AqualisBraemar LOC Group

Q4 report 2020

FOURTH QUARTER AND PRELIMINARY RESULTS 2020

HIGHLIGHTS Q4 2020

- Revenues of USD 19.6 million (Q4 19: USD 18.8m million)
- Operating loss of USD -0.4 million (Q4 19: USD 0.4 million) impacted by USD 1.3 million in transaction costs
- Adjusted EBIT of USD 1.0 million (Q4 19: USD 0.5 million)
- Continued strong revenue growth in renewables segment (+47% vs Q4 19)
- Cash balance of USD 30.6 million (Q3 20: USD 14.1 million)
- Interest bearing bank debt of USD 15.1 million (Q3 20: nil)
- Operating cash flow of USD 2.7 million (Q4 19: USD 0.5 million)
- Proposed dividend of NOK 0.25 per share in 1H 2021

HIGHLIGHTS FULL YEAR 2020

- Revenue of USD 77.0 million (2019: USD 54.8 million)
- Operating profit of USD 2.9 million (2019: USD -0.3 million)
- Adjusted EBIT of USD 4.8 million (2019: USD 1.3 million)
- Cashflow from operating activities of USD 8.5 million (2019: USD -2.7 million)
- Continued strong growth in renewables segment – organic revenue growth of 59% year-on-year
- Total dividend of NOK 0.4 per share paid during 2020, corresponding to USD 3.0 million
- Completed acquisition of LOC Group in December
    - Part of long-term plan to consolidate the offshore energy and marine consulting space
    - Increased renewables footprint and reaffirmed commitment to energy transition
    - Estimated USD 3.5m annual cost synergies
    - Positive feedback from staff, clients and the markets

David Wells, CEO of AqualisBraemar LOC ASA (“AqualisBraemar LOC” or the “Company”) commented:
“2020 was another transformative year for AqualisBraemar LOC. Following on from the acquisition of BTS, the acquisition of LOC roughly doubled the size of our company for the second year running. We are encouraged by the progress of early integration efforts and expect to see significant cost synergies realized already this year.

In early 2020 we set a group wide target of 50% renewables and sustainability-oriented services in our business mix in 2025. This was and is an ambitious target, but we are well on our way there. Firstly, OWC, our renewables arm, had another impressive year delivering annual organic revenue growth of 59% - even higher than 2019’s record growth. Second, the acquisition of LOC doubled the size of our renewables business, and significantly strengthened and broadened our client offering across a range of technologies and services. Finally, after quarter end, we announced and completed the acquisition of East Point Geo, strengthening our geoscience offering towards the segment and providing additional avenues for growth. We continue to see increasing demand for renewables consulting and anticipate continued high growth in 2021.

Our traditional business within oil & gas and shipping experienced significant head-wind during 2020 from Covid-19, low oil price and reduced international trade. These challenges are expected to gradually subside during 2021, and a cyclical upswing could be underway from second half of 2021 depending on the success and speed of the vaccination.

Finally, we are happy to announce that the Board has proposed another dividend of NOK 0.25 per share, as part of our semi-annual dividend schedule. Our shareholders have repeatedly supported us in connection with the major acquisitions over the last few years, and we remain focused on repaying that trust by returning capital to shareholders.”

KEY FIGURES

USD thousands (except shares, backlog, employees)	Q4 20	Q4 19	FY 20	FY 19
FINANCIALS				
Total revenue	19,565	18,785	77,015	54,792
EBITDA(1)	(56)	696	4,423	357
Adjusted EBITDA(1)	1,311	701	6,320	2,015
Operating profit (loss) (EBIT)(1)	(416)	444	2,946	(332)
Adjusted EBIT(1)	951	450	4,843	1,325
Profit (loss) after taxes (1)	(2,691)	(1,450)	1,513	9,037
Adjusted profit (loss) after taxes (1)	(451)	(167)	3,280	243
Basic earnings per share (USD)	(0.04)	(0.02)	0.02	0.16
Adjusted basic earnings per share (USD)	(0.01)	(0.00)	0.05	0.00
Weighted average number of outstanding shares (thousands)	74,025	70,416	71,323	56,052
Cash and cash equivalents at the end of the period	30,642	10,930	30,642	10,930
OPERATIONS				
Order backlog at the end of the period (USD million)(1)(4)	76.0	13.8	76.0	13.8
Average full-time equivalent employees during the period (2)(5)	462	423	452	307
Average billing ratio during the period(3)(5)	72%	69%	72%	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.

(4) Order backlog figure including LOC Group
(5) Figures excluding LOC Group

GROUP FINANCIAL REVIEW

(Figures in brackets represent same period prior year or balance sheet date as of 30th September 2020. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period).

Group results

The acquisition of LOC Group ("LOC") was consolidated in AqualisBraemar LOC's consolidated accounts as of 31st December 2020. For more information about the LOC acquisition, please see note 8. The acquisition of Braemar Technical Services ("BTS") was consolidated as of 30th June 2019.

Total operating revenues increased by 4% to USD 19.6 million in Q4 2020 (USD 18.8 million in Q4 2019). The increase in revenues was primarily driven by increased activity in the Renewables segment, which increased revenues by 47% in Q4 2020 compared to Q4 2019.

The total operating revenues were USD 77.0 million in 2020 (USD 54.8 million in 2019). The increase in revenues and otherwise from 2019 to 2020 is primarily driven by the full year effect of the BTS acquisition, as well as 59% organic growth in the Renewables segment.

Staff costs increased by 12% to USD 11.0 million in Q4 2020 (USD 9.8 million in Q4 2019). Other operating expenses increased by 4% to USD 8.7 million in Q4 2020 (USD 8.3 million in Q4 2019). The increase in other operating costs is primarily driven by transaction costs related to the LOC acquisition.

Total operating expenses were USD 74.1 million in 2020 (USD 55.1 million in 2019).

Operating loss (EBIT) amounted to USD 0.4 million in Q4 2020 (USD 0.4 million profit in Q4 2019). Adjusted EBIT amounted to USD 1.0 million in Q4 2020 (USD 0.5 million in Q4 2019). The adjustments primarily relate to transaction costs in connection with the LOC acquisition.

EBIT amounted to profit of USD 2.9 million in 2020 (loss of USD 0.3 million in 2019). Adjusted EBIT amounted to USD 4.8 million in 2020 (USD 1.3 million in 2019).

The billing ratio for technical staff (including subcontractors) was 72% in Q4 2020, compared to 69% in Q4 2019.

Finance income was negative by USD 0.8m due to reversal of previous accounting gains on Braemar warrants, driven by the amendments approved by the Extraordinary General Meeting on 14 December 2020.

Net currency loss of USD 1.1 million in Q4 2020 (loss of USD 0.2 million in Q4 2019) mainly represents unrealised loss on revaluation of bank accounts. The net currency losses were USD 0.6 million in 2020 (loss of USD 0.2 million in 2018).

Profit after taxes amounted to loss of USD 2.7 million in Q4 2020 (loss of USD 1.5 million in Q4 2019). Profit after taxes amounted to USD 1.5 million in 2020 (profit of USD 9.0 million in 2019).

Financial position and liquidity

At 31 December 2020, cash and cash equivalents amounted to USD 30.6 million, up from USD 14.1 million at 30 September 2020. The increase in cash and other balance sheet items is primarily due to the consolidation of LOC. The net working capital will fluctuate during the year with the type of projects, milestone payments and the overall revenues.

The lease liabilities increased to USD 4.9 million at 31 December 2020 up from USD 1.5 million at 30 September 2020. The lease liabilities are related to IFRS 16 recognition of long-term lease contracts for the company's offices worldwide.

The Board of Directors proposes a dividend to be paid during H1 2021 equal to 0.25 NOK per share, and for dividends to remain on a semi-annual schedule.

Order backlog

The order backlog at the end of Q4 2020 increased to USD 76.0 million compared with USD 28.3 million at the end of Q3 2020. The increase is primarily driven by the consolidation of LOC.

There is no backlog included for the existing AqualisBraemar 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 452 employees (full time equivalents, "FTEs"), including subcontractors at 100% utilisation basis, on average during Q4 2020 The equivalent number was 462 for Q3 2020. The reduction is driven by seasonal lower activity offshore for the European offshore wind industry.

If LOC has been consolidated during the quarter, the average number of employees would have been 881 on the same basis.

Health, safety, environment and quality

AqualisBraemar LOC'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.

During 2020, AqualisBraemar had no lost time incidents (LTI). Since the incorporation of Aqualis in 2014, the group has only had one LTI.

COVID-19 impacts

With offices across 39 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.

Despite the impact on activity levels as a result of the pandemic and related travel restrictions, as well as the oil price reduction and reduced oil and gas activity, revenue across the group has remained relatively stable in most segments compared to previous periods.

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 2020, the governments in some countries in which AqualisBraemar LOC 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 0.8 million during the year, which is recognised as a reversal of staff costs in the consolidated income statement. AqualisBraemar LOC has not seen 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 first half of 2021, 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

AqualisBraemar LOC's financial performance in 2021 will be driven by a combination of three key factors;

First, after acquiring BTS in 2019 and LOC in 2020, the size of the company has been quadrupled in 18 months from a revenue of USD 36m in 2018 to a proforma revenue of USD 140m in 2020. All three companies had offices in the major shipping and O&G hubs worldwide. We are now gradually taking out the synergies from these acquisitions. During 2021 ABL will consolidate offices in 18 locations worldwide and implementing one ERP system and management system in the group. Cost synergies from the LOC acquisition are expected to amount to USD 3.5 million on a running basis. Some integration costs must be expected, especially during the first half of 21.

Second, we plan to upgrade our back office and finance function both centrally and regionally. This is expected to continue to improve capital efficiency (working capital reduction and cash management) and improve performance of our business.

Third, the market situation is expected to contribute to topline growth in 2021. During 2020 most of the strong growth in our renewable business was offset by a relatively weak oil and gas market, plus travel restrictions and general slowdown in connection with the Covid-19 pandemic. For 2021 we expect a gradual normalization in terms of Covid-19 related disruptions, while both shipping and O&G markets are flattening out and gradually improving. An oil price of USD 60/bbl is expected to lead to more activity from the second half of the year.

Finally, as our Renewables segment grows its relative size of our revenue (18% of revenue in 2020 in total) the strong growth in this segment will be more important for our overall development. Our stated ambition is for renewables and sustainability oriented services to represent 50% of our business mix by 2025.

During 2020 we saw record investment decision in offshore wind, and with an increasing number of developers, new investors and new geographies, the consultancy market is expected to grow significantly in the short and long term.

Offshore E&P capex and rig activity, particularly in the jack-up segment, is expected to gradually recover from the second half of 2021. The current oil price above USD 60/bbl combined with a normalization of oil consumption during 2021 and 2022 is expected to normalize the business volume for the ABL's O&G segment. However, client behavior 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 LOC'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.

AqualisBraemar LOC will continue to be active in the consolidation/restructuring of our industry. The combination of Aqualis, BTS and LOC are significant steps, but our industry is still fragmented and highly competitive. AqualisBraemar LOC 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.

We are proposing a dividend of NOK 0.25 per share, corresponding to approximately USD 2.7 million. We also propose to continue with a semi-annual dividend schedule to further improve capital efficiency. If granted the requisite authorization at the AGM, the Board expects to resolve and declare an additional dividend during the second half of 2021 based on profitability and improved working capital.

Oslo, 24 February 2021

The Board of Directors of
AqualisBraemar LOC ASA

Condensed interim consolidated financial statements Q4 2020

USD thousands

Consolidated income statement	Notes	Q4 20	Q4 19	FY 20	FY 19
Revenue	4	19,565	18,785	77,015	54,792
Total revenue		**19,565**	**18,785**	**77,015**	**54,792**
Staff costs		(10,964)	(9,801)	(41,495)	(28,536)
Other operating expenses	5	(8,657)	(8,288)	(31,096)	(25,900)
Depreciation, amortisation and impairment		(360)	(252)	(1,477)	(690)
Operating profit (loss) (EBIT)	**4**	**(416)**	**444**	**2,946**	**(332)**
Finance income		(800)	(616)	254	79
Finance expenses		(24)	(563)	(125)	(625)
Net foreign exchange gain (loss)		(1,088)	(216)	(568)	(248)
Gain on bargain purchase		-	(41)	-	11,026
Profit (loss) before income tax		**(2,328)**	**(992)**	**2,507**	**9,900**
Income tax expenses		(363)	(458)	(993)	(863)
Profit (loss) after tax		**(2,691)**	**(1,450)**	**1,513**	**9,037**

Consolidated statement of other comprehensive income	Q4 20	Q4 19	FY 20	FY 19
Profit (loss) after tax	**(2,691)**	**(1,450)**	**1,513**	**9,037**
Other comprehensive income				
Currency translation differences	2,367	701	1,626	137
Income tax effect	30	(46)	30	(46)
Total comprehensive income for the period	**(293)**	**(795)**	**3,170**	**9,128**

Condensed interim consolidated financial statements Q4 2020

USD thousands

Consolidated balance sheet	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment		1,213	559
Right-of-use assets		4,707	2,376
Intangible assets	6	26,665	12,974
Deferred tax assets		1,395	447
Total non-current assets		**33,980**	**16,356**
Current assets			
Trade and other receivables	4 & 7	41,498	24,252
Contract assets	4 & 7	12,916	12,019
Cash and cash equivalents	4	30,642	10,930
Total current assets		**85,056**	**47,201**
Total assets		**119,036**	**63,557**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,276	1,018
Treasury shares		(41)	(41)
Share premium		67,080	55,051
Consideration shares	8	1,459	-
Share-based compensation reserve		897	580
Retained earnings		5,413	3,900
Foreign currency translation reserve		(11,487)	(13,144)
Total		**64,597**	**47,364**
Non-controlling interests		721	-
Total equity		**65,319**	**47,364**
Non-current liabilities			
Deferred tax liabilities		682	409
Long term borrowings	9	6,414	-
Lease liabilities		2,340	1,214
Provisions		4,407	2,809
Total non-current liabilities		**13,843**	**4,432**
Current liabilities			
Trade and other payables		26,989	9,487
Contract liabilities		757	719
Short term borrowings	9	8,669	-
Lease liabilities		2,552	1,184
Income tax payable		907	371
Total current liabilities		**39,874**	**11,761**
Total liabilities		**53,718**	**16,193**
Total equity and liabilities		**119,036**	**63,557**

Condensed interim consolidated financial statements Q4 2020

USD thousands

Consolidated statement of cash flows	Q4 20	Q4 19	FY 20	FY 19
Cash flow from operating activities				
Profit (loss) before taxes	(2,328)	(992)	2,507	9,900
Non-cash adjustment to reconcile profit before tax to cash flow:				
Non-cash employee benefits expense – share-based payments	83	7	317	13
Depreciation, amortisation and impairment	360	252	1,477	690
Increase (Decrease) in fair value of consideration warrants	874	575	(130)	575
Gain on bargain purchase	-	41	-	(11,026)
Changes in working capital:				
Changes in trade and other receivables	517	3,143	2,201	1,119
Changes in trade and other payables	2,675	(2,087)	2,499	(2,531)
Interest received	(1)	(22)	(18)	(46)
Income taxes paid	(764)	(346)	(1,190)	(847)
Unrealised effect of movements in exchange rates	1,297	(105)	811	(512)
Cash flow from (used in) operating activities	**2,712**	**469**	**8,474**	**(2,665)**
Cash flow from investing activities				
Payments for property, plant and equipment	(29)	(30)	(150)	(182)
Interest received	1	22	18	46
Net cash acquired (paid) on acquisition of subsidiaries	(14,606)	-	(14,619)	3,000
Cash flow from (used in) investing activities	**(14,634)**	**(8)**	**(14,751)**	**2,864**
Cash flow from financing activities				
Dividends paid to company's shareholders	(1,559)	-	(3,030)	-
Principal elements of lease payments	(225)	(246)	(1,096)	(501)
Proceeds from loans and borrowings	14,621	-	14,621	-
Proceeds from issuance of shares capital	15,317	-	15,317	5,812
Payments for shares bought back	-	(41)	-	(41)
Cash flow from (used in) financing activities	**28,154**	**(287)**	**25,811**	**5,270**
Net change in cash and cash equivalents	16,233	174	19,534	5,469
Cash and cash equivalents at the beginning of the period	14,123	10,670	10,930	5,454
Effect of movements in exchange rates	286	86	177	7
Cash and cash equivalents at the end of the period	**30,642**	**10,930**	**30,642**	**10,930**

Condensed interim consolidated financial statements
Q4 2020

USD thousands

Consolidated statement of changes in equity	Share capital	Treasury shares	Share premium	Consideration shares	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2019	690	-	42,670	-	567	(5,137)	(13,235)	25,555	-	25,555
Other comprehensive income	-	-	-	-	-	9,037	91	9,128	-	9,128
Cash-settled capital increase (net of transaction costs)	153	-	5,659	-	-	-	-	5,812	-	5,812
Issue of shares on acquisition	175	-	6,722	-	-	-	-	6,897	-	6,897
Acquisition of treasury shares	-	(41)	-	-	-	-	-	(41)	-	(41)
Share-based payment expenses	-	-	-	-	13	-	-	13	-	13
At 31 December 2019	**1,018**	**(41)**	**55,051**	**-**	**580**	**3,900**	**(13,144)**	**47,364**	**-**	**47,364**
At 1 January 2020	1,018	(41)	55,051	-	580	3,900	(13,144)	47,364	-	47,364
Other comprehensive income	-	-	-	-	-	1,513	1,657	3,170	-	3,170
Cash-settled capital increase (net of transaction costs)	258	-	15,058	-	-	-	-	15,317	-	15,317
Shares to be issued as part of the consideration on a acquisition of subsidiary	-	-	-	1,459	-	-	-	1,459	-	1,459
Dividends paid	-	-	(3,030)	-	-	-	-	(3,030)	-	(3,030)
Share-based payment expenses	-	-	-	-	317	-	-	317	-	317
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	721	721
At 31 December 2020	**1,276**	**(41)**	**67,080**	**1,459**	**897**	**5,413**	**(11,487)**	**64,598**	**721**	**65,319**

Condensed interim consolidated financial statements Q4 2020

Notes to the interim consolidated financial statements

1. Corporate information
AqualisBraemar LOC 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 LOC 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 31 December 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	Q4 20	Q4 19	FY 20	FY 19
Middle East	5,738	6,087	22,365	19,955
Asia Pacific	5,610	5,636	22,249	14,958
Europe	3,803	3,548	14,269	8,243
Americas	3,585	4,080	13,183	9,906
OWC	3,438	2,339	14,162	8,900
Eliminations	(2,609)	(2,905)	(9,214)	(7,168)
Total	**19,565**	**18,785**	**77,015**	**54,792**

Operating profit (loss) (EBIT)	Q4 20	Q4 19	FY 20	FY 19
Middle East	387	361	1,707	1,084
Asia Pacific	362	78	1,907	253
Europe	(32)	(205)	829	(404)
Americas	23	7	225	(135)
OWC	314	94	1,365	948
Corporate group costs	(1,470)	109	(3,087)	(2,079)
Total	**(416)**	**443**	**2,946**	**(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	31 December 2020		31 December 2019	
Trade receivables and contract assets	Trade receivables	Contract assets	Trade receivables	Contract assets
Middle East	6,408	1,991	5,648	2,577
Asia Pacific	8,400	4,401	6,207	3,435
Europe	9,961	2,411	3,719	2,325
Americas	7,606	2,803	3,868	1,961
OWC	481	1,309	356	1,721
Total	**32,856**	**12,916**	**19,799**	**12,019**

USD thousands

Cash and cash equivalents	31 December 2020	31 December 2019
Middle East	2,183	1,576
Asia Pacific	7,269	2,819
Europe	7,334	1,184
Americas	4,863	1,335
OWC	2,193	784
Corporate group	6,800	3,233
Total	**30,642**	**10,930**

5. Other operating expenses

USD thousands

Other operating expenses	Q4 20	Q4 19	FY 20	FY 19
Subcontractors cost	4,477	4,287	19,090	14,803
Office lease and maintenance expenses	303	407	1,270	1,240
Insurance cost	272	123	1,018	698
Cost of recharged expenses	690	454	1,857	1,677
Transaction costs related to acquisition	1,253	-	1,393	1,129
General and administrative expenses	1,662	3,017	6,468	6,353
Total	**8,657**	**8,288**	**31,096**	**25,900**

6. Intangible assets

USD thousands

Intangible assets	Goodwill	Customer relations	Total
Cost			
At 1 January 2020	18,681	-	18,681
Acquired through business combinations	10,006	3,561	13,567
Effect of movements in exchange rates	148	-	148
At 31 December 2020	**28,835**	**3,561**	**32,396**
Amortisation and impairment			
At 1 January 2020	5,707	-	5,707
Impairment losses	-	-	-
Effect of movements in exchange rates	24	-	24
At 31 December 2020	**5,731**	**-**	**5,731**
Net book value at 31 December 2020	**23,104**	**3,561**	**26,665**
Net book value at 31 December 2019	**12,974**	**-**	**12,974**

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 is as follows:

USD thousands

Cash Generating Units (CGUs)	31 December 2020	31 December 2019
Middle East	5,729	5,729
Asia Pacific	5,896	5,795
Europe	32	-
Americas	149	174
OWC	1,324	1,276
Unallocated (LOC acquisition)	9,974	-
Total	**23,104**	**12,974**

Goodwill arising from the acquisitions is attributable to workforce of the acquired businesses. The goodwill amounts have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

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.

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 LOC. 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 2021-2023. 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 6.8% to 10.3%, figures in brackets represent 2019
    - Asia Pacific and Americas (excluding Brazil): 6.8% (8.0%)
    - Middle East, Europe and OWC: 7.4% (8.6%)
    - Brazil: 10.3% (11.7%)
- A growth rate of 1.0% (2019 - 1.5%). 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 0.5%
- Increase WACC by 2 percentage points
- Reduce EBIT margin with 2% 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 1.6 million related to our Singapore offshore operations.

Future cash flows are uncertain as they are impacted by market developments beyond AqualisBraemar LOC's 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 LOC'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	31 December 2020	31 December 2019
Trade receivables		
Up to 3 months	22,538	12,809
3 to 6 months	4,281	3,729
6 to12 months	4,306	2,414
Over 12 months	1,731	847
Total trade receivables	**32,856**	**19,799**
Contract assets	12,916	12,019
Total	**45,771**	**31,818**

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. Business combinations
On 23 November 2020, the Company entered into a share purchase agreement regarding the acquisition of 100% of the shares in Neptune Midco 1 Limited, being the ultimate parent company of the LOC Group (the "**SPA**"). Completion of the Transaction took place on 21 December 2020.

The Transaction is an important step to implement the Company's stated strategy of growth through continued expansion in the rapidly growing offshore renewables industry. LOC Group has a strong and highly complementary footprint within the same industry, and is a perfect fit for the Company and its strategy, and will support the Company's ambition of consistently returning capital to its shareholders. The acquisition is expected to increase the Group's market share and reduce costs through economies of scale.

Details of the purchase consideration, the net assets acquired and excess value allocation are as follows:

The following table summarises fair value of purchase consideration:

Amounts in USD thousands	
Acquisition of external bank loans	12 537
Acquisition of shareholder loans	16 876
Contingent consideration warrants	1 459
Acquisition of 100% of the equity in the target	0
Total purchase consideration	**30 872**

The purchase price consideration consists of a combination of cash consideration and conditional warrants in the Company as follows:

(i) USD 20,200 thousand net cash consideration to previous shareholders adjusted for permitted leakage and certain other elements between signing and closing – adjusted final cash consideration was of USD 16,876 thousand
(ii) USD 12,537 thousand in repayment of external bank loans
(iii) GBP 1 for 100% of the equity in the target company
(iv) 1 million warrants, conditional on the Company's share price 18 months after completion being above NOK 7.5; and
(v) 1 million warrants, conditional on the Company's share price 36 months after completion being above NOK 10.0.

The warrants were issued on completion of the Transaction and will be exercisable in a short period following the expiry of the 18- and 36-month periods. The warrant condition thresholds are measured against the 60-day value weighted average price prior to the expiry of these periods. The exercise price will be NOK 0.10 per warrant, being the nominal value per Share of the Company.

The warrants have been valued at fair value using an asset-or-nothing call option derived from the Black & Scholes option pricing model. When pricing the subscription rights, the stock price of AqualisBraemar LOC ASA at the date of the transaction, 21 December 2020 was used. However, due to the rapid increase in the share price immediately after the announcement of the transaction, 23 November 2020, we used daily share prices prior to 22 November 2020 in the calculation of the stock's volatility.

According to IFRS 3.39 the acquirer shall recognise the acquisition date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Fair value is estimated in accordance with IFRS 13 and the guidance in IFRS 2 related to option-pricing models like Black & Scholes.

The following table summarizes the valuation of the warrants:

NOK	18 months	36 months
Stock price	8.9	8.9
Threshold price	7.5	10.0
Number of periods to exercise in years	1.5	3.0
Compounded Risk-Free interest rate	0.15%	0.21%
Standard deviation – annualized	75.41%	75.41%
Value of call option	**3.7**	**4.1**
Asset-or-nothing call option	**6.6**	**6.4**
Exercise price	0.10	0.10
Value of 1 warrant after exercise cost	6.5	6.3
Number of warrants	1 000 000	1 000 000
Value of warrants	**6 503 742**	**6 265 655**
USD/NOK at 21.12.2020	8.8	8.8
Value of warrants in USD	**743 259**	**716 050**

The acquisition should be accounted for as a business combination in accordance with IFRS 3. As of the acquisition date, the following assets and liabilities are realised:

USD thousands

Fair value of net assets acquired	
Property, plant and equipment	771
Right-of-use assets	3,472
Deferred tax assets	918
Trade and other receivables	16,938
Contract assets	3,019
Cash and cash equivalents	14,807
Interest bearing liabilities	(29,413)
Trade and other payables	(14,156)
Short term borrowings	(454)
Lease liabilities	(3,610)
Income tax payable	(461)
Deferred tax liabilities	(16)
Provisions	(2,636)
Net identifiable assets acquired	**(10,821)**
Non-controlling interests	(618)
Goodwill	-
Net assets acquired	**(11,439)**

USD thousands

Purchase consideration	
Cash paid	-
Contingent consideration warrants	1,459
Total purchase consideration	**1,459**

USD thousands

Excess value	
Fair value of identifiable net assets acquired	(11,439)
Less: purchase consideration	(1,459)
Excess value	**12,898**

USD thousands

Excess value allocated to:	
Goodwill	9,974
Customer relations	3,561
Non-controlling interest customer relations	(103)
Deferred tax	(534)
Total	**12,898**

We have identified USD 3,561 thousand in value which can be allocated to the customer relations, offset by deferred tax of USD 534 thousand.

While we have been able to allocate a part of the excess value to customer relations, the estimated value is relatively low. We consider the Company's revenues to be only partly related to customer relationships, the Company creates relatively low margins from its business, and the operations demands highly educated and skilled personnel. These items reduce the cash flows generated from the existing customer base and lowers the value of the customer relations.

We have not identified any excess value in the assets and liabilities already recognised in the balance sheet of LOC Group as per 31.12.2020

The purchase price exceeds the fair value of the identified net assets of the Company by USD 9,974 thousand, and the amount should be considered as goodwill.

Key assumptions are as follows:

- Customer relations discount factor – 25%
- Revenue growth existing customers – 2.0%

- Churn rate on customer relations – 10% (10 years linear)
- CAC's (Contributary asset charge):
    - Assembled workforce – 2.05%
    - Net working capital – 0.02%
    - Fixed assets – 0.19%
- Average NWC as a percentage to revenues – 11.8%
- Tax rate – 15%
- WACC 16.8%

LOC Group results
LOC was consolidated as of 31st December 2020, and as such did not have an impact on the AqualisBraemar's group results in the quarter.

In Q4 2020, LOC had total operating revenues of GBP 12.0 million, EBIT of GBP 6.7 million, and adjusted EBIT of GBP 0.3 million. In 2020, LOC had total operating revenues of GBP 48.7 million, EBIT of GBP 6.3 million, and adjusted EBIT of GBP 2.5 million. The differences between 2020 and Q4 2020 reported and adjusted EBIT for LOC are mainly from writebacks and extraordinary costs related to the acquisition.

All LOC figures are unaudited and based on LOC as a stand-alone group.

9. Nordea financing
To finance the acquisition of the LOC Group, the Company entered into a USD 15 million senior secured term loan facilities agreement with Nordea Bank Abp, filial i Norge ("**Nordea**"), dated 14 December 2020 (the "**Nordea Facility Agreement**").

The Nordea Facility Agreement consists of two facilities, (i) a term loan facility in the amount of USD 10 million (the "**Term Loan**"), and (ii) a revolving credit facility to be renewed annually in the amount of USD 5 million (the "**RCF**"), both with a maturity of three years, and the following financial covenants:

- Minimum EBITDA of USD 7 million on a rolling 12-month basis; and
- NIBD < 0 at all times.

Financial covenants are to be measured first time with respect to the financial quarter ending 30 June 2021, and thereafter on the last day of each financial quarter.

The interest on both loans is the relevant LIBOR (1,3 or 6 months at the borrower's discretion) plus a margin of 320 basis points. The term loan is to be repaid through 12 equal instalments on the last day of each financial quarter, the first time on 31 March 2021.

The Group's obligations under the Nordea Facility Agreement are guaranteed by the Company and certain material group companies.

10. 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	Q4 20	Q4 19	FY 20	FY 19
Operating profit (loss) (EBIT)	(416)	444	2,946	(332)
Depreciation, amortisation and impairment	360	252	1,477	690
Transaction costs related to M&A	1,253	-	1,393	1,129
Restructuring and integration costs	30	5	185	528
Other special items (incl. share-based expenses)	83	-	318	-
Adjusted EBITDA	**1,311**	**701**	**6,320**	**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	Q4 20	Q4 19	FY 20	FY 19
Operating profit (loss) (EBIT)	(416)	444	2,946	(332)
Transaction costs related to M&A	1,253	-	1,393	1,129
Restructuring and integration costs	30	5	185	528
Other special items (incl. share-based expenses)	83	-	318	-
Adjusted EBIT	**951**	**450**	**4,843**	**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	Q4 20	Q4 19	FY 20	FY 19
Profit (loss) after taxes	(2,691)	(1,450)	1,513	9,037
Transaction costs related to M&A	1,253	-	1,393	1,129
Restructuring and integration costs	30	5	185	528
Other special items (incl. share-based expenses)	83	-	318	-
Fair value adjustments	874	575	(130)	575
Gain on bargain purchase	-	41	-	(11,026)
Other finance income	-	661	-	-
Adjusted profit (loss) after taxes	**(451)**	**(167)**	**3,280**	**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)	Q4 20	Q4 19	FY 20	FY 19
Adjusted profit (loss) after taxes	(451)	(167)	3,280	243
Average total equity	34,077	48,138	34,240	36,459
ROE	**(1.3%)**	**(0.3%)**	**9.6%**	**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)	Q4 20	Q4 19	FY 20	FY 19
Adjusted EBIT	951	450	4,843	1,325
Total assets	119,036	63,557	119,036	63,557
Less: Non-interest bearing current liabilities	(28,653)	(10,578)	(28,653)	(10,578)
Capital employed	90,383	52,979	90,383	52,979
Average capital employed	**71,800**	**52,983**	**71,681**	**39,781**
ROCE	**1.3%**	**0.8%**	**6.8%**	**3.3%**

Order backlog
Order backlog is defined as the aggregate value of future work on signed customer contracts or letters of award. AqualisBraemar LOC'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	31 December 2020	31 December 2019
Working capital		
Trade and other receivables	41,498	24,252
Contract assets	12,916	12,019
Trade and other payables	(26,989)	(9,487)
Income tax payable	(907)	(371)
Contract liabilities	(757)	(719)
Net working capital	**25,760**	**25,693**
Average quarterly revenue over 2 quarters	35,062	18,371
Working capital ratio	**73%**	**140%**

AqualisBraemar LOC Group

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