Aurelia Energy N.V.

Quarterly report

For the period ended March 31, 2019

Aoka Mizu

Results and main developments for the three months ended March 31, 2019

First quarter results

The net result after tax for the first quarter of 2019 amounted to a loss of U.S.$9.0 million compared to a profit of U.S.$11.1 million for the first quarter of 2018. EBITDA for the first quarter of 2019 was U.S.$23.8 million compared to U.S.$53.9 million for the first quarter of 2018. The financial results for the first quarter of 2019 were mainly impacted by the following items:

The SPM division generated U.S.$1.0 million EBITDA in the first quarter of 2019 compared to U.S.$19.0 million EBITDA for the first quarter of 2018. In the first quarter of 2019 and 2018, mainly one large EPC project contributes to the SPM EBITDA. In the first quarter of 2019 progress on this EPC project was relative low resulting in marginal EBITDA contribution. The expectation is that this EPC project will reach its final stage in the second quarter of 2019.

The EBITDA for the FPSO division in the first quarter of 2019 amounted to U.S.$27.0 million compared to U.S.$32.8 million EBITDA for the first quarter of 2018. The U.S.$5.8 million decrease in EBITDA compared to the first quarter of 2018 was mainly driven by a U.S.$5.4 million decrease in EBITDA for the FPSO Haewene Brim compared to the first quarter of 2018. This decrease was mainly caused by U.S.$6.1 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.$0.7 million as a result of the performance related revenues under the new POSA with Shell effective November 2018. Finally FPSO tender costs in the first quarter of 2019 increased with U.S.$0.4 million, due to the increase in number of tender prospects in 2019.

During the first quarter of 2019, unallocated expenses amounted to U.S.$4.2 million, compared to U.S.$2.0 million unallocated income for the first quarter of 2018. Main contributor to the deteriorated overhead recovery in the first quarter of 2019 compared to the first quarter of 2018 was the lower project activity and lower utilisation of engineering and project management staff.

Depreciation and amortization expenditure in the first quarter of 2019 amounted to U.S.$21.4 million compared to U.S.$ 26.7 million for the first quarter of 2018. This U.S.$5.3 million decrease in depreciation costs was mainly caused by U.S.$6.1 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.$0.8 million resulting from the introduction of IFRS 16 as per January 1, 2019.

Finance expenses were U.S.$5.3 million lower compared to the previous year, at U.S.$10.3 million versus U.S.$15.6 million for the first quarter of 2018. This 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.$6.0 million in the first quarter of 2019 compared to U.S.$11.8 million for the U.S.$400.0 million subordinated bond in the first quarter of 2018. Other interest costs increased by U.S.$0.5 million in the first quarter of 2019 compared to the first quarter of 2018. These costs mainly relate to the amortization costs in relation to the Bond and the RCF.

Currency exchange results were U.S.$1.3 million negative in the first quarter of 2019 compared to U.S.$1.1 million negative in the first quarter of 2018. The decrease in the value of the U.S. Dollar against the Euro and Pound Sterling has led to negative exchange results in the first quarter 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 1.12 and GBP/USD 1.30 at the end of the first quarter 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 first quarter of 2019 amounted U.S.$0.1 million versus U.S.$0.2 million income tax benefit for the first quarter of 2018. The U.S.$0.1 million income tax benefit in 2019 relates to a refund of company tax in the Netherlands. The U.S.$0.2 million income tax benefit in 2018 relates to the reversal of a withholding tax accrual in Angola.

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 March 31, 2019

In thousands of U.S.$	***Note***	**March 31, 2019**	**March 31, 2018**
Operating activities			
Revenues	*1*	56,201	107,282
Raw materials, consumables used and other operating costs		(18,640)	(36,772)
Employee benefits expense		(13,749)	(16,653)
EBITDA		23,812	53,857
Depreciation and amortization expense	*2*	(21,365)	(26,744)
Results from operating activities (EBIT)		2,447	27,113
Finance income		86	413
Finance expenses		(10,325)	(15,570)
Currency exchange results		(1,265)	(1,065)
Net finance expense		(11,504)	(16,222)
Profit/ (Loss) before income tax		(9,057)	10,891
Income tax benefit/ (expense)		97	164
Profit/ (Loss) for the period		(8,960)	11,055

The profit/ (loss) 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*	March 31, 2019	December 31, 2018
Assets			
Property, plant and equipment	*2*	520,818	541,070
Right-of-use assets	*3*	27,879	-
Intangible assets		1,378	1,399
Other financial investments, including derivatives		9	6
Deferred tax assets		72,197	72,197
Total non-current assets		622,281	614,672
Inventories		1,200	1,200
Trade and other receivables		9,734	15,532
Contract assets		7,491	11,415
Prepayments for current assets		1,949	2,064
Cash and cash equivalents		32,278	59,780
Total current assets		52,652	89,991
Total assets		674,933	704,663
Equity			
Issued share capital		170,000	170,000
Share premium		198,568	198,568
Translation reserve		(11,894)	(12,291)
Investment revaluation reserve		(2,807)	(2,811)
Employee benefits reserve		(7,889)	(7,889)
Accumulated deficit		(137,307)	(128,347)
Total equity attributable to equity holder of the Company		208,671	217,230
Liabilities			
Loans and borrowings	*4*	343,945	361,345
Lease liabilities	*3*	24,087	-
Employee benefits		13,882	14,476
Total non-current liabilities		381,914	375,821
Loans and borrowings	*4*	25,444	36,556
Lease liabilities	*3*	3,636	-
Trade and other payables, including derivatives		41,980	49,766
Contract liabilities		13,288	25,290
Total current liabilities		84,348	111,612
Total liabilities		466,262	487,433
Total equity and liabilities		674,933	704,663

The interim financial statements have not been audited

Condensed consolidated interim statement of changes in equity

In thousands of U.S.$

	Issued Share Capital	Share Premium	Translation reserve	Investment revaluation reserve	Employee benefits reserve (IAS 19)	Accumu-lated deficit	Total equity
Balance at January 1, 2019	**170,000**	**198,568**	**(12,291)**	**(2,811)**	**(7,889)**	**(128,347)**	**217,230**
Loss for the period	-	-	-	-	-	(8,960)	(8,960)
Foreign currency translation differences	-	-	397	4	-	-	401
Total comprehensive income	-	-	397	4	-	(8,960)	8,559
Balance at March 31, 2019	**170,000**	**198,568**	**(11,894)**	**(2,807)**	**(7,889)**	**(137,307)**	**208,671**

The interim financial statements have not been audited

Condensed consolidated interim statement of cash flows

In thousands of U.S.$	**March 31, 2019**	**March 31, 2018**
Net cash from (used in) operating activities	4,342	(77)
Net cash from (used in) investing activities	(208)	263
Net cash from (used in) financing activities	(31,938)	(6,880)
Translation effect on cash	302	780
Net increase / (decrease) in available cash and cash equivalents	(27,502)	(5,914)
Cash and cash equivalents at the beginning of the period	59,780	179,884
Cash and cash equivalents at the end of the period	32,278	173,970

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 March 31, 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. As of January 1, 2019 the Company implemented IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Details can be found in note 3. 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.$	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**
Total segment revenue	41,889	49,703	14,312	57,579	56,201	107,282
Total cost of operations	(14,870)	(16,885)	(13,336)	(38,553)	(28,206)	(55,438)
Unallocated income/ (expenses)					(4,183)	2,013
EBITDA	27,019	32,818	976	19,026	23,812	53,857
Depreciation and amortization	(20,490)	(26,570)	(875)	(174)	(21,365)	(26,744)
Results from operating activities (EBIT)	6,529	6,248	101	18,852	2,447	27,113
Net finance costs					(11,504)	(16,222)
Income tax benefit/ (expense)					97	164
Result for the period					(8,960)	11,055
Segment assets	563,927	783,026	37,422	61,076	601,349	844,102
Unallocated assets					73,584	76,922
Total assets					674,933	921,024
Segment liabilities	418,270	570,929	47,992	143,624	466,262	714,553
Capital expenditure	-	29	-	129	-	158

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
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Translation result	-	-	-	7	7
As at March 31, 2019	842,363	552,563	639,755	11,056	2,045,737
Accumulated depreciation and impairment losses:					
As at January 1, 2019	788,030	285,110	427,093	4,427	1,504,660
Depreciation for the period	13,669	3,720	2,673	192	20,254
Disposals	-	-	-	-	-
Translation result	-	-	-	5	5
As at March 31, 2019	801,699	288,830	429,766	4,624	1,524,919
Net book value	40,664	263,733	209,989	6,432	520,818

As of March 31, 2019, an amount of U.S.$101,481 (March 31, 2018: U.S.$101,481) relating to capitalized interest is included in the historical cost value of the FPSOs, FPSOs held for conversion and FPSO under construction. Interest capitalized for the periods ended March 31, 2019 and 2018 amounts to U.S.$ nil. Depreciation of right of use assets amounted U.S.$795 thousand and amortization of intangible assets amounted U.S.$316 thousand for the first quarter 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	(749)	(46)	(795)
Translation result	18	-	18
As at March 31, 2019	27,401	478	27,879

There were no additions to the right-of-use assets during the first quarter of 2019.

Lease liabilities

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

In thousands of U.S.$	March 31, 2019	January 1, 2019
Non-current liabilities		
Lease liabilities	24,087	24,968
Current liabilities		
Lease liabilities	3,636	3,688

4. Loans and borrowings

In thousands of U.S.$	March 31, 2019	December 31, 2018
Non-current liabilities		
Long-term bank loans	121,123	139,290
Unsecured bond	222,822	222,055
	343,945	361,345
Current liabilities		
Current portion of bank loans	25,444	36,556

The amount of the Unsecured bond as per March 31, 2019 amounting to U.S.$222.8 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.$17.2 million. The long term bank loans as per March 31, 2019 amounting to U.S.$151.0 million consists of a current portion of U.S.$25.4 million and a non-current portion of U.S.$121.1 million. The non-current portion of U.S.$121.1 million is the net balance of the U.S.$125.5 million revolving credit facility and the current balance of unamortized borrowing costs of U.S.$4.4 million.