Aurelia Energy N.V.

Quarterly report

For the nine-month period ended September 30, 2019

Arctic Loading Tower

Results and main developments for the nine-month period ended September 30, 2019

Third quarter results

The net result after tax for the nine-month period ended September 30, 2019 amounted to a profit of U.S.$0.3 million compared to a profit of U.S.$27.5 million for the nine-month period ended September 30, 2018. EBITDA for the nine-month period ended September 30, 2019 was U.S.$66.0 million compared to U.S.$155.5 million for the nine-month period ended September 30, 2018. The results for the nine months of 2019 were mainly impacted by the following items:

The SPM division generated U.S.$0.1 million EBITDA in the third quarter of 2019, resulting in U.S.$6.9 million EBITDA for the nine-month period ended September 30, 2019 compared to U.S.$57.4 million EBITDA for the nine-month period ended September 30, 2018. In the nine-month period of 2018, mainly one large EPC project contributes to the SPM EBITDA which reached its final stage in the second quarter of 2019. New 2019 SPM projects are just starting up, so the EBITDA contribution in the nine-month period of 2019 is marginal.

The EBITDA for the FPSO division in the third quarter of 2019 amounted to U.S.$24.4 million, resulting in U.S.$70.0 million EBITDA for the nine-month period ended September 30, 2019 compared to U.S.$97.3 million EBITDA for the nine-month period ended September 30, 2018. The U.S.$27.3 million decrease in EBITDA compared to the nine-month period of 2018 was mainly driven by a U.S.$40.3 million decrease in EBITDA for the FPSO Haewene Brim compared to the nine-month period of 2018. This decrease was mainly caused by U.S.$42.9 million lower revenue related to the release of deferred revenue of the Brynhild investment. This investment is now also fully depreciated, resulting in the same decrease of depreciation costs. Operating result of the Haewene Brim increased with U.S.$2.6 million as a result of the performance related revenues under the new POSA with Shell effective November 2018. On May 11, 2019, the Aoka Mizu produced first oil and contributes U.S.$14.2 million EBITDA in the nine-month period of 2019. In addition, there was a decrease in EBITDA of the FPSO Bleo Holm of U.S.$1.8 million due to lower production income in the nine-month period of 2019 compared to the nine-month period of 2018. 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 nine-month period of 2018. Finally FPSO tender costs in the nine-month period of 2019 decreased with U.S.$1.3 million compared to the nine-month period of previous year, despite the increase in number of tender prospects in 2019.

During the nine-month period of 2019, unallocated expenses amounted to U.S.$11.0 million, compared to U.S.$0.8 million unallocated income for the nine-month period of 2018. Main contributor to the deteriorated overhead recovery in the nine-month period of 2019 compared to the nine-month period of 2018 was the lower project activity and lower utilisation of engineering and project management staff.

Depreciation and amortization expenditure in the nine-month period of 2019 amounted to U.S.$41.5 million compared to U.S.$80.3 million for the nine-month period of 2018. This U.S.$38.8 million decrease in depreciation costs was mainly caused by U.S.$43.4 million lower depreciation costs of FPSO Haewene Brim. The Brynhild investment was fully depreciated. The depreciation costs increased as a result of depreciation of leased assets amounted to U.S.$2.2 million resulting from the introduction of IFRS 16 as per January 1, 2019. Finally the depreciation costs of FPSO Aoka Mizu increased with U.S.$2.4 million resulting from the change in depreciation methodology. The vessel moved from depreciation under construction to depreciation in production.

Finance expenses were U.S.$16.2 million lower compared to the previous year, at U.S.$30.1 million versus U.S.$46.3 million for the nine-month period of 2018. This U.S.$16.2 million decrease in finance expenses was mainly driven by the refinancing at the end of 2018. The interest costs for the U.S.$240.0 million bond amounted to U.S.$18.0 million in the nine-month period of 2019 compared to U.S.$35.8 million for the U.S.$400.0 million subordinated bond in the nine-month period of 2018. Other interest costs increased by U.S.$1.6 million in the nine-month period of 2019 compared to the nine-month period of 2018. These costs mainly relate to the amortization costs in relation to the Bond and the RCF.

Currency exchange results were U.S.$0.6 million negative in the nine-month period of 2019 compared to U.S.$3.1 million negative in the nine-month period of 2018. 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 nine-month period of 2019. The currency exchange rate moved from EUR/USD 1.14 and GBP/USD 1.27 at the beginning of the year to EUR/USD 1.09 and GBP/USD 1.23 at the end of the nine-month period of 2019. 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 benefit for the nine-month period of 2019 amounted U.S.$6.4 million versus U.S.$0.2 million income tax benefit for the nine-month period of 2018. The U.S.$6.4 million income tax benefit in 2019 relates to an increase of the deferred tax assets. This increase is a result of the decision to lower the corporate income tax rate ("vennootschapsbelasting") in the Netherlands two years later and also to decrease the percentage of the corporate income tax rate to 21.5% instead of 20.5%. The U.S.$0.2 million income tax benefit in 2018 relates to the reversal of a withholding tax accrual in Angola.

Other developments

On August 6, 2019 a contract with China Petroleum Pipeline Engineering Co., Ltd. was signed for the design, construction and delivery of a Single Point Mooring System with expected delivery in Q4, 2020.

On August 29, 2019 a contract with China Petroleum Pipeline Engineering Co., Ltd. was signed for the EPC contract for the supply of two Single Point Mooring Systems and a Pipeline end Manifold with expected delivery in Q4, 2020.

On September 9, 2019 a contract with Western Refining De Mexico, S. De R.L. De C.V. was signed for the engineering, fabrication and supply of a Single Point Mooring System with expected delivery in Q4, 2020.

On September 23, 2019 a letter of intent was signed by Rosenberg Worley AS with the intent to enter into a subcontract with Bluewater Energy Services B.V. as a total supplier of the Turret Mooring System on December 1, 2019.

On October 10, 2019 an Amendment Agreement to the POSA between Enterprise Oil Limited and Pierce Production Company Limited was signed. The Amendment Agreement addresses amongst other an extension of the POSA until 31 December 2026. The amendments take effect in Q4, 2021 upon completion of the engineering, procurement and construction contract signed on October 16, 2019.

On October 16, 2019 a contract between Shell UK Limited and Bluewater Energy Services B.V. was signed for the engineering, procurement and construction in relation to the Pierce Depressurisation Project, an Integrated Control and Safety Systems Upgrade, Life Extension Work and Maintenance Work with expected completion in Q4, 2021.

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 September 30, 2019

In thousands of U.S.$	***Note***	**September 30, 2019**	**September 30, 2018**
Operating activities			
Revenues	*1*	177,729	371,628
Raw materials, consumables used and other operating costs		(70,813)	(162,777)
Employee benefits expense		(40,952)	(53,367)
EBITDA		65,964	155,484
Depreciation and amortization expense	*2*	(41,541)	(80,291)
Results from operating activities (EBIT)		24,423	75,193
Finance income		179	1,511
Finance expenses		(30,088)	(46,306)
Currency exchange results		(648)	(3,103)
Net finance expense		(30,557)	(47,898)
Profit/ (Loss) before income tax		(6,134)	27,295
Income tax benefit		6,438	170
Profit for the period		304	27,465

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***	**September 30, 2019**	**December 31, 2018**
Assets				
	Property, plant and equipment	*2*	503,251	541,070
	Right-of-use assets	*3*	26,234	-
	Intangible assets		1,367	1,399
	Other financial investments		5	6
	Deferred tax assets		78,563	72,197
Total non-current assets			609,420	614,672
	Inventories		1,204	1,200
	Trade and other receivables		20,388	15,532
	Contract assets		8,669	11,415
	Prepayments for current assets		2,337	2,064
	Cash and cash equivalents		36,197	59,780
Total current assets			68,795	89,991
Total assets			678,215	704,663
Equity				
	Issued share capital		170,000	170,000
	Share premium		198,568	198,568
	Translation reserve		(13,073)	(12,291)
	Investment revaluation reserve		(2,811)	(2,811)
	Employee benefits reserve		(7,889)	(7,889)
	Accumulated deficit		(128,043)	(128,347)
Total equity attributable to equity holder of the Company			216,752	217,230
Liabilities				
	Loans and borrowings	*4*	309,118	361,345
	Lease liabilities		22,369	-
	Employee benefits		12,921	14,476
Total non-current liabilities			344,408	375,821
	Loans and borrowings	*4*	70,972	36,556
	Lease liabilities		3,583	-
	Trade and other payables		39,714	49,766
	Deferred income		2,786	25,290
Total current liabilities			117,055	111,612
Total liabilities			461,463	487,433
Total equity and liabilities			678,215	704,663

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)	Accumulated deficit	Total equity
Balance at January 1, 2019	**170,000**	**198,568**	**(12,291)**	**(2,811)**	**(7,889)**	**(128,347)**	**217,230**
Profit for the period	-	-	-	-	-	304	304
Foreign currency translation differences	-	-	(782)	-	-	-	(782)
Total comprehensive income	-	-	(782)	-	-	304	(478)
Balance at September 30, 2019	**170,000**	**198,568**	**(13,073)**	**(2,811)**	**(7,889)**	**(128,043)**	**216,752**

The interim financial statements have not been audited

Condensed consolidated interim statement of cash flows

In thousands of U.S.$	**September 30, 2019**	**September 30, 2018**
Net cash from (used in) operating activities	2,643	4,148
Net cash from (used in) investing activities	(1,107)	40
Net cash from (used in) financing activities	(24,960)	(69,826)
Translation effect on cash	(159)	(1,557)
Net increase / (decrease) in available cash and cash equivalents	(23,583)	(67,195)
Cash and cash equivalents at the beginning of the period	59,780	179,884
Cash and cash equivalents at the end of the period	36,197	112,689

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 September 30, 2019 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, 2018.

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.$	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Total segment revenue	126,776	150,889	50,953	220,739	177,729	371,628
Total cost of operations	(56,729)	(53,601)	(44,015)	(163,328)	(100,744)	(216,929)
Unallocated expenses					(11,021)	785
EBITDA	70,047	97,288	6,938	57,411	65,964	155,484
Depreciation and amortization	(38,944)	(79,774)	(2,597)	(517)	(41,541)	(80,291)
Results from operating activities (EBIT)	31,103	17,514	4,341	56,894	24,423	75,193
Net finance costs					(30,557)	(47,898)
Income tax benefit/ (expense)					6,438	170
Result for the period					304	27,465
Segment assets	563,958	660,124	34,322	56,810	598,280	716,934
Unallocated assets					79,935	76,295
Total assets					678,215	793,229
Segment liabilities	426,686	474,831	34,777	96,140	461,463	570,971
Capital expenditure	-	986	503	478	503	1,464

There are no unallocated capital expenditures in 2018 and 2019.

2. Property, plant and equipment

In thousands of U.S.$	**FPSOs**	**FPSOs held for conversion**	**FPSO under construction**	**Office equip-ment**	**Total**
Cost:					
As at January 1, 2019	842,363	552,563	639,755	11,049	2,045,730
Reclassification	639,755	-	(639,755)	-	-
Additions	-	-	-	503	503
Disposals	-	-	-	-	-
Translation result	-	-	-	(11)	(11)
As at September 30, 2019	1,482,118	552,563	-	11,541	2,046,222
Accumulated depreciation and impairment losses:					
As at January 1, 2019	788,030	285,110	427,093	4,427	1,504,660
Reclassification	431,102	-	(431,102)	-	-
Depreciation for the period	22,573	11,162	4,009	576	38,320
Disposals	-	-	-	-	-
Translation result	-	-	-	(9)	(9)
As at September 30, 2019	1,241,705	292,272	-	4,994	1,542,971
Net book value	240,413	256,291	-	6,547	503,251

As of September 30, 2019, an amount of U.S.$101,481 (September 30, 2018: 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 September 30, 2019 and 2018 no interest was capitalized. Depreciation of right of use assets amounted U.S.$2,405 and amortization of intangible assets amounted U.S.$816 thousand for the nine-month period of 2019.

3. Leases

As of January 1, 2019 the Company implemented IFRS 16. International Financial Reporting Standard 16 Leases (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company leases assets including buildings and vehicles. As per December 31, 2018 the right-of-use assets and the lease liabilities amounted to U.S.$ nil. Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

In thousands of U.S.$	**Property**	**Vehicles**	**Total**
As at January 1, 2019	28,132	524	28,656
Depreciation for the period	(2,007)	(398)	(2,405)
Translation result	-	(17)	(17)
As at September 30, 2019	26,125	109	26,234

There were no material additions to the right-of-use assets during the nine-month period of 2019.

Lease liabilities

Lease liabilities included in the consolidated interim statement of financial position:

In thousands of U.S.$	**September 30, 2019**	**January 1, 2019**
Non-current liabilities		
Lease liabilities	22,369	24,968
Current liabilities		
Lease liabilities	3,583	3,688

4. Loans and borrowings

In thousands of U.S.$	**September 30, 2019**	**December 31, 2018**
Non-current liabilities		
Long-term bank loans	84,673	139,290
Unsecured bond	224,445	222,055
	309,118	361,345
Current liabilities		
Current portion of bank loans	70,972	36,556

The amount of the Unsecured bond as per September 30, 2019 amounting to U.S.$224.4 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.$15.6 million. The long term bank loans as per September 30, 2019 amounting to U.S.$155.6 million consists of a current portion of U.S.$71.0 million and a non-current portion of U.S.$84.6 million. The non-current portion of U.S.$84.6 million is the net balance of the U.S.$87.7 million revolving credit facility and the current balance of unamortized borrowing costs of U.S.$3.1 million.