5,078**	**5,469**
Total equity and liabilities		**30,633**	**33,920**

Condensed interim consolidated financial statements Q4 2018

Consolidated Statement of Cash Flows

Amounts in USD thousands	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
Cash flow from operating activities					
Profit (loss) before taxes		**1,073**	**(6,233)**	**2,878**	**(6,333)**
Non-cash adjustment to reconcile profit before tax to cash flow:					
Estimated value of employee share options		1	2	4	20
Depreciation, amortisation and impairment		32	3,963	129	4,061
Gain (loss) on disposal of interest in associates		-	3,080	(291)	3,426
Changes in working capital:					
Changes in trade receivables and trade payables		(1,156)	(1,728)	(939)	(1,616)
Changes in other current assets and other liabilities		(23)	1,331	(943)	(99)
Interest received		(7)	(20)	(47)	(61)
Income tax paid		(100)	(27)	(294)	(148)
Effects related to currency unrealised		(124)	(412)	(185)	487
Cash flow from (used in) operating activities		**(304)**	**(43)**	**312**	**(262)**
Cash flow from investing activities					
Proceeds on disposal of interest in associates		-	-	291	-
Purchase of property, plant and equipment		-	(3)	(124)	(99)
Interest received		7	20	47	61
Cash flow from (used in) investing activities		**7**	**17**	**214**	**(39)**
Cash flow from financing activities					
Dividends paid		-	-	(4,674)	-
Cash flow (used in) / from financing activities		**-**	**-**	**(4,674)**	**-**
Net change in cash and cash equivalents		**(297)**	**(26)**	**(4,148)**	**(301)**
Cash and cash equivalents at beginning of the period		**5,814**	**9,753**	9,709	9,910
Effect of foreign exchange rate changes		(63)	(17)	(107)	100
Cash and cash equivalents at end of the period	**4**	**5,454**	**9,710**	**5,454**	**9,709**

Condensed interim consolidated financial statements Q4 2018

Consolidated Statement of Changes in Equity

Amounts in USD thousands	Note	Share capital	Share premium	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total
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		-	-	20	-	-	20
As at 31 December 2017		**690**	**47,344**	**563**	**(7,559)**	**(12,587)**	**28,451**
As at 1 January 2018		**690**	**47,344**	**563**	**(7,559)**	**(12,587)**	**28,451**
Profit (loss) after taxes		-	-	-	2,422	-	2,422
Dividends		-	(4,674)	-	-	-	(4,674)
Foreign currency translation reserve		-	-	-	-	(648)	(648)
Share-based payment		-	-	4	-	-	4
As at 31 December 2018		**690**	**42,670**	**567**	**(5,137)**	**(13,235)**	**25,555**

Condensed interim consolidated financial statements Q4 2018

Notes to the interim consolidated financial statements

Note 1: General information
Aqualis ASA ("the Company") is a limited liability company incorporated on 13 June 2014 and domiciled in Norway. The shares of the Company were listed on Oslo Stock Exchange on 13 August 2014.

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

The Company and its subsidiaries (collectively the "Aqualis Group" or the "Group") is a public company that offers energy consultancy services to the oil & gas and wind sectors globally. The group employs experienced consultants across 18 offices in 14 countries worldwide.

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

Note 2: Basis of preparations and changes to the accounting policies
This condensed consolidated interim financial report for the period ended 31 December 2018 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

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

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

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

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

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

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

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

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

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

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

The group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected losses (ECL) for all amounts due from customers. The ECL are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Note 3: Critical accounting estimates and judgements in terms of accounting policies
In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Note 4: Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

Amounts in USD thousands		**31.12.2018**		**31.12.2017**
Cash and bank balances		5,454		9,709
As at 31 December 2018		**5,454**		**9,709**
Distributed in following currencies:				
US Dollars (USD)	2,998	2,998	7,460	7,460
Pound Sterling (GBP)	518	660	273	369
Norwegian Krone (NOK)	2,899	333	6,925	843
Other currencies		1,463		1,036
Total		**5,454**		**9,709**

Note 5: Segment information
The Group's businesses are managed on a regional basis. The internal management reports provided by management to the board of directors of Aqualis, which is the group's decision maker, is in accordance with this structure. These regional segments comprise of entities within the region and forms the basis for the segment reporting presented below.

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

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenues				
Middle East	4,928	3,702	17,796	12,505
Far East	3,002	2,262	8,610	7,764
Therein: OWC entities	1,015	-	1,251	-
Europe	2,361	2,590	8,725	9,029
Therein: OWC entities	1,689	1,305	5,680	4,439
Americas	890	1,090	4,392	3,434
Eliminations	(1,353)	(696)	(3,339)	(1,598)
Total	**9,828**	**8,948**	**36,185**	**31,134**
Operating profit (loss) (EBIT)				
Middle East	545	246	2,068	1,097
Far East	505	165	906	603
Therein: OWC entities	157	-	180	-
Europe	(32)	138	(370)	392
Therein: OWC entities	60	91	40	440
Americas	(14)	153	362	101
Corporate group costs	(144)	(75)	(574)	(464)
Gain (loss) on disposal of interest in associates	-	(3,080)	291	(3,426)
Impairment of goodwill	-	(3,930)	-	(3,930)
Total	**860**	**(6,383)**	**2,684**	**(5,628)**

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

Amounts in USD thousands	31.12.2018	31.12.2017
Trade receivables		
Middle East	4,824	3,400
Far East	1,992	1,897
Therein: OWC entities	316	-
Europe	602	1,971
Therein: OWC entities	149	1,207
Americas	872	618
Total	**8,289**	**7,886**
Cash and cash equivalents		
Middle East	747	536
Far East	1,374	711
Therein: OWC entities	97	-
Europe	1,005	1,010
Therein: OWC entities	682	425
Americas	446	421
Corporate group	1,882	7,031
Total	**5,454**	**9,709**

Note 6: Other operating expenses

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Subcontractors cost	3,326	3,063	12,375	8,936
Office lease and maintenance expenses	264	238	992	982
Insurance cost	86	106	426	367
Cost of recharged expenses	511	303	1,680	1,054
General and administrative expenses	705	713	2,508	2,611
Total other operating expenses	**4,892**	**4,424**	**17,981**	**13,951**

Note 7: Intangible assets

Amounts in USD thousands	Customer contracts	Goodwill	Total
Cost			
As at 1 January 2018	547	19,206	19,753
Write-off	(547)	-	(547)
Effect of movements in exchange rates	-	(573)	(573)
As at 31 December 2018	**-**	**18,633**	**18,633**
Amortisation and impairment			
As at 1 January 2018	547	6,144	6,691
Write-off	(547)	-	(547)
Effect of movements in exchange rates	-	(374)	(374)
As at 31 December 2018	**-**	**5,769**	**5,769**
Net book value at 31 December 2018	**-**	**12,864**	**12,864**
Useful life	**2 years**	**tested for impairment**	

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

Note 8: Investment in associates

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

The Group has not recognised current year's losses relating to Adler Solar where its share of losses exceeds the Group's interest in the associate, following the Group's decision to impair its investment and loan to associates amounting to USD 2.9 million to nil at 31 December 2017.

Note 9: Trade receivables
The ageing analysis of unimpaired trade receivables at the reporting date is as follows:

Amounts in USD thousands	31.12.2018	31.12.2017
Not overdue	2,914	3,038
Overdue 1-30	2,019	1,940
Overdue 31-60	1,432	1,336
Overdue 61-90	367	289
More than 90 days	1,556	1,282
Total	**8,289**	**7,886**

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

Note 10: Other current assets
At 31 December 2018, other current assets include contract assets of USD 2.3 million (31 December 2017 - USD 1.4 million).

Note 11: Events after the reporting period
The Group opened new office in Perth, Australia at the start of 2019. There are no other significant events after balance sheet date.

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.

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating profit (loss) (EBIT)	**860**	**(6,383)**	**2,684**	**(5,628)**
Depreciation, amortisation and impairment	32	3,963	129	4,061
Gain (loss) on disposal of interest in associates	-	3,080	(291)	3,426
EBITDA	**892**	**660**	**2,522**	**1,860**

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.

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating profit (loss) (EBIT)	**860**	**(6,383)**	**2,684**	**(5,628)**
Impairment of goodwill	-	3,930	-	3,930
Gain (loss) on disposal of interest in associates	-	3,080	(291)	3,426
Adjusted operating profit (loss)	**860**	**627**	**2,393**	**1,729**

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.

Amounts in USD thousands	Q4 2018	Q4 2017	FY 2018	FY 2017
Profit (loss) after taxes	**814**	**(6,230)**	**2,422**	**(6,477)**
Impairment of goodwill	-	3,930	-	3,930
Gain (loss) on disposal of interest in associates	-	3,080	(291)	3,426
Adjusted profit (loss) after taxes	**814**	**780**	**2,131**	**879**

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

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 includes trade receivables and other current assets, trade payables, current tax payable and other current liabilities. 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

Amounts in USD thousands	Q4 2018	Q4 2017
Working capital		
Trade receivables	8,289	7,886
Other current assets	3,878	3,033
Trade payables	(1,352)	(1,888)
Income tax payable	(159)	(74)
Other current liabilities	(2,540)	(2,734)
Working capital	**8,116**	**6,223**

AUSTRALIA
Perth
Aqualis Offshore Australia Pty Ltd
154 High Street
Fremantle, WA 6160
T +61 418 615 327
E australia@aqualisoffshore.com

BRAZIL
Rio de Janeiro
Aqualis Offshore Serviços Ltda
Rua do Rosario 1, 18th Floor, Centro
20041-003
Rio de Janeiro - RJ
T +55 21 2283 1636
E rio@aqualisoffshore.com

CHINA
Shanghai
Aqualis Offshore Marine Consulting Co., Ltd.
Room 318, Bldg 4 Renheng Plaza
No. 88 Maoxing Road
Pu dong District, Shanghai 200127
T +86 21 6882 1677
E shanghai@aqualisoffshore.com

GERMANY
Hamburg
OWC (Aqualis) GmbH
Poststrasse 33
20354 Hamburg
T +49 4035085524
E enquiries@owcltd.co.uk

KOREA
Seoul
Aqualis Offshore Korea Ltd
8F, Haesung building
209 Seochojungang-ro
Seocho-gu, Seoul
T +82 (0)2 3463 6161
E korea@aqualisoffshore.com

KSA & BAHRAIN
Manama
Aqualis Offshore Marine Services LLC
Office 21, Building 2750, Road 3649
Block 436, Seef
T +973 1758 5336
E ksa@aqualisoffshore.com

MALAYSIA
Kuala Lumpur
Aqualis Offshore Malaysia Sdn. Bhd.
B-3A-4 Megan Avenue 1
189 Jalan Tun Razak
50400 Kuala Lumpur
T +603 2166 1699
E malaysia@aqualisoffshore.com

MEXICO
Mexico City
Aqualis Offshore S. de R.L. de C.V.
Office Av. Tecamachalco 35
Lomas de Chapultepec
D.F. 11000
T +52 (55) 8589 3206
F +52 (55) 5202 2102
E mexico@aqualisoffshore.com

NORWAY
Oslo
Aqualis ASA &
Aqualis Offshore AS
Postboks 1899 Vika
0124 Oslo
E enquiries@aqualisoffshore.com

QATAR
Doha
Aqualis Offshore LLC
Office No. 1221, 12th Floor
Marina Twin Towers
Lusail, PO Box 301477
T +974 4447 0912
F +974 4423 1100
E doha@aqualisoffshore.com

SINGAPORE
Aqualis Offshore Pte Ltd
51 Goldhill Plaza #12-08
Singapore 308900
T +65 6353 5230
F +65 6353 5105
E singapore@aqualisoffshore.com

TAIWAN
Tainan City
Aqualis Offshore Pte Ltd
Taiwan Representative Office
No. 38, Lane 30, Sec. 1, Dacheng Road
South District, Tainan City 70245
T +886 6 2632126
F +886 6 2643913
E taiwan@aqualisoffshore.com

Taipei City
Offshore Wind Consultants Taiwan Co., Ltd
3F, No. 128, Section 3, Minsheng East Road
Songshan District, Taipei City 10596
E enquiries@owcltd.co.uk

UAE
Abu Dhabi
Aqualis Offshore Marine Consulting LLC
Office 104, Floor 1 Al Aryam Tower, Mina Road
Abu Dhabi, PO Box 62924
T +971 2 676 6971
F +971 2 676 6970
E abudhabi@aqualisoffshore.com

Dubai
Aqualis Offshore Marine Services LLC
Office 609, SIT Tower
Dubai Silicon Oasis
Dubai, PO Box 128078
T +971 4 379 3612
F +971 4 379 3816
E dubai@aqualisoffshore.com

UK
London
Aqualis Offshore Ltd &
Aqualis Offshore UK Ltd
1 King St, London EC2V 8AU
T +44 203 713 1930
E enquiries@aqualisoffshore.com

Offshore Wind Consultants Ltd
1 King St, London EC2V 8AU
T +44 203 603 4350
E enquiries@owcltd.co.uk

Aberdeen
Aqualis Offshore UK Ltd
15 Albert Street
Aberdeen AB25 1XX
T +44 1224 443544
E enquiries.ab@aqualisoffshore.com

USA
Houston
Aqualis Offshore, Inc.
16000 Barkers Point Lane
Suite 202
Houston, TX 77079
T +1 832 243 4325
E houston@aqualisoffshore.com

AQUALIS

Postboks 1899 Vika
0124 Oslo
Norway
www.aqualis.no