Veritas Petroleum Services B.V.

Quarterly report

31 December 2017

Q4 2017 Update from the board of directors

Financial performance

Veritas Petroleum Services B.V. and its subsidiaries, hereafter “the Group”, closed a quarter showing increased revenues driven by increased volumes. While the Group is still experiencing some market driven price pressure, the extent has lessened from previous quarters. As a result, revenues increased to USD 12,008 thousand in Q4 2017 in comparison to USD 11,685 thousand in Q4 2016.

Furthermore, the cost control measures continue to show effect resulting in a decrease of the operating expenses in Q4 in comparison to prior year. The expenses decreased to USD 8,334 thousand (Q4 2016: 8,432 thousand).

The Group’s Q4 EBITDA increased to USD 3,674 thousand in comparison to prior year (Q4 2016: USD 3,253 thousand) and the Group’s Q4 Operating profit increased to USD 1,519 thousand in comparison to prior year (Q4 2016: USD 1,061 thousand).
The Group closed Q4 2017 with a net loss of USD 548 thousand (Q4 2016: net loss of USD 901 thousand).

The operating cash flow in YTD Q4 2017 was USD 5,898 thousand positive, versus a positive cash flow of USD 3,518 YTD Q4 2016.

Organizational changes

There are no significant organizational changes to report in Q4 2017.

Events after balance sheet date

On 31 January 2018, the Group acquired 100% of the shares in Transoil Laboratory Ltd based in Manchester, United Kingdom. Further reference is made to Note 10 of this interim financial report.

Malcolm Cooper
Managing Director VPS Group

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

For the quarter ended 31 December

In thousands of USD	Q4 2017 (Unaudited)	Q4 2016 (Unaudited) *	YTD 2017 (Unaudited)	YTD 2016 (Audited) *
Revenues	12,008	11,685	47,424	48,250
Payroll expenses	(5,507)	(5,190)	(22,073)	(21,711)
Other operating expenses	(2,827)	(3,242)	(11,881)	(13,167)
	(8,334)	(8,432)	(33,954)	(34,878)
EBITDA **	3,674	3,253	13,470	13,373
Depreciation & amortisation	(1,648)	(1,430)	(6,115)	(6,250)
Exceptional expenses **	(507)	(762)	(1,486)	(3,072)
Operating profit	1,519	1,061	5,869	4,050
Interest income	103	97	378	363
Interest expense	(1,486)	(1,463)	(5,873)	(5,774)
Other financial expenses	(394)	(361)	(1,039)	(1,071)
Net Finance Costs ***	(1,777)	(1,727)	(6,534)	(6,482)
Result before tax	(258)	(666)	(665)	(2,432)
Tax expenses	(290)	(235)	228	76
Result after tax	(548)	(901)	(437)	(2,356)

* See note 4 for details on restatement of 2016 results
** In accordance with the amended bond agreement
*** See note 9 for details on the comparison of 2017 with 2016

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

In thousands of USD	31 December 2017 (Unaudited)	31 December 2016 (Audited)*
Intangible Assets	40,115	43,884
Goodwill	64,258	64,258
Total Intangible Assets	104,373	108,142
Tangible Fixed Assets	12,311	12,338
Financial Fixed assets	304	274
Total Fixed Assets	116,988	120,754
Trade Debtors	5,828	5,812
Services to be invoiced	3,235	3,756
Other Current Assets	1,185	1,252
Cash & Banks	15,669	12,721
Total Current Assets	25,917	23,541
Total Assets	142,906	144,295

* See note 4 for details on restatement between Q4 2016 reporting and restated Q4 2016 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

In thousands of USD	31 December 2017 (Unaudited)	31 December 2016 (Audited)*
Share Capital	6,300	6,300
Share Premium	56,700	56,700
Free reserves/unrecovered loss	(13,591)	(11,205)
Current year result	(437)	(2,353)
Total Equity	48,972	49,442
Shareholder Loan	10,552	9,593
Bond	64,184	64,208
Employee Benefits	474	359
Deferred Tax	10,539	11,363
Non-current Liabilities	85,749	85,523
Trade Creditors	2,087	2,660
Tax payable	747	533
Other Short Term Liabilities	5,351	6,137
Current Liabilities	8,185	9,330
Total Liabilities	93,934	94,853
Total Equity & Liabilities	142,906	144,295

* See note 4 for details on restatement between Q4 2016 reporting and restated Q4 2016 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 31 December

In thousands of USD	Equity
Balance at 31 December 2016 (audited)	**49,442**
Result for the period	(437)
Other Comprehensive Income	(33)
Balance at 31 December 2017 (unaudited)	**48,972**

Balance at 31 December 2015 (audited)	51,792
Result for the period	(2,353)
Other Comprehensive Income	3
Balance at 31 December 2016 (unaudited)	49,442

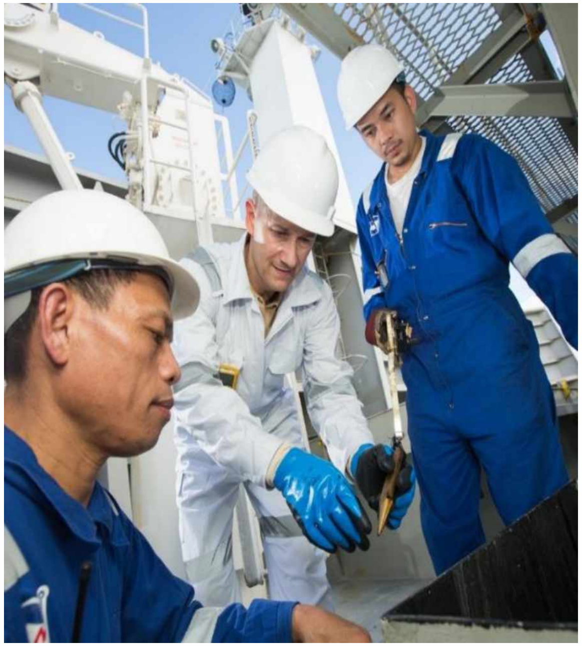
The explanatory notes on pages 8 till 13 are integral part of these (unaudited) condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the quarter ended 31 December

In thousands of USD	Ytd 2017 (Unaudited)	Ytd 2016 (Audited) *
Cash flow from operating activities		
Profit before tax	(437)	(2,432)
Other cash generated from operating activities	6,335	5,950
Net cash from operating activities	5,898	3,518
Net cash used in investing activities	(2,322)	(2,259)
Net cash used in financing activities	(628)	(1,152)
Change in cash and cash equivalents	2,948	107
Cash and cash equivalents at 1 January	12,721	12,614
Cash and cash equivalents at 31 December	15,669	12,721

* See note 4 for details on restatement between Q4 2016 reporting and audited figures 2016



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 twelve months ended 31 December 2017 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 financials 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 2017.

This condensed consolidated interim financial statement was authorised for issue by the Company's Board of Management on 1 March 2018.

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 2017.

4. Restatement of 2016 quarterly reports

The results presented for the period ending 31 December 2016 are different from what was published last year. The 2016 quarterly results were prepared with the best knowledge available at that time but in the course of 2016 better insight has developed as a result of amongst others compliance with IFRS reporting and annual closing 2016. Moreover in January 2017 the bond agreement has been amended. The 2016 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

Income statement

In thousands of USD	YTD 31 December 2016 as reported March 2017 (Unaudited)	Restatements / Adjustments (Unaudited)	YTD December 2016 Restated (Audited)	Comments
Revenues	48,250	(0)	48,250	
Payroll expenses	(21,713)	2	(21,711)	Rounding
Other operating expenses	(13,164)	(3)	(13,167)	Rounding
	(34,877)	(1)	(34,878)	
EBITDA	**13,373**	**(1)**	**13,372**	
Depreciation & amortisation	(5,741)	(509)	(6,250)	Adjustment of the depreciation and amortisation of assets in foreign currencies (revaluation adjustment depreciation and amortisation)
Exceptional expenses	(3,072)	0	(3,072)	
Operating profit	**4,560**	**(510)**	**4,050**	
Interest income	364	(1)	363	Rounding
Interest expense	(5,785)	11	(5,774)	Adjustment resulting from amortised cost valuation bond loan
Other financial expenses	(824)	(247)	(1,071)	Adjustment resulting from amortised cost valuation bond loan
Net Finance Costs	**(6,245)**	**(237)**	(6,482)	
Result before tax	**(1,685)**	**(747)**	**(2,432)**	
Tax expenses	222	(146)	76	Adjustment resulting from the Transfer Pricing model
Result after tax	**(1,463)**	**(893)**	**(2,356)**	

Explanatory notes to condensed consolidated interim financial statements

Balance Sheet - Assets

In thousands of USD	31 December 2016 as reported March 2017 (Unaudited)	Restatements / Adjustments (Unaudited)	31 December 2016 Restated (Audited)	Comments
Intangible Assets	43,414	470	43,884	Reclassification tangible fixed assets to intangible assets
Goodwill	64,258	-	64,258	
Total Intangible Assets	107,672	470	108,142	
Tangible Fixed Assets	13,283	(945)	12,338	Reclassification tangible fixed assets to intangible assets and revaluation adjustment depreciation
Financial Fixed assets	285	(11)	274	Adjustment Deferred Tax Asset resulting from the Transfer Pricing model
Total Fixed Assets	121,240	(486)	120,754	
Trade Debtors	5,653	159	5,812	Reclassification adjustment arising from 2016 audit
Services to be invoiced	3,785	(29)	3,756	Reclassification adjustment arising from 2016 audit
Other Current Assets	1,034	218	1,252	Reclassification adjustment arising from 2016 audit
Cash & Banks	12,721	-	12,721	
Total Current Assets	23,193	348	23,541	
Total Assets	144,433	(138)	144,295	

Explanatory notes to condensed consolidated interim financial statements

Balance Sheet - Equity & Liabilities

In thousands of USD	31 December 2016 as reported March 2017 (Unaudited)	Restatements / Adjustments (Unaudited)	31 December 2016 Restated (Audited)	Comments
Share Capital	6,300	0	6,300	
Share Premium	56,700	0	56,700	
Free reserves/unrecovered loss	(11,205)	-	(11,205)	
Current year result	(1,463)	(890)	(2,353)	Reference is made to the adjustments in the Income statement
Total Equity	50,332	(890)	49,442	
Shareholder Loan	9,593	-	9,593	
Bond	63,847	361	64,208	Adjustment resulting from amortised cost valuation bond loan
Employee Benefits	360	(1)	359	Rounding
Deferred Tax	11,387	(24)	11,363	Adjustment Deferred Tax Liability resulting from the Transfer Pricing model
Non-current Liabilities	85,187	336	85,523	
Trade Creditors	2,653	7	2,660	Reclassification adjustment arising from 2016 audit
Tax payable	232	301	533	Adjustment tax liability resulting from the Transfer Pricing model
Other Short Term Liabilities	6,029	108	6,137	Reclassification adjustment arising from 2016 audit
Current Liabilities	8,914	416	9,330	
Total Liabilities	94,101	752	94,853	
Total Equity & Liabilities	144,433	(138)	144,295	

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 2016. The following new or amended standards, which became effective in 2017, do not have a significant impact on the Group's financial performance or disclosure:

- Amendments resulting from Annual Improvements to IFRS standards
- Amendments regarding the recognition of deferred tax assets for unrealized losses

The Group is assessing the potential impact on its financial performance or disclosure resulting from the future application of IFRS 9, IFRS 15 and IFRS 16; the impact of IFRS 9 and IFRS 15 (effective from financial year 2018) is expected to be limited. The impact of IFRS 16 (effective from financial year 2019) on the balance sheet and the income statement will be disclosed in more detail in the annual report of financial year 2018. The current expectation is that the EBITDA will be positively impacted and the annual result will be remain unchanged.

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 twelve months ended 31 December 2017 22% (twelve months ended 31 December 2016: 22%).

8. Loan Covenants

The Group needs to be compliant with the stipulations in the loan covenant requirements of the bond agreement. As per 31 December 2017 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 during financial year 2017 in comparison to financial year 2016 is mainly caused by the borrowing structure of the Group and financial year closing adjustments.

The increased net finance costs is caused by the increased interest for the shareholder loan and decreased currency exchange results. Furthermore, the other financial expenses increased in Q4 2017 in comparison to Q4 2016 with regards to the amortisation of the finance expenses regarding the bond amendment in 2017.

The net finance costs of the Group is as follows.

In thousands of USD	**Q4 2017 (Unaudited)**	Q4 2016 (Unaudited) *	**YTD 2017 (Unaudited)**	YTD 2016 (Audited) *
Interest costs shareholdersloan 10%	**(250)**	(227)	**(959)**	(874)
Interest cost bond loan 7%	**(1,225)**	(1,225)	**(4,900)**	(4,900)
Interest income bond buy-back	**87**	87	**350**	350
Net currency exchange effects	**19**	(133)	**177**	(69)
Other financial income (expense)	**(408)**	(229)	**(1,202)**	(988)
Net finance costs	**(1,777)**	(1,727)	**(6,534)**	(6,482)

* See note 4 for details on restatement of 2016 results

10. Subsequent events

The following events occurred between the period ending 31 December 2017 and the release for publication of these consolidated interim financial statements on 1 March 2018.

Establishment of new subsidiary and acquisition of new subsidiary

In January 2018 Transoil Laboratory Holding Ltd, a 100% subsidiary of Veritas Petroleum Services B.V., has been established for the purpose of the acquisition of Transoil Laboratory Ltd. On 31 January 2018, Transoil Laboratory Holding Ltd based in London, United Kingdom, acquired 100% of the shares in Transoil Laboratory Ltd based in Manchester, United Kingdom. Further reference is made to the announcement on the Company's website on 31 January 2018 (see Company Contact details).

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 Malcolm Cooper at +31(0) 180 221 100 or e-mail at Malcolm.Cooper@v-p-s.com.

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