



Interim report Q3 2017

**AQUALIS**

## STRONG OPERATIONAL PERFORMANCE

### HIGHLIGHTS

- Revenues of USD 7.3 million in Q3 2017 vs. USD 6.4 million Q3 2016
- High activity level maintained in a traditionally weak quarter
- Operating profit (EBIT) of USD 0.1 million in Q3 2017 vs. loss of USD 0.7 million in Q3 2016
- Billing ratio for technical staff of 83% in Q3 2017, on same level as in Q2 2017
- Improved cash balance of USD 9.8 million at the end of Q3 2017
- Order backlog of USD 8.5 million at the end of Q3 2017 vs USD 10.3 million at the end of Q2 2017
- Activity in offshore wind market still remains high and new contracts have been secured
- ADLER Solar increasing the bidding activity, but sales taking longer time to close
- Continued solid HSE performance and no lost time incidents (LTIs) during the quarter

*"I am pleased that we, in challenging market conditions in the oil and gas sector, have achieved three consecutive quarters of positive operating profit. Most of our entities have delivered robust results underpinned by strong operational performance and important client wins.*

*The offshore wind sector remains active and highly competitive. We continue to leverage our growing reputation to strengthen our market position. We have managed to widen our global operations and won recently our first contract in the US market.*

*ADLER Solar has increased the bidding activity over the past months, but sales have taken longer time to close as the company is focusing on larger projects with longer lead times. The results are expected to improve in Q4 2017 and additional profitability measures have been and are being implemented to improve profitability.*

*There are indications that the oil and gas market may have bottomed out, but we still expect market conditions to remain challenging in 2017 and 2018. We have set up a good platform from which to rebuild, strengthen our business model and deliver excellent service to our customers" says Mr. David Wells, CEO of Aqualis ASA.*

### KEY FIGURES

<i>Amount in USD thousands (except shares, backlog, employees)</i>	Q3 17	Q3 16	YTD 17	YTD 16	FY 2016
<b>FINANCIAL</b>					
Total revenues	7,312	6,364	22,187	21,380	27,564
Operating profit (loss) (EBIT)	130	(698)	756	(3,006)	(4,055)
Operating profit (EBIT) adjusted <sup>(1)</sup>	130	(698)	756	(3,006)	(3,476)
Profit (loss) after taxes	(425)	(385)	(246)	(3,623)	(3,874)
Profit (loss) after taxes adjusted <sup>(1)</sup>	(425)	(385)	(246)	(3,623)	(3,295)
Basic earnings per share (USD)	(0.01)	(0.01)	(0.01)	(0.09)	(0.09)
Average number of outstanding shares (thousands)	42,293	42,293	42,293	42,559	42,492
Cash and cash equivalents at the end of the period	9,753	11,091	9,753	11,091	9,910
<b>OPERATIONS<sup>(4)</sup></b>					
Order backlog at the end of the period (USD million) <sup>(1)</sup>	8.5	8.5	8.5	8.5	6.7
Employees at the end of the period <sup>(2)</sup>	168	161	168	161	152
Billing ratio <sup>(3)</sup>	83%	73%	81%	72%	73%

(1) See note 2 for definition and note 11 for reconciliation of Alternative Performance Measures

(2) Full time equivalent. Numbers include subcontractors on 100% utilization equivalent basis

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

(4) Figures excluding Adler Solar

## THIRD QUARTER GROUP REVIEW

(Figures in brackets represent same period prior year or balance sheet date 2016. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.)

### Group results

Total operating revenues increased by 15% to USD 7.3 million in Q3 2017 (USD 6.4 million in Q3 2016). The increase in revenues was mainly due to good activity levels for the entities in the Middle East and in the Far East. The revenues in the Middle East region increased during Q3 2017 on the back of strengthened market position and increased work in particular in Saudi Arabia even though our Indian operations were closed due to adverse weather season during the south-west monsoon. Offshore Wind Consultants (“OWC”) had a weaker quarter due to changes to work scope on the ongoing Kincardine wind project. OWC continues to build on existing contracts and to expand its client base with a number of good market opportunities in the pipeline.

Payroll and related expenses decreased by 13% to USD 3.7 million in Q3 2017 (USD 4.3 million in Q3 2016). Other operating expenses increased by 27% to USD 3.3m (USD 2.6 million in Q3 2016) mainly due to increased use of subcontractors. The subcontractors expenses increased by 79% to USD 2.3 million in Q3 2017 (USD 1.3 million in Q3 2016) due to higher activity level and a move to a more flexible business model with a higher proportion of subcontractors.

EBIT amounted to a profit of USD 0.1 million in Q3 2017 (loss of USD 0.7 million in Q3 2016) due to strong operational performance and a flexible business model. The billing ratio for technical staff (including subcontractors) was 83% in Q3 2017, at same level as in Q2 2017. Most entities have had strong operational performance in the quarter despite continued weak market conditions in the oil and gas sector.

Results from associated companies amounted to a loss of USD 0.1 million in Q3 2017 (loss of USD 0.1 million in Q3 2016) and relates to the investment in ADLER Solar.

ADLER Solar’s result in the quarter were weaker than anticipated as the company did not realize any larger projects and experienced weak demand for some of its services. The bidding activity has increased over the past months, but sales have taken longer time to materialize. ADLER Solar is strengthening the sales activity and increasing the proportion of large and more complex projects which takes longer time to close. ADLER Solar also is moving to a more flexible business model with higher use of subcontractors to mitigate demand fluctuations. Additional profitability measures have been taken and are being implemented to improve profitability

Net currency loss of USD 0.5 million in Q3 2017 (gain of USD 0.3 million in Q3 2016) mainly represents unrealised losses on revaluation of USD bank accounts.

Loss after taxes for Q3 2017 was USD 0.4 million (loss of USD 0.4 million in Q3 2016).

### Financial position and liquidity

At 30 September 2017, cash and cash equivalents amounted to USD 9.8 million. This compares with USD 8.9 million as of 30 June 2017. The increase in the cash and cash equivalents is mainly due to a decrease in net working capital. The net working capital will fluctuate during the year with type of projects, milestone payments and the overall revenues.

Aqualis does not have any interest bearing debt.

### Order backlog

The order backlog at the end of Q3 2017 decreased to USD 8.5 million compared with USD 10.3 million at the end of Q2 2017. The decrease was mainly related to a reduction in the backlog for OWC due to change in project scope on the ongoing Kincardine wind project.

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

At end of Q3 2017, Aqualis had 168 employees (full time equivalents, including contractors on 100% equivalent basis), up from 159 at the end of Q2 2017. The increase is mainly due to an increase in the number of subcontractors. The use of subcontractors has increased, demonstrating the benefit of a move to a more dynamic business model that is more aligned with demand fluctuations.

Resource availability is no longer an issue in the current market with a surplus of experienced people actively seeking work.

### Health, safety, environment and quality

Aqualis’ HSEQ management system provides the framework to manage all aspects of our business. The management system is designed to ensure compliance with regulatory requirements, identify and manage risks and to drive continuous improvement in HSEQ performance. Aqualis has now roughly 1.3 million man-hours without a lost time incident (LTI) since its incorporation.

### Market update

#### Oil and gas market

The activity level in the overall O&G sector appears stable but remains at low levels. The market is competitive and the industry continues to be under pressure to reduce costs and be more efficient. As 2017

progresses there are early indications of slightly improved activity levels. The gradual increase in rigs / vessels being stacked and off-contract has slowed indicating that the market might have passed the low point but, as indicated previously, until the oil companies resume new infrastructure investment, the oil service industry will have a reduced momentum. Visibility is still short term.

In Americas and Europe, in particular, the market conditions remain challenging as the market has contracted significantly over the past years. The activity in the Middle East region was lower over the previous quarter due to the monsoon period offshore India and the seasonal Ramadan slowdown. Aqualis expects growth in the Middle East and for Asia to remain strong. This expectation is likely due to improved market conditions and gaining increased market share

During the quarter additional bidding opportunities were continued to be identified.

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

### Renewables

The offshore wind sector remains active and Offshore Wind Consultants (OWC) have secured new contract awards. The industry is competitive and facing rate pressures / low margins as new players continue to enter the market.

The solar industry in Germany remains competitive, but the number of players in the industry have been reduced over the past year. The industry is still facing margin pressure mainly driven by the required return on investments in new solar plants. The fall in solar module prices over the past quarters have led to more interest from clients to develop both rooftop and ground mounted solar systems.

### Outlook

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

The activity level and demand visibility still remains short term across the oil and gas market. The sector is expected to remain challenging for the rest of 2017 and into 2018 with continued price and margin pressure. The activity level for Aqualis in Q4 2017 is expected to be roughly in line with Q3 2017. Aqualis' view is that the upcycle has started, but that market conditions will remain challenging still for some time.

The marine consultancy and engineering industry is still oversupplied leading to very competitive market

conditions. The industry would benefit from further consolidation. As previously communicated, Aqualis aims to be proactive and assess consolidation opportunities to enhance shareholder value.

The activity in the offshore renewables market remains high and Northern Europe has a reasonable project pipeline predicted through to 2020. Offshore wind has improved its competitiveness compared to other energy sources as the levelized cost of energy for offshore wind has fallen significantly. OWC has strengthened its market position in Europe over the past quarters and has won its first contract in the US. OWC is exploring growth opportunities in other emerging offshore wind market.

The fall in solar module price is expected by the ADLER Solar management to lead to increased demand for new installations of PV plants in Germany. ADLER Solar has had a strong start in Q4 2017 with several contract wins and high bidding activity. The results for ADLER Solar are expected to improve in Q4 2017 with additional profitability measures also being implemented.

Aqualis' greatest long term growth potential lies with its' ability to widen and strengthen the global client portfolio and client loyalty thereby increasing market share. This is achieved through strong project execution, being able to adapt to market changes, being responsive and understanding Client needs. Aqualis' move to a more flexible business model with the ability to adapt more quickly to market demand fluctuations will be important for the management in order to ensure consistent profitability.

Asker, 25 October 2017

The Board of Directors of  
Aqualis ASA

## Condensed interim Financial Statements Q3 2017

### Consolidated Statement of Income

<i>Amounts in USD thousands</i>	Note	Q3 17	Q3 16	YTD 17	YTD 16	FY 2016
Revenues	5	7,312	6,364	22,187	21,380	27,564
<b>Total revenues</b>		<b>7,312</b>	<b>6,364</b>	<b>22,187</b>	<b>21,380</b>	<b>27,564</b>
Payroll and payroll related expenses		(3,706)	(4,280)	(11,460)	(15,188)	(19,303)
Other operating expenses	6	(3,329)	(2,631)	(9,527)	(8,691)	(11,016)
Depreciation, amortisation and impairment		(34)	(48)	(98)	(178)	(794)
Share of net profit (loss) from associates	8	(113)	(103)	(346)	(329)	(506)
<b>Operating profit (loss) (EBIT)</b>	6	<b>130</b>	<b>(698)</b>	<b>756</b>	<b>(3,006)</b>	<b>(4,055)</b>
Finance income		12	2	53	17	47
Finance expenses		-	(2)	(2)	(3)	(0)
Net foreign exchange gain (loss)		(464)	326	(906)	(576)	(10)
<b>Profit (loss) before taxes</b>		<b>(322)</b>	<b>(372)</b>	<b>(99)</b>	<b>(3,568)</b>	<b>(4,018)</b>
Income tax income (expenses)		(103)	(13)	(147)	(55)	144
<b>Profit (loss) after taxes</b>		<b>(425)</b>	<b>(385)</b>	<b>(246)</b>	<b>(3,623)</b>	<b>(3,874)</b>

### Consolidated Statement of other Comprehensive Income

<i>Amounts in USD thousands</i>	Note	Q3 17	Q3 16	YTD 17	YTD 16	FY 2016
<b>Profit (loss) after taxes</b>		<b>(425)</b>	<b>(385)</b>	<b>(246)</b>	<b>(3,623)</b>	<b>(3,874)</b>
<b>Other comprehensive income</b>						
Currency translation differences		1,011	(216)	2,011	1,166	(516)
Income tax effect		-	-	-	-	66
<b>Total comprehensive income</b>		<b>586</b>	<b>(601)</b>	<b>1,765</b>	<b>(2,457)</b>	<b>(4,324)</b>
<b>Attributable to:</b>						
Equity holders of the parent company		586	(601)	1,765	(2,457)	(4,324)
Non-controlling interests		-	-	-	-	-
<b>Earnings per share (USD): basic and diluted</b>		<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.09)</b>	<b>(0.09)</b>

## Condensed interim Financial Statements Q3 2017

### Consolidated Statement of Financial Position

<i>Amounts in USD thousands</i>	Note	30.09.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment		191	184
Intangible assets	7	17,022	16,257
Investment in associates	8	2,812	2,853
Loan to associates		234	289
Deferred tax assets		103	122
<b>Total non-current assets</b>		<b>20,362</b>	<b>19,705</b>
<b>Current assets</b>			
Trade receivables	9	5,839	5,475
Other current assets	10	4,017	2,815
Cash and cash equivalents	4	9,753	9,910
<b>Total current assets</b>		<b>19,609</b>	<b>18,200</b>
<b>Total assets</b>		<b>39,971</b>	<b>37,905</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		690	690
Share premium		47,344	47,344
Other paid in capital		561	543
Retained earnings		(13,731)	(15,496)
<b>Total equity</b>		<b>34,864</b>	<b>33,081</b>
<b>Non-current liabilities</b>			
Deferred tax liability		460	425
Other non-current liabilities		574	527
<b>Total non-current liabilities</b>		<b>1,034</b>	<b>952</b>
<b>Current liabilities</b>			
Trade payables		1,569	1,093
Other current liabilities		2,504	2,779
<b>Total current liabilities</b>		<b>4,073</b>	<b>3,872</b>
<b>Total liabilities</b>		<b>5,107</b>	<b>4,824</b>
<b>Total equity and liabilities</b>		<b>39,971</b>	<b>37,905</b>

## Condensed interim Financial Statements Q3 2017

### Consolidated Cash Flow Statement

<i>Amounts in USD thousands</i>	Note	Q3 17	Q3 16	YTD 17	YTD 16	FY 2016
<b>Cash flow from operating activities</b>						
Profit (loss) before taxes		(322)	(370)	(99)	(3,569)	(4,018)
Non-cash adjustment to reconcile profit before tax to cash flow:						
Estimated value of employee share options		1	17	18	97	111
Depreciation, amortisation and impairment		34	48	98	178	794
Share of net (profit) loss from associates	8	113	103	346	329	506
Changes in working capital:						
Changes in trade receivables and trade payables		678	524	112	2,386	2,157
Changes in other assets and other liabilities		(115)	(483)	(1,430)	(2,678)	(2,783)
Interest received		(10)	(1)	(41)	(3)	(4)
Income tax paid		(77)	(87)	(121)	(649)	(691)
Effects related to currency unrealised		497	(403)	899	376	(199)
<b>Cash flow from/(used in) operating activities</b>		<b>799</b>	<b>(652)</b>	<b>(218)</b>	<b>(3,533)</b>	<b>(4,127)</b>
<b>Cash flow from investing activities</b>						
Purchase of equipment		(62)	(1)	(96)	(8)	(16)
Interest received		10	1	41	3	4
Loan to associates		-	-	-	-	(370)
<b>Cash flow from/(used in) investing activities</b>		<b>(52)</b>	<b>(0)</b>	<b>(55)</b>	<b>(5)</b>	<b>(382)</b>
<b>Cash flow from financing activities</b>						
Buy back of shares		-	-	-	(368)	(368)
<b>Cash flow from/(used in) financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(368)</b>	<b>(368)</b>
<b>Net change in cash and cash equivalents</b>		<b>747</b>	<b>(652)</b>	<b>(273)</b>	<b>(3,906)</b>	<b>(4,877)</b>
Cash and cash equivalents beginning period		8,948	11,684	9,910	14,864	14,864
Effect of movements in exchange rates		58	59	116	133	(77)
<b>Cash and cash equivalents end period</b>	4	<b>9,753</b>	<b>11,091</b>	<b>9,753</b>	<b>11,091</b>	<b>9,910</b>

## Condensed interim Financial Statements Q3 2017

### Consolidated Statement of Changes in Equity

<i>Amounts in USD thousands</i>	Share capital	Share premium	Other paid in capital	Retained earnings	Foreign currency translation reserve	Total equity
Equity at 01.01.2017	690	47,344	543	(1,082)	(14,414)	33,081
Profit (loss) after taxes	-	-	-	(246)	-	(246)
Foreign currency translation reserve	-	-	-	-	2,011	2,011
Share-based payment	-	-	18	-	-	18
<b>Equity at 30.09.2017</b>	<b>690</b>	<b>47,344</b>	<b>561</b>	<b>(1,328)</b>	<b>(12,403)</b>	<b>34,864</b>



## Condensed interim Financial Statements Q3 2017

### Notes to the interim Financial Statements

#### Note 1: General information

Aqualis ASA ("the Company") is a Norwegian public limited liability company. The Company was established when the owners of Weifa ASA established it as a fully owned subsidiary and transferred the offshore business from Weifa ASA to this new company. The transfer of business within the group did not result in any change of economic substance and it is therefore not considered a business combination. Accordingly, the consolidated interim financial statements of Aqualis ASA are a continuation of the group values transferred from Weifa ASA in the spin-off of the marine and offshore business.

Weifa ASA transferred 100 percent of the shares in the subsidiaries Aqualis Offshore Ltd, Tristein AS and Offshore Wind Consultants Ltd to Aqualis ASA on the 24 July 2014. The ownership of the subsidiaries and the related excess values from the acquisitions of the subsidiaries are consequently continued in the group interim financial statement of Aqualis ASA.

The shares of the Company were listed on Oslo Stock Exchange on 13 August 2014. The Company and its subsidiaries (together the Aqualis Group/the Group) is a public company that offers energy consultancy services to the oil and gas, wind and solar sectors globally. The group, including associates employs experienced consultants across 21 offices in 15 countries worldwide.

#### Note 2: Basis of preparations and statements

##### Basis for preparation

The financial statements are presented in USD, rounded to the nearest thousand, unless otherwise stated. As a result of rounding adjustments, the figures in one or more row or column included in the financial statements and notes may not add up to the total of that row or column.

##### Statements and accounting policies:

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), and according to the group accounting principles as described in this report. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for the year ended 31 December 2016.

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

##### Operating profit adjusted

Management believes that "Operating profit adjusted" which excludes impairments of goodwill and other charges/(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 reported operating profit/(loss) and operating profit adjusted is shown in note 11.

##### Profit (loss) after taxes adjusted

Management believes that "Profit (loss) after taxes adjusted" which excludes impairments of goodwill and other charges/(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 profit (loss) after taxes adjusted and profit (loss) after taxes is shown in note 11.

##### 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 contracts" are only included in the order backlog when reliably estimates are available. Management believes that the order backlog figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

**Note 3: Critical accounting estimates and judgements in terms of accounting policies**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The most significant items affected by estimates in the consolidated group accounts includes intangible assets, investments in associates and assessment of value of trade receivables.

**Note 4: Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents are comprised of the following:

<b>Amounts in USD thousands</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Cash at banks	9,753	9,910
<b>Total</b>	<b>9,753</b>	<b>9,910</b>

Distributed in the following currency:

<b>Amounts in USD thousands</b>	<b>Local Currency</b>	<b>USD</b>	<b>Local Currency</b>	<b>USD</b>
US Dollars (USD)	7,726	7,726	8,423	8,423
Norwegian Krone (NOK)	1,510	190	6,010	697
Other currencies		1,837		790
<b>Total</b>		<b>9,753</b>		<b>9,910</b>

**Note 5: Segment information**

Aqualis has one operating segment, which services the marine and offshore sector. This is the only business segment used for internal reporting. The table below shows operating revenues and profit for entities in different geographical areas.

<b>Amounts in USD thousands</b>	<b>Q3 17</b>	<b>Q3 16</b>	<b>YTD 17</b>	<b>YTD 16</b>	<b>FY 2016</b>
<b>Revenues</b>					
Middle East	2,585	2,082	8,803	8,485	10,867
Far East	1,946	1,618	5,503	5,109	6,725
Europe	2,098	2,068	6,439	6,143	7,658
Americas	932	929	2,344	3,170	4,081
Eliminations	(249)	(333)	(902)	(1,527)	(1,767)
<b>Total revenues</b>	<b>7,312</b>	<b>6,364</b>	<b>22,187</b>	<b>21,380</b>	<b>27,564</b>
<b>Operating profit (loss) (EBIT)</b>					
Middle East	270	(171)	851	(441)	(524)
Far East	142	(52)	438	(134)	(146)
Europe	(186)	-	254	(864)	(1,010)
Americas	92	(125)	(53)	(265)	(226)
Share of net income from associates	(113)	(103)	(346)	(329)	(506)
Corporate group costs	(99)	(226)	(395)	(818)	(952)
Eliminations	24	(21)	7	(155)	(691)
<b>Total operating profit (loss)</b>	<b>130</b>	<b>(698)</b>	<b>756</b>	<b>(3,006)</b>	<b>(4,055)</b>

**Note 6: Other operating expenses**

<b>Amounts in USD thousands</b>	<b>Q3 17</b>	<b>Q3 16</b>	<b>YTD 17</b>	<b>YTD 16</b>	<b>FY 2016</b>
Subcontractors cost	2,260	1,263	5,873	4,076	5,267
Office lease and maintenance expenses	243	305	744	1,000	1,249
Insurance cost	74	161	261	487	589
Cost of recharged expenses	233	165	751	673	873
General and administrative expenses	519	737	1,898	2,455	3,037
<b>Total other operating expenses</b>	<b>3,329</b>	<b>2,631</b>	<b>9,527</b>	<b>8,691</b>	<b>11,016</b>

**Note 7: Intangible assets**

<i>Amounts in USD thousands</i>	<b>Customer contracts</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost</b>			
At 01.01.2017	547	18,394	18,941
Additions	-	-	-
Effect of movements in exchange rates	-	897	897
<b>At 30.09.2017</b>	<b>547</b>	<b>19,291</b>	<b>19,838</b>
<b>Amortisation and impairment</b>			
At 01.01.2017	547	2,137	2,684
Impairment charge for the period	-	-	-
Effect of movements in exchange rates	-	132	132
<b>At 30.09.2017</b>	<b>547</b>	<b>2,269</b>	<b>2,816</b>
<b>Net book value at 30.09.2017</b>	<b>-</b>	<b>17,022</b>	<b>17,022</b>
<b>Net book value at 31.12.2016</b>	<b>-</b>	<b>16,257</b>	<b>16,257</b>

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 calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

**Note 8: Investment in associates**

Aqualis acquired a 49.9% share in ADLER Solar Services GmbH ("ADLER Solar") on 29 October 2015. The investment is classified as an associate in which Aqualis has significant influence. The investment is accounted for through the equity method in the group financial statements.

In order to conclude on the classification of the investment, management has considered the relevant facts and circumstances including the ownership of shares, the composition of remaining shareholders, options to acquire further shares, composition of the Board of Directors and the decision-making processes related to relevant activities. Aqualis has an option right to acquire an additional 10.1% in ADLER Solar during the period 1 April 2017 through 31 March 2019. Movements during 2017 and 2016 are as follows:

<i>Amounts in USD thousands</i>	<b>30.09.2017</b>	<b>31.12.2016</b>
Balance at 01.01.2017	2,853	3,283
Share of net profit (loss)	(301)	(445)
Amortisation of customer relationships (net of taxes)	(16)	(60)
Effect of movements in exchange rates	276	76
<b>Balance at 30.09.2017</b>	<b>2,812</b>	<b>2,853</b>

Following are Adler Solar's consolidated financial position and consolidated statement of income:

<i>Amounts in USD thousands</i>	<b>30.09.2017</b>	<b>31.12.2016</b>
Current assets	2,473	2,800
Non-current assets	1,029	1,096
Current liabilities	(3,674)	(3,482)
Non-current liabilities	-	(0)
<b>Net assets</b>	<b>(172)</b>	<b>414</b>

<i>Amounts in USD thousands</i>	<b>Q3 17</b>	<b>Q3 16</b>	<b>YTD 17</b>	<b>YTD 16</b>	<b>FY 2016</b>
Revenue	3,213	3,270	8,884	10,088	13,355
Profit and loss for the period	(195)	(175)	(603)	(570)	(893)

Reconciliation of the above summarised financial information to the carrying amount of the interest in ADLER Solar recognised in the consolidated financial statements presented below:

<b>Amounts in USD thousands (49.9%)</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Proportion of the Group's ownership interest in ADLER Solar	(86)	207
Goodwill	2,513	2,241
Customer relationships	198	220
Deferred tax liability	(31)	(32)
Currency translation differences	218	217
<b>Carrying amount of Group investment in ADLER Solar</b>	<b>2,812</b>	<b>2,853</b>

#### Note 9: Trade receivables

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

<b>Amounts in USD thousands</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Not overdue	2,720	1,934
Overdue 1-30	1,189	1,364
Overdue 31-60	959	368
Overdue 61-90	131	312
More than 90 days	840	1,497
<b>Total</b>	<b>5,839</b>	<b>5,475</b>

As at 30 September 2017, trade receivables of USD 293 thousands (31 December 2016 - USD 151 thousands) were impaired.

#### Note 10: Other current assets

As at 30 September 2017, other current assets include revenue earned but not invoiced of USD 2,177 thousands (31 December 2016 - USD 1,533 thousands).

#### Note 11: Reconciliation of selected Alternative Performance Measures

<b>Amounts in USD thousands</b>	<b>Q3 17</b>	<b>Q3 16</b>	<b>YTD 17</b>	<b>YTD 16</b>	<b>FY 2016</b>
Operating profit (loss) (EBIT)	130	(698)	756	(3,006)	(4,055)
Goodwill impairment	-	-	-	-	579
<b>Operating profit (loss) adjusted</b>	<b>130</b>	<b>(698)</b>	<b>756</b>	<b>(3,006)</b>	<b>(3,476)</b>

<b>Amounts in USD thousands</b>	<b>Q3 17</b>	<b>Q3 16</b>	<b>YTD 17</b>	<b>YTD 16</b>	<b>FY 2016</b>
Profit (loss) after taxes	(425)	(385)	(246)	(3,623)	(3,874)
Goodwill impairment	-	-	-	-	579
<b>Profit (loss) after taxes adjusted</b>	<b>(425)</b>	<b>(385)</b>	<b>(246)</b>	<b>(3,623)</b>	<b>(3,295)</b>

#### Note 12: Subsequent events

There are no significant events after balance sheet date.



Bleikerveien 17  
1387 Asker  
Norway  
Tel: +47 416 00 100  
[www.aqualis.no](http://www.aqualis.no)