Q4 report 2019

FOURTH QUARTER AND PRELIMINARY RESULTS 2019

HIGHLIGHTS Q4 2019

- Revenues of USD 18.8 million (Q3 2019: USD 18.0 million. Q4 2018: USD 19.6 million pro-forma combined, USD 9.8 million Aqualis stand-alone)
- Operating profit (EBIT) of USD 0.4 million (Q3 2019: USD -0.2 million. Q4 2018: USD 0.9 million Aqualis stand-alone)
- Billing ratio of 69%
- Quarterly improvement driven primarily by offshore activity in Middle East and Americas
- Integration progressing on track – cost synergy estimate of USD 2.5 million maintained
- Robust financial position with cash balance of USD 10.9 million
- Proposed dividend of NOK 0.2 per share, moving to semi-annual schedule

HIGHLIGHTS FULL YEAR 2019

- Fulfilled long term strategic goal to expand into insurance services through transformative acquisition of Braemar Technical Services (BTS), creating AqualisBraemar
- Pro-forma combined revenue of USD 73.4 million (2018: USD 76.0 million pro-forma combined, USD 36.2 million 2018 Aqualis stand-alone)
- Pro-forma combined adjusted EBIT of USD 0.7 million (2018: USD 1.2 million pro-forma combined)
- Weak start of 2019, but positive trend towards second half
- Continued strong growth in renewables – organic revenue growth of 46% year-on-year

David Wells, CEO of AqualisBraemar ASA ("AqualisBraemar" or the "Company") commented:
"2019 was an important and transformative year for AqualisBraemar. The acquisition of Braemar Technical Services roughly doubled the size of the company and improved our offering to our clients, who now benefit from a broader suite of services and increased geographical footprint. The transaction was also an important step forward to consolidate our industry. The integration is on track and progressing well quarter by quarter.

OWC, our renewables arm, had a strong year delivering annual organic revenue growth of 46%. We continue to see increasing demand for OWC's expertise and anticipate continued high growth in 2020, albeit at a lower rate than 2019.

In the fourth quarter, we saw improvements across most segments. Middle East and Americas delivered the highest sequential growth in revenue and EBIT, primarily driven by increased offshore activity.

The year has started positively across our businesses, but tail risk has increased due to COVID-19 and potential impact on economic activity. Activity in China will be significantly affected in the first half of the year.

Finally, we are happy to announce that the Board has proposed resuming dividend payments on a new semi-annual schedule. Our shareholders supported the Company in connection with the BTS transaction, and we are pleased to start paying back that trust."

KEY FIGURES

Amounts in USD thousands (except shares, backlog, employees)	Q4 19	Q4 18	FY 19	FY 18
FINANCIAL				
Total revenues	18,785	9,828	54,792	36,185
EBITDA(1)	696	892	357	2,813
Adjusted EBITDA(1)	701	892	2,015	2,522
Operating profit (loss) (EBIT)(1)	444	860	(332)	2,684
Adjusted EBIT(1)	450	860	1,325	2,393
Profit (loss) after taxes (1)	(1,495)	814	8,992	2,422
Adjusted profit (loss) after taxes (1)	(787)	814	(377)	2,131
Basic earnings per share (USD)	(0.02)	0.02	0.16	0.06
Adjusted basic earnings per share (USD)	(0.01)	0.02	(0.01)	0.05
Weighted average number of outstanding shares (thousands)	70,416	42,293	56,052	42,293
Cash and cash equivalents at the end of the period	10,930	5,454	10,930	5,454
OPERATIONS				
Order backlog at the end of the period (USD million)(1)	13.8	7.8	13.8	7.8
Average full-time equivalent employees during the period (2)	423	192	307	184
Average billing ratio during the period(3)	69%	84%	76%	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.

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 91% to USD 18.8 million in Q4 2019 (USD 9.8 million in Q4 2018). This increase in revenues and the corresponding increases in costs were primarily driven by the acquisition of BTS.

The total operating revenues were USD 54.8 million in 2019 (USD 36.2 million in 2018).

Payroll and related expenses increased by 142% to USD 9.8 million in Q4 2019 (USD 4.0 million in Q4 2018). Other operating expenses increased by 69% to USD 8.3 million in Q4 2019 (USD 4.9 million in Q4 2018). Subcontractor expenses increased by 29% to USD 4.3 million in Q4 2019 (USD 3.3 million in Q4 2018).

Operating expenses were USD 55.1 million in 2019 (USD 33.8 million in 2018).

Operating profit (EBIT) amounted to USD 0.4 million in Q4 2019 (USD 0.9 million in Q4 2018). Adjusted EBIT amounted to USD 0.5 million in Q4 2019 (US 0.9 million in Q4 2018).

EBIT amounted to loss of USD 0.3 million in 2019 (profit of USD 2.7 million in 2018). Adjusted EBIT amounted to USD 1.3 million in 2019 (USD 2.4 million in 2018). The reduction in EBIT and adjusted EBIT in Q4 2019 and 2019 is primarily driven by the consolidation of BTS.

The billing ratio for technical staff (including subcontractors) was 69% in Q4 2019, compared to 84% in Q4 2018. The primary driver of the lower utilisation is the consolidation of the Marine and Adjusting business streams from BTS, which have structurally lower utilisation due to low subcontractor use and a different methodology for calculating utilisation.

After the BTS transaction, the Group has received payment on various claims including indemnities against Braemar in respect of breaches of certain provisions of the sale and purchase agreement for amount totalling to USD 0.7 million, which was included in other financial income up to Q3 2019. In Q4 2019, the Group has reclassified such payments as an adjustment to the purchase consideration, leading to an equivalent non-cash reduction in other financial income in the quarter. The final purchase price allocation from the acquisition of BTS resulted in a gain from bargain purchase of USD 11.0 million which is included in the statement of profit and loss in 2019.

Finance expenses in Q4 2019 includes USD 0.6 million towards fair value adjustment of the warrants allocated to Braemar as part of the purchase consideration.

Net currency loss of USD 0.2 million in Q4 2019 (gain of USD 0.09 million in Q4 2018) mainly represents unrealised loss on revaluation of bank accounts. The net currency losses were USD 0.2 million in 2019 (gain of USD 0.0 million in 2018).

Profit after taxes amounted to loss of USD 1.5 million in Q4 2019 (profit of USD 0.8 million in Q4 2018). Profit after taxes amounted to USD 9.0 million in 2019 (profit of USD 2.4 million in 2018).

Pro-forma combined results
If BTS had been consolidated from 1st January 2018, total operating revenues would have decreased 4% to USD 18.8 million in Q4 2019 (USD 19.6 million in Q4 2018).

On an annual basis, total operating revenues would have decreased 3% to USD 73.4 million in 2019 (USD 76.0 million in 2018).

Adjusted EBIT would have amounted to USD 0.5 million in Q4 2019 (USD 0.6 million in Q4 2018) and USD 0.7 million in 2019 (USD 1.2 million in 2018).

Financial position and liquidity
At 31 December 2019, cash and cash equivalents amounted to USD 10.9 million, up from USD 10.7 million at 30 September 2019. 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 2.4 million at 31 December 2019 up from USD 2.2 million at 30 September 2019.

The Board of Directors proposes a dividend for 2019 equal to 0.20 NOK per share, and for dividends to move to a semi-annual schedule.

Order backlog
The order backlog at the end of Q4 2019 increased to USD 13.8 million compared with USD 12.7 million at the end of Q3 2019. There is no backlog included for the Marine or Adjusting business streams, as these businesses are primarily driven by incidents rather than long term contracts.

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

Organisational development
AqualisBraemar had 423 employees (full time equivalents, “FTEs”), including subcontractors at 100% utilisation basis, on average during Q4 2019 The equivalent number was 421 for Q3 2019.

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

During Q4 2019, AqualisBraemar had 1 lost time incident (LTI) during a vessel inspection in Vietnam. A full review of the incident has been conducted and key lessons have been distributed to all staff. This was the first lost time incident since the incorporation of Aqualis in 2014.

Outlook
AqualisBraemar’s financial performance will be driven by an enhanced service offering across our main business streams – renewables, offshore, marine and adjusting. The acquisition of BTS gives us 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.

Record volumes of offshore wind farms will start construction this year, with further growth expected through 2025. 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.

Our renewables business stream, marketed as OWC, is well positioned to take advantage of the growing market, and is actively expanding to capture growth opportunities in emerging offshore wind markets. Continued high growth is expected, albeit at a lower rate than in 2019 due to high utilization of current staff.

Offshore E&P capex and rig activity, particularly in the jack-up segment, is expected to continue the recovery in 2020. However, client behaviour across the oil and gas markets remains short term and demand visibility is hard to gauge.

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

The year has started positively across our businesses, but tail risk has increased due to COVID-19 and potential impact on economic activity. Activity in China will be significantly affected in the first half of the year.

The general availability of resources is noticeably tightening across all sectors with the availability of experienced marine consultants and adjusters is 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 aims to increase the subcontractor share to have flexibility to adapt more quickly to market changes.

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

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

During the initial AqualisBraemar integration phase, the company has maintained a larger liquidity buffer than normal. As the integration is on track and progressing well, the Group can repay some of this cash to shareholders. We are proposing a dividend of NOK 0.2 per share, corresponding to approximately USD 1.5 million. We also propose implementing a semi-annual dividend schedule to further improve capital efficiency. If granted the requisite authorisation at the AGM, the Board expects to resolve and declare an additional dividend during the second half of 2020 based on profitability and improved working capital.

Oslo, 26 February 2020

The Board of Directors of
AqualisBraemar ASA

Condensed interim consolidated financial statements Q4 2019

Consolidated Statement of Income

Amounts in USD thousands	Notes	Q4 19	Q4 18	FY 19	FY 18
Revenue	4	18,785	9,828	54,792	36,185
Total revenue		**18,785**	**9,828**	**54,792**	**36,185**
Payroll and payroll related expenses		(9,801)	(4,043)	(28,536)	(15,682)
Other operating expenses	5	(8,288)	(4,893)	(25,900)	(17,981)
Depreciation, amortisation and impairment		(252)	(32)	(690)	(129)
Share of net profit (loss) from associates		-	-	-	291
Operating profit (loss) (EBIT)	4	**444**	**860**	**(332)**	**2,684**
Gain on bargain purchase	6	(41)	-	11,026	-
Finance income		(616)	118	79	167
Finance expenses		(563)	1	(625)	-
Net foreign exchange gain (loss)		(216)	94	(248)	27
Profit (loss) before income tax		**(992)**	**1,073**	**9,900**	**2,878**
Income tax expenses		(503)	(259)	(908)	(456)
Profit (loss) for the period		**(1,495)**	**814**	**8,992**	**2,422**

Consolidated Statement of other Comprehensive Income

Amounts in USD thousands	Notes	Q4 19	Q4 18	FY 19	FY 18
Profit (loss) for the period		**(1,495)**	**814**	**8,992**	**2,422**
Other comprehensive income					
Currency translation differences		746	(189)	182	(511)
Income tax effect		(46)	(138)	(46)	(138)
Total comprehensive income		**(795)**	**487**	**9,128**	**1,773**
Profit attributable to:					
Equity holders of the parent company		(795)	487	9,128	1,773
Non-controlling interests		-	-	-	-
		(795)	**487**	**9,128**	**1,773**

Condensed interim consolidated financial statements Q4 2019

Consolidated Statement of Financial Position

Amounts in USD thousands	Notes	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment		2,935	141
Intangible assets	7	12,974	12,864
Deferred tax assets		447	7
Total non-current assets		**16,356**	**13,012**
Current assets			
Trade receivables	8	19,628	8,289
Contract assets	9	12,189	2,297
Other current assets		4,453	1,581
Cash and cash equivalents		10,930	5,454
Total current assets		**47,201**	**17,621**
Total assets		**63,557**	**30,633**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,018	690
Treasury shares		(41)	-
Share premium		55,051	42,670
Share-based compensation reserve		579	567
Retained earnings		3,855	(5,137)
Foreign currency translation reserve		(13,099)	(13,235)
Total equity		**47,364**	**25,555**
Non-current liabilities			
Deferred tax liabilities		409	314
Other non-current liabilities		4,023	713
Total non-current liabilities		**4,432**	**1,028**
Current liabilities			
Trade payables		3,372	1,352
Income tax payable		370	159
Contract liabilities		719	438
Other current liabilities		7,300	2,102
Total current liabilities		**11,761**	**4,051**
Total liabilities		**16,194**	**5,078**
Total equity and liabilities		**63,557**	**30,633**

Condensed interim consolidated financial statements Q4 2019

Consolidated Statement of Cash Flows

Amounts in USD thousands	Q4 19	Q4 18	FY 19	FY 18
Cash flow from operating activities				
Profit (loss) before taxes	**(992)**	**1,073**	**9,900**	**2,878**
Non-cash adjustment to reconcile profit before tax to cash flow:				
Non-cash employee benefits expense – share-based payments	7	1	13	4
Depreciation, amortisation and impairment	252	32	690	129
Gain on bargain purchase	41	-	(11,026)	-
Loss (Gain) on remeasurement of contingent consideration	575	-	575	-
Share of net profit (loss) from associates	-	-	-	(291)
Changes in working capital:				
Changes in trade receivables and trade payables	(1,418)	(1,156)	1,012	(939)
Changes in other assets and other liabilities	2,474	(23)	(2,424)	(943)
Interest received	(22)	(7)	(46)	(47)
Income taxes paid	(346)	(100)	(847)	(294)
Net exchange differences	(105)	(107)	(512)	(185)
Cash flow from (used in) operating activities	**469**	**(287)**	**(2,665)**	**312**
Cash flow from investing activities				
Payments for property, plant and equipment	(30)	(18)	(182)	(124)
Interest received	22	7	46	47
Payment for acquisition of subsidiary, net of cash acquired	-	-	3,000	-
Proceeds from sale of investment in associates	-	-	-	291
Cash flow from (used in) investing activities	**(8)**	**(11)**	**2,864**	**214**
Cash flow from financing activities				
Proceeds from issues of shares	-	-	5,812	-
Principal elements of lease payments	(246)	-	(501)	-
Payments for shares bought back	(41)	-	(41)	-
Dividends paid to company's shareholders	-	-	-	(4,674)
Cash flow from (used in) financing activities	**(287)**	**-**	**5,270**	**(4,674)**
Net change in cash and cash equivalents	**174**	**(298)**	**5,469**	**(4,148)**
Cash and cash equivalents at the beginning of the period	10,670	5,814	5,454	9,709
Effect of movements in exchange rates	86	(62)	7	(107)
Cash and cash equivalents at the end of the period	**10,930**	**5,454**	**10,930**	**5,454**

Condensed interim consolidated financial statements Q4 2019

Consolidated Statement of Changes in Equity

Amounts in USD thousands	Share capital	Treasury shares	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**
Other comprehensive income	-	-	-	-	2,422	(648)	1,773
Dividends paid	-	-	(4,674)	-	-	-	(4,674)
Share-based payment expenses	-	-	-	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**
Other comprehensive income	-	-	-	-	8,992	136	9,128
Contributions of equity net of transaction costs	153	-	5,659	-	-	-	5,812
Issue of shares on acquisition	175		6,722	-	-	-	6,897
Acquisition of treasury shares	-	(41)	-	-	-	-	(41)
Share-based payment expenses	-	-	-	13	-	-	13
As at 31 December 2019	**1,018**	**(41)**	**55,051**	**579**	**3,855**	**(13,099)**	**47,363**

Condensed interim consolidated financial statements Q4 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 31 December 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 including estimation of fair values of contingent purchase consideration in a business combination.

4. Segment information

The Group's businesses are managed by each geographical regions aside from OWC entities which are managed seperately. This is the basis for the five reportable segment of the Group. 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 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 different geographical regions and OWC entities. Eliminations reflects the eliminations of intra-group revenue to the extent that these arise between the regions and OWC entities.

Amounts in USD thousands	Q4 19	Q4 18	FY 19	FY 18
Revenue				
Middle East	6,087	4,928	19,955	17,796
Asia Pacific	5,636	1,987	14,958	7,358
Europe	3,548	672	8,243	3,045
Americas	4,080	890	9,906	4,392
OWC entities	2,339	2,040	8,900	6,095
Eliminations	(2,905)	(690)	(7,168)	(2,502)
Total	**18,785**	**9,828**	**54,792**	**36,185**
Operating profit (loss) (EBIT)				
Middle East	444	545	1,168	2,068
Asia Pacific	130	348	304	726
Europe	(188)	(91)	(387)	(409)
Americas	38	(14)	(104)	362
OWC entities	164	217	1,018	220
Corporate group costs	(145)	(144)	(2,332)	(574)
Share of net profit (loss) from associates	-	-	-	291
Total	**443**	**861**	**(333)**	**2,684**

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

Amounts in USD thousands	31.12.2019	31.12.2018
Trade receivables		
Middle East	6,960	5,049
Asia Pacific	7,697	1,692
Europe	4,440	478
Americas	4,461	1,044
OWC entities	366	469
Loss allowance	(4,296)	(442)
Total	**19,628**	**8,289**
Cash and cash equivalents		
Middle East	1,576	747
Asia Pacific	2,819	1,277
Europe	1,184	322
Americas	1,335	446
OWC entities	784	779
Corporate group	3,233	1,882
Total	**10,930**	**5,454**

5. Other operating expenses

Amounts in USD thousands	Q4 19	Q4 18	FY 19	FY 18
Subcontractors cost	4,287	3,326	14,803	12,375
Office lease and maintenance expenses	407	264	1,240	992
Insurance cost	123	86	698	426
Cost of recharged expenses	454	511	1,677	1,680
Transaction costs related to acquisition	-	-	1,129	-
General and administrative expenses	3,017	705	6,353	2,508
Total	**8,288**	**4,892**	**25,900**	**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 streams (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 initial 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	Initial fair value	Adjustments	Adjusted fair value
Property, plant and equipment	2,723	-	2,723
Deferred tax assets	554	-	554
Trade receivables	12,117	(283)	11,833
Contract assets	9,461	(220)	9,241
Other current assets	3,645	(57)	3,587
Cash and cash equivalents	3,000	-	3,000
Trade payables	(1,785)	-	(1,785)
Other current liabilities	(8,697)	(141)	(8,838)
Other non-current liabilities	(1,528)	-	(1,528)
Net identifiable assets acquired	**19,491**	**(702)**	**18,789**
Non-controlling interest	-	-	-
Goodwill	-	-	-
Net assets acquired	**19,491**	**(702)**	**18,789**
Shares issued	6,895	-	6,895
Contingent consideration	955	-	955
Warranty claims received	-	(661)	(661)
Total purchase consideration	**7,850**	**(661)**	**7,189**
Gain on bargain purchase	**11,641**	**(41)**	**11,600**
Cash paid	-	-	-
Cash acquired	3,000	-	3,000
Net inflow of cash – investing activities	**3,000**	**-**	**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 initial purchase consideration was lower than the fair value of the acquired net assets (equity), the initial purchase price allocation resulted in gain from bargain purchase of USD 11.1 million recognised in the consolidated income statement in Q2 2019.

In Q4 2019, the Group has received various claims including indemnities against Braemar in respect of breaches of certain provisions of the sale and purchase agreement for amount totalling to USD 0.7 million which was reduced from the initial purchase consideration.

In Q4 2019 the fair value of certain assets were re-estimated and adjusted for amount totalling to USD 0.7 million for differences in the accounting policies between the group and subsidiaries that would have been applied on the date of acquisition.

There was no significant difference in the initial gain recognised on bargain purchase considering above adjustments in purchase price allocation.

Acquisition transaction costs
Acquisition related transaction costs of USD 1.1 million that were not directly attributable to the issue of shares are included in other operating expenses in the consolidated statement of income in 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	48	48
As at 31 December 2019	**18,681**	**18,681**
Amortisation and impariment		
As at 1 January 2019	5,769	5,769
Effect of movements in exchange rates	(62)	(62)
As at 31 December 2019	**5,708**	**5,708**
Net book value at 31 December 2019	**12,973**	**12,973**

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	31.12.2019	31.12.2018
Trade receivables		
Less than 3 months	12,942	6,390
3 to 6 months	3,809	1,238
6 to12 months	2,502	355
Over 1 years	1,267	336
Over 2 years	3,403	412
Loss allowance	(4,296)	(442)
Total	**19,628**	**8,289**

9. Contract assets

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.

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.

Amounts in USD thousands	Q4 19	Q4 18	FY 19	FY 18
Operating profit (loss) (EBIT)	**444**	**860**	**(332)**	**2,684**
Depreciation, amortisation and impairment	252	32	690	129
Transaction costs related to acquisition	-	-	1,129	-
Restructuring and integration costs	5	-	528	-
Share of net profit (loss) from associates	-	-	-	(291)
Adjusted EBITDA	**701**	**892**	**2,015**	**2,522**

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.

Amounts in USD thousands	Q4 19	Q4 18	FY 19	FY 18
Operating profit (loss) (EBIT)	**444**	**860**	**(332)**	**2,684**
Transaction costs related to acquisition	-	-	1,129	-
Restructuring and integration costs	5	-	528	-
Share of net profit (loss) from associates	-	-	-	(291)
Adjusted EBIT	**450**	**860**	**1,325**	**2,393**

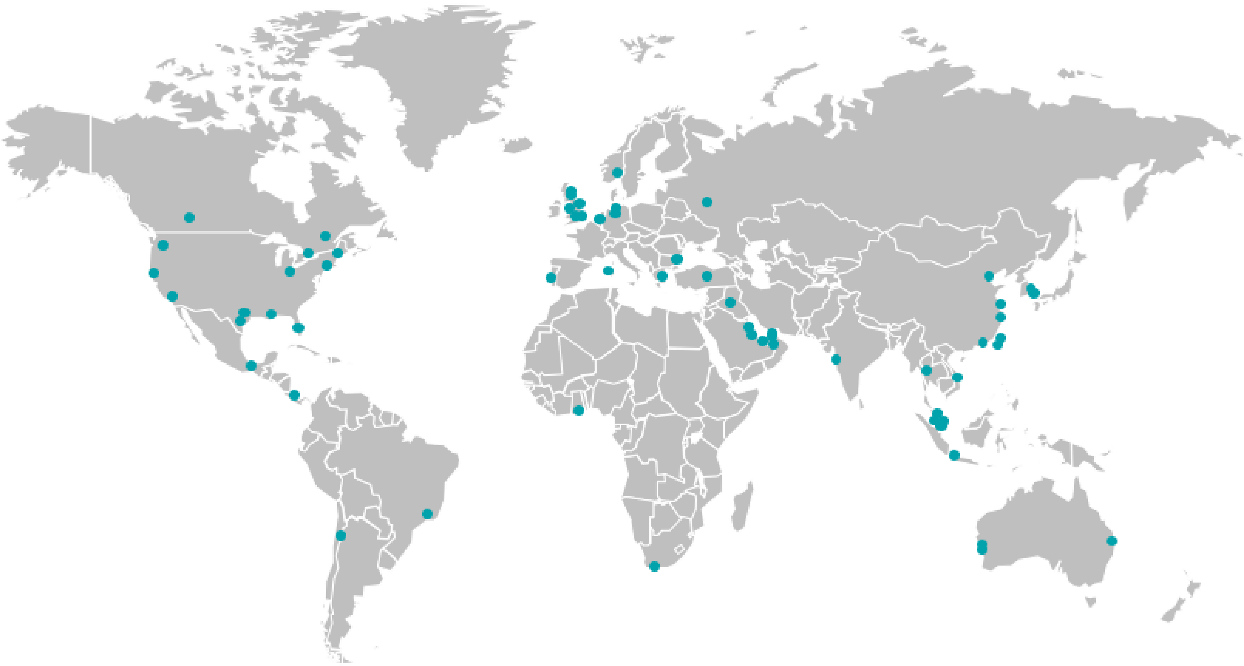
Adjusted profit (loss) after taxes
Adjusted profit (loss) after taxes which excludes amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs and certain finance income is a useful measure because it provides 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.

Amounts in USD thousands	Q4 19	Q4 18	FY 19	FY 18
Profit (loss) after taxes	**(1,495)**	**814**	**8,992**	**2,422**
Transaction costs related to acquisition	-	-	1,129	-
Restructuring and integration costs	5	-	528	-
Gain on bargain purchase	41	-	(11,026)	-
Other finance income	661	-	-	-
Share of net profit (loss) from associates	-	-	-	(291)
Adjusted profit (loss) after taxes	**(787)**	**814**	**(377)**	**2,131**

Order backlog
Order backlog is defined as the aggregate value of future work on signed customer contracts or letters of award. AqualisBraemar's services are shifting towards "call-out contracts" which are driven by day-to-day operational requirements. An estimate for backlog on "call-out contracts" are only included in the order backlog when reliable estimates are available. Management believes that the order backlog is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Working capital and working capital ratio
Working capital is a measure of the current capital tied up in operations. The amount of working capital will normally be dependent on the revenues earned over the past quarters. Working capital includes trade receivables, contact assets and other current assets, trade payables, current tax payable, contract liabilities and other current liabilities. Working capital may not be comparable to other similarly titled measures from other companies. Working capital ratio provides an indication of the working capital tied up relative to the average quarterly revenue over the past two quarters.

Amounts in USD thousands	31.12.2019	31.12.2018
Working capital		
Trade receivables	19,628	8,289
Contract assets	12,189	2,297
Other current assets	4,453	1,581
Trade payables	(3,372)	(1,352)
Income tax payable	(370)	(159)
Contract liabilities	(719)	(438)
Other current liabilities	(6,116)	(2,102)
Total	**25,694**	**8,116**



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