Aurelia Energy N.V.

Quarterly report

For the period ended December 31, 2018

FPSO Aoka Mizu

Results and main developments for the year ended December 31, 2018

Fourth quarter results

The net result after tax for the year 2018 amounted to a profit of U.S.$24.5 million compared to a profit of U.S.$4.7 million for the year 2017. EBITDA for the year 2018 was U.S.$207.2 million compared to U.S.$155.6 million for the year 2017. The financial results for the fourth quarter of 2018 were mainly impacted by the following items:

The SPM division generated U.S.$5.6 million EBITDA in the fourth quarter of 2018, resulting in U.S.$63.0 million EBITDA for the year 2018 compared to U.S.$35.6 million EBITDA for the year 2017. In 2018, various EPC projects contribute to the SPM EBITDA while in 2017 the progress on the running SPM projects were either in design or in final stages, resulting in lower EBITDA.

The fourth quarter 2018 EBITDA for the FPSO division was U.S.$45.7 million, resulting in U.S.$143.0 million EBITDA for the year 2018 compared to U.S.$128.2 million EBITDA for the year 2017. The U.S.$14.8 million increase in EBITDA compared to the year 2017 was mainly driven by an increase in EBITDA of the FPSO Haewene Brim of U.S.$12.9 million. In November 2018 the Company reached settlement with Shell on adjustment of the contractual hire rates and operational rates effective January 1, 2017 retrospectively. There was an increase in EBITDA of the FPSO Bleo Holm of U.S.$2.1 million due to higher production income in the year 2018 compared to the year 2017. In addition, there was a U.S.$1.5 million increase in EBITDA for the FPSO Aoka Mizu. During a large part of the year 2017 the vessel was in lay-up and U.S.$1.5 million lay-up cost were expensed, while during the year 2018 the vessel was under construction and all expenses are part of the project. There was a decrease in EBITDA of the FPSO Glas Dowr of U.S.$0.7 million due to higher lay-up costs compared to the year 2017, partly set off by U.S.$0.2 lower lay-up costs for the Munin. And finally the FPSO tender costs increased with U.S.$1.2 million in the year 2018, due to the increase in number of tender prospects in 2018.

During the year 2018, unallocated income amounted to U.S.$1.2 million, compared to U.S.$8.2 million unallocated expenses for the year 2017. Main contributor to the improved overhead recovery in the year 2018 compared to year 2017 was the higher project activity and higher utilisation of engineering and project management staff.

Depreciation and amortization expenditure in the year 2018 amounted to U.S.$107.1 million compared to U.S.$107.7 million for the year 2017. This U.S.$0.6 million decrease in depreciation costs was mainly caused by lower depreciation costs of FPSO Haewene Brim. The Topsides of FPSO Haewene Brim were fully depreciated during the year 2017.

Finance expenses were U.S.$14.5 million higher compared to the previous year, at U.S.$70.7 million versus U.S.$56.2 million for the year 2017. This increase in finance expenses was mainly driven by an increase of U.S.$16.3 million in the refinancing of the bond and the higher interest expenses of the U.S.$400.0 million unsecured subordinated bond. Effective November 28, 2018 the Company issued a U.S.$240.0 million unsecured bond. On November 12, 2018 the existing bond was called and redemption took place on December 28, 2018. A call premium was paid in the amount of U.S.$6.8 million and U.S.$1.7 million of outstanding debt arrangement fees in relation to the old bond were expensed. The interest costs of the bond increased with U.S.$7.5 million in the year 2018 compared to the year 2017 of which U.S.$5.5 million was related to an increase in payment in kind interest compared to the year 2017. The debt arrangement fees of in total U.S.$18.2 million for financing of the U.S.$240.0 million unsecured bond were amortized for an amount of U.S.$0.3 million. In addition the increase in finance expenses was driven by the Hurricane overrun finance facility expenses which in total increased U.S.$1.6 million in the year 2018 compared to the year 2017. Other interest costs decreased by U.S.$3.4 million compared to the previous year, mainly due to further reduction of net debt.

Currency exchange results were U.S.$4.1 million negative in the year 2018 compared to U.S.$2.1 million negative in the year 2017. The significant decrease in the value of the U.S. Dollar against the Euro and Pound Sterling has led to negative exchange results in the year 2018. The currency exchange rate moved from EUR/USD 1.20 and GBP/USD 1.35 at the beginning of the year to EUR/USD 1.14 and GBP/USD 1.27 at the end of the year 2018. Because the Company’s revenues are primarily denominated in U.S. dollar and a part of the expenses are in EUR and GBP, the Company is exposed to fluctuations in foreign currency exchange rates. Only part of the currency exposure is hedged by the Company.

Income tax expense for the year 2018 amounted U.S.$2.6 million versus U.S.$14.3 million income tax benefit for the year 2017. The U.S.$2.6 million income tax expense in the year 2018 relates to a U.S.$2.9 million decrease in the deferred tax asset as a result of a lower corporate income tax rate (‘‘VPB’’) in the Netherlands in the coming years and an income tax benefit of U.S.$0.3 million as a result of the reversal of withholding tax accrual in Angola. The U.S.$14.3 million income tax benefit in the year 2017 relates to a U.S.$12.7 million increase in the deferred tax asset and the remainder of U.S.$1.6 million mainly relates to refunds as a result of recalculation of Glas Dowr corporate income tax paid in prior years.

Other developments

On May 29, 2018 a contract with Kuwait Oil Company (KOC) was signed for the design, construction and delivery of a CALM buoy with expected delivery in Q1, 2020.

Effective November 28, 2018 the Company issued a U.S.$240.0 million unsecured bond with a fixed interest rate of 10% per year and a maturity date of November 28, 2023. On November 12, 2018 the existing U.S.$400.0 million bond was called and redemption took place on December 28, 2018. The total fees amounting to U.S.$18.2 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility.

Effective December 17, 2018 the Company entered into a U.S.$220.0 million Revolving Credit Facility with a maturity date of March 31, 2021. Interest on the U.S.$220.0 million Revolving Credit Facility is 3-months USD Libor plus 3% margin per annum for the first six months. Thereafter there is a ratchet linked to the covenant levels. The fees in relation to the Revolving Credit Facility amounting to U.S.$5.2 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility.

General information

Aurelia Energy N.V. (‘‘the Company’’) is the holding company of the Bluewater group (Bluewater), a specialized service provider to, and operator in, the offshore oil industry. Bluewater designs, develops, owns and operates floating production storage and offloading units (‘‘FPSOs’’), provides auxiliary equipment and services to FPSOs and designs, develops, performs project management and constructs single point mooring systems (‘‘SPMs’’).

An FPSO is a type of floating production unit used by oil companies to produce, process, store and offload hydrocarbons from offshore fields. FPSOs are either newly built or converted tankers upon which production equipment is mounted. The fluids (oil, gas and water) are processed on board the FPSO vessel, and the treated crude oil is stored before being exported to an off take system utilizing shuttle tankers. Bluewater’s fleet of FPSOs is involved in the production, rather than the exploration or drilling phase of oil field development. The FPSOs are leased to oil companies under medium- and long-term service contracts or bareboat contracts.

SPMs are used to transfer fluids to and from a floating production unit, an offshore storage vessel or shuttle tanker while securing the unit, vessel or tanker to the ocean floor. Most SPMs consist of an anchoring system that is connected to the ocean floor and a fluid transfer system that permits the transfer of fluids between fixed and rotating parts of the mooring system. SPMs are generally developed and constructed for oil companies and contractors.

Revenues are earned from day rates consisting of a fixed facility fee and a compensation for operating the FPSO pursuant to leases with oil companies, supplemented from time to time with fees based on volumes of produced barrels of oil. Additionally, revenues are earned on a lump-sum or reimbursable basis from the design, engineering, procurement and management services that are provided in the various FPSO and SPM projects being managed.

FPSO and SPM projects are being managed from the initial design and engineering phase to final installation. Further, Bluewater engages subcontractors in the fabrication of FPSOs, SPMs and auxiliary equipment.

Condensed consolidated interim income statement

For the period ended December 31, 2018

In thousands of U.S.$	***Note***	**December 31, 2018**	**December 31, 2017**
Operating activities			
Revenues	*1*	465,549	342,007
Raw materials, consumables used and other operating costs		(190,678)	(134,001)
Employee benefits expense		(67,591)	(52,383)
EBITDA		207,180	155,623
Depreciation and amortization expense	*2*	(107,105)	(107,652)
Results from operating activities (EBIT)		100,075	47,971
Finance income		1,932	879
Finance expenses		(70,745)	(56,235)
Currency exchange results		(4,124)	(2,148)
Net finance expense		(72,937)	(57,504)
Profit/ (Loss) before income tax		27,138	(9,533)
Income tax benefit/ (expense)		(2,635)	14,264
Profit for the period		24,503	4,731

The profit for the period is fully attributable to the shareholder.

The interim financial statements have not been audited

Condensed consolidated interim statement of financial position

In thousands of U.S.$	*Note*	December 31, 2018	December 31, 2017
Assets			
Property, plant and equipment	*2*	541,070	644,762
Intangible assets		1,399	2,158
Other financial investments		6	36
Deferred tax assets		72,197	75,071
Total non-current assets		614,672	722,027
Inventories		1,200	1,189
Trade and other receivables		15,532	11,576
Construction contracts		11,415	10,166
Prepayments for current assets		2,064	1,804
Cash and cash equivalents		59,780	179,884
Total current assets		89,991	204,619
Total assets		704,663	926,646
Equity			
Issued share capital		170,000	170,000
Share premium		198,568	198,568
Translation reserve		(12,291)	(11,336)
Investment revaluation reserve		(2,811)	(2,811)
Employee benefits reserve		(7,889)	(8,680)
Hedging reserve		-	10
Accumulated deficit		(128,347)	(150,680)
Total equity attributable to equity holder of the Company		217,230	195,071
Liabilities			
Loans and borrowings	*3*	361,345	453,690
Deferred income		-	12,270
Employee benefits		14,476	15,153
Total non-current liabilities		375,821	481,113
Loans and borrowings	*3*	36,556	25,084
Trade and other payables		49,766	54,186
Deferred income		25,290	171,192
Total current liabilities		111,612	250,462
Total liabilities		487,433	731,575
Total equity and liabilities		704,663	926,646

The interim financial statements have not been audited

Condensed consolidated interim statement of changes in equity

Attributable to equity holder of the Company

In thousands of U.S.$

	Issued Share Capital	Share Premium	Translation reserve	Investment revaluation reserve	Employee benefits reserve (IAS 19)	Hedging reserve	Accumu-lated deficit	Total equity
Balance at January 1, 2018	**170,000**	**198,568**	**(11,336)**	**(2,811)**	**(8,680)**	**10**	**(150,680)**	**195,071**
Reclassification (*)	-	-	-	-	2,170	-	(2,170)	-
Profit for the period	-	-	-	-	-	-	24,503	24,503
Foreign currency translation differences	-	-	(955)		-	-	-	(955)
Fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-
Movement employee benefits reserve (IAS 19)	-	-	-	-	(1,379)	-	-	(1,379)
Movement cash flow hedges	-	-	-	-	-	(10)	-	(10)
Total comprehensive income	-	-	(955)	-	791	(10)	22,333	22,159
Balance at December 31, 2018	**170,000**	**198,568**	**(12,291)**	**(2,811)**	**(7,889)**	**-**	**(128,347)**	**217,230**

(*) The reclassification contains the recording of deferred tax on the employee benefits reserve which was previously recognized through profit and loss under accumulated deficit.

The interim financial statements have not been audited

Condensed consolidated interim statement of cash flows

In thousands of U.S.$	**December 31, 2018**	**December 31, 2017**
Net cash from (used in) operating activities	(27,904)	141,184
Net cash from (used in) investing activities	(704)	(2,259)
Net cash from (used in) financing activities	(89,267)	(30,034)
Translation effect on cash	(2,229)	3,018
Net increase / (decrease) in available cash and cash equivalents	(120,104)	111,909
Cash and cash equivalents at the beginning of the period	179,884	67,975
Cash and cash equivalents at the end of the period	59,780	179,884

The interim financial statements have not been audited

Notes to the unaudited condensed consolidated interim financial statements

Reporting entity

Aurelia Energy N.V. (“the Company”) has its legal seat in Willemstad (Curaçao). The unaudited condensed consolidated interim financial statements of the Company as at and for the period ended December 31, 2018 comprise the Company and its subsidiaries (together referred to as “the Group” or “Bluewater” and individually as “Group entities”) and the Group’s interest in jointly controlled entities.

Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as applied in the most recent annual financial statements.

Basis of preparation

These unaudited condensed consolidated interim financial statements are presented in thousands of US dollars, which is the Company’s functional currency. All financial information presented has been rounded to the nearest thousand. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies consistent with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS) as applied in the most recent annual financial statements. The information furnished in the unaudited condensed consolidated interim financial statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for fair presentation of such financial statements. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these unaudited condensed consolidated interim financial statements be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2017.

The preparation of these unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the unaudited condensed consolidated interim financial statements are:

- Revenue recognition on construction contracts based on the percentage of completion method;
- Estimation of the anticipated useful life and future revenues earned with the FPSOs, which along with the discount rate, is the basis for the recoverable amounts of FPSOs;
- Estimation of the realizable amount of tax losses carried forward;
- Potential impact of claims and litigation.

1. Segment information

The disclosure of segment information is consistent with the internal reports in order to assess each segment's performance and to allocate resources to them. Internal reporting is primarily based on business segments since the Company's risks and rates of return are affected primarily by differences in services and products produced.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly employee benefits expense, head office expenses, investments and related revenue and income tax assets and liabilities. For both presented periods there are no inter segment revenues.

	FPSO		**SPM**		**Consolidated**	
In thousands of U.S.$	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Total segment revenue	217,320	206,151	248,229	135,856	465,549	342,007
Total cost of operations	(74,307)	(77,963)	(185,256)	(100,250)	(259,563)	(178,213)
Unallocated income/ (expenses)					1,194	(8,171)
EBITDA	143,013	128,188	62,973	35,606	207,180	155,623
Depreciation and amortization	(106,414)	(106,928)	(691)	(724)	(107,105)	(107,652)
Results from operating activities (EBIT)	36,599	21,260	62,282	34,882	100,075	47,971
Net finance costs	(72,937)	(57,504)	-	-	(72,937)	(57,504)
Income tax benefit/ (expense)					(2,635)	14,264
Result for the period					24,503	4,731
Segment assets	589,364	764,588	41,697	84,793	631,061	849,381
Unallocated assets					73,602	77,265
Total assets					704,663	926,646
Segment liabilities	427,520	580,955	59,913	150,620	487,433	731,575
Capital expenditure	1,388	2,954	775	203	2,163	3,157

There are no unallocated capital expenditures in 2017 and 2018.

2. Property, plant and equipment

In thousands of U.S.$	FPSOs	FPSOs held for conversion	FPSO under construction	Office equipment	Total
Cost:					
As at January 1, 2018	842,363	551,175	639,755	10,312	2,043,605
Additions	-	1,388	-	775	2,163
Disposals	-	-	-	(20)	(20)
Translation result	-	-	-	(18)	(18)
As at December 31, 2018	842,363	552,563	639,755	11,049	2,045,730
Accumulated depreciation and impairment losses:					
As at January 1, 2018	708,526	270,338	416,399	3,580	1,398,843
Depreciation for the period	79,504	14,772	10,694	880	105,850
Disposals	-	-	-	(20)	(20)
Translation result	-	-	-	(13)	(13)
As at December 31, 2018	788,030	285,110	427,093	4,427	1,504,660
Net book value	54,333	267,453	212,662	6,622	541,070

As of December 31, 2018, an amount of U.S.$101,481 (December 31, 2017: U.S.$101,481) relating to capitalized interest is included in the historical cost value of the FPSOs, FPSOs held for conversion and FPSO under construction. During the periods ended December 31, 2018 and 2017 no interest was capitalized. Amortization of intangible assets amounted U.S.$1,255 thousand for the year 2018.

3. Loans and borrowings

In thousands of U.S.$	December 31, 2018	December 31, 2017
Non-current liabilities		
Long-term bank loans	139,290	55,344
Unsecured subordinated bond	222,055	398,346
	361,345	453,690
Current liabilities		
Current portion of bank loans	36,556	25,084

The amount of the Unsecured bond as per December 31, 2018 amounting to U.S.$222.1 million is the net balance of the U.S.$240.0 million unsecured bond loan and the current balance of unamortized borrowing costs of U.S.$17.9 million. The long term bank loans as per December 31, 2018 amounting to U.S.$181.0 million consists of a current portion of U.S.$36.6 million and a non-current portion of U.S.$139.3 million. The non-current portion of U.S.$139.3 million is the net balance of the U.S.$144.4 million revolving credit facility and the current balance of unamortized borrowing costs of U.S.$5.1 million.