Aurelia Energy N.V.

Quarterly report

For the nine-month period ended September 30, 2018

FPSO Aoka Mizu sailing to Rotterdam

Results and main developments for the nine-month period ended September 30, 2018

Third quarter results

The net result after tax for the nine-month period ended September 30, 2018 amounted to a profit of U.S.$27.5 million compared to a loss of U.S.$15.7 million for the nine-month period ended September 30, 2017. EBITDA for the nine-month period ended September 30, 2018 was U.S.$155.5 million compared to U.S.$106.7 million for the nine-month period ended September 30, 2017. The results for the nine months of 2018 were mainly impacted by the following items:

The SPM division generated U.S.$19.8 million EBITDA in the third quarter of 2018, resulting in U.S.$57.4 million EBITDA for the nine-month period ended September 30, 2018 compared to U.S.$19.5 million EBITDA for the nine-month period ended September 30, 2017. In 2018, various EPC projects contribute to the SPM EBITDA while in 2017 the progress on the running SPM projects were either in design or in final stages, resulting in lower EBITDA.

The EBITDA for the FPSO division in the third quarter of 2018 amounted to U.S.$33.2 million, resulting in U.S.$97.3 million EBITDA for the nine-month period ended September 30, 2018 compared to U.S.$95.7 million EBITDA for the nine-month period ended September 30, 2017. The U.S.$1.6 million increase in EBITDA compared to the nine-month period of 2017 was mainly driven by a U.S.$2.0 million increase in EBITDA for the FPSO Aoka Mizu. During the nine-month period of 2017 the vessel was in lay-up and U.S.$2.0 million lay-up cost were expensed, while during the nine-month period of 2018 the vessel was under construction and all expenses are part of the project. In addition, there was an increase in EBITDA of the FPSO Bleo Holm of U.S.$0.6 million due to higher production income in the nine-month period of 2018 compared to the nine-month period of 2017. There was a decrease in EBITDA of the FPSO Glas Dowr of U.S.$0.4 million due to higher lay-up costs compared to the nine-month period of 2017, set off by U.S.$0.2 lower lay-up costs for the Munin. And finally the U.S.$0.8 million increased FPSO tender costs in the nine-month period of 2018, due to the increase in number of tender prospects in 2018.

During the nine-month period of 2018, unallocated income amounted to U.S.$0.8 million, compared to U.S.$8.5 million unallocated expenses for the nine-month period of 2017. Main contributor to the improved overhead recovery in the nine-month period of 2018 compared to the nine-month period of 2017 was the higher project activity and higher utilisation of engineering and project management staff.

Depreciation and amortization expenditure in the nine-month period of 2018 amounted to U.S.$80.3 million compared to U.S.$80.9 million for the nine-month period of 2017. This U.S.$0.6 million decrease in depreciation costs was mainly caused by lower depreciation costs of FPSO Haewene Brim. The Topsides of FPSO Haewene Brim were fully depreciated during the nine-month period of 2017.

Finance expenses were U.S.$5.2 million higher compared to the previous year, at U.S.$46.3 million versus U.S.$41.1 million for the nine-month period of 2017. This increase in finance expenses was mainly driven by the Hurricane overrun finance facility expenses which increased U.S.$3.0 million and the increased bond expenses of U.S.$4.9 million in connection with the Hurricane project. In the third quarter of 2017 an amount of U.S.$4.7 million was added to the debt arrangement fees. These arrangement fees consist of legal, advisory, professional, upfront and commission fees and costs incurred to get in place the overrun finance facility for the Hurricane project of which U.S.$2.9 million was amortized in the nine-month period of 2018, compared to U.S.$0.6 million in the nine month period of 2017. Apart from the debt arrangement fees the commitment fee for the nine-month period of 2018 was U.S.$0.9 million compared to U.S.$0.2 million in the nine month period of 2017. The bond interest costs increased with U.S.$4.9 million in the nine-month period of 2018 compared with the nine-month period of 2017 as a result of quiet enjoyment in favour of Hurricane of the Aoka Mizu needed to ensure the Hurricane contract. The majority of the increase in bond interest is added to the bond value as payment in kind interest. Other interest costs decreased by U.S.$2.7 million compared to the previous year, mainly due to further reduction of net debt.

Currency exchange results were U.S.$3.1 million negative in the nine-month period of 2018 compared to U.S.$1.8 million negative in the nine-month period of 2017. 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 2018. The currency exchange rate moved from EUR/USD 1.20 and GBP/USD 1.35 at the beginning of the year to EUR/USD 1.16 and GBP/USD 1.31 at the end of the nine-month period of 2018. 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 2018 amounted U.S.$0.2 million versus U.S.$0.9 million income tax benefit for the nine-month period of 2017. The U.S.$0.2 million income tax benefit in 2018 relates to the reversal of a withholding tax accrual in Angola. The U.S.$0.9 million income tax benefit in 2017 relates mainly to refunds as a result of recalculation of Glas Dowr corporate income tax paid in prior years.

Other developments

The revolving credit facility that was scheduled to mature on March 31, 2018 has been extended till December 31, 2018. Ancillary to this revolving credit facility a bank guarantee facility is made available to the Company for a maximum amount of U.S.$10.0 million.

On May 29, 2018 a contract with Kuwait Oil Company (KOC) was signed for the design, construction and delivery of a CALM buoy with expected delivery in Q1, 2020.

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, 2018

In thousands of U.S.$	***Note***	**September 30, 2018**	**September 30, 2017**
Operating activities			
Revenues	*1*	371,628	222,926
Raw materials, consumables used and other operating costs		(162,777)	(80,523)
Employee benefits expense		(53,367)	(35,663)
EBITDA		155,484	106,740
Depreciation and amortization expense	*2*	(80,291)	(80,880)
Results from operating activities (EBIT)		75,193	25,860
Finance income		1,511	450
Finance expenses		(46,306)	(41,126)
Currency exchange results		(3,103)	(1,806)
Net finance expense		(47,898)	(42,482)
Profit/ (Loss) before income tax		27,295	(16,622)
Income tax benefit/ (expense)		170	886
Profit/ (Loss) for the period		27,465	(15,736)

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*	September 30, 2018	December 31, 2017
Assets			
Property, plant and equipment	*2*	566,871	644,762
Intangible assets		1,218	2,158
Other financial investments		6	36
Deferred tax assets		75,071	75,071
Total non-current assets		643,166	722,027
Inventories		1,195	1,189
Trade and other receivables		25,127	11,576
Construction contracts		8,721	10,166
Prepayments for current assets		2,331	1,804
Cash and cash equivalents		112,689	179,884
Total current assets		150,063	204,619
Total assets		793,229	926,646
Equity			
Issued share capital		170,000	170,000
Share premium		198,568	198,568
Translation reserve		(11,604)	(11,336)
Investment revaluation reserve		(2,811)	(2,811)
Employee benefits reserve		(8,680)	(8,680)
Hedging reserve		-	10
Accumulated deficit		(123,215)	(150,680)
Total equity attributable to equity holder of the Company		222,258	195,071
Liabilities			
Loans and borrowings	*3*	405,017	453,690
Deferred income		-	12,270
Employee benefits		14,058	15,153
Total non-current liabilities		419,075	481,113
Loans and borrowings	*3*	14,864	25,084
Trade and other payables		80,533	54,186
Deferred income		56,499	171,192
Total current liabilities		151,896	250,462
Total liabilities		570,971	731,575
Total equity and liabilities		793,229	926,646

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	Accumu-lated deficit	Total equity
Balance at January 1, 2018	**170,000**	**198,568**	**(11,336)**	**(2,811)**	**(8,680)**	**10**	**(150,680)**	**195,071**
Profit for the period	-	-	-	-	-	-	27,465	27,465
Foreign currency translation differences	-	-	(268)		-	-	-	(268)
Fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-
Movement employee benefits reserve (IAS 19)	-	-	-	-	-	-	-	-
Movement cash flow hedges	-	-	-	-	-	(10)	-	(10)
Total comprehensive income	-	-	(268)	-	-	(10)	27,465	27,187
Balance at September 30, 2018	**170,000**	**198,568**	**(11,604)**	**(2,811)**	**(8,680)**	**-**	**(123,215)**	**222,258**

The interim financial statements have not been audited

Condensed consolidated interim statement of cash flows

In thousands of U.S.$	**September 30, 2018**	**September 30, 2017**
Net cash from (used in) operating activities	4,148	80,570
Net cash from (used in) investing activities	40	(604)
Net cash from (used in) financing activities	(69,826)	(23,349)
Translation effect on cash	(1,557)	2,989
Net increase / (decrease) in available cash and cash equivalents	(67,195)	59,606
Cash and cash equivalents at the beginning of the period	179,884	67,975
Cash and cash equivalents at the end of the period	112,689	127,581

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, 2018 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, 2017.

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, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Total segment revenue	150,889	157,968	220,739	64,958	371,628	222,926
Total cost of operations	(53,601)	(62,249)	(163,328)	(45,485)	(216,929)	(107,734)
Unallocated income/ (expenses)					785	(8,452)
EBITDA	97,288	95,719	57,411	19,473	155,484	106,740
Depreciation and amortization	(79,774)	(80,339)	(517)	(541)	(80,291)	(80,880)
Results from operating activities (EBIT)	17,514	15,380	56,894	18,932	75,193	25,860
Net finance costs					(47,898)	(42,482)
Income tax benefit/ (expense)					170	886
Result for the period					27,465	(15,736)
Segment assets	660,124	768,423	56,810	68,945	716,934	837,368
Unallocated assets					76,295	64,971
Total assets					793,229	902,339
Segment liabilities	474,831	615,349	96,140	117,755	570,971	733,104
Capital expenditure	986	956	478	114	1,464	1,070

There are no unallocated capital expenditures in 2017 and 2018.

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, 2018	842,363	551,175	639,755	10,312	2,043,605
Additions	-	846	-	618	1,464
Disposals	-	-	-	(21)	(21)
Translation result	-	-	-	(11)	(11)
As at September 30, 2018	842,363	552,021	639,755	10,898	2,045,037
Accumulated depreciation and impairment losses:					
As at January 1, 2018	708,526	270,338	416,399	3,580	1,398,843
Depreciation for the period	59,627	11,047	8,020	657	79,351
Disposals	-	-	-	(21)	(21)
Translation result	-	-	-	(7)	(7)
As at September 30, 2018	768,153	281,385	424,419	4,209	1,478,166
Net book value	74,210	270,636	215,336	6,689	566,871

As of September 30, 2018, an amount of U.S.$101,481 (September 30, 2017: 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, 2018 and 2017 no interest was capitalized. Amortization of intangible assets amounted U.S.$940 thousand for the nine-month period of 2018.

3. Loans and borrowings

In thousands of U.S.$	September 30, 2018	December 31, 2017
Non-current liabilities		
Long-term bank loans	-	55,344
Unsecured subordinated bond	405,017	398,346
	405,017	453,690
Current liabilities		
Current portion of bank loans	14,864	25,084

The amount of the Unsecured subordinated bond as per September 30, 2018 amounting to U.S.$405.0 million is the net balance of the U.S.$407.2 million unsecured bond loan and the current balance of unamortized borrowing costs of U.S.$2.2 million. The current portion of bank loans as per September 30, 2018 amounting to U.S.$14.9 million includes a U.S.$25.1 million deposit kept in a debt service reserve account which has been netted with the related bank loan.