Veritas Petroleum Services B.V.

Quarterly report

30 June 2018

Q2 2018 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. These are the result of accelerated volumes due an increased market share. Ongoing fuel quality problems are resulting in increased concern from our customers as to the quality of their bunker fuel which is driving significant demand for fuel testing services and has had a positive impact on pricing.

In addition, on 31 January 2018, the Group acquired 100% of the shares in Transoil Laboratory Ltd based in Manchester, United Kingdom leading to additional revenues in Q2 2018.

Operating expenses increased as a result of increased volumes and negative currency effects, which were partly offset by cost savings.

The Group’s Q2 EBITDA increased to USD 3,750 thousand in comparison to prior year (Q2 2017: USD 3,222 thousand) and the Group’s Q2 Operating profit decreased to USD 1,117 thousand in comparison to prior year (Q2 2017: USD 1,542 thousand) as a result of the exceptional expenses incurred in Q2 2018 due to strategic advisory fees.

The Group closed Q2 2018 with a net loss of USD 493 thousand (Q2 2017: net profit of USD 64 thousand).

The operating cash flow in YTD Q2 2018 was USD 1,060 thousand negative, versus a negative cash flow of USD 2,324 thousand YTD Q2 2017.

Organizational changes

There are no significant organizational changes to report in Q2 2018.

Malcolm Cooper
Managing Director VPS Group

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

For the quarter ended 30 June

In thousands of USD	Q2 2018 (Unaudited)	Q2 2017 (Unaudited) *	YTD 2018 (Unaudited)	YTD 2017 (Unaudited) *
Revenues	12,976	11,833	25,251	23,480
Payroll expenses	(5,952)	(5,451)	(11,563)	(11,027)
Other operating expenses	(3,274)	(3,160)	(6,516)	(6,222)
	(9,226)	(8,611)	(18,079)	(17,249)
EBITDA **	3,750	3,222	7,172	6,231
Depreciation & amortisation	(1,458)	(1,486)	(2,945)	(2,942)
Exceptional expenses **	(1,175)	(193)	(1,410)	(424)
Operating profit	1,117	1,542	2,817	2,865
Interest income	97	91	194	182
Interest expense	(1,534)	(1,464)	(3,045)	(2,917)
Other financial expenses	(331)	(257)	(670)	(492)
Net Finance Costs ***	(1,768)	(1,630)	(3,521)	(3,227)
Result before tax	(651)	(87)	(704)	(362)
Tax expenses	158	151	363	352
Result after tax	(493)	64	(341)	(10)

* See note 4 for details on restatement of the Q2 2017 results

** In accordance with the amended bond agreement. Transoil Laboratory Ltd was acquired on 31 January 2018; the YTD 2018 (unaudited) EBITDA taking into account the full FY2018 financials of Transoil Laboratory Ltd is USD 7,392 thousand

*** See note 9 for details on the comparison of 2018 with 2017

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	30 June 2018 (Unaudited)	30 June 2017 (Unaudited) *	31 December 2017 (Audited)
Intangible Assets	41,801	41,532	40,115
Goodwill	71,438	64,258	64,258
Total Intangible Assets	113,239	105,790	104,373
Tangible Fixed Assets	11,576	12,216	11,757
Financial Fixed assets	297	264	304
Total Fixed Assets	125,112	118,270	116,434
Trade Debtors	6,695	5,671	5,828
Services to be invoiced	4,140	3,497	3,235
Other Current Assets	1,668	1,496	1,186
Cash & Banks	8,404	12,691	15,669
Total Current Assets	20,907	23,355	25,918
Total Assets	146,019	141,625	142,352

* See note 4 for details on restatement between Q2 2017 reporting and restated Q2 2017 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	30 June 2018 (Unaudited)	30 June 2017 (Unaudited) *	31 December 2017 (Audited)
Share Capital	6,300	6,300	6,300
Share Premium	56,700	56,700	56,700
Free reserves/unrecovered loss	(13,907)	(13,558)	(13,591)
Current year result	(341)	(10)	(316)
Total Equity	48,752	49,432	49,093
Shareholder Loan	14,647	10,057	10,552
Bond	64,483	63,869	64,184
Employee Benefits	496	391	474
Deferred Tax	10,792	10,970	10,482
Non-current Liabilities	90,418	85,287	85,692
Trade Creditors	1,725	1,586	2,088
Tax payable	440	335	687
Other Short Term Liabilities	4,684	4,985	4,792
Current Liabilities	6,849	6,906	7,567
Total Liabilities	97,267	92,193	93,259
Total Equity & Liabilities	146,019	141,625	142,352

* See note 4 for details on restatement between Q2 2017 reporting and restated Q2 2017 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 30 June

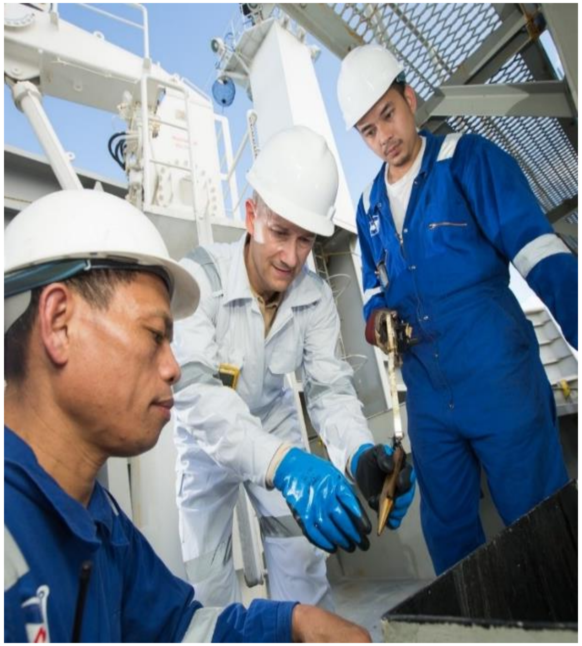
In thousands of USD	Equity
Balance at 31 December 2017 (audited)	49,093
Result for the period	(341)
Other Comprehensive Income	-
Balance at 30 June 2018 (unaudited)	48,752
Balance at 31 December 2016 (audited)	49,442
Result for the period	(10)
Other Comprehensive Income	-
Balance at 30 June 2017 (unaudited)	49,432

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 30 June

In thousands of USD	Ytd Q2 2018 (Unaudited)	Ytd Q2 2017 (Unaudited) **
Cash flow from operating activities		
Profit before tax	(704)	(362)
Other cash generated from operating activities	564	790
Net cash from operating activities	(140)	428
Net cash used in investing activities ***	(10,986)	(458)
Net cash used in financing activities ****	3,500	-
Change in cash and cash equivalents	(7,626)	(30)
Cash and cash equivalents at 1 January	15,669	12,721
Cash opening balance acquired Group companies	360	-
Cash and cash equivalents at 30 June	8,403	12,691



** See note 4 for details on restatement between Q2 2017 reporting and restated Q2 2017 figures

*** Includes amongst others the cash outflow related to the acquisition of Transoil Laboratory Ltd on 31 January 2018

**** Financing obtained for the acquisition of Transoil Laboratory Ltd on 31 January 2018

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 six months ended 30 June 2018 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 29 August 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 2017 quarterly reports

The results presented for the period ending 30 June 2017 are different from what was published last year. The 2017 quarterly results were prepared with the best knowledge available at that time but in the course of 2017 better insight has developed as a result of amongst others compliance with IFRS reporting and annual closing 2017. Moreover in January 2017 the bond agreement has been amended. An overview of the differences is presented below.

Explanatory notes to condensed consolidated interim financial statements

Income statement

In thousands of USD	YTD 30 June 2017 as reported August 2017 (Unaudited)	Restatements / Adjustments (Unaudited)	YTD June 2017 Restated (Unaudited)	Comments
Revenues	23,480	- 0	23,480	
Payroll expenses	(11,027)	0	(11,027)	
Other operating expenses	(6,222)	- 0	(6,222)	
	(17,249)	- 0	(17,249)	
EBITDA	**6,231**	**0**	**6,231**	
Depreciation & amortisation	(2,942)	(0)	(2,942)	
Exceptional expenses	(424)	(0)	(424)	
Operating profit	**2,865**	**(0)**	**2,865**	
Interest income	182	0	182	
Interest expense	(2,917)	(0)	(2,917)	
Other financial expenses	(492)	0	(492)	
Net Finance Costs	**(3,227)**	**0**	**(3,227)**	
Result before tax	**(362)**	**0**	**(362)**	
Tax expenses	352	(0)	352	
Result after tax	**(10)**	**(0)**	**(10)**	

Explanatory notes to condensed consolidated interim financial statements

Balance Sheet - Assets

In thousands of USD	30 June 2017 as reported August 2017 (Unaudited)	Restatements / Adjustments (Unaudited)	30 June 2017 Restated (Unaudited)	Comments
Intangible Assets	41,532	0	41,532	
Goodwill	64,258	(0)	64,258	
Total Intangible Assets	105,790	(0)	105,790	
Tangible Fixed Assets	12,216	0	12,216	
Financial Fixed assets	264	(0)	264	
Total Fixed Assets	118,270	(0)	118,270	
Trade Debtors	5,655	16	5,671	Allignment mapping of accounts with financial statements
Services to be invoiced	3,497	(0)	3,497	
Other Current Assets	1,586	(90)	1,496	Allignment mapping of accounts with financial statements
Cash & Banks	12,691	(0)	12,691	
Total Current Assets	23,429	(74)	23,355	
Total Assets	141,699	(74)	141,625	

Explanatory notes to condensed consolidated interim financial statements

Balance Sheet - Equity & Liabilities

In thousands of USD	30 June 2017 as reported August 2017 (Unaudited)	Restatements / Adjustments (Unaudited)	30 June 2017 Restated (Unaudited)	Comments
Share Capital	6,300	0	6,300	
Share Premium	56,700	0	56,700	
Free reserves/unrecovered loss	(13,558)	0	(13,558)	
Current year result	(10)	(0)	(10)	
Total Equity	49,432	0	49,432	
Shareholder Loan	10,057	0	10,057	
Bond	63,869	(0)	63,869	
Employee Benefits	391	0	391	
Deferred Tax	10,970	(0)	10,970	
Non-current Liabilities	85,287	(0)	85,287	
Trade Creditors	1,586	0	1,586	
Tax payable	335	(0)	335	
Other Short Term Liabilities	5,059	(74)	4,985	Allignment mapping of accounts with financial statements
Current Liabilities	6,980	(74)	6,906	
Total Liabilities	92,267	(74)	92,193	
Total Equity & Liabilities	141,699	(74)	141,625	

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 2017. The following new or amended standards, which became effective in 2018, do not have a significant impact on the Group's financial performance or disclosure:

- Amendments resulting from Annual Improvements to IFRS standards
- Introduction of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers"

The Group is assessing the potential impact on its financial performance or disclosure resulting from the future application of IFRS 16. 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 six months ended 30 June 2018 22% (six months ended 30 June 2017: 22%).

8. Loan Covenants

The Group needs to be compliant with the stipulations in the loan covenant requirements of the bond agreement. As per 30 June 2018 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 2018 in comparison to financial year 2017 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 an increase in the other financial expenses in Q2 2018 in comparison to Q2 2017 with regards to the amortisation of the finance expenses regarding the bond amendment in 2017 and foreign currency exchange effects.

The net finance costs of the Group is as follows.

In thousands of USD	**Q2 2018 (Unaudited)**	Q2 2017 (Unaudited) *	**YTD 2018 (Unaudited)**	YTD 2017 (Unaudited) *
Interest costs shareholdersloan 10%	(309)	(236)	(595)	(464)
Interest cost bond loan 7%	(1,225)	(1,225)	(2,450)	(2,450)
Interest income bond buy-back	87	87	175	175
Net currency exchange effects	(71)	56	(25)	101
Other financial income (expense)	(250)	(312)	(626)	(588)
Net finance costs	**(1,768)**	(1,630)	**(3,521)**	(3,227)

* See note 4 for details on restatement of the Q2 2017 results

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 (RvA, L096), Singapore (SAC-SINGLAS, LA-2014-0573-A), Houston (A2LA, 2744.01) and Fujairah (DAC, LB-336-TEST). 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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