AQUALIS BRAEMAR

Q2 report 2020

HIGHLIGHTS Q2 2020

- Revenues of USD 19.2 million (Q1 2020: USD 19.8 million. Q2 2019: USD 19.2 million pro-forma combined, USD 9.9 million Aqualis stand-alone)
- Operating profit (EBIT) of USD 1.6 million (Q1 2020: USD 1.3 million. Q2 2019: Loss of USD 0.3 million Aqualis stand-alone)
- Billing ratio of 74%
- Revenue in renewables segment up 70% compared to Q2 19
- Solid profitability across all segments
- Cost synergy target increased from USD 2.5 million to USD 2.8 million, to be realised during 2H20 and 1H21
- Operating cash flow of USD 2.6 million
- Robust financial position with cash balance of USD 11.0 million

David Wells, CEO of AqualisBraemar ASA ("AqualisBraemar" or the "Company") commented:
"The second quarter of 2020 has presented some unique challenges to AqualisBraemar, our employees and our clients. However, these challenges fade in comparison to those experienced by the individuals directly impacted by the COVID-19 pandemic. Our sincere thanks go out to health workers across the world, who have worked tirelessly, at great personal risk, to save lives and prevent the spread of the virus.

We are proud to present record profitability and cash flow in the quarter, especially considering the challenging business environment. Through our extensive global reach, increased remote work and enhanced digital collaborations, we have maintained a high level of service to our clients. Increased focus on capital efficiency has resulted in improved cash conversion, resulting in an improved cash position despite paying dividend to our shareholders during the quarter.

OWC, our renewables arm, continues to grow at a brisk pace delivering organic revenue growth of 70% compared to the second quarter of 2019. With several strong contract wins in 2020 so far, and an increased share of renewables related projects in our traditional business lines, we expect growth in the segment to continue. Our ambition is for 50% of our revenues to come from renewables and other ESG driven sources by 2025.

While we expect lower activity and margins in Q3 due to seasonality and the continued impact of travel restrictions and cautious client behaviour, we remain optimistic towards the development of AqualisBraemar. The integration between Aqualis and BTS has been a success, and we have identified further potential for cost synergies to be realised over the next 12 months.

Finally, we remain committed to our strategy to return capital to our shareholders and are pleased to note that our Board of Directors signals an expectation of an additional dividend during Q4 2020."

KEY FIGURES

USD thousands (except shares, backlog, employees)	Q2 20	Q2 19	H1 20	H1 19	FY 19
FINANCIALS					
Total revenue	19,232	9,869	39,019	18,051	54,792
EBITDA(1)	1,940	(246)	3,580	(456)	357
Adjusted EBITDA(1)	2,201	517	3,969	691	2,015
Operating profit (loss) (EBIT)(1)	1,577	(284)	2,856	(532)	(332)
Adjusted EBIT(1)	1,839	479	3,244	615	1,325
Profit (loss) after taxes (1)	1,171	11,003	4,005	10,517	9,037
Adjusted profit (loss) after taxes (1)	1,541	303	3,323	201	243
Basic earnings per share (USD)	0.02	0.26	0.06	0.25	0.16
Adjusted basic earnings per share (USD)	0.02	0.01	0.05	0.00	0.00
Weighted average number of outstanding shares (thousands)	70,416	42,947	70,416	42,622	56,052
Cash and cash equivalents at the end of the period	10,987	7,842	10,987	7,842	10,930
OPERATIONS					
Order backlog at the end of the period (USD million)(1)	20.5	10.7	20.5	10.7	13.8
Average full-time equivalent employees during the period (2)	448	202	439	192	307
Average billing ratio during the period(3)	74%	85%	74%	82%	76%

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

GROUP FINANCIAL REVIEW

(Figures in brackets represent same period prior year or balance sheet date as of 31st December 2019. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period).

Group results
The acquisition of the majority of Braemar Technical Services ("BTS") was consolidated in AqualisBraemar's consolidated accounts as of 30th June 2019.

Total operating revenues increased by 95% to USD 19.2 million in Q2 2020 (USD 9.9 million in Q2 2019). This increase in revenues and the corresponding increases in costs below were primarily driven by the acquisition of BTS.

The total operating revenues were USD 39.0 million in H1 2020 (USD 18.1 million in H1 2019).

Operating expenses increased by 74% to USD 17.7 million in Q2 2020 (USD 10.2 million in Q1 2020). Staff costs increased by 141% to USD 9.9 million in Q2 2020 (USD 4.1 million in Q2 2019). The governments in some countries in which AqualisBraemar operates introduced measures to help companies during the COVID-19 pandemic. The Company recognised grant income of USD 0.4 million in Q2 20, which is recognised as a reversal of staff costs in the consolidated income statement.

Other operating expenses increased by 23% to USD 7.3 million in Q2 2020 (USD 6.0 million in Q2 2019).

Operating expenses were USD 36.2 million in H1 2020 (USD 18.6 million in H1 2019).

Operating profit (EBIT) amounted to USD 1.6 million in Q2 2020 (loss of USD 0.3 million in Q2 2019). Adjusted EBIT amounted to USD 1.8 million in Q2 2020 (USD 0.5 million in Q2 2019).

EBIT amounted to USD 2.9 million in H1 2020 (loss of USD 0.5 million in H1 2019). Adjusted EBIT amounted to USD 3.2 million in H1 2020 (USD 0.6 million in H1 2019). The increase in EBIT and adjusted EBIT in Q2 2020 and H1 2020 is driven by the consolidation of BTS and improved profitability across the group.

The billing ratio for technical staff (including subcontractors) was 74% in Q2 2020, compared to 85% in Q2 2019. The primary driver of the lower utilisation is the consolidation of the Marine and Adjusting business streams from BTS, which have structurally lower utilisation due to low subcontractor use and a different methodology for calculating utilisation.

Net currency loss of USD 0.1 million in Q2 2020 (loss of USD 0.1 million in Q2 2019) mainly represents unrealised loss on revaluation of bank accounts. The net currency gains were USD 0.5 million in H1 2020 (loss of USD 0.2 million in H1 2019).

Profit after taxes amounted to USD 1.2 million in Q2 2020 (profit of USD 11.0 million in Q2 2019). Profit after taxes amounted to USD 4.0 million in H2 2020 (profit of USD 10.5 million in H1 2019). Profit after tax in Q2 2019 and H1 2019 were significantly affected by a gain on bargain purchase of USD 11.1 million in connection with the BTS acquisition. See Annual Report 2019 for more details.

Pro-forma combined results
If BTS had been consolidated from 1st January 2019, total operating revenues in Q2 2020 and H1 2020 would have represented a decrease of 0% relative to Q2 2019 (USD 19.2 million) and an increase of 6% relative to H1 2019 (USD 36.6 million).

Adjusted EBIT in Q2 2020 and H1 2020 would have represented an increase of USD 1.6 million relative to Q2 2019 (USD 0.3 million) and an increase of USD 3.2 million relative to H1 2019 (USD 0.0 million) respectively.

Financial position and liquidity
At 30 June 2020, cash and cash equivalents amounted to USD 11.0 million, up from USD 10.1 million at 31 March 2020. The Company paid dividend of USD 1.5 million in Q2 2020. The net working capital will fluctuate during the year with the type of projects, milestone payments and the overall revenues.

The lease liabilities decreased to USD 1.8 million at 30 June 2020 from USD 2.0 million at 31 March 2020.

Order backlog
The order backlog at the end of H1 2020 increased to USD 20.5 million compared with USD 19.0 million at the end of Q1 2020. There is no backlog included for the Marine or Adjusting business streams, as these businesses are primarily driven by incidents rather than long term contracts.

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

Organisational development
AqualisBraemar had 448 employees (full time equivalents, "FTEs"), including subcontractors at 100% utilisation basis, on average during Q2 2020. The equivalent number was 431 for Q1 2020. The increase was primarily driven by increased use of subcontractors and permanent recruitment due to high activity in the Renewables segment.

Health, safety, environment and quality

AqualisBraemar's HSEQ management system provides the framework to manage all aspects of our business. The management system is designed to ensure compliance with regulatory requirements, identify and manage risks and to drive continuous improvement in HSEQ performance.

AqualisBraemar had no lost time incidents (LTI) during H1 2020. Since the incorporation of Aqualis in 2014, the Company has had 1 lost time incident.

COVID-19 impacts

With offices across 33 countries in all major offshore and marine markets across the globe, COVID-19 has presented unique and varied challenges to the organisation, with big regional variations as time progressed. We have implemented strict measures in line with the respective national authorities' advice and recommendations to ensure the safety of clients, employees, and business partners, whilst making every effort to maintain an uninterrupted level of service to our clients.

Where possible and appropriate, we have restructured our activities to remote work and significantly expanded our digital collaborations.

While travel restrictions have increased complexity in project execution and limited ability to travel for physical attendances, the negative impact on overall activity level for the group has been relatively modest due to the extensive global reach of our organisation. Through our global footprint of staff and contractors covering almost 200 locations, we have been able to increasingly support new clients at locations where others have been unable to access.

While all regions have seen moderate reduction in activity levels as a result of the pandemic and related travel restrictions, some key specific impacts are listed below.

Asia Pacific experienced a negative effect in Q1 as activity in China slowed to a halt in February but returned to near normal levels by the end of Q1.

Middle East had a strong first quarter, as the seasonal preparations for the monsoon season offshore India were fast tracked in Q1. As a result, Q2 was significantly less active than normal seasonality would suggest.

Europe and America have had slightly lower activity in Q2 than normal seasonality would suggest.

Our Renewables segment has remained strong during the period, as the majority of our work is "desktop work" and can be performed remotely. Aided by some significant contract wins, the segment has delivered strong growth through 2020.

During Q2 2020, the governments in some countries in which AqualisBraemar operates introduced measures under the jobs support scheme and furlough to help companies during the COVID-19 pandemic. The Company recognised grant income of USD 0.4 million during the quarter, which is recognised as a reversal of staff costs in the consolidated income statement. AqualisBraemar has not been a significant reduction in staff levels or extensive use of temporary layoffs at any point during the pandemic.

We expect continued travel restrictions and general delays in client decisions to limit growth through the remainder of 2020, but do not expect any dramatic shifts unless the situation worsens.

We continue to monitor the situation closely and remain agile in response to any business disruptions.

Outlook

Following the acquisition of BTS, AqualisBraemar's financial performance is driven by an enhanced service offering across our main business streams – renewables, offshore, marine and adjusting. The acquisition gives us stronger access to the shipping and insurance markets and an enhanced global footprint.

As of Q2 2020, USD 2.1 million run rate synergies have been realised in connection with the acquisition of BTS. The previous target of USD 2.5 million by end 2020 is maintained, and we now expect a further USD 0.3 million to be realised by mid-2021, bringing the total cost synergy target to USD 2.8 million.

Activity in the offshore wind sector continues to grow at high pace. In the first half of 2020, global project final finance decisions for offshore wind developments amounted to some USD 35 billion, up 319% year-on-year and well above 2019's record full-year figure (USD 31.9 billion). With an increasing number of developers, new investors and new geographies, the consultancy market is expected to continue its rapid growth in the short and long term.

Our renewables business stream, marketed as OWC, is well positioned to take advantage of the growing market, and is actively expanding to capture growth opportunities in emerging offshore wind markets. We also see increased opportunities in other renewable sectors, including floating solar plants, and are working on multiple contracts in alternative renewable developments.

During H1 2020, AqualisBraemar announced its new group strategy, including our ambition for renewables and other ESG driven services to represent 50% of our business volume by 2025. In order to reach this goal, we continue to recruit for profitable organic growth in OWC, as well as utilising our existing competence in offshore, marine and adjusting to service the growing demand for renewables. The key objective for our traditional core business is to improve profitability, while continuing to seek targeted expansion in new service lines and growth markets.

Offshore E&P capex and rig activity has slowed down following the oil price drop and COVID-19 travel restrictions in H1 2020. We expect rig activity to remain muted through the rest of the year and into 2021. However, client behaviour across the oil and gas markets remains short term and demand visibility is hard to gauge.

Activity levels in the marine casualty and energy adjusting markets are expected to be stable. Short term development remains largely event driven and difficult to forecast.

AqualisBraemar’s current strategy remains unchanged being focused on widening and strengthening its global client portfolio and enhancing client loyalty to take increased market share. The Company aims to increase the subcontractor share to have flexibility to adapt more quickly to market changes.

The Group currently carries a large working capital balance and improving capital efficiency remains a key focus area. We aim to improve profitability through phase in of synergies and scale advantages as we reach critical mass in more markets.

AqualisBraemar will continue to be active in the consolidation/restructuring of our industry. The combination of Aqualis and BTS is a significant step, but our industry is still fragmented and highly competitive. AqualisBraemar remains focused on value creation for all our stakeholders; customers, employees, and shareholder, and not on increasing the size of the Company as such. All M&A and other investments need to be value accretive.

During the initial AqualisBraemar integration phase, the Company has maintained a larger liquidity buffer than normal. As the integration is on track and progressing well, the Group can repay some of this cash to shareholders. During Q2 2020, the Company paid a dividend of NOK 0.2 per share, corresponding to approximately USD 1.5 million, and announced a move to a semi-annual dividend schedule. Assuming positive outlook, stable operating performance and cash flow development, the Board of Directors expects to resolve and declare an additional dividend of approximately NOK 0.2 per share during Q4 2020.

Oslo, 26 August 2020

The Board of Directors of
AqualisBraemar ASA

Condensed interim consolidated financial statements Q2 2020

USD thousands

Consolidated income statement	Notes	Q2 20	Q2 19	H1 20	H1 19	FY 19
Revenue	4	19,232	9,869	39,019	18,051	54,792
Total revenue		**19,232**	**9,869**	**39,019**	**18,051**	**54,792**
Staff costs		(9,920)	(4,119)	(20,334)	(7,968)	(28,536)
Other operating expenses	5	(7,372)	(5,997)	(15,105)	(10,539)	(25,900)
Depreciation, amortisation and impairment		(363)	(38)	(724)	(76)	(690)
Operating profit (loss) (EBIT)	4	**1,577**	**(284)**	**2,856**	**(532)**	**(332)**
Gain on bargain purchase		-	11,067	-	11,067	11,026
Finance income		(81)	403	1,116	416	79
Finance expenses		(32)	(12)	(70)	(26)	(625)
Net foreign exchange gain (loss)		(70)	(58)	492	(178)	(248)
Profit (loss) before income tax		**1,394**	**11,116**	**4,394**	**10,748**	**9,900**
Income tax expenses		(223)	(113)	(388)	(231)	(863)
Profit (loss) after tax		**1,171**	**11,003**	**4,005**	**10,517**	**9,037**

Consolidated statement of other comprehensive income	Q2 20	Q2 19	H1 20	H1 19	FY 19
Profit (loss) after tax	**1,171**	**11,003**	**4,005**	**10,517**	**9,037**
Other comprehensive income					
Currency translation differences	553	(202)	(1,138)	(44)	137
Income tax effect	-	-	-	-	(46)
Total comprehensive income for the period	**1,724**	**10,801**	**2,867**	**10,473**	**9,128**

Condensed interim consolidated financial statements Q2 2020

USD thousands

Consolidated balance sheet	Notes	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment		475	559
Right-of-use assets		1,757	2,376
Intangible assets	6	12,681	12,974
Deferred tax assets		425	447
Total non-current assets		**15,337**	**16,356**
Current assets			
Trade and other receivables	7	26,568	24,252
Contract assets	7	9,264	12,019
Cash and cash equivalents		10,987	10,930
Total current assets		**46,819**	**47,201**
Total assets		**62,155**	**63,557**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,018	1,018
Treasury shares		(41)	(41)
Share premium		53,579	55,051
Share-based compensation reserve		733	580
Retained earnings		7,905	3,900
Foreign currency translation reserve		(14,282)	(13,144)
Total equity		**48,913**	**47,364**
Non-current liabilities			
Deferred tax liabilities		365	409
Lease liabilities		655	1,214
Provisions		1,536	2,809
Total non-current liabilities		**2,555**	**4,432**
Current liabilities			
Trade and other payables		8,300	9,487
Contract liabilities		1,011	719
Lease liabilities		1,141	1,184
Income tax payable		235	371
Total current liabilities		**10,687**	**11,761**
Total liabilities		**13,243**	**16,193**
Total equity and liabilities		**62,155**	**63,557**

Condensed interim consolidated financial statements Q2 2020

USD thousands

Consolidated statement of cash flows	Q2 20	Q2 19	H1 20	H1 19	FY 19
Cash flow from operating activities					
Profit (loss) before taxes	1,394	11,116	4,394	10,748	9,900
Non-cash adjustment to reconcile profit before tax to cash flow:					
Non-cash employee benefits expense – share-based payments	74	0	153	1	13
Depreciation, amortisation and impairment	363	38	724	76	690
Increase (Decrease) in fair value of consideration warrants	109	-	(1,070)	-	575
Gain on bargain purchase	-	(11,067)	-	(11,067)	(11,026)
Changes in working capital:					
Changes in trade and other receivables	1,378	(4,319)	440	(2,432)	1,119
Changes in trade and other payables	(1,011)	2,252	(1,098)	2,518	(2,531)
Interest received	(9)	(5)	(15)	(14)	(46)
Income taxes paid	(265)	(190)	(345)	(315)	(847)
Unrealised effect of movements in exchange rates	590	(166)	(774)	(77)	(512)
Cash flow from (used in) operating activities	**2,622**	**(2,341)**	**2,408**	**(562)**	**(2,665)**
Cash flow from investing activities					
Payments for property, plant and equipment	(27)	(29)	(77)	(48)	(182)
Interest received	9	5	15	14	46
Net cash acquired (paid) on acquisition of subsidiary	-	3,000	(13)	3,000	3,000
Cash flow from (used in) investing activities	**(18)**	**2,976**	**(75)**	**2,966**	**2,864**
Cash flow from financing activities					
Dividends paid to company's shareholders	(1,472)	-	(1,472)	-	-
Principal elements of lease payments	(285)	(12)	(574)	(22)	(501)
Proceeds from issuance of shares on acquisition	-	-	-	-	5,812
Payments for shares bought back	-	-	-	-	(41)
Cash flow from (used in) financing activities	**(1,756)**	**(12)**	**(2,045)**	**(22)**	**5,270**
Net change in cash and cash equivalents	847	623	288	2,382	5,469
Cash and cash equivalents at the beginning of the period	10,079	7,223	10,930	5,454	5,454
Effect of movements in exchange rates	61	(5)	(231)	5	7
Cash and cash equivalents at the end of the period	**10,987**	**7,842**	**10,987**	**7,842**	**10,930**

Condensed interim consolidated financial statements Q2 2020

USD thousands

Consolidated statement of changes in equity	Share capital	Treasury shares	Share premium	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total equity
At 1 January 2019	690	-	42,670	567	(5,137)	(13,235)	25,555
Other comprehensive income	-	-	-	-	9,037	91	9,128
Cash-settled capital increase (net of transaction costs)	153	-	5,659	-	-	-	5,812
Issue of shares on acquisition	175	-	6,722	-	-	-	6,897
Acquisition of treasury shares	-	(41)	-	-	-	-	(41)
Share-based payment expenses	-	-	-	13	-	-	13
At 31 December 2019	**1,018**	**(41)**	**55,051**	**580**	**3,900**	**(13,144)**	**47,364**
At 1 January 2020	1,018	(41)	55,051	580	3,900	(13,144)	47,364
Other comprehensive income	-	-	-	-	4,005	(1,138)	2,867
Dividends paid	-	-	(1,472)	-	-	-	(1,472)
Share-based payment expenses	-	-	-	153	-	-	153
At 30 June 2020	**1,018**	**(41)**	**53,579**	**733**	**7,905**	**(14,282)**	**48,913**

Condensed interim consolidated financial statements Q2 2020

Notes to the interim consolidated financial statements

1. Corporate information
AqualisBraemar ASA ("the Company") is a limited liability company incorporated on 13 June 2014 and domiciled in Norway with its registered office at Fridtjof Nansens plass 8, 0160 Oslo, Norway. The Company is listed on Oslo Stock Exchange.

The principal activity of the Company and its subsidiaries (collectively the "AqualisBraemar Group" or the "Group") is to offer adjusting, marine, offshore and renewables consultancy services to the energy, shipping and insurance industries globally. The group employs specialist engineers, naval architects, master mariners, loss adjusters and technical consultants in 51 offices located across 5 continents in 33 countries.

For all periods up to and including the year ended 31 December 2019, 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.

2. Basis of preparations and changes to the accounting policies
This condensed consolidated interim financial report for the period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and accordingly this report should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

The accounting policies adopted in the preparation of this condensed consolidated financial statements are consistent with those followed in the preparation of the last annual consolidated financial statements for the year ended 31 December 2019.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated financial statements are presented in US Dollars (USD). All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the condensed consolidated financial statements may not add up to the total of that row or column.

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements including estimation of fair values of contingent purchase consideration in a business combination.

4. Segment information
The Group's businesses are managed by four geographical regions aside from Offshore Wind Consultants ("OWC"), performance of which is monitored separately. This is the basis for the five reportable segment of the Group. The internal management reports provided by management to the Group's Board of Directors, which is the groups decision maker, is in accordance with this structure. These segments comprise of entities within the geographical regions and OWC and forms the basis for the segment reporting presented below.

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

USD thousands

Revenues	Q2 20	Q2 19	H1 20	H1 19	FY 19
Middle East	5,852	4,483	12,865	8,646	19,955
Asia Pacific	6,137	1,987	11,881	3,414	14,958
Europe	4,041	791	7,954	1,185	8,243
Americas	3,403	1,460	6,414	2,491	9,906
OWC	4,657	2,732	7,371	4,466	8,900
Eliminations	(4,858)	(1,583)	(7,466)	(2,151)	(7,168)
Total revenues	**19,232**	**9,869**	**39,019**	**18,051**	**54,792**

Operating profit (loss) (EBIT)	Q2 20	Q2 19	H1 20	H1 19	FY 19
Middle East	479	365	1,346	656	1,168
Asia Pacific	666	0	971	(117)	304
Europe	300	6	758	(130)	(387)
Americas	230	(41)	107	2	(104)
OWC	403	323	605	470	1,018
Corporate group costs	(501)	(937)	(932)	(1,413)	(2,332)
Total EBIT	**1,577**	**(284)**	**2,856**	**(532)**	**(333)**

The following segment assets information provided to the Board of Directors for reportable segment consist primarily of trade receivables, contract assets and cash and cash equivalents for entities in different geographical areas and OWC.

USD thousands

	30 June 2020		31 December 2019	
Trade receivables and contract assets	Trade receivable	Contract assets	Trade receivable	Contract assets
Middle East	6,778	1,488	5,648	2,577
Asia Pacific	6,597	3,303	6,207	3,435
Europe	4,069	1,364	3,719	2,325
Americas	3,323	1,408	3,868	1,961
OWC	1,501	1,701	356	1,721
Total	**22,268**	**9,264**	**19,799**	**12,019**

USD thousands

Cash and cash equivalents	30 June 2020	31 December 2019
Middle East	1,574	1,576
Asia Pacific	3,159	2,819
Europe	1,064	1,184
Americas	780	1,335
OWC	923	784
Corporate group	3,488	3,233
Total	**10,987**	**10,930**

5. Other operating expenses

USD thousands

Other operating expenses	Q2 20	Q2 19	H1 20	H1 19	FY 19
Subcontractors cost	4,935	3,834	9,722	6,844	14,803
Office lease and maintenance expenses	321	250	686	421	1,240
Insurance cost	235	125	459	202	698
Cost of recharged expenses	384	456	833	920	1,677
Transaction costs related to acquisition	130	715	130	1,099	1,129
General and administrative expenses	1,366	615	3,274	1,052	6,353
Total	**7,372**	**5,997**	**15,105**	**10,539**	**25,900**

6. Intangible assets

All goodwill is allocated to cash-generating units. These cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill denominated in foreign currencies is revalued at the balance sheet date. The allocation of goodwill to cash-generating units (for entities in different geographical areas and OWC) is as follows:

USD thousands

Cash Generating Units (CGUs)	30 June 2020	31 December 2019
Middle East	5,729	5,729
Asia Pacific	5,585	5,795
Europe	31	-
Americas	146	174
OWC	1,190	1,276
Total	**12,681**	**12,974**

The COVID-19 pandemic and the challenging commodity price environment in 2020 has created unprecedented uncertainty with negative impact on both activity and financial performance at AqualisBraemar. These events have also impacted the market outlook. The company has completed an assessment of impairment indicators and performed an impairment test for those assets and cash generating units (CGUs) where impairment indicators have been identified. The following assumptions were used:

- Updated forecast of cashflows in the period 2020-2023. The projected cash flows are based on the expected development in the total overall market and the expected CGUs performance
- Updated pre-tax WACC. The cash flows were discounted using a pre-tax discount rate of between 8.0% to 11.7%, figures in brackets represent 2019
    - Singapore, Norway, US 8.0% (7.8%)
    - UAE and UK: 8.6% (8.4%)
    - Brazil 11.7% (11.3%)
- A growth rate of 1.5 percent (same as year-end 2019). The estimated terminal long-term 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.

No impairment was identified in the goodwill testing.

Multiple sensitivity tests have been run on the key assumptions in the value-in-use calculations to address the current uncertainty due to COVID 19 and commodity price volatility. To test the sensitivity of the results of the impairment review, the calculations have been re-performed using the following assumptions:

- Decrease the long-term growth rate to zero
- Increase WACC by 2 percentage points
- Reduce EBIT margin with 3% in terminal year

The results showed that a combined changed in all the three assumptions in the sensitivity analysis would result in a write down of USD 0.9 million related to our Singapore offshore operations and USD 0.1 million related to our UAE offshore operations

Future cash flows are uncertain as they are impacted by market developments beyond AqualisBraemar' control. Due to the high level of uncertainties at the time this report was finalized, there is significant uncertainty related to the long-term impact on the market and future cashflows of the company. AqualisBraemar's growth is mainly dependent on overall market growth for demand for our services and the ability to recruit and develop the right personnel.

7. Trade receivables and contract assets

The ageing profile of trade receivables and contract assets balance at the reporting date is as follows:

USD thousands

Trade receivables and contract assets	30 June 2020	31 December 2019
Trade receivables		
Up to 3 months	13,921	12,942
3 to 6 months	4,557	3,809
6 to12 months	2,971	2,502
Over 12 months	819	548
Total trade receivables	**22,268**	**19,801**
Contract assets	9,264	12,019
Total	**31,532**	**31,820**

Contract assets comprises of payment for services that are not due from the customers until the services are complete and therefore contract assets are recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date. 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.

8. Alternative performance measures

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. 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:

Adjusted EBITDA

Adjusted EBITDA which excludes depreciation, amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs 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. EBITDA may not be comparable to other similarly titled measures from other companies. A reconciliation between reported operating profit/(loss) and EBITDA is shown below.

USD thousands

Adjusted EBITDA	Q2 20	Q2 19	H1 20	H1 19	FY 19
Operating profit (loss) (EBIT)	1,577	(284)	2,856	(532)	(332)
Depreciation, amortisation and impairment	363	38	724	76	690
Transaction costs related to M&A	130	715	130	1,099	1,129
Restructuring and integration costs	55	48	104	48	528
Other special items (incl. share-based expenses)	76	-	155	-	-
Adjusted EBITDA	**2,201**	**517**	**3,969**	**691**	**2,015**

Adjusted EBIT

Adjusted EBIT which excludes amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs 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.

USD thousands

Adjusted EBIT	Q2 20	Q2 19	H1 20	H1 19	FY 19
Operating profit (loss) (EBIT)	1,577	(284)	2,856	(532)	(332)
Transaction costs related to M&A	130	715	130	1,099	1,129
Restructuring and integration costs	55	48	104	48	528
Other special items (incl. share-based expenses)	76	-	155	-	-
Adjusted EBIT	**1,839**	**479**	**3,244**	**615**	**1,325**

Adjusted profit (loss) after taxes
Adjusted profit (loss) after taxes which excludes amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs and certain finance income is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. A reconciliation between adjusted profit (loss) after taxes and profit (loss) after taxes is shown below.

USD thousands

Adjusted profit (loss) after taxes	Q2 20	Q2 19	H1 20	H1 19	FY 19
Profit (loss) after taxes	1,171	11,003	4,005	10,517	9,037
Transaction costs related to M&A	130	715	130	1,099	1,129
Restructuring and integration costs	55	48	104	48	528
Other special items (incl. share-based expenses)	76	-	155	-	-
Fair value adjustments	109	-	(1,070)	-	575
Gain on bargain purchase	-	(11,067)	-	(11,067)	(11,026)
Other finance income	-	(395)	-	(395)	-
Adjusted profit (loss) after taxes	**1,541**	**303**	**3,323**	**201**	**243**

Return on equity (ROE)

ROE is calculated as the adjusted profit (loss) for the period attributable to equity holders of the parent, divided by average total equity for the period. The adjusted profit (loss) is annualised for interim period reporting. This measure indicates the return generated by the management of the business based on the total equity. The calculation of ROE is shown below.

USD thousands

Return on equity (ROE)	Q2 20	Q2 19	H1 20	H1 19	FY 19
Adjusted profit (loss) after taxes	1,541	303	3,323	201	243
Average total equity	48,749	34,077	48,138	34,240	36,459
ROE	**3.2%**	**0.9%**	**6.9%**	**0.6%**	**0.7%**

Return on capital employed (ROCE)
ROCE is calculated as the adjusted EBIT for the period, divided by average capital employed for the period. Capital employed is defined as total assets less non-interest bearing current liabilities. The adjusted EBIT is annualised for interim period reporting. This measure indicates the return generated by the management of the business based on the capital employed. The calculation of ROCE is shown below.

USD thousands

Return on capital employed (ROCE)	Q2 20	Q2 19	H1 20	H1 19	FY 19
Adjusted EBIT	1,839	479	3,244	615	1,325
Total assets	62,155	64,061	62,155	64,061	63,557
Less: Non-interest bearing current liabilities	(9,547)	(16,002)	(9,547)	(16,002)	(10,578)
Capital employed	52,609	48,060	52,609	48,060	52,979
Average capital employed	**52,446**	**37,218**	**52,794**	**37,321**	**39,781**
ROCE	**3.5%**	**1.3%**	**6.1%**	**1.6%**	**3.3%**

Order backlog
Order backlog is defined as the aggregate value of future work on signed customer contracts or letters of award. AqualisBraemar's services are shifting towards "call-out contracts" which are driven by day-to-day operational requirements. An estimate for backlog on "call-out contracts" 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, contact assets and other current assets, trade payables, current tax payable, contract liabilities 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.

USD thousands

Working capital	30 June 2020	31 December 2019
Working capital		
Trade and other receivables	26,568	24,252
Contract assets	9,264	12,019
Trade and other payables	(8,300)	(9,487)
Income tax payable	(235)	(371)
Contract liabilities	(1,011)	(719)
Net working capital	**26,285**	**25,693**
Average quarterly revenue over 2 quarters	19,509	18,371
Working capital ratio	**135%**	**140%**

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2020, which has been prepared in accordance with IAS 34 Interim Financial Statement, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 26 August 2020

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

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