



Veritas Petroleum
Services B.V.

Quarterly report

30 September
2016



Q3 2016 Update from the board of directors

Financial performance

Veritas Petroleum Services B.V. and its subsidiaries, hereafter “the Group”, faced a challenging quarter in comparison to prior year. The main driver for the lower performance is the price pressure. The testing volumes remained fairly stable where the quantity surveys are still showing solid growth. The expenses showed a decline versus the same quarter last year as a result of the continuous focus on cost improvements.

The *reported exceptional* expenses are limited to 10% of adjusted EBITDA. However the Q3 *actual exceptional* expenses are amounting to USD 981 thousand and YTD Q3 USD 2,310 thousand (Q3 2015: 596 thousand; YTD Q3 2015: 1,421 thousand).

The exceptional expenses include oa. the one off impact of the implementation of the cost reduction program.

Adjusted for these one-off expenses, the Group’s Q3 Adjusted EBITDA showed the figures in tabulated format (see next page).

The Group closed Q3 2016 performance with a net loss of USD 668 thousand (Q3 2015: net profit of USD 386 thousand) which is

mainly driven by the exceptional items and underlying by the decrease in revenues due to price pressure, offset by cost improvements.

The operating cash flow per YTD Q3 was USD 1,638 thousand negative. Corrected for actual exceptional expenses the cash flow amounts to USD 672 thousand positive (YTD Q3 2015: 3,860 positive), showing a decrease which is mainly as a result of decreased performance, Bond buy-back and temporary increased working capital.

Group Management expects in 2017 the full year impact of costs measures taken in 2016 and continues to focus on cost improvements in Q4 and in 2017. The Group is also actively pursuing a number of M&A targets to improve EBITDA and is continuously assessing its overall financing structure.

Organizational changes

Per 1 July Steve Bee started as Commercial Director and will focus on improving our top line performance.

Stan Peeters
CFO VPS Group

Condensed consolidated interim statement of profit or loss and other comprehensive income

For the quarter ended 30 September

| <i>In thousands of USD</i> | Q3 2016 (Unaudited) | Q3 2015 (Unaudited) * | YTD 2016 (Unaudited) | YTD 2015 (Unaudited) * |
|-----------------------------|------------------------|--------------------------|-------------------------|---------------------------|
| Revenues | 11,768 | 13,048 | 36,565 | 39,284 |
| Payroll expenses | (5,920) | (5,451) | (17,796) | (16,943) |
| Other operating expenses | (3,416) | (3,836) | (10,091) | (11,303) |
| | (9,336) | (9,287) | (27,887) | (28,246) |
| EBITDA **) | 2,432 | 3,761 | 8,678 | 11,038 |
| Depreciation & amortisation | (1,442) | (1,381) | (4,311) | (4,173) |
| Exceptional expenses **) | (243) | (376) | (868) | (1,103) |
| Operating profit | 747 | 2,004 | 3,499 | 5,762 |
| Interest income | 90 | - | 267 | 2 |
| Interest expense | (1,448) | (1,427) | (4,322) | (4,287) |
| Other financial expenses | (218) | (333) | (463) | (1,020) |
| Net Finance Costs | (1,576) | (1,760) | (4,518) | (5,305) |
| Result before tax | (829) | 244 | (1,019) | 457 |
| Tax expenses | 161 | 142 | 457 | 93 |
| Result after tax | (668) | 386 | (562) | 550 |



The EBITDA and exceptional expenses according to the Company's management reporting is as follows:

| | | | | |
|--------------------------------------|-------|-------|---------|---------|
| EBITDA (mgt reporting) | 3,170 | 3,981 | 10,120 | 11,356 |
| Exceptional expenses (mgt reporting) | (981) | (596) | (2,310) | (1,421) |

*) See note 4 for details on restatement of 2015 results

***) In accordance with the bond agreement.

The explanatory notes on pages 8 till 13 are integral part of these (unaudited) condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

Balance Sheet - Assets

| <i>In thousands of USD</i> | 30 September 2016 (Unaudited) | 30 September 2015 (Unaudited) *) | 31 December 2015 (Audited) | Comments |
|--------------------------------|----------------------------------|-------------------------------------|-------------------------------|---|
| Intangible Assets | 44,163 | 47,516 | 46,849 | Trade Debtors and services to be invoiced have been impacted by the implementation of a new ERP system and the transfer of Shared Service activities to Rotterdam. We expect these balances to go back to the normal level by the end of the year |
| Goodwill | 64,258 | 64,258 | 64,258 | |
| Total Intangible Assets | 108,421 | 111,774 | 111,107 | |
| Tangible Fixed Assets | 13,046 | 13,194 | 13,351 | |
| Financial Fixed assets | 291 | 497 | 290 | |
| Total Fixed Assets | 121,758 | 125,465 | 124,748 | |
| Trade Debtors | 6,314 | 6,146 | 5,212 | Cash in bank has been impacted by USD 5,000 thousand bond buy-backs |
| Services to be invoiced | 3,412 | 3,065 | 3,451 | |
| Other Current Assets | 1,447 | 916 | 1,043 | |
| Cash & Banks | 8,503 | 13,162 | 12,614 | |
| Total Current Assets | 19,676 | 23,289 | 22,320 | |
| Total Assets | 141,434 | 148,754 | 147,068 | |

*) See note 4 for details on restatement between Q3 2015 reporting and restated Q3 2015 figures

The explanatory notes on pages 8 till 13 are integral part of these (unaudited) condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

Balance Sheet - Equity & Liabilities

| <i>In thousands of USD</i> | 30 September 2016 (Unaudited) | 30 September 2015 (Unaudited) *) | 31 December 2015 (Audited) | Comments |
|---------------------------------------|----------------------------------|-------------------------------------|-------------------------------|---|
| Share Capital | 6,300 | 6,300 | 6,300 | |
| Share Premium | 56,700 | 56,700 | 56,700 | |
| Free reserves/unrecovered loss | (11,208) | (11,624) | (11,612) | Bond value impacted by USD 5,000 thousand buy backs |
| Current year result | (562) | 550 | 404 | |
| Total Equity | 51,230 | 51,926 | 51,792 | |
| Shareholder Loan | 9,365 | 8,512 | 8,719 | Short term liabilities impacted by less accruals in 2016 (2015 relatively high level of accruals related to exceptional items) and less customers that pay in advance (payment in advance results in short term liability). |
| Bond | 63,764 | 68,954 | 64,797 | |
| Employee Benefits | 418 | 339 | 397 | |
| Deferred Tax | 11,600 | 12,163 | 12,188 | |
| Non-current Liabilities | 85,147 | 89,968 | 86,101 | |
| Trade Creditors | 1,086 | 958 | 1,668 | |
| Tax payable | - | 515 | 1,239 | |
| Other Short Term Liabilities | 3,971 | 5,387 | 6,268 | |
| Current Liabilities | 5,057 | 6,860 | 9,175 | |
| Total Liabilities | 90,204 | 96,828 | 95,276 | |
| Total Equity & Liabilities | 141,434 | 148,754 | 147,068 | |

*) See note 4 for details on restatement between Q3 2015 reporting and restated Q3 2015 figures

The explanatory notes on pages 8 till 13 are integral part of these (unaudited) condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

For the quarter ended 30 September

| <i>In thousands of USD</i> | Equity |
|---|---------------|
| Balance at 31 December 2015 (audited) | 51,792 |
| Result for the period | (562) |
| Other Comprehensive Income | - |
| Balance at 30 September 2016 (unaudited) | 51,230 |
| Balance at 31 December 2014 (audited) | 51,376 |
| Result for the period | 550 |
| Other Comprehensive Income | - |
| Balance at 30 September 2015 (unaudited) | 51,926 |



The explanatory notes on pages 8 till 13 are integral part of these (unaudited) condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the quarter ended 30 September

| <i>In thousands of USD</i> | Ytd 2016 (Unaudited) | Ytd 2015 (Unaudited) *) |
|---|-------------------------|----------------------------|
| <i>Cash flow from operating activities</i> | | |
| Profit before tax | (1,019) | 457 |
| Cash generated from operating activities | (619) | 2,439 |
| Net cash from operating activities | (1,638) | 2,896 |
| Net cash used in investing activities | (1,321) | (1,282) |
| Net cash used in financing activities | (1,152) | - |
| Change in cash and cash equivalents | (4,111) | 1,614 |
| Cash and cash equivalents at 31 December prior year | 12,614 | 11,548 |
| Cash and cash equivalents at 30 September | 8,503 | 13,162 |

*) See note 4 for details on restatement between Q3 2015 reporting and unaudited figures 2015



The explanatory notes on pages 8 till 13 are integral part of these (unaudited) condensed consolidated interim financial statements.

Explanatory notes to condensed consolidated interim financial statements

1. Reporting entity

Veritas Petroleum Services B.V. is a company domiciled in The Netherlands. The condensed consolidated interim financial statements of the Company as at and for the nine months ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the Group). The Group primarily provides testing and survey services to the Maritime industry.

2. Basis of accounting

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 *Interim financial reporting*. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

This condensed consolidated interim financial statement was authorised for issue by the Company's Board of Management on 29 November 2016.

3. Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions 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 that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

4. Restatement of 2015 quarterly reports

The results presented for the period ending 30 September 2015 are different from what was published last year. The 2015 quarterly results were prepared with the best knowledge available at that time but in the course of 2015 better insight has developed as a result of amongst others compliance with IFRS reporting and annual closing 2015. The 2015 quarterly results have been changed accordingly for comparison purposes. An overview of the differences is presented below.

Explanatory notes to condensed consolidated interim financial statements

| <i>In thousands of USD</i> | YTD 30 September 2015 as reported November 2015 (Unaudited) | Restatements / Adjustments (Unaudited) | YTD 30 September 2015 Restated (Unaudited) | Comments |
|-----------------------------|---|--|---|--|
| Revenues | 39,284 | - | 39,284 | |
| Payroll expenses | (17,185) | 242 | (16,943) | Reclassification exceptional items |
| Other operating expenses | (11,599) | 296 | (11,303) | Reclassification funding costs and exceptional items |
| | (28,784) | 538 | (28,246) | |
| EBITDA | 10,500 | 538 | 11,038 | |
| Depreciation & amortisation | (4,173) | - | (4,173) | |
| Known exceptional items | (953) | (150) | (1,103) | Reclassification exceptional items |
| Operating profit | 5,374 | 388 | 5,762 | |
| Interest income | 2 | - | 2 | |
| Interest expense | (4,287) | - | (4,287) | |
| Other financial expenses | (632) | (388) | (1,020) | Reclassification funding costs |
| Net Finance Costs | (4,917) | (388) | (5,305) | |
| Result before tax | 457 | - | 457 | |
| Tax expenses | 93 | - | 93 | |
| Result after tax | 550 | - | 550 | |

Explanatory notes to condensed consolidated interim financial statements

| <i>In thousands of USD</i> | 30 September 2015 as reported November 2015 (Unaudited) | Restatements / Adjustments (Unaudited) | 30 September 2015 Restated (Unaudited) | Comments |
|--------------------------------|--|--|--|---------------------------------------|
| Intangible Assets | 43,933 | 3,583 | 47,516 | Reclassification Software investments |
| Goodwill | 64,258 | - | 64,258 | |
| Total Intangible Assets | 108,191 | 3,583 | 111,774 | |
| Tangible Fixed Assets | 16,777 | (3,583) | 13,194 | Reclassification Software investments |
| Financial Fixed assets | 497 | - | 497 | |
| Total Fixed Assets | 125,465 | - | 125,465 | |
| Trade Debtors | 6,146 | - | 6,146 | |
| Work in Progress | 3,065 | - | 3,065 | |
| Other Current Assets | 510 | 406 | 916 | Reclassification VAT |
| Cash & Banks | 13,162 | - | 13,162 | |
| Total Current Assets | 22,883 | 406 | 23,289 | |
| Total Assets | 148,348 | 406 | 148,754 | |

Explanatory notes to condensed consolidated interim financial statements

| <i>In thousands of USD</i> | 30 September 2015 as reported November 2015 (Unaudited) | Restatements / Adjustments (Unaudited) | 30 September 2015 Restated (Unaudited) | Comments |
|---------------------------------------|--|--|--|----------------------|
| Share Capital | 6,300 | - | 6,300 | |
| Share Premium | 56,700 | - | 56,700 | |
| Free reserves/unrecovered loss | (11,624) | - | (11,624) | |
| Current year result | 550 | - | 550 | |
| Total Equity | 51,926 | - | 51,926 | |
| Shareholder Loan | 8,512 | - | 8,512 | |
| Bond | 68,954 | - | 68,954 | |
| Employee Benefits | 339 | - | 339 | |
| Deferred Tax | 12,163 | - | 12,163 | |
| Non-current Liabilities | 89,968 | - | 89,968 | |
| Trade Creditors | 958 | - | 958 | |
| Tax payable | 109 | 406 | 515 | Reclassification VAT |
| Other Short Term Liabilities | 5,387 | - | 5,387 | |
| Current Liabilities | 6,454 | 406 | 6,860 | |
| Total Liabilities | 96,422 | 406 | 96,828 | |
| Total Equity & Liabilities | 148,348 | 406 | 148,754 | |

Explanatory notes to condensed consolidated interim financial statements

5. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2015. The following new or amended standards, which became effective in 2016, are not expected to have a significant impact on the Group's financial performance or disclosure:

- Amendments resulting from Annual Improvements to IFRSs 2014 cycle

The Group is assessing the potential impact on its financial performance or disclosure resulting from application of IFRS 9, IFRS 15 and IFRS 16.

6. Operating segments

The Group considers its activities as one segment in relation to the disclosure requirements of IFRS 8 Segment reporting.

7. Tax Expense

Tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The Group's consolidated average tax rate is in respect of continuing operations for the nine months ended 30 September 2016 22% (nine months ended 30 September 2015: 23%).

8. Loan Covenants

The Group needs to be compliant with the stipulations in the loan covenant requirements of the bond agreement. As per 30 September 2016 the Group meets the requirements of the loan covenant as stipulated in the bond agreement.

Explanatory notes to condensed consolidated interim financial statements

9. Net finance costs

The change in net finance costs is mainly caused by the borrowing structure of the Group, partly offset by an decrease of currency exchange results, amortised costs for the bond loan and gains resulted from the bond buy-back. Starting 2016 the interest income bond buy-back concerns the income in interest as result of the bond buy back in 2015 and Q1 2016. The net finance costs of the Group is as follows.

| <i>In thousands of USD</i> | Q3 2016 (Unaudited) | Q3 2015 (Unaudited) * | YTD 2016 (Unaudited) | YTD 2015 (Unaudited) * |
|-------------------------------------|------------------------|--------------------------|-------------------------|---------------------------|
| Interest costs shareholdersloan 10% | (223) | (202) | (647) | (586) |
| Interest cost bond loan 7% | (1,225) | (1,225) | (3,675) | (3,675) |
| Interest income bond buy-back | 88 | - | 263 | - |
| Net currency exchange effects | (3) | 34 | 64 | (32) |
| Other financial income (expense) | (213) | (367) | (523) | (1,012) |
| Net finance costs | (1,576) | (1,760) | (4,518) | (5,305) |

*) See note 4 for details on restatement of 2015 results

10. Subsequent events

There have been no subsequent events between the period ending 30 September 2016 and the release for publication of these consolidated interim financial statements on 29 November 2016.

About the Group

Previously known as DNV Petroleum Services, Veritas Petroleum Services (VPS) delivers testing, inspection and advisory solutions that help customers achieve measurable improvements to fuel management, fuel cost, operational efficiency and compliance with marine fuel regulatory requirements. In close collaboration with the industry, the company introduced the first commercial bunker fuel testing and bunker quantity surveys for ships in 1981 and 1987, respectively.

VPS operates a global network of customer service offices supported round-the-clock by technical experts and four specialized and wholly-owned ISO 17025 accredited fuel testing laboratories strategically located in Rotterdam, Singapore, Houston and Fujairah. Its bunker quantity surveys are available at more than 200 key bunkering ports worldwide.

Company contact

Investor relations

For further information about the VPS group, see our website www.v-p-s.com/investorrelations or contact Stan Peeters at +31(0) 180 221 100 or e-mail at Stan.Peeters@v-p-s.com.

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