Q2 report 2019

AQUALISBRAEMAR – A STRATEGIC FIT WITH COMPLEMENTARY BUSINESSES

BTS consolidated statement of financial position as at 30 June 2019 was consolidated in AqualisBraemar's consolidated statement of financial position as at 30 June 2019. Consolidated statement of income reflects profit and loss results related to the former Aqualis ASA group only and excludes profit and loss results of Breamar Technical Services "BTS"

Financial income as reflected in consolidated statement of income was effected by one-off gain on bargain purchase linked to the acquisition of BTS. Consolidated statement of cash flows reflects cash flows in respect of the former Aqualis ASA group with BTS cash and cash equivalent acquired at 30 June reflected in investing activities

Subsequent to the balance sheet date, the private placement and rights issue of a total of USD 6m (gross) was completed in July 2019 and hence not included in the consolidated statement of financial position as at 30 June 2019

HIGHLIGHTS

- Announcement and closure of the acquisition of the majority Braemar Technical Services ("BTS") and creation of united brand AqualisBraemar
- On 30 June 2019, BTS was consolidated in AqualisBraemar accounts
- Revenues of USD 9.9 million in Q2 2019 vs USD 9.6 million in Q2 2018 (Aqualis stand alone)
- Operating loss (EBIT) of USD 0.3 million in Q2 2019 vs USD 1.0 million in Q2 2018 (Aqualis stand alone)
- Adjusted EBIT of USD 0.5 million in Q2 2019 vs USD 0.7 million in Q2 2018 (Aqualis stand alone)
- Billing ratio of 85% in Q2 2019 (Aqualis stand alone)
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter
- Robust financial position with cash balance of USD 7.8 million on 30 June 2019 (AqualisBraemar)
- Offshore renewable business continues strong growth with 117% increase in revenues from Q2 2018
- Order backlog increased to USD 10.7 million (Aqualis stand alone)

Subsequent event

- Successful completion of private placement and right issue of total USD 6 million

"*Q2 2019 has been dominated by the announcement and closure of the acquisition of the majority of Braemar Technical Services. We are very excited as the combination creates a strong platform for developing the combined group and increasing shareholder value. The transaction is also a step forward to consolidate our industry.*

Our clients will benefit from access to new capabilities, broader suite of services, larger workforce and increased geographical footprint to enable even quicker operational support at or in close proximity to our clients' offices and assets. Our ambition is to meet the increasing expectations of our industry globally and to be recognized as the 'go to' consultant of the shipping and energy markets.

Although a competitor, the fit between the two companies is compelling with marginal overlap and very limited direct competition. We have exciting business opportunities ahead with an expanded combined network of 48 offices in 33 countries, an enhanced serviced offering and large pool of talented staff.

It is particularly pleasing that the announcement has been well received by our clients and the market in general which gives us a great foundation from which to build. Our current focus is on bringing the two companies together and realizing synergies from the combination

Our renewables arm, OWC, has performed very strongly in an increasingly robust, though competitive, market. Growth opportunities continue to manifest themselves and some good new contract wins have been landed in the consultancy market.

Our performance in the oil and gas market, which continues to gradually stabilize and give indications of improvement, have been a little weaker than we expected driven mainly by marine operations, and new contract awards in general, being delayed for various reasons.

The integration with BTS is proceeding according to plan. We are maintaining a strong focus on serving our clients and expanding our business during the integration phase. We have raised our cost synergy target from USD 1.1 million to USD 2.0 million. The rights issue carried out after the quarter was well received and oversubscribed.

We are excited about the opportunities that lies ahead as a combined company with increasing demand from cyclical recovery in the oil & gas market and the continued expansion of the offshore renewables market. We are well positioned to meet these demands with AqualisBraemar's strong service offering" says Mr. David Wells, CEO of AqualisBraemar ASA.

KEY FIGURES

Amounts in USD thousands (except shares, backlog, employees)	**Q2 19**	**Q2 18**	**H1 19**	**H1 18**	**FY 18**
FINANCIAL					
Total revenues	9,869	9,595	18,051	17,754	36,185
EBITDA[(1)]	(246)	1,066	(456)	1,297	2,813
Adjusted EBITDA[(1)]	517	776	691	1,006	2,522
Operating profit (loss) (EBIT)[(1)]	(284)	1,032	(532)	1,230	2,684
Adjusted EBIT[(1)]	479	742	615	939	2,393
Profit (loss) after taxes[(1)]	11,003	1,357	10,517	1,109	2,422
Adjusted profit (loss) after taxes[(1)]	699	1,066	597	818	2,131
Basic earnings per share (USD)	0.26	0.03	0.25	0.03	0.06
Adjusted basic earnings per share (USD)	0.02	0.03	0.01	0.02	0.05
Weighted average number of outstanding shares (thousands)	42,947	42,293	42,622	42,293	42,293
Cash and cash equivalents at the end of the period	7,842	9,839	7,842	9,839	5,454
OPERATIONS					
Order backlog at the end of the period (USD million)[(1)(4)]	10.7	6.8	10.7	6.8	7.8
Average full-time equivalent employees during the period [(2)(4)]	202	188	192	179	184
Average billing ratio during the period[(3)(4)]	85%	84%	82%	83%	83%

(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.

(4) Figures excluding Braemar Technical Services

GROUP FINANCIAL REVIEW

(Figures in brackets represent same period prior year or balance sheet date as of 31st December 2018. 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 3% to USD 9.9 million in Q2 2019 (USD 9.6 million in Q2 2018). This increase was due to higher activity levels within offshore wind both in Europe and the Far East.

The total operating revenues were USD 18.1 million in H1 2019 (USD 17.8 million in H1 2018).

Payroll and related expenses were flat at USD 4.1 million in Q2 2019 (USD 4.1 million in Q2 2018). Other operating expenses increased by 26% to USD 6.0 million in Q2 2019 (USD 4.8 million in Q2 2018) due to transaction costs and increased use of subcontractors. The subcontractors' expenses increased by 15% to USD 3.8 million in Q2 2019 (USD 3.3 million in Q2 2018) due to higher activity level and a flexible business model with a high proportion of subcontractors.

Operating expenses were USD 18.5 million in H1 2019 (USD 16.8 million in H1 2018).

Operating loss (EBIT) amounted to USD 0.3 million in Q2 2019 (profit of USD 1.0 million in Q2 2018). Adjusted EBIT amounted to USD 0.5 million in Q2 2019 (US 0.7 million in Q2 2018). The items affecting the adjusted EBIT totalled USD 0.8 million and relates to transaction and integration costs for the acquisition of BTS. Strong performance by OWC was offset by weaker results in the Middle East and Americas.

EBIT amounted to loss of USD 0.5 million in H1 2019 (profit of USD 1.2 million in H1 2018). Adjusted EBIT amounted to profit of USD 0.6 million in H1 2019 (profit of USD 0.9 million in H1 2018).

The billing ratio for technical staff (including subcontractors) was 85% in Q2 2019, compared to 79% in Q1 2019.

The purchase price allocation from the acquisition of BTS resulted in a gain from bargain purchase of USD 11.1 million which is included in the finance income in Q2 2019.

Net currency loss of USD 0.1 million in Q2 2019 (gain of USD 0.4 million in Q2 2018) mainly represents unrealised loss on revaluation of USD bank accounts. The net currency losses were USD 0.2 million in H1 2019 (loss of USD 0.0 million in H1 2018).

Profit after taxes amounted to USD 11.0 million in Q2 2019 (profit of USD 1.4 million in Q2 2018). Profit after taxes amounted to USD 10.5 million in H1 2019 (profit of USD 1.1 million in H1 2018).

Financial position and liquidity

At 30 June 2019, cash and cash equivalents amounted to USD 7.8 million, up from USD 7.2 million at 31 March 2019. The net working capital will fluctuate during the year with the type of projects, milestone payments and the overall revenues.

In connection with closing of the BTS acquisition, some additional cash was remaining in the BTS entities over and above agreed in the transaction to facilitate liquidity in a transition period immediately after the closing. As a result, current liabilities as of 30 June 2019 include USD 3.0 million owed to Braemar Shipping Services PLC.

The lease liabilities increased to USD 2.4 million at 30 June 2019 up from USD 0.1 million at 31 March 2019 mainly due to acquisition of BTS.

Order backlog

The order backlog for Aqualis at the end of Q2 2019 increased to USD 10.7 million compared with USD 9.0 million at the end of Q1 2019. Combined order backlog figure for AqualisBraemar is not available.

Pipeline of future opportunities has decreased slightly since the end of last quarter.

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

Organisational development

AqualisBraemar had at the end of Q2 2019 440 employees (full time equivalents, "FTEs"), including subcontractors. Aqualis had 154 (FTEs) technical staff, including subcontractors at the end of Q2 2019.

Aqualis had in Q2 2019 on average 202 employees (full time equivalents, "FTEs"), including subcontractors compared with 182 in Q1 2019.

Health, safety, environment and quality

AqualisBraemars' 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. Aqualis and OWC has roughly 1.8 million man-hours without a lost time incident (LTI) since its incorporation.

The combined Group

As Braemar Technical Services was consolidated at 30 zJune 2019 following the acquisition and in order to facilitate comparisons, the table below presented as if the consolidation was performed on 1 January 2018.

	Q2 2019			Q2 2018		
USD thousands	Aqualis	BTS	Combined	Aqualis	BTS	Combined
Revenues	9,869	9,374	19,243	9,595	9,805	19,400
Adjusted EBIT(1)	479	(211)	268	742	(334)	407
Adjusted EBIT margin	5%	(2%)	1%	8%	(3%)	2%

	1H 2019			1H 2018		
USD thousands	Aqualis	BTS	Combined	Aqualis	BTS	Combined
Revenues	18,051	18,592	36,643	17,754	18,932	36,685
Adjusted EBIT(1)	615	(578)	37	939	(282)	657
Adjusted EBIT margin	3%	(3%)	0%	5%	(1%)	2%

(1) Refer Alternative Performance Measures

Market update

Oil and gas market

Oil price remained at a good level during the quarter and there are signs of recovery, but the market is still highly competitive with continuing price pressures. Early indications of slightly improved activity levels in some regions continue but it is not yet across the board. Some oil companies are starting to make significant new investments, but it takes some time for these investments to work their way down through the industry. Visibility is still expected to remain short term.

AqualisBraemar expects the Middle East to remain active where we maintain a strong market position. The Far East is gradually becoming more buoyant and sentiment slowly improves in the Americas. The North Sea has started to see more activity this summer.

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

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

Renewables

The offshore wind sector remains very solid, though very competitive, particularly in AP and the emerging markets. Offshore Wind Consultants (OWC) have maintained high bidding levels and secured a number of good new contract awards in more high-end consultancy.

Outlook

AqualisBraemar's financial performance will now be driven by an enhanced service offering into four main sectors – offshore renewables, O&G, marine claims (shipping) and insurance claims adjusting. The acquisition of BTS gives us much stronger access to the shipping and insurance markets and an enhanced global footprint. Short term focus will be on bringing the two companies together, driving synergies, expanding opportunities and taking advantage of increased cost efficiencies.

Our activity in the offshore renewables market remains high and a good project pipeline predicted through to 2024. OWC is strengthening its' market position.

OWC is expanding growth opportunities in emerging offshore wind markets. OWC continues to focus on improving its margins and enhancing its service offering

The activity level across the oil and gas markets still remains short term and demand visibility is hard to gauge.

Activity levels in the shipping market (marine casualty) appears to be stable and perhaps slightly better than was previously expected.

The activity level in Q3 2019 is seasonally expected to be lower than in Q2 2019 due to the annual adverse weather conditions associated with the monsoon period offshore the Indian Ocean and impact of summer vacation months.

The general availability of resources is noticeably tightening across all sectors with the availability of experienced marine consultants and adjusters expected to become more challenging.

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 maintains the flexible cost base needed to adapt more quickly to market changes.

AqualisBraemar will continue to be active in the consolidation/restructuring of our industry. The combination of Aqualis and BTS is a significant step in the right direction, but our industry is still fragmented and highly competitive. Since AqualisBraemar is listed on the Oslo Stock exchange we offer flexibility to consolidating companies to take part of the value creation from potential consolidation. Our focus remain 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

Oslo, 28 August 2019

The Board of Directors of
AqualisBraemar ASA

Condensed interim consolidated financial statements Q2 2019

Consolidated Statement of Income

Amounts in USD thousands	Note	Q2 19	Q2 18	H1 19	H1 18	FY 18
Revenue	4	9,869	9,595	18,051	17,754	36,185
Total revenues		**9,869**	**9,595**	**18,051**	**17,754**	**36,185**
Payroll and payroll related expenses		(4,119)	(4,052)	(7,968)	(7,873)	(15,682)
Other operating expenses	5	(5,997)	(4,767)	(10,539)	(8,874)	(17,981)
Depreciation, amortisation and impairment		(38)	(34)	(76)	(67)	(129)
Share of net profit (loss) from associates		-	291	-	291	291
Operating profit (loss) (EBIT)		**(284)**	**1,032**	**(532)**	**1,230**	**2,684**
Finance income	6	11,470	21	11,484	47	167
Finance expenses		(12)	(1)	(26)	(7)	-
Net foreign exchange gain (loss)		(58)	374	(178)	(25)	27
Net financial items		**11,400**	**395**	**11,280**	**15**	**194**
Profit (loss) before taxes		**11,116**	**1,427**	**10,748**	**1,245**	**2,878**
Income tax expenses		(113)	(70)	(231)	(136)	(456)
Profit (loss) after taxes		**11,003**	**1,357**	**10,517**	**1,109**	**2,422**

Consolidated Statement of other Comprehensive Income

Amounts in USD thousands	Note	Q2 19	Q2 18	H1 19	H1 18	FY 18
Profit (loss) after taxes		**11,003**	**1,357**	**10,517**	**1,109**	**2,422**
Other comprehensive income						
Currency translation differences		(202)	(869)	(44)	(224)	(511)
Income tax effect		-	-	-	-	(138)
Total comprehensive income		**10,801**	**488**	**10,473**	**885**	**1,773**

Condensed interim consolidated financial statements Q2 2019

Consolidated Statement of Financial Position

Amounts in USD thousands	Note	30.06.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment		2,936	141
Intangible assets	7	12,901	12,864
Deferred tax assets		561	7
Total non-current assets		**16,398**	**13,012**
Current assets			
Trade receivables	8	20,814	8,289
Contract assets		12,288	2,297
Other current assets		6,720	1,581
Cash and cash equivalents		7,842	5,454
Total current assets		**47,664**	**17,621**
Total assets		**64,062**	**30,633**
EQUITY AND LIABILITIES			
Equity			
Share capital		865	690
Share premium		49,392	42,670
Share-based compensation reserve		568	567
Retained earnings		5,380	(5,137)
Foreign currency translation reserve		(13,279)	(13,235)
Total equity		**42,926**	**25,555**
Non-current liabilities			
Deferred tax liability		507	314
Other non-current liabilities		3,103	713
Total non-current liabilities		**3,610**	**1,028**
Current liabilities			
Trade payables		5,730	1,352
Income tax payable		430	159
Other current liabilities		11,366	2,540
Total current liabilities		**17,526**	**4,051**
Total liabilities		**21,136**	**5,078**
Total equity and liabilities		**64,062**	**30,633**

Condensed interim consolidated financial statements Q2 2019

Consolidated Statement of Cash Flows

Amounts in USD thousands	Q2 19	Q2 18	H1 19	H1 18	FY 18
Cash flow from operating activities					
Profit (loss) before taxes	**11,116**	**1,427**	**10,748**	**1,245**	**2,878**
Non-cash adjustment to reconcile profit before tax to cash flow:					
Estimated value of employee share options	0	1	1	2	4
Depreciation, amortisation and impairment	38	34	76	67	129
Gain on bargain purchase	(11,067)	-	(11,067)	-	-
Share of net (profit) loss from associates	-	(291)	-	(291)	(291)
Changes in working capital:					
Changes in trade receivables and trade payables	772	(998)	2,185	(424)	(939)
Changes in other assets and other liabilities	(2,839)	279	(2,100)	(474)	(943)
Interest received	(5)	(20)	(14)	(38)	(47)
Income tax paid	(190)	(71)	(315)	(132)	(294)
Effects related to currency unrealised	(166)	(432)	(77)	(43)	(185)
Cash flow from/(used in) operating activities	**(2,342)**	**(71)**	**(562)**	**(87)**	**312**
Cash flow from investing activities					
Purchase of equipment	(29)	(63)	(48)	(86)	(124)
Interest received	5	20	14	38	47
Acquisition of subsidiary, net of cash	3,000	-	3,000	-	-
Proceeds on disposal of interest in associates	-	291	-	291	291
Cash flow from/(used in) investing activities	**2,976**	**248**	**2,966**	**243**	**214**
Cash flow from financing activities					
Payment of lease liabilities	(12)	-	(22)	-	-
Dividends paid	-	-	-	-	(4,674)
Cash flow from/(used in) financing activities	**(12)**	-	**(22)**	-	**(4,674)**
Net change in cash and cash equivalents	**622**	**177**	**2,382**	**156**	**(4,148)**
Cash and cash equivalents at the beginning of the period	7,224	9,778	5,454	9,709	9,709
Effect of movements in exchange rates	(5)	(116)	6	(28)	(107)
Cash and cash equivalents at the end of the period	**7,842**	**9,839**	**7,842**	**9,837**	**5,454**

Condensed interim consolidated financial statements Q2 2019

Consolidated Statement of Changes in Equity

Amounts in USD thousands	Share capital	Share premium	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total equity
As at 1 January 2018	**690**	**47,344**	**563**	**(7,559)**	**(12,587)**	**28,451**
Profit after taxes	-	-	-	2,422	-	2,422
Dividends	-	(4,674)	-	-	-	(4,674)
Foreign currency translation reserve	-	-	-	-	(648)	(648)
Share-based payment	-	-	4	-	-	4
As at 31 December 2018	**690**	**42,670**	**567**	**(5,137)**	**(13,235)**	**25,555**
As at 1 January 2019	**690**	**42,670**	**567**	**(5,137)**	**(13,235)**	**25,555**
Profit after taxes	-	-	-	10,517	-	10,517
Issue of shares on acquisition	175	6,722	-	-	-	6,897
Foreign currency translation reserve	-	-	-	-	(44)	(44)
Share-based payment	-	-	1	-	-	1
As at 30 June 2019	**865**	**49,392**	**568**	**5,380**	**(13,279)**	**42,926**

Condensed interim consolidated financial statements Q2 2019

Notes to the interim consolidated financial statements

1. General information

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

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

The Company and its subsidiaries (collectively the "AqualisBraemar Group" or the "Group") is a public company that offers energy consultancy services to the oil & gas and wind sectors globally. The group employs experienced consultants across 48 offices in 33 countries worldwide.

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

2. Basis of preparations and changes to the accounting policies

This condensed consolidated interim financial report for the period ended 30 June 2019 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 2018.

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 2018, except for the adoption of new standard IFRS 16 Leases have been implemented as of 1 January 2019. A description of the major changes and the effects are included in note 2 (standards issued but not yet effective) on page 37 in the Aqualis ASA annual report 2018 available on www.aqualisbraemar.com.

On 1 January 2019, the Group applied the IFRS 16 Leases simplified transition approach and comparative amounts are not restated for the year prior to first adoption. The Group recognised lease liabilities of approximately USD 0.1 million, as well as right of use assets approximately USD 0.1 million on 1 January 2019.

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

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

3. Critical accounting estimates and judgements in terms of accounting policies

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

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

4. Segment information

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

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

Amounts in USD thousands	Q2 19	Q2 18	H1 19	H1 18	FY 18
Revenues					
Middle East	4,483	5,029	8,646	9,013	17,796
Far East	2,662	1,858	4,796	3,453	8,610
Therein: OWC entities	*675*	-	*1,383*	-	*1,251*
Europe	3,188	2,168	5,065	4,163	8,725
Therein: OWC entities	*2,397*	*1,260*	*3,880*	*2,404*	*5,680*
Americas	1,460	1,173	2,491	2,233	4,392
Eliminations	(1,923)	(634)	(2,947)	(1,108)	(3,339)
Therein: OWC entities	*(340)*	-	*(796)*	-	*(837)*
Revenues	**9,869**	**9,595**	**18,051**	**17,754**	**36,185**
Operating profit (loss) (EBIT)					
Middle East	365	860	656	1,260	2,068
Far East	124	153	53	190	906
Therein: OWC entities	*124*	-	*171*	-	*180*
Europe	205	(141)	169	(316)	(370)
Therein: OWC entities	*199*	*(110)*	*299*	*(131)*	*40*
Americas	(41)	100	2	156	362
Corporate group costs	(937)	(230)	(1,413)	(351)	(574)
Share of net profit (loss) from associates	-	291	-	291	291
EBIT	**(284)**	**1,032**	**(532)**	**1,230**	**2,684**

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

Amounts in USD thousands	30.06.2019	31.12.2018
Trade receivables		
Middle East	5,450	4,824
Far East	6,255	1,992
Therein: OWC entities	*537*	*316*
Europe	4,534	602
Therein: OWC entities	*436*	*149*
Americas	4,575	872
Total	**20,814**	**8,289**
Cash and cash equivalents		
Middle East	1,572	747
Far East	3,121	1,374
Therein: OWC entities	*134*	*97*
Europe	1,279	1,005
Therein: OWC entities	*639*	*682*
Americas	513	446
Corporate group	1,357	1,882
Total	**7,842**	**5,454**

5. Other operating expenses

Amounts in USD thousands	Q2 19	Q2 18	H1 19	H1 18	FY 18
Subcontractors cost	3,834	3,345	6,844	6,163	12,375
Office lease and maintenance expenses	250	241	421	491	992
Insurance cost	125	140	202	253	426
Cost of recharged expenses	456	439	920	798	1,680
Transaction costs related to acquisition	715	-	1,099	-	-
General and administrative expenses	615	602	1,052	1,170	2,508
Total	**5,997**	**4,767**	**10,539**	**8,874**	**17,981**

6. Business combinations

On 21 June 2019, Aqualis acquired 100% of the shares in Braemar Technical Services Holdings Limited ("Braemar Technical Services"), a specialised consultancy group consists of 3 business lines (Offshore, Marine and Adjusting) out of Braemar Shipping Services PLC's "(Braemar") technical division. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

The acquisition was financed by issuing 14,865,621 new shares and warrants in the combined company giving Braemar the right to potentially subscribe for up to 5,973,556 new shares in the combined company if certain financial measures are met.

The fair value of the new shares issued at the date of the acquisition, was set at NOK 3.97 per share, which was the closing share price on the day of the acquisition. The estimated value of the warrants have been calculated using the Black and Scholes formula, giving a total purchase consideration of USD 7.9 million.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

Amounts in USD thousands	Fair value
Property, plant and equipment	2,723
Deferred tax assets	554
Trade receivables	12,117
Contract assets	9,461
Other current assets	3,645
Cash and cash equivalents	3,000
Trade payables	(1,785)
Other current liabilities	(9,271)
Other non-current liabilities	(1,528)
Net identifiable assets acquired	**18,917**
Non-controlling interest	-
Goodwill	-
Net assets acquired	**18,917**
Shares issued	6,895
Contingent consideration	955
Total purchase consideration	**7,850**
Gain on bargain purchase	**11,067**
Cash paid	-
Cash acquired	3,000
Net inflow of cash – investing activities	**3,000**

Gain on bargain purchase

The acquisition of a consulting business primarily involved the acquisition of human capital with special skills and expected synergies with the existing business. As the purchase consideration was lower than the fair value of the acquired net assets (equity), the purchase price allocation resulted in gain from bargain purchase of USD 11.1 million recognised in the finance income in the consolidated income statement in Q2 2019.

Acquisition transaction costs
Acquisition related transaction costs are recognised as other operating expenses in the consolidated income statement. Transaction costs amounted to USD 1.1 million, of which USD 0.8 million were expensed in Q2 2019.

Revenue and profit from acquired company
If the acquisition had been completed at 1 January 2019, it would have contributed revenue of approximately USD 18.6 million and operating loss (EBIT) of approximately USD 1.9 million.

7. Intangible assets

Amounts in USD thousands	Goodwill	Total
Cost		
As at 1 January 2019	18,633	18,633
Effect of movements in exchange rates	133	133
As at 30 June 2019	**18,767**	**18,767**
Amortisation and impariment		
As at 1 January 2019	5,769	5,769
Effect of movements in exchange rates	96	96
As at 30 June 2019	**5,865**	**5,865**
Net book value at 30 June 2019	**12,901**	**12,901**

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

8. Trade receivables

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

Amounts in USD thousands	30.06.2019	31.12.2018
Less than 3 months	13,852	6,390
3-6 months	3,352	1,238
6-12 months	2,595	355
Over 1 years	1,209	336
Over 2 years	3,483	412
Loss allowance	(3,677)	(442)
Total	**20,814**	**8,289**

9. Subsequent events

Subsequent to balance sheet date, the Company has successfully completed a private placement and a right issue for the total amount of USD 6 million.

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:

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	Q2 19	Q2 18	H1 19	H1 18	FY 18
Operating profit (loss) (EBIT)	**(284)**	**1,032**	**(532)**	**1,230**	**2,684**
Depreciation, amortisation and impairment	38	34	76	67	129
Transaction costs related to acquisition	715	-	1,099	-	-
Integration costs	48	-	48	-	-
Gain (loss) on disposal of interest in associates	-	(291)	-	(291)	(291)
Adjusted EBITDA	**517**	**776**	**691**	**1,006**	**2,522**

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	Q2 19	Q2 18	H1 19	H1 18	FY 18
Operating profit (loss) (EBIT)	**(284)**	**1,032**	**(532)**	**1,230**	**2,684**
Transaction costs related to acquisition	715	-	1,099	-	-
Integration costs	48	-	48	-	-
Gain (loss) on disposal of interest in associates	-	(291)	-	(291)	(291)
Adjusted EBIT	**479**	**742**	**615**	**939**	**2,393**

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	Q2 19	Q2 18	H1 19	H1 18	FY 18
Profit (loss) after taxes	**11,003**	**1,357**	**10,517**	**1,109**	**2,422**
Transaction costs related to acquisition	715	-	1,099	-	-
Integration costs	48	-	48	-	-
Gain on bargain purchase	(11,067)	-	(11,067)	-	-
Gain (loss) on disposal of interest in associates	-	(291)	-	(291)	(291)
Adjusted profit (loss) after taxes	**699**	**1,066**	**597**	**818**	**2,131**

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.

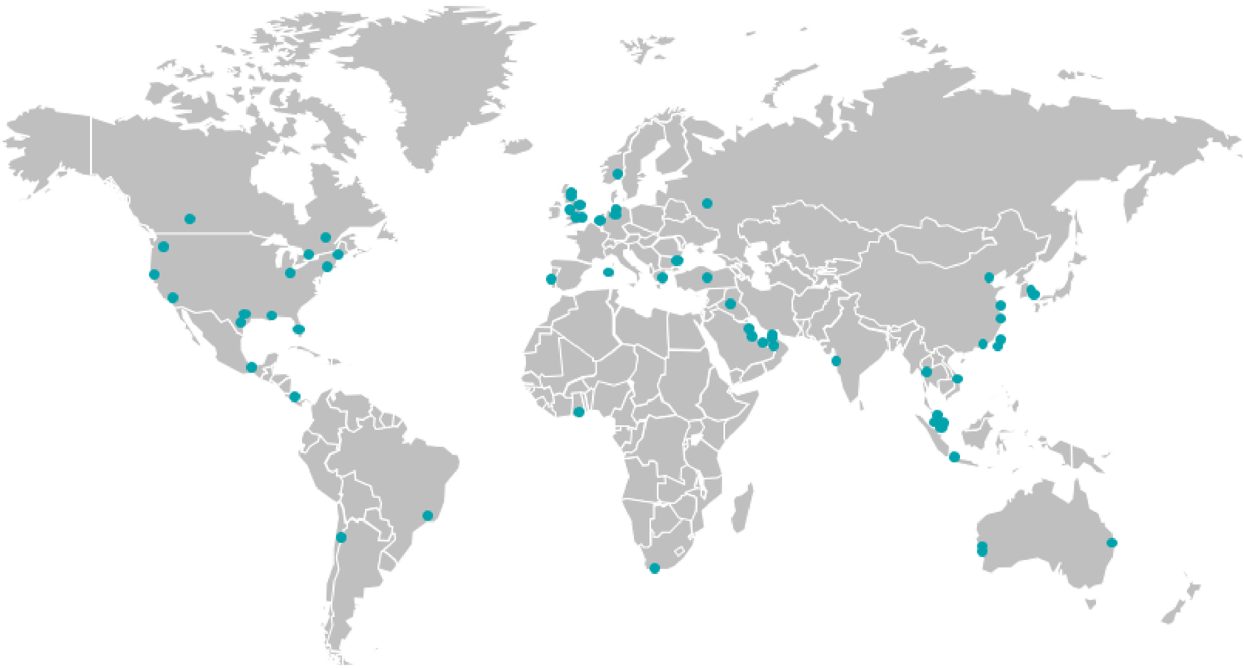
Amounts in USD thousands	30.06.2019	31.12.2018
Working capital		
Trade receivables	20,814	8,289
Contract assets	12,288	2,297
Other current assets	6,720	1,581
Trade payables	(5,730)	(1,352)
Income tax payable	(430)	(159)
Other current liabilities	(6,843)	(2,540)
Net working capital	**26,820**	**8,116**

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2018, 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, 28 August 2019

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



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