Bluewater Holding B.V.

Half-year report

For the six-month period ended June 30, 2019

Bluewater Holding B.V. is an intermediary holding company of the Bluewater group, whose main activity consists of financing of the group entities.

Bluewater Holding B.V. is wholly owned by Aurelia Energy N.V., which published its half year results for the period ended June 30, 2019 on August 29, 2019.

Results and main developments for the six-months ended June 30, 2019

Reporting entity and group structure

The Bluewater group (Bluewater) is 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").

Bluewater Holding B.V. is an intermediary holding company of the Bluewater group, whose main activity consists of financing of the group entities. Bluewater Holding B.V. is wholly owned by Aurelia Energy N.V., which published its half year results for the period ended June 30, 2019 on August 29, 2019.

For the first half year 2019, the Bluewater group, headed by Aurelia Energy N.V., reported a net loss after tax amounting to U.S.$7.6 million compared to a profit of U.S.$18.2 million for the six-month period ended June 30, 2018. EBITDA for the six-month period ended June 30, 2019 was U.S.$45.1 million compared to U.S.$104.3 million for the six-month period ended June 30, 2018.

Second quarter results Bluewater Holding N.V.

The net result after tax of Bluewater Holding N.V. for the six-month period ended June 30, 2019 amounted to a loss of U.S.$7.5 million compared to a profit of U.S.$18.3 million for the six-month period ended June 30, 2018. EBITDA for the six-month period ended June 30, 2019 was U.S.$45.2 million compared to U.S.$104.3 million for the six-month period ended June 30, 2018. The financial results for the first half year of 2019 were mainly impacted by the following items:

The SPM division generated U.S.$5.8 million EBITDA in the second quarter of 2019, resulting in U.S.$6.8 million EBITDA for the six-month period ended June 30, 2019 compared to U.S.$37.6 million EBITDA for the six-month period ended June 30, 2018. In the first half year of 2019 and 2018, mainly one large EPC project contributes to the SPM EBITDA. In the second quarter of 2019 progress on this EPC project reached its final stage resulting in an increase in EBITDA contribution compared to the first quarter of 2019.

The EBITDA for the FPSO division in the second quarter of 2019 amounted to U.S.$18.6 million, resulting in U.S.$45.6 million EBITDA for the six-month period ended June 30, 2019 compared to U.S.$64.1 million EBITDA for the six-month period ended June 30, 2018. The U.S.$18.5 million decrease in EBITDA compared to the first half year of 2018 was mainly driven by a U.S.$22.8 million decrease in EBITDA for the FPSO Haewene Brim compared to the first six-months of 2018. This decrease was mainly caused by U.S.$24.5 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.$1.7 million as a result of the performance related revenues under the new POSA with Shell effective November 2018. On May 11, 2019, the Aoka Mizu produced first oil and contributes U.S.$ 4.3 EBITDA in the period ended June 30, 2019. Finally FPSO tender costs in the first six-month of 2019 decreased with U.S.$0.8 million compared to the first six-months of previous year, despite the increase in number of tender prospects in 2019.

During the first half year of 2019, unallocated expenses amounted to U.S.$7.3 million, compared to U.S.$2.7 million unallocated income for the first half year of 2018. Main contributor to the deteriorated overhead recovery in the first six-month of 2019 compared to the first six-month of 2018 was the lower project activity and lower utilisation of engineering and project management staff.

Depreciation and amortization expenditure in the first half year of 2019 amounted to U.S.$31.1 million compared to U.S.$53.5 million for the first half year of 2018. This U.S.$22.4 million decrease in depreciation costs was mainly caused by U.S.$24.5 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.$1.6 million resulting from the introduction of IFRS 16 as per January 1, 2019.

Finance expenses were U.S.$11.3 million lower compared to the previous year, at U.S.$.20.1 million versus U.S.$31.4 million for the first half year 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.$12.0 million in the first half year of 2019 compared to U.S.$23.6 million for the U.S.$400.0 million subordinated bond in the first six-month of 2018. Other interest costs increased by U.S.$0.3 million in the first half year of 2019 compared to the first half year of 2018. These costs mainly relate to the amortization costs in relation to the Bond and the RCF.

Currency exchange results were U.S.$1,2 million negative in the first half year of 2019 compared to U.S.$2.3 million negative in the first half year 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 first half year 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 1.13 and GBP/USD 1.29 at the end of the first half year 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 expenses for the first half year of 2019 amounted U.S.$0.4 million versus U.S.$0.2 million income tax benefit for the first half year of 2018. The U.S.$0.4 million income tax expenses in 2019 mainly relates to a decrease in the deferred tax asset due to reassessment. 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.

General information

Bluewater Holding B.V. (''the Company'') is an intermediary 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''). The Company is wholly owned by Aurelia Energy N.V., which published its half year results for the period ended June 30, 2019 on August 29, 2019.

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 by 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- or 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 June 30

In thousands of U.S.$	***Note***	**June 30, 2019**	**June 30, 2018**
Operating activities			
Revenue	*1*	122,189	248,155
Raw materials, consumables used and other operating costs		(49,741)	(107,842)
Employee benefits expense		(27,287)	(35,946)
EBITDA		45,161	104,367
Depreciation and amortisation expense	*2*	(31,119)	(53,494)
Results from operating activities (EBIT)		14,042	50,873
Finance income		128	947
Finance expenses		(20,102)	(31,424)
Currency exchange results		(1,191)	(2,291)
Net finance expense		(21,165)	(32,768)
Profit/ (Loss) before income tax		(7,123)	18,105
Income tax benefit/(expense)		(417)	170
Profit/ (Loss) for the period		(7,540)	18,275

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***	**June 30, 2019**	**December 30, 2018**
Assets			
Property, plant and equipment	*2*	512,181	541,070
Right-of-use assets	*3*	27,054	-
Intangible assets		1,353	1,399
Other financial investments		8	5
Deferred tax assets		71,683	72,197
Total non-current assets		612,279	614,671
Inventories		1,209	1,201
Trade and other receivables		25,119	15,530
Contracts assets		6,869	11,415
Prepayments for current assets		3,267	2,064
Cash and cash equivalents		19,632	59,774
Total current assets		56,096	89,984
Total assets		668,375	704,655
Equity			
Issued share capital		114	114
Share premium		2,997,233	2,997,233
Translation reserve		(10,682)	(10,516)
Investment revaluation reserve		(2,808)	(2,811)
Employee benefits reserve		(7,889)	(7,889)
Accumulated deficit		(2,771,235)	(2,763,695)
Total equity attributable to equity holders of the Company		204,733	212,436
Liabilities			
Loans and borrowings	*4*	326,523	361,345
Lease liabilities		23,224	-
Employee benefits		13,782	14,476
Total non-current liabilities		363,529	375,821
Loans and borrowings	*4*	54,333	37,508
Lease liabilities		3,547	-
Trade and other payables, including derivatives		42,233	53,600
Contract liabilities		-	25,290
Total current liabilities		100,113	116,398
Total liabilities		463,642	492,219
Total equity and liabilities		668,375	704,655

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**	**Accumulated deficit**	**Total equity**
Balance at December 30, 2018	**114**	**2,997,233**	**(10,516)**	**(2,811)**	**(7,889)**	**-**	**(2,763,695)**	**212,436**
Loss for the period	-	-	-	-	-	-	(7,540)	(7,540)
Foreign currency translation differences	-	-	(166)	3	-	-	-	(163)
Fair value of available-for-sale financial assets (OCI)	-	-	-	-	-	-	-	-
Movement employee benefits reserve (IAS 19)	-	-	-	-	-	-	-	-
Fair value of cash flow hedges transferred to profit or loss (OCI)	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	(166)	3	-	-	(7,540)	(7,703)
Balance at June 30, 2019	**114**	**2,997,233**	**(10,682)**	**(2,808)**	**(7,889)**	**-**	**(2,771,235)**	**204,733**

The interim financial statements have not been audited

Condensed consolidated interim statement of cash flows

In thousands of U.S.$	**June 30, 2019**	**June 30, 2018**
Net cash from (used in) operating activities	(16,817)	6,712
Net cash from (used in) investing activities	(453)	293
Net cash from (used in) financing activities	(22,969)	(13,475)
Translation effect on cash	97	948
Net increase/(decrease) in available cash and cash equivalents	(40,142)	(5,522)
Cash and cash equivalents at the beginning of the period	59,774	178,804
Cash and cash equivalents at end of the period	19,632	173,282

The interim financial statements have not been audited

Notes to the unaudited condensed consolidated interim financial statements

Reporting entity

Bluewater Holding B.V. (‘‘the Company’’) has its legal seat in Hoofddorp, the Netherlands. The unaudited condensed consolidated interim financial statements of the Company as at and for the six-month period ended June 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 (IFRSs) 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 interim condensed consolidated 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 interim condensed consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto for the year ended December 30, 2018.

The preparation of these unaudited 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.$	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Total segment revenue	79,819	99,128	42,370	149,027	122,189	248,155
Total cost of operations	(34,205)	(35,043)	(35,559)	(111,426)	(69,764)	(146,469)
Unallocated expenses					(7,264)	2,681
EBITDA	45,614	64,085	6,811	37,601	45,161	104,367
Depreciation and amortisation	(29,360)	(53,150)	(1,759)	(344)	(31,119)	(53,494)
Results from operating activities (EBIT)	16,254	10,935	5,052	37,257	14,042	50,873
Net finance costs					(21,165)	(32,768)
Income tax expense					(417)	170
Loss for the period					(7,540)	18,275
Segment assets	563,142	736,623	32,189	61,244	595,331	797,867
Unallocated assets					73,044	76,608
Total assets					668,375	874,475
Segment liabilities	428,038	541,543	35,604	124,636	463,642	666,179
Capital expenditure	-	422	-	227	-	649

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 December 30, 2018	842,363	552,563	639,755	11,049	2,045,730
Reclassification	639,755	-	(639,755)	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Translation result	-	-	-	(4)	(4)
As at June 30, 2019	1,482,118	552,563	-	11,045	2,045,726
Accumulated depreciation and impairment losses:					
As at December 30, 2018	788,030	285,110	427,093	4,427	1,504,660
Reclassification	431,103	-	(431,103)	-	-
Depreciation for the period	17,054	7,442	4,010	384	28,890
Disposals	-	-	-	-	-
Translation result	-	-	-	(5)	(5)
As at June 30, 2019	1,236,187	292,552	-	4,806	1,533,545
Net book value	245,931	260,011	-	6,238	512,181

As of June 30, 2019, an amount of U.S.$101,481 (June 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 June 30, 2019 and 2018 no interest was capitalized. Depreciation of right of use assets amounted U.S.$1.601 thousand and amortization of intangible assets amounted U.S.$628 thousand for the first half year 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 30, 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	(1,508)	(93)	(1,601)
Translation result	(1)	-	(1)
As at June 30, 2019	26,623	431	27,054

There were no material additions to the right-of-use assets during the first half year of 2019.

Lease liabilities

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

In thousands of U.S.$	**June 30, 2019**	**January 1, 2019**
Non-current liabilities		
Lease liabilities	23,224	24,968
Current liabilities		
Lease liabilities	3,547	3,688

4. Loans and borrowings

In thousands of U.S.$	**June 30, 2019**	**December 30, 2018**
Non-current liabilities		
Long-term bank loans	102,912	139,290
Unsecured bond	223,611	222,055
	326,523	361,345
Current liabilities		
Current portion of bank loans	54,333	36,556
Current portion of loan related party	-	952
	54,333	37,508

The amount of the Unsecured bond as per June 30, 2019 amounting to U.S.$223.6 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.$16.4 million. The long term bank loans as per June 30, 2019 amounting to U.S.$161.0 million consists of a current portion of U.S.$54.3 million and a non-current portion of U.S.$102.9 million. The non-current portion of U.S.$102.9 million is the net balance of the U.S.$106.7 million revolving credit facility and the current balance of unamortized borrowing costs of U.S.$3.8 million.