Aurelia Energy N.V.

Quarterly report

For the period ended December 31, 2016

Kaombo Lifting South Turret

Results and main developments for the year ended December 31, 2016

Fourth quarter results

The net result after tax for the year 2016 amounted to a loss of U.S.$8.7 million compared to a loss of U.S.$99.0 million for the year 2015. EBITDA for the year 2016 amounted to U.S.$190.0 million compared to U.S.$224.9 million for the year 2015. The financial results for the fourth quarter of 2016 were mainly impacted by the following:

The SPM division generated U.S.$5.3 million EBITDA in the fourth quarter of 2016, resulting in U.S.$39.2 million EBITDA for the year 2016 compared to U.S.$61.4 million EBITDA for the year 2015. SPM results for 2015 were driven by two large projects which started in 2014 and achieved significant progress during 2015. In 2016, progress on these SPM projects was in final stages, resulting in lower EBITDA recognition.

The fourth quarter 2016 EBITDA for the FPSO division was U.S.$28.9 million, resulting in an EBITDA of U.S.$160.4 million for the FPSO division for the year 2016 compared to U.S.$169.9 million EBITDA for the year 2015. The U.S.$9.5 million decrease in EBITDA compared to the year 2015 was mainly driven by a U.S.$47.0 million decrease in EBITDA for the FPSO Aoka Mizu. This decrease in EBITDA was due to lower tariff income and lower lease income following the contract amendments and termination of the contract compared to the year 2015. EBITDA for the FPSO Haewene Brim increased by U.S.$20.4 million compared to the year 2015. In 2015 the Haewene Brim suffered from increased maintenance costs and reduced income due to constraints in production levels which was not the case in the year 2016. EBITDA for the FPSO Glas Dowr increased by U.S.$5.0 million compared to the year 2015. This increase in EBITDA was due to the recognition of the largest part of the termination fee in 2016 following the termination for convenience by ENI combined with a lower EBITDA in 2015 due to credits on the daily hire rates as agreed in a contract amendment of July 10, 2015. EBITDA of the FPSO Bleo Holm increased by U.S.$4.3 million as a result of higher tariff income compared to the year 2015. EBITDA of the FPSO Munin increased by U.S.$4.1 million as a result of cost savings on the lay-up of the vessel in the year 2016 compared to 2015. Furthermore FPSO tender costs in 2016 decreased by U.S.$2.5 million, despite the increase in number of tender prospects in 2016. Finally cost savings were achieved on general FPSO costs of U.S.$1.2 million in the year 2016 compared to the year 2015.

During the year 2016, unallocated expenses amounted to U.S.$9.7 million, compared to U.S.$6.4 million for the year 2015. The unallocated expenses for year 2016 include a reorganization provision of U.S.$0.8 million. During the year 2015 the overhead recovery was relatively high, which was driven by increased project activity and utilization of the engineering and project staff and contractors.

Depreciation and amortization expenditure for the year 2016 amounted to U.S.$150.7 million compared to U.S.$244.3 million for the year 2015. The decrease was mainly driven by the impairments recorded for the FPSO Glas Dowr and FPSO Aoka Mizu in 2015, resulting in a lower depreciation base going forward for both vessels. Decommissioning for FPSO Glas Dowr was completed on March 1, 2016 and decommissioning for FPSO Aoka Mizu on August 1, 2016. As from these dates the FPSO's are classified as 'FPSO's under construction' and redeployment opportunities are actively being pursued. As of January 1, 2016 prospectively all 'FPSO's under construction' are depreciated. Management also assessed indications for potential impairment of the intangible assets and other financial investments related to its upstream activities, concluding that for an amount of U.S.$33.1 million of capitalized license fees and other financial investments required impairment in the year 2016 compared to nil in 2015.

Finance expenses were U.S.$2.2 million lower compared to the previous year, at U.S.$58.2 million versus U.S.$60.4 million in the year 2015. The amendment agreements to the senior secured project finance facility and to the corporate credit facility have led to an additional one-off amortization expenditure of debt arrangement fees of U.S.$1.3 million due to recalculation of the debt arrangement fees over the remaining period of the facilities. In total an amount of U.S.$6.5 million was added to the debt arrangement fees. Other interest costs decreased by U.S.$3.5 million compared to the previous year, mainly due to further reduction of net debt.

Currency exchange results were U.S.$3.3 million positive in the year 2016 compared to U.S.$12.9 million negative in the year 2015. The currency exchange results relate mainly to positive or negative fair market value of euro denominated forward exchange contracts that were entered into to hedge the currency exposure on SPM projects.

Income tax income for the year 2016 amounted U.S.$5.8 million versus U.S.$6.4 million income tax expense for the year 2015. The income tax income in 2016 relates to U.S.$6.4 increase in the deferred tax asset and U.S.$0.6 income tax expense mainly in relation to withholding tax and Australian corporate tax for the Glas Dowr. The U.S.$6.4 million income tax expense in 2015 related to U.S.$3.6 million withholding tax and U.S.$1.4 million Australian corporate tax in relation to the Glas Dowr, U.S.$0.7 million withholding tax incurred in relation to SPM revenues and U.S.$0.7 million corporate taxes in other jurisdictions.

Other developments

The Company's cash flow position and forecast and its ability to attract new capital under current conditions as well as a slow market recovery give rise to uncertainty about the Company's ability to continue as a going concern. This uncertainty is dependent on the Company's ability to secure new contracts and generate sufficient liquidity or the ability to implement one or more strategic options, be it through a new corporate finance facility, other forms of refinancing or amendment or through attracting new equity into the group.

The unprecedented fall of the oil price since mid-2014 and its moderate recovery since then has had significant negative consequences for the Company's business performance and financial outlook. During 2015, these market circumstances led to discussions with our FPSO clients about the economic sustainability of continued production, which resulted in certain discounts and credits on our lease revenues. Furthermore, early 2016 the FPSO Glas Dowr came off-contract and as of August 1, 2016 the FPSO Aoka Mizu came off contract as well. Both FPSOs are currently in lay-up. Due to these developments and despite stable performance of the SPM segment, the Company's liquidity position deteriorated during 2015 and 2016.

Since early 2016, the Company has gone through a strategic review process to evaluate the various options to attract capital necessary to sustain the current activities of the Company in the mid to long term as well as to fund any investments necessary to redeploy the FPSOs for new contracts. The options considered include solutions that involve debt refinancing as well as equity raise, both of which may take place at various levels in the Company structure. At the moment, the Company is still pursuing a number of such strategic options.

On February 9, 2016, the Company entered into amendment agreements to the senior secured project finance facility and to the corporate credit facility. The repayment schedule for the senior secured project finance facility has been updated in accordance with the provisions of the facility to reflect the current position in relation to prepayments. The corporate credit facility had an original expiry date of March 4, 2016 and the Company has agreed an extension until March 31, 2017. The corporate credit facility is split between a U.S.$22.2 million RCF 1 and a U.S.$44.5 million RCF 2. Interest on RCF 1 is 3-months USD Libor plus 4% margin per annum plus an additional margin (the deferred margin) of 1% per annum, interest on RCF 2 is 3-months USD Libor plus 3% margin per annum. The Company has entered into discussions with its existing and new lenders to arrange a new corporate facility or to extend the current corporate facility to come in place after the maturity of the existing facility on March 31, 2017.

On November 28, 2016, the Company has signed a Heads of Terms with Hurricane Energy, a UK based oil and gas-company focused on hydrocarbon resources in naturally fractured basement reservoirs, for the use of the

Aoka Mizu FPSO on the Lancaster field, West of Shetland. Following the signing of the Agreement, the Company and Hurricane have commenced a second phase FEED study which is expected to be completed in the second quarter of 2017. Under the terms of the Agreement, the Company and Hurricane have granted each other an exclusive right to enter into fully-termed agreements until November 2017, it is the parties' intention to enter into such agreements prior to Hurricane's expected sanction date in mid-2017. Hurricane however may elect to authorize the procurement of long lead items already in April 2017 in order to keep the project on schedule to deliver first oil by Q1 2019.

The Company is currently in final contract discussions for the delivery of in total 5 buoy systems for 2 different clients. Delivery of these buoy systems is expected by Q1 2018.

Given the current business outlook and the liquidity forecast as well as the available options to secure funding, the company expects to be in compliance with its covenants under the existing loan agreements (including the Corporate Facility, the Project Finance Facility and the Bond Loan) and to have sufficient funds to continue its operations for at least the coming 12 months. The financial statements have therefore been prepared on a going concern basis of accounting.

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, 2016

In thousands of U.S.$		**December 31, 2016**	**December 31, 2015**
Operating activities			
Revenue	*1*	440,254	668,220
Raw materials, consumables used and other operating costs		(199,492)	(365,122)
Employee benefits expense		(50,740)	(78,220)
EBITDA		190,022	224,878
Depreciation and amortization expense	*2*	(150,681)	(244,309)
Results from operating activities (EBIT)		39,341	(19,431)
Finance income		991	131
Finance expenses		(58,231)	(60,400)
Currency exchange results		3,319	(12,904)
Net finance expense		(53,921)	(73,173)
Loss before income tax		(14,580)	(92,604)
Income tax benefit/ (expense)		5,845	(6,435)
Loss for the period		(8,735)	(99,039)

The 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***	**December 31, 2016**	**December 31, 2015**
Assets			
Property, plant and equipment	*2*	747,856	863,638
Intangible assets		3,559	14,204
Other financial investments, including derivatives		196	24,064
Deferred tax assets		62,378	55,977
Total non-current assets		813,989	957,883
Inventories		1,602	1,467
Trade and other receivables		16,706	76,680
Construction contracts		2,146	7,796
Prepayments for current assets		1,963	3,180
Cash and cash equivalents		67,975	101,529
Total current assets		90,392	190,652
Total assets		904,381	1,148,535
Equity			
Share capital		170,000	170,000
Share premium		198,568	198,568
Accumulated deficit		(155,411)	(146,676)
Other reserves		(28,641)	(24,719)
Total equity attributable to equity holder of the Company		184,516	197,173
Liabilities			
Loans and borrowings, including derivatives	*3*	477,367	492,529
Deferred income		85,887	159,505
Employee benefits		18,348	15,872
Total non-current liabilities		581,602	667,906
Loans and borrowings	*3*	23,730	79,079
Trade and other payables		27,815	56,560
Deferred income		86,718	147,817
Total current liabilities		138,263	283,456
Total liabilities		719,865	951,362
Total equity and liabilities		904,381	1,148,535

The interim financial statements have not been audited

Condensed consolidated statement of changes in equity

Attributable to equity holder of the Company

	Issued Share Capital	Share Premium	Translation reserve	Investment revaluation reserve	Employee benefits reserve (IAS 19R)	Hedging reserve	Accumu-lated deficit	Total equity
Balance at December 31, 2015	**170,000**	**198,568**	**(11,855)**	**(2,809)**	**(10,120)**	**65**	**(146,676)**	**197,173**
Result for the period	-	-	-	-	-	-	(8,735)	(8,735)
Foreign currency translation differences	-	-	(142)	-	-	-	-	(142)
Fair value of available-for-sale financial assets	-	-	-	5	-	-	-	5
Movement employee benefits reserve (IAS 19R)	-	-	-	-	(3,914)	-	-	(3,914)
Movement cash flow hedges	-	-	-	-	-	129	-	129
Total comprehensive income	-	-	(142)	5	(3,914)	129	(8,735)	(12,657)
Balance at December 31, 2016	**170,000**	**198,568**	**(11,997)**	**(2,804)**	**(14,034)**	**194**	**(155,411)**	**184,516**

The interim financial statements have not been audited

Condensed consolidated interim statement of cash flows

For the period ended December 31, 2016

In thousands of U.S.$	**December 31, 2016**	**December 31, 2015**
Net cash from (used in) operating activities	45,244	62,580
Net cash from (used in) investing activities	949	(19,779)
Net cash from (used in) financing activities	(78,070)	(90,187)
Translation effect on cash	(1,677)	(5,607)
Net increase/ (decrease) in available cash and cash equivalents	(33,554)	(52,993)
Cash and cash equivalents at the beginning of the period	101,529	154,522
Cash and cash equivalents at the end of the period	67,975	101,529

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, 2016 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 (IFRSs) 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 31, 2015.

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 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 leased facilities;
- Estimation of the realizable amount of tax losses carried forward;
- Potential impact of claims and litigation;
- Going concern considerations.

Considerations for preparation of the 2016 financial statements

Although there is uncertainty about the Company's ability to continue as a going concern because of the circumstances described on page 3, management is confident that the current business outlook, liquidity forecast as well as the available strategic options to secure funding, provide sufficient basis to continue its operations and as such the unaudited condensed consolidated financial statements have been prepared on a going concern basis of accounting.

1. Segment information

The disclosure of segment information is consistent with 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.

Segment information for the period ended December 31, 2016

	FPSO		**SPM**		**Consolidated**	
In thousands of U.S.$	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Total segment revenue	302,594	380,823	137,660	287,397	440,254	668,220
Total cost of operations	(142,150)	(210,927)	(98,432)	(225,979)	(240,582)	(436,906)
Unallocated expenses					(9,650)	(6,436)
EBITDA	160,444	169,896	39,228	61,418	190,022	224,878
Depreciation and amortization	(116,749)	(243,440)	(837)	(869)	(117,586)	(244,309)
Unallocated impairment					(33,095)	-
Results from operating activities (EBIT)	43,695	(73,544)	38,391	60,549	39,341	(19,431)
Net finance costs	(53,921)	(73,173)	-	-	(53,921)	(73,173)
Income tax benefit/ (expense)					5,845	(6,435)
Result for the period					(8,735)	(99,039)
Segment assets	792,077	987,018	46,171	67,272	838,248	1,054,290
Unallocated assets					66,133	94,245
Total assets					904,381	1,148,535
Segment liabilities	675,473	840,544	44,392	110,818	719,865	951,362
Capital expenditure	-	2,066	42	162	42	2,228

There is no unallocated capital expenditure in 2016 (2015: U.S.$21 thousand).

2. Property, plant and equipment

In thousands of U.S.$	FPSOs	FPSOs under construction	Office equipment	Total
Cost:				
As at December 31, 2015	1,901,279	129,060	10,089	2,040,428
Reclassification	(1,058,916)	1,058,916	-	-
Additions	-	-	42	42
Disposals	-	-	-	-
Translation result	-	-	(41)	(41)
As at December 31, 2016	842,363	1,187,976	10,090	2,040,429
Accumulated depreciation and impairment losses:				
As at December 31, 2015	1,094,165	80,613	2,012	1,176,790
Depreciation for the period	97,889	17,149	786	115,824
Reclassification	(563,618)	563,618	-	-
Disposals	-	-	-	-
Translation result	-	-	(41)	(41)
As at December 31, 2016	628,436	661,380	2,757	1,292,573
Net book value	213,927	526,596	7,333	747,856

FPSOs reclassification for the period ended December 31, 2016 relates to FPSO Glas Dowr and FPSO Aoka Mizu. FPSO Glas Dowr was fully decommissioned on February 29, 2016. FPSO Aoka Mizu was fully decommissioned on July 31, 2016. As of December 31, 2016, an amount of U.S.$101,481 (December 31, 2015: U.S.$101,481) relating to capitalized interest is included in the historical cost value of the FPSOs and FPSOs under construction. Interest capitalized for the periods ended December 31, 2016 and 2015 amounts to U.S.$ nil. Bluewater has 3 FPSO's held for conversion kept in the category 'FPSO's under construction' for the period ended December 31, 2016 (December 31, 2015: 1 FPSO).

3. Loans and borrowings

In thousands of U.S.$	December 31, 2016	December 31, 2015
Non-current liabilities		
Long-term bank loans	82,760	99,771
Unsecured subordinated bond	394,607	392,758
	477,367	492,529
Current liabilities		
Current portion of bank loans	23,730	79,079

The amount of long-term bank loans as per December 31, 2016 amounting to U.S.$82.8 million includes a U.S.$25.0 million deposit kept in a debt service reserve account which has been netted with the related bank loan. The amount of the Unsecured subordinated bond as per December 31, 2016 amounting to U.S.$394.6 million is the net balance of the U.S.$400 million unsecured bond loan and the current balance of unamortized borrowing costs of U.S.$5.4 million.