AQUALIS

ANNUAL REPORT 2018

www.aqualis.no

CONTENTS

KEY FINANCIAL FIGURES

Results		**2018**	**2017**
Total revenues	USD thousands	36,185	31,134
EBITDA	USD thousands	2,522	1,860
EBIT	USD thousands	2,684	(5,628)
Adjusted EBIT	USD thousands	2,393	1,729
Profit (loss) after taxes	USD thousands	2,422	(6,477)
Adjusted profit (loss) after taxes	USD thousands	2,131	879
Balance sheet and cash flow			
Cash and cash equivalent	USD thousands	5,454	9,709
Equity ratio	%	83.4 %	83.9 %
Cashflow from (used in) operating activities	USD thousands	312	(262)
Operations			
Order backlog at 31 December	USD thousands	7,836	8,942
Employees at 31 December[1]	Full-time equivalents	179	177
Zero lost time injuries	Per million worked hours	0.32	0.30
Billing ratio[1]	%	83%	83%
Share data			
Basic earnings per share	USD	0.06	(0.15)
Number of shares outstanding at 31 December	Million	42.29	42.29
Number of options outstanding at 31 December	Million	0.25	0.25
Share price at 31 December	NOK	4.14	3.80

1. Including subcontractors, full time equivalents

LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

In relative terms fiscal year 2018 was another good year for Aqualis. Our competitors and our main customers were still in a recession with low rates for their assets as rigs and boats and depressed margins during 2018.

According to industry statistics, the offshore O&G market was more or less unchanged in 2018 compared to 2017. Despite the more or less flat general market, Aqualis grew its revenue by 16% from USD 31.1m in 2017 to USD 36.2m in 2018. The revenue growth was 13% for offshore oil & gas and an impressive 37% revenue growth for offshore renewables. In 4Q 2018 renewables reached 21% of total revenue and traditional offshore oil and gas was the remaining 79% of the company's revenue. Adjusted EBIT grew from USD 1.7m in 2017 to USD 2.4m in 2018 or 38% growth and a margin of 6.6%. In a more normalized market, our EBIT margin should be between 10-15%. The operating cash flow of Aqualis was positive with USD 0.3m in 2018.

The offshore wind market is showing strong growth as new regions/markets are starting to develop offshore wind. During 2018 we opened a new office in Taiwan and we aim to continue the expansion in 2019. The growth in global offshore wind projects is very strong and we expect this growth to continue due to improving technology leading to a reduction in investment cost. Solar power and onshore windmills are delivering competitive electric production with break-even prices for the electricity approaching or passing grid parity. The same positive cost development is also affecting the break-even for offshore wind and we expect this to fuel the growth over the next few years. This industry is moving from being a North Sea industry (UK, Denmark and Germany) to become a global industry. 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.

Global oil and gas investments hit the bottom in 2016 (conventional onshore and offshore plus unconventional resources). During 2017 and 2018 increasing investments in shale oil and gas plays in North America, lead to moderate overall growth of 3.3% in 2017 and a more healthy 9% growth in 2018. Global offshore O&G investments were more or less flat from 2017 to 2018. For 2019 Evercore, an investment bank, expect a growth of 8% for global investments O&G with offshore investments increasing by 8-10%. If the estimates are correct, 2019 will be the first year since 2014 with growth for global offshore oil and gas investments. A combination of a continued improving market share and a growing O&G offshore market should lead to an interesting 2019 for Aqualis.

While rigs and boats are in layup and can be mobilised again if needed, the people that were laid off during the 2015-2018 downturn have largely moved to jobs in other industries, retired or left the oil and gas industry. My prediction is that the rates for consultants, mariners and engineers will start to increase early in the upcycle. Rates in our industry (Aqualis) are down by 30-40% from the peak in 2014. Aqualis has been able to attract very good talent and we are able to grow our staff and the number of contractors working with us. We will work hard to continue to be an attractive employer in our industry through a dynamic and attractive work environment. We are expanding our services and global footprint while becoming profitable. We have re-started paying bonuses to our employees.

The operating margin in our industry is relatively low with a normalized level between 10-15% (6.6% in 2018). Therefore, a focus on free cash flow and capital efficiency is key to give a good return on invested capital over time. The day to day operation is run with a focus on utilisation of fee earners, timely conversion of work to billable hours and close follow up of working capital especially unbilled revenue and DSO (days sales outstanding). Small improvements (or the opposite) could lead to significant changes to profitability and return on invested capital.

We paid an extraordinary dividend in 2018 of NOK 0.90 per share and the board has proposed an ordinary dividend of NOK 0.10 to be paid after the AGM in 2019.

We believe that our management system and the use of a few focused forward-looking KPIs is part of the reason why Aqualis has been able to deliver profitable growth during 2017 and 2018 when most of our industry has been struggling.

We paid an extraordinary dividend in 2018 of NOK 0.90 per share and the board has proposed an ordinary dividend of NOK 0.10 to be paid after the AGM in 2019. Our shareholders should expect the company to pay an annual dividend and we would strive at a stable and increasing dividend payout over time.

Aqualis has been seeking and evaluating M&A opportunities in our industry over the last couple of years due to a general overcapacity in our industry and too many competitors chasing the same opportunities. The industry revenues have decreased by about 40% since the peak in 2014/15 and in aggregate has been unprofitable or only marginally profitable. There have been discussions with several parties, but with no concrete results so far. A successful consolidation is time-consuming and demanding. The two companies need to have a fit with respect to both business culture and a complementary business. Finally, and most important, the price paid or the relative valuation need to be fair for both parties. We are not seeking consolidation to become larger as such. The goal is to increase the value creation for all stakeholders. In a consultancy business like Aqualis, the people issues are important and we would not do a transaction where we have not secured the buy-in of the key employees of both organizations. I can assure our shareholders and employees that the board will not do a transaction before we have found the right candidate, at the right valuation and with the commitment/buy-in from the key stakeholders (employees) in both organizations.

I would like to take this opportunity to thank the management team and the employees at Aqualis for the turnaround we achieved in 2017 and the growth achieved in 2018. 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 of 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 a key team that has close relationships with clients. I expect Aqualis to continue to grow organically in 2019, improve profitability, and increase free cash flow. The company was about cash break-even in 2017 (positive cash flow from operations, but an increase in working capital neutralised the cash from operation) and we had a positive cash flow of USD 0.3m in 2018 after investments in working capital. I can assure you that the focus for 2019 will continue to be growth with improving free cash flow.

Glen Ole Rødland

Glen Rødland | Chairman of the Board

OFFSHORE OIL & GAS

Aqualis ASA's offshore oil and gas activities are carried out by Aqualis Offshore. Aqualis Offshore is a specialised marine and engineering consultancy focusing on the shallow and deep-water segments of the offshore oil & gas industry and the offshore renewables markets worldwide.

Our multidisciplinary engineering and marine teams are recognised in the industry for their competence and experience. We work closely with clients to understand their requirements, identify solutions and execute their projects and marine operations in a timely, cost-effective and safe manner.

Aqualis Offshore specialises in the following marine and engineering services:

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

Aqualis Offshore provides clients with global support via an extensive office network. We aim to be your reliable long-term partner.

Our team comprises:

- Naval Architects
- Marine Warranty Surveyors
- Marine Surveyors
- Master Mariners (Tow Masters, Rig Movers, Marine Advisors, Mooring Masters, Consultants)
- DP Practitioners
- Structural Engineers
- Geotechnical Engineers
- Civil Engineers
- Installation Engineers
- Environmental Compliance Engineers
- Project Managers/Site Superintendents
- Risk Managers/Engineers
- Mechanical Engineers
- Control System Engineers
- Subsea Engineers
- Electrical and Electro-Technical Engineers

MARINE WARRANTY

Aqualis Offshore is well known in the insurance market by many of the key international energy underwriters. We have been approved as Marine Warranty Surveyors on projects which include offshore construction works, transportations (including float overs and heavy lift topside load-outs), jack-up rig moving and location approvals, towages and dry transportations.

Our teams of Marine Warranty Engineers, Surveyors and Master Mariners provide independent third-party review and approval of offshore projects on behalf of underwriters or self-insured clients. We have extensive experience in a wide range of offshore activities from simple marine operations to complex and challenging offshore projects which include approvals for the following operations:

- Ocean towages
- Barge transportations
- Unusual/oversized cargoes on ships
- Location Approval 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
- Bridge and harbour construction activities

Typical activities may include:

- Document reviews
- Suitability surveys of offshore marine spreads
- Approval of towages, heavy lifts and installations
- Subsea operations
- Decommissioning and removal of offshore structures
- Acting as Marine Advisors to oil companies and their contractors

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 and 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 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 (CMID) and Offshore Vessel Inspection Database (OVID) 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, and heavy lift dry transportation
- Pre-contract rig suitability engineering analyses
- Leg penetration analyses
- Site-specific location approvals
- Mooring analyses
- Transportation approvals and consultancy
- Towage approvals
- Towmaster services
- Rig movers
- Turnkey marine operations
- General rig moving consultancy
- Marine Advisor

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.

Our services cover:

- 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

RISK CONSULTING

The Risk Consulting team strengthens Aqualis Offshore's marine and engineering services with a methodological and systematic approach to risk management.

Our engineering risk management experience includes drilling and productions facilities. Within marine operations, we have performed numerous risk management activities within loadout, 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 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)
- Safety case studies
- Risk assessments
- Failure Mode, Effect and Criticality Analysis (FMECA)
- Carry out inspections
- Provide people who can work within a client's team to manage risk within a project

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, the 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 ageing platform integrity management and finally, decommissioning. We are involved in both the shallow and deep water ends of the offshore oil & gas industry and operate from the major centers of the offshore industry.

Our experienced team 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, as well as other offshore installations and floating structures. Our capability covers the marine systems, structural, geotechnical and naval architectural disciplines.

Solutions range from:

- Concept designs
- FEED and pre-FEED
- Basic designs
- MODU Upgrades, modification engineering and conversion to production platforms.
- Advanced engineering studies including hydrodynamic, non-linear response, stochastic and time-domain analysis.
- Our combined teams include structural engineers, marine engineers and naval architects

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 engineering includes:

- 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
- 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 float overs
- Tow, positioning and hook-up of floating structures

We then provide associated engineering, preparation of procedures and offshore operations management.

RIG INSPECTION

We offer a wide range of rig inspection services to the offshore oil & gas industry. Our engineers offer years of practical experience in rig inspection, providing regulatory compliance and equipment operability assurance to our clients. Our rig inspection teams develop and execute bespoke rig inspection acceptance programs specifically tailored to our clients' needs.

We specialise in the following services:

- Rig inspection and assurance
- Rig selection
- Rig stacking & reactivation assurance
- New build delivery assurance
- Rig preservation inspection
- Cyber Security Assessments
- Focused rig inspections of the following equipment:
  - Well control equipment inspections
  - API standard 53 compliance audits & gap analysis
  - Cyber-based drilling equipment inspections
  - Integrated Control Management System (ICMS) inspections and testing
  - ROV inspection & assurance
  - Drilling rig equipment Factory Acceptance Testing (FAT) witnessing

Our aim is to provide independent technical reviews of drilling rigs' regulatory compliance and equipment operability to ensure incident-free drilling campaigns with maximum productive time.

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:

- 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 subcontractors' 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
- Monitoring and reporting on extras and credits

DYNAMIC POSITIONING & CRITICAL SYSTEMS

Aqualis Offshore provide an experienced multidisciplinary team of engineering and operational resources to support the Dynamic Positioning (DP) industry. We deliver dynamic positioning services & critical systems consultancy, including DP FMEA (Failure Mode and Effects Analysis), DP audit, DP Assurance and DP project management.

Our services encompass all aspects of the DP system, from initial design consulting, procedures and documentation, proving trials, audits, incident investigation, life extension studies, maintenance and management.

Our aim is to assist our clients to operate and validate according to their units' specific industrial mission, including drilling units, project and construction vessels, DSVs, accommodation units, shuttle tankers and OSVs. 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.

DP Services Include:

- FME(C)A
- DP FMECA proving and annual trials
- DP design review/redundancy analysis
- DP condition & suitability surveys
- DP Capability & gap analysis
- Development of ASOG, WSOG & CAMO
- DP incident investigation
- DP manuals and procedures
- DP operator competence assessment and 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
- Critical systems FMEAs
- LNG code FMEAs
- Cargo control systems
- HAZID/HAZOP
- LNG bunker barges
- Analyses of cranes, bilge and ballast systems, pipelay systems and other critical systems

Aqualis Offshore combines world-class Dynamic Positioning with world-class Rig Inspection services. We are the only Rig Inspection service provider with dedicated DP Practitioners. Our established DP inspection Practitioners bring years of experience with both offshore drilling rigs and offshore vessels.

TECHNICAL DUE DILIGENCE

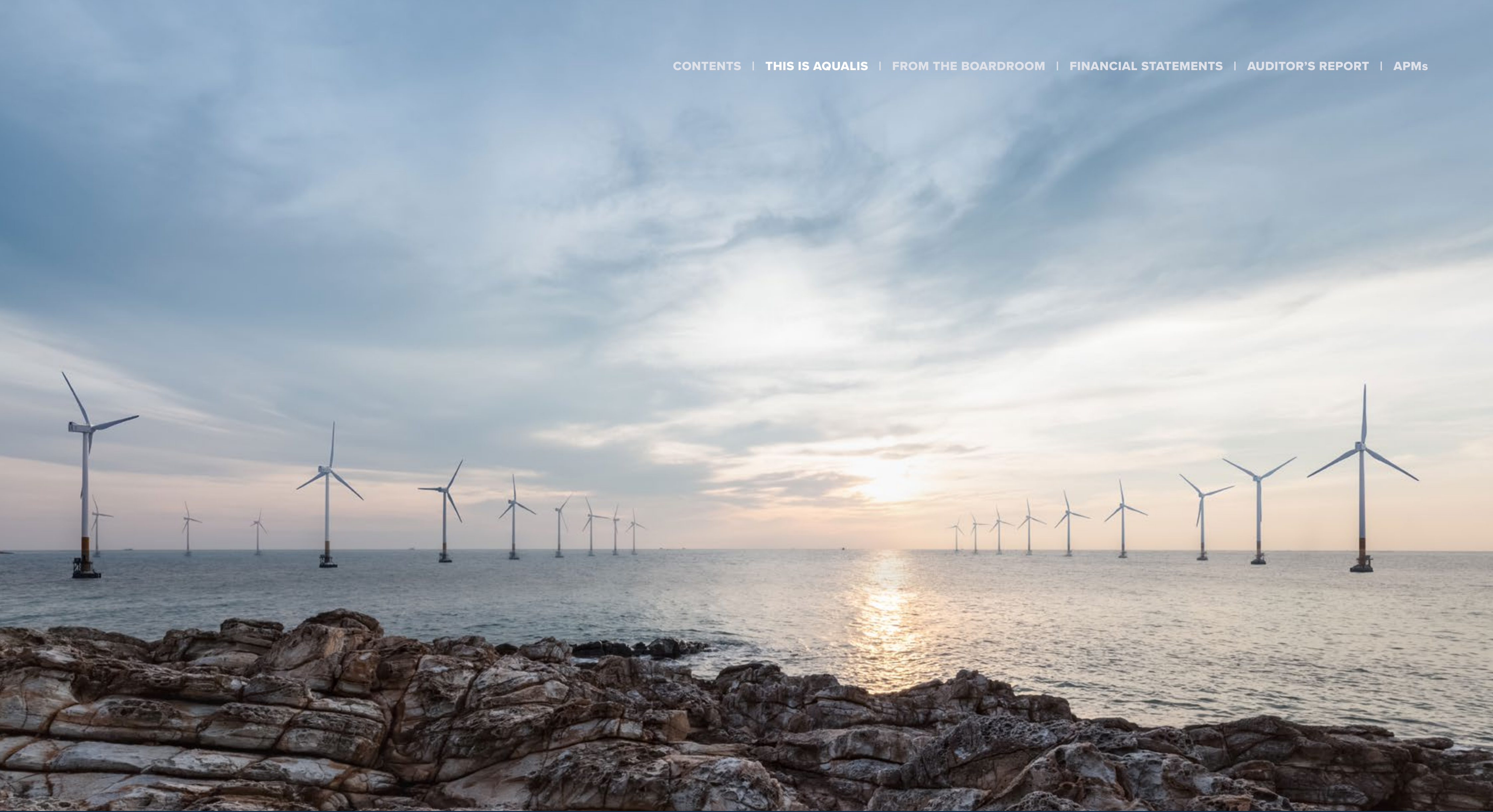
With our assistance, owners and financial institutions can obtain an objective expert view on the actual project performance or asset value, as an important input to the decision-making process related to loans, consolidation or acquisitions.

Aqualis Offshore is well placed to perform solid, independent technical due diligence services with its combination of engineers and master mariners. The engineers will have been involved from the first concepts to sail away, including yard contract negotiations, the operational phase, yard stays for repairs, upgrades, modifications and special periodic surveys. The mariners will have been in charge of vessels, rig moves, and major marine operations including vessel inspection/survey.

- 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



OFFSHORE RENEWABLES

AQUALIS OFFSHORE

OFFSHORE WIND CONSULTANTS

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 solely 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. Since the establishment in 2011, OWC have delivered assignments amounting to more than 27 Gigawatts and 50 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 in a technology or project or to develop their business or technology. We can align closely with our clients' business goals and strategies which enables 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

OWC and Aqualis Offshore support the following needs:

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 AND 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 as 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 in 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 innovative in-house 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 the 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 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 the 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.

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. 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 over 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 a 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's 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 Chairman of the Board and Chief Operating Officer of Frognerbygg AS and Chief Executive Officer of YLS Næringseiendom. She has extensive experience in 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

David Wells, a Master Mariner, is a founding member of Aqualis. Mr Wells has more than 30 years' experience in the offshore consultancy sector with a 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 and gas consultancy. His focus during the latter was on the 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 over 20 years' professional experience in 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 an MSc in Finance from the London Business School. Mr Boman resides in Oslo, Norway.

REUBEN SEGAL | CHIEF OPERATING OFFICER

Reuben Segal has over 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 a focus on design and construction of offshore oil and 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 | DIRECTOR – ENGINEERING & NORTH AMERICA

Dr Bader Diab is a structural and global performance engineer. He has 25 years' offshore engineering global experience covering both shallow and deep-water sectors with extensive structural design experience of MODUs, mooring systems, motions, installation engineering and familiarity with shipyards. Dr Bader Diab holds a PhD and is based in Houston, USA.

DR. ANDREAS THEOPHANATOS | DIRECTOR – SOUTH AMERICA

Dr Andreas Theophanatos is a naval architect with over 30 years of experience in offshore engineering and project management around the world, latterly in Brazil. He specialises in offshore engineering projects in both consultancy and MWS capacities for services related to all recent deep-water field development projects. Dr Andreas Theophanatos holds a PhD and is based in Rio de Janeiro, Brazil.

PHIL LENOX | DIRECTOR – 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.

MARK LOMAS | DIRECTOR – EUROPE

Mark Lomas is a master mariner with specialist competence in marine casualties, including high profile salvage and wreck removal operations. Mark has close to 20 years of experience in marine consultancy with focus on maritime casualty investigations, cargo claims, H&M instructions, total losses and pollution incidents. He also held senior roles in a leading consultancy in both the Middle East as well as UK and has extensive knowledge of the Middle East and Sub Continent markets. Mr Lomas is based in London, UK.

BEN LAZENBY | DIRECTOR – MIDDLE EAST

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

IAN BONNON | MANAGING DIRECTOR – 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, 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 London, UK.

AMISH SANGHAVI | GROUP FINANCIAL CONTROLLER

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

SANTOSH GEORGE | 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 Abu Dhabi, 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 2018 was USD 25.6 million, representing an equity ratio of 83.4%. 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 2018 Aqualis had 42 293 239 ordinary shares outstanding with a par value of NOK 0.10 per share (see note 25 to the consolidated financial statements). The Company has one share class, and each share carries one vote. At 31 December 2018, the Company had 1490 shareholders, and foreign registered shareholders held 39.7% 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 14 May 2018 to increase the share capital with up to NOK 2,114,661.0 through one or more share issues. This authorisation expires on the date of the 2018 annual general meeting, however no later than 14 August 2019. 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 14 August 2019.

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.

Aqualis' ambition is to pay a cash dividend that is following its long-term underlying cash flow. When deciding the dividend amount, the Board of Directors will consider the group's financial strength, cash flow, investment needs, growth opportunities and a level of financial flexibility that is appropriate for the Aqualis' business model. In addition to paying a cash dividend, Aqualis may buy back its own shares as part of its plan to distribute capital to shareholders

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 20 to the consolidated 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 2020)

Lars Løken (up for election in 2020)

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

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.

Name	Position in the Board	Member since (year)	Up for election (year)	Committee membership	Shareholding in Aqualis*
Glen Rødland	Chairman	2014	2019	Audit Remuneration	7,367,996 [1]
Yvonne L. Sandvold	Member	2013	2019	Audit Remuneration	-
Reuben Segal	Member	2014	2019	Remuneration	1,402,293 [2]
Synne Syrrist	Member	2013	2019	Audit Remuneration	-

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

1. The shares are held through Gross Management AS, an entity owned 100% by Mr. Rødland
2. The shares are held through AmAn Marine Limited, an entity controlled by Mr. Segal under nominee account LGT Bank AG.

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 2018 and 31 December 2018 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.

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 20 to the consolidated 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 20 to the consolidated financial statements and the statement regarding the determination of salary and other remuneration for Executive Management in note 21.

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 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.

The Auditor participates 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.

Remuneration to the Auditor is disclosed in note 7 to the consolidated 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 2018:

- Revenues of USD 36.2 million in 2018 vs USD 31.1 million in 2017
- Operating profit (EBIT) of USD 2.4 million in 2018 vs loss of USD 5.6 million in 2017
- Adjusted EBIT[1]) of USD 2.4 million in 2018 vs USD 1.7 million in 2017
- Profit after taxes of USD 2.4 million in 2018 vs loss of USD 6.5 million in 2017
- Adjusted profit after taxes[1]) of USD 2.1 million in 2018 vs adjusted profit after taxes of USD 0.9 million in 2017
- Net cash inflow from operating activities of USD 0.3 million in 2018 vs outflow of USD 0.3 million in 2017
- Offshore renewable business growing and increasingly important for group
- Strong operational performance with billing ratio of 83% in 2018 and solid HSE performance
- Solid financial position with cash balance of USD 5.5 million at 31 December 2018
- Payment of dividend of NOK 0.90 per share in 2018
- 179 full-time equivalent employees[2]) at 31 December 2018

STRATEGY AND OBJECTIVES

Aqualis focuses on the provision of high end consultancy to the offshore oil and gas and renewables (offshore wind) 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 2018 has been to:

- Widen and strengthen the global client portfolio
- Continued strong operational performance
- Capitalize on geographical expansion opportunities
- Launch of new services
- Assess M&A opportunities

OPERATIONS AND MARKETS

The Group opened one office in Taipei, Taiwan in 2018 and closed down the offices in Sandefjord and Asker, Norway. The Group launched a rig inspection service line and developed a dedicated rig inspection team covering all major regions.

Oil & Gas

Aqualis' offshore oil and gas activities are carried out by Aqualis Offshore. The activity level in the oil & gas industry is still muted and competitive throughout there year, but have stabilized after the significant reduction in demand in 2017. The demand visibility remains short term across the oil and gas market, but by the end of 2018 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 2018. 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 2018 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

1. Alternative Performance Measures
2. Figures including subcontractors

East and India. The Group estimates that it is associated with about 25% of the active global jack up fleet and our workload in the Kingdom of Saudi Arabia has grown steadily throughout 2018.

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. We have closed down our operating offices in Norway.

The order backlog decreased from last year and ended with USD 7.8 million at year-end. The billing ratio has been relative stable, averaging at 83%, and ending the year at 84%.

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 2018. 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.

FINANCIAL REVIEW

Financial statements

The consolidated financial statements of Aqualis group are prepared in accordance with International Financial Reporting Standards as adapted by the European Union. A financial review of the Group for 2018 is provided below.

Profit and loss

Total operating revenues increased by 16% to USD 36.2 million compared to USD 31.1 million in 2017. The increase is mainly attributable to strengthened market positions and expansion – in particular for our entities in the Middle East, Asia Pacific and for Offshore Wind Consultants.

Total payroll and other operating expenses increased by 15% to USD 33.7 million compared to USD 29.3 million in 2017. The increase is in line with the increase in revenue. The operations in Norway were closed down in 2018 including the offices in Asker and Sandefjord.

EBIT amounted to a gain of USD 2.7 million compared to a loss of USD 5.6 million in 2017. The loss in 2017 was mainly due to the impairment of goodwill and investment in associates. Adjusted EBIT was USD 2.4 million in 2018 vs gain of USD 1.7 million in 2017. Net financial items amounted to a profit of USD 0.2 million in 2018 compared with a loss of USD 0.7 million in 2017.

Profit after taxes USD 2.4 million in 2018 compared to a loss of USD 6.5 million in 2017. Adjusted profit after taxes was USD 2.1 million in 2018 vs profit of USD 0.9 million in 2017.

Cash flow, liquidity and financial position

Net cash flow from operating activities was USD 0.3 million in 2018. The increased activity level throughout 2018 increased the working capital tied up in operations. Net cash flow from investing activities was USD 0.2 million in 2018 due to the sale of the 49.9% ownership in ADLER Solar GmbH. Net cash outflow from financing activities was USD 4.7 million in 2018. A total dividend of USD 4.7 million, representing 0.90 NOK per share, was paid to the shareholders in July 2018. At 31 December 2018, cash balance amounted to USD 5.5 million compared with USD 9.7 million at 31 December 2017.

At 31 December 2018, total assets amounted to USD 30.6 million compared with USD 33.9 million as of 31 December 2017. The shareholders' equity was USD 25.6 million at 31 December 2018, corresponding to an equity ratio of 83%. The shareholders' equity was USD 28.5 million at 31 December 2017, corresponding to an equity ratio of 84%. Aqualis had no interest bearing debt as of 31 December 2018.

GOING CONCERN

Based on Aqualis' cash position at 31 December 2018, and the estimated net cash flow for 2019, Aqualis has the necessary funds to meet its 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 profit after taxes in 2018 of NOK 7.7 million compared with loss after taxes of NOK 38.1 million in 2017. The increase is mainly due to currency effects and that there were no impairment loss of investment in and loan to ADLER Solar in 2018. Total assets as of 31 December 2018 were NOK 250.9 million compared with NOK 279.5 million in 2017. The company's cash balance at 31 December 2018 was NOK 15.5 million vs NOK 53.7 million at 31 December 2017. Net cash outflow from operating activities was NOK 0.6 million in 2018 and was primarily related to the operating loss made during the year. Net cash flow from investing activities was NOK 0.4 million in 2018 and primarily related to proceeds on sale of shares in ADLER Solar. Net cash outflow from financing activities was NOK 38.1 million and primarily related to dividend payment.

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 2018 was NOK 247.3 million with a corresponding equity ratio of 99%. The Board proposed that the profit for the year of NOK 7.7 million is allocated to retained earnings.

Aqualis ASA had its' headquarters in Oslo, Norway with no permanent employee and 1 full time consultant at the end of 2018.

SUBSEQUENT EVENTS

The Group opened new offices in Perth, Australia and Boston, USA at the start of 2019. There are no other 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 with support from members of the management team. They review and monitors the effectiveness of the risk management processes within the Group in accordance with corporate risk governance requirements.

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 2018, 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 solid cash position and no interesting-bearing debt at year-end. The Group's cash and cash equivalents of USD 5.5 million at 31 December 2018. 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 2018, the Group had a net foreign exchange gain of USD 0.0 million.

Further details on financial risk can be found in note 22 to the consolidated 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 20.

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 2018, the Group continued its excellent personnel safety record and have now clocked over 1.65 million man-hours with zero lost time injuries (LTI's).

Absence due to sick leave (none of which was due to occupational illness) was 0.7% in 2018 vs 0.8% 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 2018, Aqualis had a total workforce of 179 employees including contractors on a 100% utilisation equivalent basis. This is an increase of 1.1 % compared to 2017. At 31 December 2018, Aqualis' own staff consisted of 39 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 2018 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 global 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 expects to continue to expand the portfolio of services that it offers to the market to enhance growth and follow up geographical expansion opportunities.

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 2019 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.

The activity in the offshore renewables market remains high and the industry has a reasonable project pipeline predicted over the next years. OWC has strengthened its market position in Europe over the past quarters and the outlook is good. OWC aims to continue to expand growth opportunities in emerging offshore wind market in 2019 and widening its service portfolio to clients.

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.

Oslo, 1 April 2019

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 2018 consolidated 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.

Oslo, 1 April 2019

Glen Rødland
Chairman of the Board

Yvonne L. Sandvold
Board member

Reuben Segal
Board member

Synne Syrrist
Board member

David Wells
CEO

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Income

Amounts in USD thousands	Note	2018	2017
Revenues	5	36,185	31,134
Total revenues		**36,185**	**31,134**
Payroll and payroll related expenses	6	(15,682)	(15,324)
Other operating expenses	7	(17,981)	(13,951)
Depreciation, amortisation and impairment	11,12	(129)	(4,061)
Share of profit (loss) of an associate	13	291	(3,426)
Operating profit (loss) (EBIT)		**2,684**	**(5,628)**
Finance income	8	167	71
Net foreign exchange gain (loss)	8	27	(776)
Net financial items		**194**	**(705)**
Profit (loss) before taxes		**2,878**	**(6,333)**
Income tax expenses	9	(456)	(144)
Profit (loss) after taxes		**2,422**	**(6,477)**
Profit (loss) after taxes attributable to:			
Equity holders of the parent company		2,422	(6,477)
Total		**2,422**	**(6,477)**
Earnings per share (USD): basic and diluted	**10**	**0.06**	**(0.15)**

Consolidated Statement of Other Comprehensive Income

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

Consolidated Statement of Financial Position

Amounts in USD thousands	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	141	160
Intangible assets	12	12,864	13,063
Deferred tax assets	9	7	69
Total non-current assets		**13,012**	**13,292**
Current assets			
Trade receivables	14	8,289	7,886
Other current assets	15	3,878	3,033
Cash and cash equivalents	16	5,454	9,709
Total current assets		**17,621**	**20,628**
Total assets		**30,633**	**33,920**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	690	690
Share premium		42,670	47,344
Share-based compensation reserve	17	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	9	314	156
Other non-current liabilities	18	713	617
Total non-current liabilities		**1,027**	**773**
Current liabilities			
Trade payables	19	1,352	1,888
Income tax payable		159	74
Other current liabilities	18	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**

Oslo, 1 April 2019

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

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 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	17	-	-	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	17	-	-	4	-	-	4
As at 31 December 2018		**690**	**42,670**	**567**	**(5,137)**	**(13,235)**	**25,555**

Consolidated Statement of Cash Flows

Amounts in USD thousands	Note	2018	2017
Cash flow from operating activities			
Profit (loss) before taxes		2,878	(6,333)
Non-cash adjustment to reconcile profit before tax to cash flow:			
Estimated value of employee share options	17	4	20
Depreciation, amortisation and impairment	11,12	129	4,061
Share of (profit) loss of an associate	13	(291)	3,426
Changes in working capital:			
Changes in trade receivables and trade payables		(939)	(1,616)
Changes in other current assets and other liabilities		(943)	(99)
Cash generated from operations		839	(540)
Interest received		(47)	(61)
Income tax paid		(294)	(148)
Effects related to currency unrealised		(185)	487
Cash flow from (used in) operating activities		**312**	**(262)**
Cash flow from investing activities			
Proceeds on disposal of interest in associates	13	291	-
Purchase of property, plant and equipment	11	(124)	(99)
Interest received		47	61
Cash flow from (used in) investing activities		**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		**(4,148)**	**(301)**
Cash and cash equivalents at beginning of year		9,709	9,910
Effect of foreign exchange rate changes		(107)	100
Cash and cash equivalents at end of year		**5,454**	**9,709**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Corporate information

Aqualis ASA ("the Company") is a limited liability company incorporated on 13 June 2014 and domiciled in Norway with its registered office at Olav Vs gate 6, 0161 Oslo, Norway. The Company is listed on Oslo Stock Exchange.

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

For all periods up to and including the year ended December 31, 2018, the consolidated financial statements of the Group 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 consolidated financial statements of the Group.

Note 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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 (IFRSs) as approved by the European Union, and are mandatory for fiscal years beginning on or after 1 January 2018, 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 consolidated 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 control 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 has organised its activities into one operating segment, Marine and Offshore services, which is based in different regions. The internal reporting provided to the Board of Directors of Aqualis, which is the Group's chief decision maker, is in accordance with this structure. This segment comprise the basis for the segment reporting presented in note 24. In addition, the regional operating units within Marine and Offshore form the basis for the geographical distribution in the segment.

FOREIGN CURRENCY TRANSLATION

The Group's presentation currency is 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 (its functional currency). Internally, the board bases its performance evaluation and many investment decisions on 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 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 provides consultancy services to the marine and offshore industry under variable and fixed-price contracts. Revenue from such services are 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. If the payments exceed the services rendered, a contract liability is recognised.

Contract assets and contract liabilities are included within "other current assets" and "other current liabilities" respectively in the consolidated statement of financial position.

Rendering of services

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

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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.

PROPERTY, PLANT AND 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 property, plant and 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
Vehicles:	5 years

The residual values, useful lives and methods of depreciation of property, plant and 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 property, plant and equipment initially recognized, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

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

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

Gains or losses arising from 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. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

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.

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 INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group's financial assets include cash and cash equivalents and trade and other 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.

IMPAIRMENT OF FINANCIAL ASSETS

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

FINANCIAL LIABILITIES

The Group's financial liabilities include trade and other payables and borrowings, and a financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

TRADE PAYABLES

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

EQUITY

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

EMPLOYEE BENEFITS

Pension

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

Share-options

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

PROVISIONS AND CONTINGENT LIABILITIES

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

PRIOR-YEAR INFORMATION

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

CHANGES IN ACCOUNTING POLICY

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and interpretations effective as at 1 January 2018:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

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

The group has changed the terminology of "revenues earned not invoiced" to "contract assets" and "deferred revenue" to "contract liabilities" respectively to comply with IFRS 15 terminology. Contract assets and contract liabilities are included within "other current assets" and "other current liabilities" respectively in the consolidated statement of financial position.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is:

- IFRS 16 Leases; and
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019)

The group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board issued the final version of IFRS 16, 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 1 January 1 2019.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The high-level preliminary estimate is given below 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 standards.

At 31 December 2018 operating lease commitments amounted to USD 561 thousands (see note 23). Of these commitments, approximately USD 391 thousands relate to short-term leases and USD 14 thousands to low value leases which will both be recognised as expense in profit or loss. For the remaining lease commitments the group expects to recognise right-of-use assets and lease liabilities of approximately USD 99 thousands on 1 January 2019. Instead of recognising an operating expense for its operating lease payments, the group will recognise interest on its lease liabilities and amortisation on its right-of-use assets. The group expects that EBITDA will increase by approximately USD 106 thousands for 2019 as a result of adopting the new rules.

IFRIC 23 Uncertainty over Income Tax Positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

Note 3. Significant accounting estimates and judgements

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

INCOME TAXES

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

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 consolidated 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 17 to the consolidated financial statements.

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 measures the loss allowance on amounts due from customer at an amount equal to lifetime expected credit losses (ECL). When measuring ECL, the group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Further details of the key assumptions applied in the impairment assessment are given in Note 14 to the consolidated 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.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S 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.

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 2018	Voting power 2018	Ownership interest 2017	Voting power 2017
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%
Offshore Wind Consultants Taiwan Co., Ltd	Taiwan		100%	100%	-	-
Aqualis Offshore Malaysia Sdn Bhd	Malaysia		100%	100%	100%	100%
Associates	**Country of incorporation**	**Principal activities**	**Ownership interest 2018**	**Voting power 2018**	**Ownership interest 2017**	**Voting power 2017**
Adler Solar Services GmbH [1]	Germany	Service provider for Solar Industry	-	-	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 2018 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. Revenue from contracts with customers

The group derives revenue from the consultancy services provided over time and includes reimbursement of expenses and related services. These revenues are attributed to the Marine and Offshore segment (refer note 24). It excludes dividends, interest income and intra-group transactions.

Amounts in USD thousands	2018	2017
Consultancy services	34,333	29,788
Reimbursement of expenses	1,694	1,057
Other	158	289
Total revenues	**36,185**	**31,134**

Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers.

	Contract assets		Contract liabilities	
Amounts in USD thousands	2018	2017	2018	2017
As at 1 January	**1,402**	**1,533**	**606**	**744**
Transfer to trade receivables	(1,402)	(1,533)	-	-
Service performed but not due from customers	2,297	1,402	-	-
Impairment of contract assets	-	-	-	-
Revenue recognised during the period	-	-	(606)	(744)
Payment received not recognised as revenue	-	-	438	606
As at 31 December	**2,297**	**1,402**	**438**	**606**

Contract assets and contract liabilities are included within "other current assets" (refer note 15) and "other current liabilities" (refer note 18) respectively in the consolidated statement of financial position.

Unsatisfied long-term consulting service contracts

The vast majority of the Group's consulting service contracts are billed based on the time incurred. As permitted under IFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed, for which the practical expedient applies.

Note 6. Payroll and payroll related expenses

Amounts in USD thousands	2018	2017
Payroll	13,183	12,887
Payroll tax	706	727
Share-based payment expenses	4	20
Pension costs - defined contribution plan	130	154
Other personnel costs	1,658	1,536
Total payroll and payroll related expenses	**15,682**	**15,324**
Average number of employees	**114**	**114**

The Group currently has defined contribution plans only. In 2018, a total of USD 130 thousand was expensed under the plans (2017: USD 154 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	2018	2017
Subcontractors cost	12,375	8,936
Office lease and maintenance expenses	992	982
Insurance cost	426	367
Cost of recharged expenses	1,680	1,054
General and administrative expenses	2,508	2,611
Total other operating expenses	**17,981**	**13,951**
Remuneration to the Auditors [1]		
Audit	75	65
Other assurance services	-	-
Total	**75**	**65**

1. All fees are exclusive of VAT.

Note 8. Financial items

Amounts in USD thousands	2018	2017
Interest income	47	61
Other finance income	120	10
Total finance income	**167**	**71**
Net foreign exchange gain (loss)	27	(776)
Net financial items	**27**	**(776)**

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	2018	2017
Income tax expenses recognised in profit or loss		
Current year income tax expenses	108	113
Withholding taxes	271	110
Changes in deferred tax	77	(78)
Total income tax expenses (income)	**456**	**144**
Income tax effect recognised in other comprehensive income		
Effect of movements in exchange rates on net investment in subsidiaries	(138)	148
Total income tax effect in other comprehensive income	**(138)**	**148**
Changes in temporary differences		
Non-current assets	2,360	1,777
Current assets	(597)	(492)
Losses carried forward	(364)	(1,010)
Net income tax reduction due to changes in temporary differences	**1,399**	**275**
Deferred tax assets	7	69
Total deferred tax assets	**7**	**69**
Deferred tax liabilities	314	156
Total deferred tax liabilities	**314**	**156**

Amounts in USD thousands	2018	2017
Reconciliation of the effective tax rate		
Profit before income tax	2,878	(6,333)
Share of net income from associates	-	507
Profit before income-tax excluding share of net income from associates	**2,878**	**(5,825)**
Income tax using the Group's domestic tax rate of 23% (2017 - 24%)	**662**	**(1,398)**
Effect of non-deductible expenses	1	1,116
Effect of tax rates in other countries	(520)	(253)
Deferred tax assets not recognised	357	784
Withholding taxes	271	110
Utilisation or recognition of previously unrecognised tax losses	(260)	(208)
Income tax related to prior years	(40)	-
Effect of changes in tax rate	(15)	(7)
Income tax expense recognised in profit or loss	**456**	**144**

The Group has recognized deferred tax assets in respect of carry forward losses of its various subsidiaries as at 31 December 2017 and 2018. 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 the consolidated statement of other comprehensive income and presented within equity in the foreign currency translation reserve. Other than these, the change in deferred tax assets and liabilities is primarily recorded in the consolidated statement of income.

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

Goodwill is not deductible for tax purposes.

Note 10. Earnings per share

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

Amounts in USD thousands	2018	2017
Profit (loss) after taxes	2,422	(6,477)
Earnings per share (USD): basic and diluted	**0.06**	**(0.15)**
Number of average shares (thousand)	42,293	42,293

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 the weighted average exercise price per share was higher than the market price per share for the periods presented. See note 17 for further information.

Number of instruments	2018	2017
Employee share options	250,000	250,000
Employee share options	**250,000**	**250,000**

Note 11. Property, plant and equipment

2018 I Amounts in USD thousands	Equipment	Vehicle	Total
Cost			
As at 1 January 2018	1,558	-	1,558
Additions	62	63	124
Disposals	(16)	-	(16)
Effect of movements in exchange rates	(38)	(5)	(43)
As at 31 December 2018	**1,566**	**58**	**1,624**
Depreciation and impairment			
As at 1 January 2018	1,398	-	1,398
Depreciation charge for the year	120	9	129
Disposals	(14)	-	(14)
Effect of movements in exchange rates	(31)	(0)	(31)
As at 31 December 2018	**1,474**	**9**	**1,483**
Net book value at 31 December 2018	**92**	**49**	**141**
Useful life	2-5 years	5 years	

2017 I Amounts in USD thousands	Equipment	Total
Cost		
As at 1 January 2017	1,458	1,458
Additions	99	99
Disposals	(50)	(50)
Effect of movements in exchange rates	51	51
As at 31 December 2017	**1,558**	**1,558**
Depreciation and impairment		
As at 1 January 2017	1,274	1,274
Depreciation charge for the year	131	131
Disposals	(50)	(50)
Effect of movements in exchange rates	43	43
As at 31 December 2017	**1,398**	**1,398**
Net book value at 31 December 2017	**160**	**160**
Useful life	2-5 years	

Note 12. Intangible assets

2018 I 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	

2017 I Amounts in USD thousands	Customer contracts	Goodwill	Total
Cost			
As at 1 January 2017	547	18,394	18,941
Effect of movements in exchange rates	-	812	812
As at 31 December 2017	**547**	**19,206**	**19,753**
Amortisation and impairment			
As at 1 January 2017	547	2,137	2,684
Impairment charge for the year	-	3,930	3,930
Effect of movements in exchange rates	-	77	77
As at 31 December 2017	**547**	**6,144**	**6,691**
Net book value at 31 December 2017	**-**	**13,063**	**13,063**
Useful life	2 years	tested for impairment	

Recognised goodwill in the Group amounts to USD 12.9 million as of 31 December 2018 (2017 - USD 13.1 million) 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 amounts of goodwill per individual CGUs are listed below.

Amounts in USD thousands	31 December 2018	31 December 2017
Aqualis Offshore Pte. Ltd, Singapore	5,723	5,829
Aqualis Offshore Marine Services LLC, UAE	5,729	5,728
Offshore Wind Consultants Ltd, UK	1,235	1,309
Aqualis Offshore Servicos Ltda, Brazil	111	131
Aqualis Offshore Inc, USA	66	66
Total	**12,864**	**13,063**

Goodwill is tested for impairment at least annually, or when there are indications of impairment. The impairment test was performed by Aqualis management during the fourth quarter of 2018. 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:

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 2019-2022 are based primarily on the budget for 2019 and a forecast for the following years. The forecast assumes that the overall market conditions will remain challenging in 2019, but with some improvement in throughout the year. Market conditions are expected to be normalized until 2022. Based on the uncertainty in the current market environment in the offshore oil & gas market, it is challenging to build a forecast.

The projected cash flows are based on the expected development in the total overall market, the CGUs performance and that Aqualis group 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 (0.99)
- Capital structure: Equity ratio of 85%.

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

Cash-generating units (CGU)	2018	2017
Aqualis Offshore Pte. Ltd, Singapore	9.6 %	8.6 %
Aqualis Offshore Marine Services LLC, UAE	10.0 %	9.1 %
Offshore Wind Consultants Ltd, UK	10.0 %	9.1 %
Aqualis Offshore Servicos Ltda, Brazil	12.5 %	11.6 %
Aqualis Offshore Inc, USA	9.6 %	8.6 %

Impairment test results and conclusion

The value in use exceeds the carrying amounts for all CGUs. The impairment test indicates there is no requirement to write down the goodwill.

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 terminal growth rate to 0.5% point

A combined change of all three assumptions in the sensitivity analysis would result in an write down of a total of USD 1.8 million related to Aqualis Offshore Pte. Ltd, Singapore.

Note 13. Investment in associates

The following table shows the share of profit (loss) of an associate:

Amounts in USD thousands	2018	2017
Gain on disposal of shares in associates	291	-
Impairment of investment in associates	-	(2,490)
Impairment of loan	-	(429)
Share of net profit (loss) from associates	-	(507)
Total	**291**	**(3,426)**

On 24 May 2018, the Group disposed its entire 49.9% investment in ADLER Solar together with the loan for the fixed consideration of USD 0.3 million. The gain on disposal of shares is included in consolidated 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 to nil at 31 December 2017.

Movement in investment during 2018 and 2017 are as follows:

Amounts in USD thousands (49.9%)	2018	2017
As at 1 January	-	2,853
Share of net profit (loss)	-	(446)
Amortisation of customer relationships (net of taxes)	-	(61)
Effect of movements in exchange rates	-	144
Impairment loss	-	(2,490)
As at 31 December	**-**	**-**

Note 14. Trade receivables

Amounts in USD thousands	31 December 2018	31 December 2017
Trade receivables	8,731	8,311
Less: Impairment losses	(442)	(425)
Total trade receivables	**8,289**	**7,886**

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

The Group always measures the loss allowance on amounts due from customer at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables 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. The group has recognised a loss allowance of USD 442 thousands at 31 December 2018 (2017 - USD 425 thousands).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written-off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

Amounts in USD thousands	31 December 2018	31 December 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**

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

Amounts in USD thousands	2018	2017
As at 1 January	425	151
Charge for the year	122	327
Write-back for the year	(26)	-
Written-off	(79)	(53)
As at 31 December	**442**	**425**

Refer note 22 on credit risk of trade receivables, which explains how the Group manages credit risk.

Note 15. Other current assets

Amounts in USD thousands	31 December 2018	31 December 2017
Contract assets	2,297	1,402
Deposits	353	400
Prepayments	605	659
Other receivables	622	572
Total other current assets	**3,878**	**3,033**

Deposits includes USD 214 thousand (2017 - USD 256 thousand) which are under lien marked as margin money deposits.

Note 16. Cash and cash equivalents

Amounts in USD thousands	31 December 2018	31 December 2017
Cash and bank balances	5,454	9,709
Total cash and cash equivalents	**5,454**	**9,709**

Amounts in thousands	31 December 2018		31 December 2017	
Distributed in following currencies:	Currency	USD	Currency	USD
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		1,037
Total		**5,454**		**9,709**

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

The Group has restricted cash at banks of USD 38 thousand at 31 December 2018 (2017 - USD 117 thousand) of which all is unpaid withholding tax deducted from employees' salaries.

Note 17. Issued shares, share capital and reserves

Amounts in USD thousands	No. of shares	Share capital
As at 1 January 2018	42,293,239	690
As at 31 December 2018	**42,293,239**	**690**
At 1 January 2017	42,293,239	690
At 31 December 2017	**42,293,239**	**690**

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

Dividends

The Board of Directors in their meeting on 20 June 2018 proposed distribution of dividend of NOK 0.90 per share. On 9 July 2018, total dividend of USD 4,674 thousands was paid to the shareholders. For tax purposes, the distribution was considered repayment of paid in capital.

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 was USD 4 thousand for the year ended 31 December 2018 (2017: USD 20 thousand).

The following table illustrates the numbers of options outstanding at 31 December 2018 and 2017 and their weighted average exercise price (WAEP):

Share option plan	2018		2017	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
As at 1 January	250,000	5.63	750,000	8.91
Granted	-	-	250,000	5.63
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	(750,000)	8.91
As at 31 December	**250,000**	**5.63**	**250,000**	**5.63**

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 following table list the key assumption (weighted average) to the model used for the years ended 31 December 2018 and 2017:

	2018	2017
Expected volatility (%)	0.30	0.30
Risk-free interest rate (%)	2.50	2.50
Expected life of options (year)	2.83	2.83
Weighted average exercise price (NOK)	**5.63**	**5.63**

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 18. Other liabilities

Amounts in USD thousands	31 December 2018	31 December 2017
Current liabilities:		
Accrued employee benefits	933	930
Contract liabilities	438	606
Taxation and social security contributions	414	412
Other accrued expenses and payables	755	786
Total	**2,540**	**2,734**
Non-current liabilities:		
End of service gratuity	713	617
Total	**713**	**617**
Total	**3,253**	**3,351**

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

Note 19. 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	Measurement category	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets					
Trade receivables	Amortised cost	8,289	7,886	8,289	7,886
Other receivables	Amortised cost	3,878	3,033	3,878	3,033
Cash and cash deposits	Amortised cost	5,454	9,709	5,454	9,709
Total		**17,621**	**20,628**	**17,621**	**20,628**
Financial liabilities					
Trade payables	Amortised cost	1,352	1,888	1,352	1,888
Other payables	Amortised cost	3,254	3,351	3,254	3,351
Total		**4,606**	**5,239**	**4,606**	**5,239**

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. 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 20. Related party

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 2018.

Compensation to Board of Directors

Amounts in USD thousands	2018	2017
Glen Rødland, Chairman	25	24
Yvonne Litsheim Sandvold	16	16
Synne Syrrist	16	16
Total	**57**	**56**

Compensation to Executive Management

2018 I Amounts in USD thousands	Salary	Bonus	Pension	Other	Total
David Wells, CEO	231	10	45	65	351
Kim Boman, CFO	183	6	6	2	197
Reuben Segal, COO	231	11	-	125	367
Total	**645**	**27**	**51**	**192**	**915**

2017 I Amounts in USD thousands	Salary	Bonus	Pension	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**

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 21).

At 31 December 2018 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 17.

Shares owned by members of the Board of Directors and Executive Management at 31 December 2018

Name	No of options	Number of shares
Board of Directors:		
Glen Rødland, Chairman	-	7,367,996 [1]
Yvonne Litsheim Sandvold	-	-
Synne Syrrist	-	-
Reuben Segal	-	1,402,923 [2]
Executive Management:		
David Wells, CEO	-	786,776 [3]
Kim Boman, CFO	-	500,000
Reuben Segal, COO	-	as above
Total	**-**	**10,057,695**

1. The shares are held through Gross Management AS company owned 100% by Mr. Rødland
2. The shares are held through AmAn Marine Limited (under nominee account LGT Bank AG)
3. The shares are held through Alsto Consultancy Ltd and Banque Pictet & Cie SA

Note 21. 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 22. 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 2018. 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 contract assets) and from its financing activities, including deposits with banks.

Credit risk with respect to trade receivables and contract assets 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, current credit assessment and market conditions as well as forward looking estimates, 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 2018 the Group had total trade receivables of USD 8.3 million (2017: USD 7.9 million) and cash deposits with bank of USD 5.5 million (2017: USD 9.7 million)

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 5.5 million at 31 December 2018 (2017: USD 9.7 million). 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:

At 31 December 2018

Amounts in USD thousands	On demands	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	1,352	-	-	-	1,352
Other current liabilities	-	-	2,699	-	-	2,699
Other non-current liabilities	-	-	-	713	-	713
Total	**-**	**1,352**	**2,699**	**713**	**-**	**4,765**

At 31 December 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 current liabilities	-	-	2,808	-	-	2,808
Other non-current liabilities	-	-	-	617	-	617
Total	**-**	**1,888**	**2,808**	**617**	**-**	**5,313**

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 2018 and 31 December 2017.

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 Amount in USD thousands	Note	At 31 December 2018	+5% changes in rates	-5% changes in rates
US Dollars (USD)	16[1]	2,998	150	(150)
Change in profit and loss			**150**	**(150)**

1. 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 effects is recognised in foreign currency translation reserve through the equity.

Note 23. Commitments and contingencies

Operating lease commitments

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

Amounts in USD thousands	31 December 2018	31 December 2017
Next 1 year	479	457
1 to 5 years	82	97
After 5 years	-	-
Future minimum lease payments	**561**	**554**

Guarantees

As at 31 December 2018, performance and financial guarantees provided by banks on behalf of the Company to the customers amount to approximately USD 214 thousands (2017 - USD 256 thousands).

Note 24. Segment reporting

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

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

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 2018 and 2017 and trade receivables and cash and cash equivalents at 31 December 2018 and 2017 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	2018	2017
Revenues		
Middle East	17,796	12,505
Far East	8,610	7,764
Therein: OWC entities	1,251	-
Europe	8,725	9,029
Therein: OWC entities	5,680	4,439
Americas	4,392	3,434
Eliminations	(3,339)	(1,598)
Therein: OWC entities	(837)	-
Total	**36,185**	**31,134**

Amounts in USD thousands	2018	2017
Operating profit (loss) (EBIT)		
Middle East	2,068	1,097
Far East	906	603
Therein: OWC entities	180	-
Europe	(370)	392
Therein: OWC entities	40	440
Americas	362	101
Corporate group costs	(574)	(464)
Share of profit (loss) of an associate	291	(3,426)
Impairment of goodwill	-	(3,930)
Total	**2,684**	**(5,628)**

Amounts in USD thousands	31 December 2018	31 December 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 25. Shareholder information

The list of top 20 shareholders below is based on the shareholder register as per 31 December 2018. 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%
Carnegie Investment Bank AB	2,453,386	5.8%
Tigerstaden AS	2,324,406	5.5%
Danske Bank A/S	1,661,659	3.9%
Mp Pensjon Pk	1,463,128	3.5%
Lgt Bank AG	1,402,923	3.3%
Oma Invest AS	1,400,000	3.3%
Nordnet Bank AB	1,238,772	2.9%
Saxo Bank A/S	1,072,417	2.5%
Badreddin Diab	1,001,302	2.4%
Dnb Nor Markets, Aksjehand/Analyse	971,735	2.3%
Philip Alan Lenox	830,583	2.0%
Magne Gislerød	800,000	1.9%
Six Sis AG	630,692	1.5%
Acme Capital AS	625,000	1.5%
Alsto Consultancy Ltd	598,122	1.4%
Ian Dennis Bonnon	555,074	1.3%
Andreas Theophanatos	512,188	1.2%
Kula Invest AS	504,362	1.2%
Kim Magnus Boman	500,000	1.2%
Top 20 shareholders	**27,913,745**	**66.0%**

At 31 December 2018, the Company had 1,490 shareholders, and 39.7% of the shares of the Company were held by foreign registered shareholders. The total number of outstanding shares at 31 December 2018 is 42,293,239 each with a par value of NOK 0.10. At the Annual General Meeting on 14 May 2018, 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 26. Events after the reporting period

The Group opened new office in Perth, Australia and Boston, USA at the start of 2019. There are no other significant events after balance sheet date.

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

Statement of Profit and Loss

Amounts in NOK thousands	Note	2018	2017
Revenues	2	2,118	1,505
Total revenues		**2,118**	**1,505**
Payroll and payroll related expenses	3	(568)	(564)
Other operating expenses	4	(4,006)	(3,394)
Depreciation, amortisation and impairment	11	(30)	(24)
Impairment of loan to subsidiaries	5	(1,624)	-
Share of profit (loss) of an associate	5,7	2,347	(34,313)
Operating profit (loss) (EBIT)		**(1,763)**	**(36,790)**
Finance income	6	4,313	3,527
Net foreign exchange gain (loss)	6	6,599	(7,169)
Net financial items		**10,912**	**(3,643)**
Profit (loss) before taxes		**9,149**	**(40,433)**
Income tax (expenses) income	8	(1,441)	2,380
Profit (loss) after taxes		**7,708**	**(38,053)**

Balance Sheet

Amounts in NOK thousands	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Equipment	11	-	30
Shares in subsidiaries	7	127,346	127,346
Non-current portion of receivables	5	107,714	97,349
Total non-current assets		**235,060**	**224,725**
Current assets			
Other current assets	13	346	1,166
Cash and cash equivalents	10	15,473	53,658
Total current assets		**15,819**	**54,824**
Total assets		**250,879**	**279,549**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	4,229	4,229
Share premium		256,324	294,388
Retained earnings		(13,238)	(20,946)
Total equity	**9**	**247,315**	**277,671**
Non-current liabilities			
Deferred tax liability	8	2,725	1,283
Total non-current liabilities		**2,725**	**1,283**
Current liabilities			
Trade payables	13	474	244
Other current liabilities	13	365	351
Total current liabilities		**839**	**595**
Total liabilities		**3,564**	**1,878**
Total equity and liabilities		**250,879**	**279,549**

Oslo, 1 April 2019

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

Amounts in NOK thousands	Note	2018	2017
Cash flow from operating activities			
Profit (loss) before taxes		9,149	(40,433)
Non-cash adjustment to reconcile profit before tax to cash flow:			
Depreciation, amortisation and impairment		30	24
Interest income		(4,001)	(3,325)
Unrealised foreign exchange (gain) loss		(6,072)	4,498
Impairment of loan to subsidiaries		1,624	-
Share of (profit) loss of an associate		(2,347)	34,313
Operating cash flows before movements in working capital			
Changes in working capital:			
Changes in other receivables and other liabilities		1,064	(871)
Cash flow from (used in) operating activities		**(553)**	**(5,794)**
Cash flow from investing activities			
Loan payment to related parties (net)		(1,915)	(4,145)
Proceeds on disposal of investment in associates		2,347	-
Cash flow from (used in) in investing activities		**432**	**(4,145)**
Cash flow from financing activities			
Dividends paid		(38,064)	-
Cash flow (used in) from financing activities		**(38,064)**	**-**
Net change in cash and cash equivalents		**(38,185)**	**(9,939)**
Cash and cash equivalents at beginning of year		53,658	63,597
Cash and cash equivalents at end of year		**15,473**	**53,658**

NOTES TO THE FINANCIAL STATEMENTS

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 Olav Vs gate 6, 0161 Oslo, 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's consolidated 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

Amounts in NOK thousands	2018	2017
Corporate group management fees	2,118	1,505
Total revenues	**2,118**	**1,505**

Note 3. Payroll and payroll related expenses

Amounts in NOK thousands	2018	2017
Salaries	497	496
Other personnel costs	71	69
Total payroll and payroll related expenses	**568**	**564**

The Company does not have employee. Salaries comprise of compensation to the board members. Please refer to note 20 and 21 in Aqualis group consolidated financial statements for further information regarding the remuneration to board members and executive management.

Note 4. Other operating expenses

Amounts in NOK thousands	2018	2017
Professional fees	2,645	2,237
Share of central costs	420	407
Office rental cost	133	130
Other costs	808	620
Total other operating expenses	**4,006**	**3,394**

Remuneration to the Auditors [1]

Amounts in NOK thousands	2018	2017
Audit	274	260
Other assurance services	-	-
Total	**274**	**260**

1. 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 consolidated financial statements, the Company's balances with the related parties included in the balance sheet as at 31 December 2018 and 2017 are as follows:

Amounts in NOK thousands	31 December 2018	31 December 2017
Loans to related party		
Aqualis Offshore Limited	56,641	48,245
Aqualis Offshore UK Limited	9,229	8,380
Aqualis Offshore Inc.	7,800	7,083
Aqualis Offshore Marine Services LLC	26,667	26,264
Aqualis Offshore S. de R.L. de C.V	848	444
Aqualis Offshore Servicos Ltda	2,803	2,545
Aqualis Offshore Korea Youhanheosa	1,449	1,315
OWC (Aqualis) GmbH	482	437
Aqualis Offshore LLC	1,619	1,753
Aqualis Offshore AS	1,800	826
Aqualis Offshore Pte Ltd	-	56
Adler Solar Services GmbH	-	3,566
Total	**109,338**	**100,915**
Allowance for losses	(1,624)	(3,566)
Total	**107,714**	**97,349**
Non-current portion	107,714	97,349
Current portion	-	-
Total	**107,714**	**97,349**

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.

Amounts in NOK thousands	31 December 2018	31 December 2017
Due from related parties		
Aqualis Offshore Limited	251	352
Total	**251**	**352**
Due to related parties		
Aqualis Offshore Limited	107	73
Aqualis Offshore AS	-	4
Total	**107**	**77**

Amount due from and due to group companies are unsecured, non-interest bearing and are repayable on demand and are included in other current assets and other current liabilities respectively (refer note 13).

Transactions with related parties are made at terms agreed between the parties. For the year ended 31 December 2018, transactions with related parties included in profit and loss are as follows:

Amounts in NOK thousands	2018	2017
Corporate group management services (note 2)	2,118	1,505
Interest income on loans (note 6)	4,001	3,325

Note 6. Financial items

Amounts in NOK thousands	2018	2017
Interest income on loans to related parties	4,001	3,325
Interest income from bank deposits	312	202
Total finance income	**4,313**	**3,527**
Net foreign exchange gain (loss)	6,599	(7,169)
Total net foreign exchange gain (loss)	**6,599**	**(7,169)**

Net foreign exchange gain (loss) includes unrealised foreign currency gain (loss) related to bank accounts in foreign 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 7. Shares in subsidiaries and associates

Shares in subsidiaries

The following table shows shares in subsidiaries and summary of share capital, equity and net book value at 31 December 2018 and net profit for the year ended 31 December 2018. Figures presented in functional currency thousands, only net book value in NOK thousands.

Name of subsidiaries	Registered office	Functional currency	Share capital	Ownership and voting interest	Equity	Net profit	Net book value
Aqualis Offshore Limited	UK	GBP	4,462	100%	(2,682)	(642)	118,678
Offshore Wind Consultants Ltd	UK	GBP	0.1	100%	753	155	8,668
Total							**127,346**

Shares in associates

On 24 May 2018, the Company disposed its entire 49.9% investment in ADLER Solar together with the loan for the fixed consideration of EUR 0.3 million. The gain on disposal of shares is included in statement of profit or loss. 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 Company has recognised impairment on investment and on loan to associates at 31 December 2017.

The following table shows the share of profit (loss) of an associate:

Amounts in NOK thousands	2018	2017
Gain on disposal of shares in associates	2,347	-
Impairment of investment in associates	-	(30,747)
Impairment of loan (note 5)	-	(3,566)
Total	**2,347**	**(34,313)**

Note 8. Taxes

Amounts in NOK thousands	2018	2017
Income tax expenses recognised in profit or loss		
Changes in deferred tax	1,441	(2,380)
Total income tax expenses (income)	**1,441**	**(2,380)**
Tax base calculation		
Profit before income tax	9,149	(40,433)
Permanent differences[1]	(2,344)	30,749
Temporary differences	(4,429)	8,082
Total tax base	**2,376**	**(1,602)**
Changes in temporary differences		
Receivables	(5,189)	(3,566)
Long-term receivables in foreign currency	20,760	14,688
Property, plant and equipment	(23)	(3)
Total	**15,548**	**11,119**
Accumulated losses carried forward	(3,164)	(5,541)
Base for deferred tax liability	**12,384**	**5,578**
Deferred tax liabilities	2,725	1,283
Total deferred tax liabilities	**2,725**	**1,283**

Tax rate for 2018 is 23%. As of 1 January 2019 the tax rate in Norway was reduced to 22%. Deferred tax liability as of 31 December 2018 has been calculated with a tax rate of 22%. The effect on the current year's tax expense is NOK 124 thousands (2017 - NOK 56 thousands).

1. Permanent differences represents impairment loss on investment in associates

Reconciliation of the effective tax rate:

Amounts in NOK thousands	2018	2017
Profit before income tax	**9,149**	**(40,433)**
Income tax using the Company's domestic tax rate of 23% (2017 - 24%)	**2,104**	**(9,704)**
Effect of permanent difference	(539)	7,380
Effect of changes in tax rate	(124)	(56)
Total income tax expenses (income) in profit or loss	**1,441**	**(2,380)**
Effective tax rate	**15.8%**	**5.9%**

Note 9. Equity

Amounts in NOK thousands	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2017	4,229	294,388	17,107	315,724
Profit after taxes	-	-	(38,053)	(38,053)
At 31 December 2017	**4,229**	**294,388**	**(20,946)**	**277,671**
At 1 January 2018	4,229	294,388	(20,946)	277,671
Dividends	-	(38,064)	-	(38,064)
Profit after taxes	-	-	7,708	7,708
At 31 December 2018	**4,229**	**256,324**	**(13,238)**	**247,315**

The Board of Directors in their meeting on 20 June 2018 proposed distribution of dividend of NOK 0.90 per share. On 9 July 2018, total dividend of NOK 38,064 thousands was paid to the shareholders. For tax purposes, the distribution was considered repayment of paid in capital.

Note 10. Cash and cash equivalents

Amounts in NOK thousands	31 December 2018	31 December 2017
Cash and bank balances	15,473	53,658
Total	**15,473**	**53,658**

	31 December 2018		31 December 2017	
Distributed in following currencies:	Currency	NOK	Currency	NOK
US Dollars	1,262	10,975	6,031	49,515
Norwegian Krone	1,927	1,927	4,054	4,054
Euro	259	2,571	9	88
Total		**15,473**		**53,658**

Deposits held by the bank against guarantees provided to the customers are classified and accounted for in other current assets (refer note 13).

Note 11. Property, plant and equipment

2018 I Amounts in NOK thousands	Equipment	Total
Cost		
As at 1 January 2018	95	95
Additions	-	-
At 31 December 2018	**95**	**95**
Depreciation and impairment		
As at 1 January 2018	65	65
Depreciation charge for the year	30	30
As at 31 December 2018	**95**	**95**
Net book value at 31 December 2018	**-**	**-**
Useful life	2-5 years	

2017 I Amounts in NOK thousands	Equipment	Total
Cost		
As at 1 January 2017	95	95
Additions	-	-
As at 31 December 2017	**95**	**95**
Depreciation and impairment		
As at 1 January 2017	42	42
Depreciation charge for the year	24	24
As at 31 December 2017	**65**	**65**
Net book value at 31 December 2017	**30**	**30**
Useful life	2-5 years	

Note 12. Share capital

Amounts in NOK thousands	Number of shares	Share capital
At 1 January 2017	42,293,239	4,229
Shares buy-back	-	-
At 31 December 2017	**42,293,239**	**4,229**
At 1 January 2018	42,293,239	4,229
Shares buy-back	-	-
At 31 December 2018	**42,293,239**	**4,229**

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

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 17 in Aqualis group consolidated financial statements for more information.

Please refer to note 25 in Aqualis group consolidated financial statements for further information regarding the company's largest shareholders.

Note 13. Other current assets, trade payables and other current liabilities

Other current assets

Amounts in NOK thousands	31 December 2018	31 December 2017
Due from related parties (note 5)	251	352
Other receivables	82	37
Other current assets	13	777
Total	**346**	**1,166**

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

Trade payables

Amounts in NOK thousands	31 December 2018	31 December 2017
Trade payables	367	167
Due to related parties (note 5)	107	77
Total	**474**	**244**

Trade payables are non- interest bearing and are normally settled on 30 days term.

Other current liabilities

Amounts in NOK thousands	31 December 2018	31 December 2017
Other accrued expenses	365	351
Total	**365**	**351**

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, which comprise:

- The financial statements of the parent company Aqualis ASA (the Company), which comprise the Balance Sheet as at 31 December 2018, Statement of Profit and Loss and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Aqualis ASA and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2018, the Consolidated Statement of Income, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows 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 give a true and fair view of the financial position of the Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matters

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

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2018 financial statements. In this light, our areas of focus have been the same in 2018 as the previous year.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment of goodwill	
We refer to note 12 (Intangible assets) where management explains their impairment process and relevant assumptions. The carrying value of goodwill amounted to USD 12 864 thousand as of 31 December 2018, which is about 40% of the assets in the balance sheet. Goodwill should be tested for impairment annually, or when there are indicators of impairment. An impairment test was performed during the fourth quarter. The test did not result in an impairment charge being 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 focused on this issue mainly because of the level of management level involved.	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 2017 and 2018. 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. We evaluated the adequacy of the disclosures made on impairment of goodwill and found that disclosures appropriately explained management's valuation process and the uncertainties inherent in some of management's assumptions.

(2)

pwc

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group 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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use 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.

pwc

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. 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 or 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.

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.

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

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

pwc

Auditors Report - Aqualis ASA

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 1 April 2019
PricewaterhouseCoopers AS

Anders Ellefsen
Anders Ellefsen
State Authorised Public Accountant (Norway)

(5)

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. Alternative performance measures are meant to provide an enhanced insight into the operations, financing and future prospects of the company. 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.

Amounts in USD thousands	2018	2017
Operating profit (loss) (EBIT)	**2,684**	**(5,628)**
Depreciation, amortisation and impairment	129	4,061
Share of (profit) loss of an associate	(291)	3,426
EBITDA	**2,522**	**1,860**

Adjusted EBIT

Management believes that "Adjusted EBIT" 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 EBIT adjusted is shown below.

Amounts in USD thousands	2018	2017
Operating profit (loss) (EBIT)	**2,684**	**(5,628)**
Impairment of goodwill	-	3,930
Share of (profit) loss of an associate	(291)	3,426
Adjusted EBIT	**2,393**	**1,729**

Adjusted profit (loss) after taxes

Management believes that "Adjusted profit (loss) after taxes" 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 adjusted profit (loss) after taxes and profit (loss) after taxes is shown below.

Amounts in USD thousands	2018	2017
Profit (loss) after taxes	**2,422**	**(6,477)**
Share of (profit) loss of an associate	(291)	3,426
Impairment of goodwill	-	3,930
Adjusted profit (loss) after taxes	**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	31 December 2018	31 December 2018
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)
Total 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 Limited
Regus Taipei Hsin Ji Centre
18F, No. 460, Sec. 4, Xinyi Road
Xinyi District, Taipei City 11052

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
Aquaiis 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
Boston, MA
Offshore Wind Consultants
25 New Chardon Street, #8862
Boston, MA 02114-9998

E enquiries@owcltd.co.uk

Houston, TX
Aqualis Offshore, Inc.
16000 Barkers Point Lane
Suite 202
Houston, TX 77079

T +1 832 243 4325
E houston@aqualisoffshore.com