

Quarterly Consolidated Report

2019

3rd Quarter 2019

About Reach Subsea

The Group's business concept is to offer subsea services as subcontractor and/or directly to end clients, based out of our head office in Haugesund. The core business of the Group is based on modern, high spec Work ROVs operated by highly qualified offshore personnel, and supported by our competent onshore engineering resources.

The Group's objective is to be a preferred subsea partner and full-service provider of subsea operations for clients, among others by having focus on safety, environment, financial solidity and profitability. Moderate risk contracts are targeted, thus securing revenue and strong liquidity in parallel with increasing the fleet, asset base and staff size.

Contents

About Reach Subsea	02
Highlights	03
Operations	04
Financial results	05
Capital structure	05
The Share	06
News after quarter end	06
Outlook	07
Reach Subsea Fleet	08
Accounts	12
Notes	16

3rd Quarter Highlights

1. Operating revenues in the third quarter 2019 were NOK 153 mill (NOK 179 million in 3Q2018) while revenues for the first nine months of 2019 were NOK 401 million (NOK 485 million). The decrease is mainly explained by a reduction in the number of sold vessel days.
2. 3Q2019 pre tax profit of NOK 4 million (NOK 8 million), which includes NOK 1 million loss on sale of assets, declined from last year due to lower utilisation.
3. The ROV formerly on *Edda Fonn* (Supporter 07), has remained idle in 2019, but is now planned for mobilisation on a new vessel for the 2020 season.
4. The order backlog of NOK 108 million and outstanding tender value of NOK 2.1 billion represents an increase compared to the corresponding figures of NOK 84 million and NOK 1.7 billion, respectively, a year ago.

Key figures UNAUDITED

	3Q 2019	3Q 2018	12M 2018
Revenues (NOKm)	153	179	675
EBITDA after termination fee (NOKm)	61	72	242
Pre-tax profit (NOKm)	4	8	-12
Liquidity (NOKm)	85	69	63
Net working capital (NOKm)	-4	38	55
Net interest bearing debt, incl IFRS 16 leases (NOKm)	129	121	85
Equity (NOKm)	190	214	211
Order backlog (NOKm)	108	84	120
Outstanding tender value (NOKbn)	2.1	1.7	1.8
Number of ROV days sold	589	579	2,215
Number of ROV days available	1 004	933	3,795
Technical uptime on ROVs	100 %	100 %	99 %
Number of offshore personnel days sold	3,421	3,569	13,269
LTIs	0	0	0
Number of vessel days sold	265	379	1,298

Please see definitions of Key Figures on page 06 in the report

3rd Quarter 2019

Operations

REACH had per quarter end ten WROV-systems available in addition to two "Surveyor Interceptor", owned by a joint venture between Reach Subsea and MMT Sweden AB (MMT).

REACH had 1,004 available ROV-days in 3Q2019 (933 ROV-days in 3Q2018), of which 589 days were sold (579) leading to a total utilisation of 59% (62%). Furthermore, number of vessel days that passed through our P&L was 265 (379). The reduction compared to last year is largely explained by the Viking Neptun being employed on a non-ROV contract the entire first half, as well as the ROV formerly on Edda Fonn remaining idle.

REACH offshore personnel contracting business, Connect Offshore, continued sourcing highly skilled offshore personnel during the third quarter. This personnel base is highly important in peak seasons, when the number of man hours in operation normally doubles compared to Reach Subsea's own staff.

REACH has not had any serious incidents during the quarter, which support our objective that the right procedures, well trained personnel and high-quality equipment generate operational success.

REACH has per 19th November 2019 a firm order book of NOK 108 million for 4Q2019 and beyond, with the vast majority related to work in 2019 and 1Q2020. The order book figure does not include expected volumes from the frame agreements.

Topaz Tiamat was mobilized in March 2019. The vessel is equipped with two Supporter WROVs and Reach Subsea offshore personell and was ready for subsea projects in cooperation with MMT as from March 2019. *Topaz Tiamat* went directly from mobilization to her first project late March for an international client in the oil and gas segment. Further, the spread worked on a call-of under a frame agreement with Equinor into July. After some idle-time in August, the vessel spread has been working in the spot market, hereunder three spot jobs for Equinor in the North Sea in September/early October.

Olympic Challenger is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The spread had high utilisation in the third quarter and is currently working on a contract in the North Sea region expected to last throughout November.

Havila Subsea is equipped with two owned Schilling WROVs and offshore personnel from Reach Subsea's offshore pool and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT. Havila

Subsea had high activity in the third quarter for end clients such as Wintershall, Teekay and Equinor. The vessel is currently working in the Carribean region for an international oil and gas company, with contracts expecting to last well into the 1Q2020.

Stril Explorer is a survey vessel on a charter contract from Møkster to Reach Subsea's cooperation partner MMT. Reach Subsea provides ROV services consisting of one Supporter WROV and offshore personnel to the vessel. Projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach Subsea and MMT. The spread had some idle time early 3Q followed by a project in the Baltic region, and is currently in transit to a project in the Mediterranean lasting throughout 4Q2019. The "Surveyor Interceptor I" is currently mobilized onboard *Stril Explorer*.

Havila Harmony was mobilized in August 2018 with a hired-in WROV for work in the Carribean region. Operations are executed by Reach Subsea and MMT personnel onshore and offshore. The vessel spread was working on frame contracts with international oil and gas clients until August 2019, whereafter the vessel has been idle for repair at owners cost, and is expected to be back in operation in December 2019.

Viking Neptun is mobilized with one Supporter WROV and one Constructor WROV and Reach Subsea delivers all ROV-services onboard the construction vessel. The vessel finished a walk to work contract between owner Eidesvik and an end client in June, leaving the ROVs idle for the entire first half and thereafter worked on a subsea contract with Ocean Installer in Africa in 3Q2019. The vessel spread is signed for a contract between Eidesvik and Ocean Installer, with Reach as ROV supplier, for 120-200 days in both 2020 and 2021.

Supporter 07 (formerly on *Edda Fonn*) is planned for mobilisation onboard a new vessel during 4Q2019 to be ready for operations from the season 2020. This vessel spread will not represent any substantial commitment in our accounts.

Financial Results

Revenue for the quarter was NOK 152.8 million compared with NOK 179.0 million for 3Q2018. Revenue for the first 9 months of 2019 was NOK 400.9 million (NOK 484.6 million for the first 9 months of 2018). The decrease in revenue is explained by a lower number of vessel spreads compared to the same period last year.

Operating expense (including depreciation) for the quarter was NOK 144.9 million, compared with NOK 167.9 million for 3Q2018. Operating expense for the first 9 months of 2019 was NOK 398.4 million (NOK 481.0 million). Project-related expense represents the majority of the operating expense for the group. The reduction in operating expense is mainly explained by lower activity, hereunder sold vessel days.

3Q2019 EBITDA before amortization of termination fee¹ was NOK 61.3 million compared with NOK 77.5 million for 3Q2018. EBITDA before amortization of termination fee¹ for the first 9 months of 2019 was NOK 140.1 million compared to NOK 194.3 million in 2018.

Depreciation for the quarter was NOK 53.5 million (NOK 60.9 million), while depreciation for 9 months of 2019 was NOK 137.6 million (NOK 174.2 million). The reduction in depreciation is explained by the decline in sold vessel days, which impacts depreciation of IFRS 16 leases.

Pay as you go charter hire was reclassified from operating expense to depreciations as from 3Q2018 based on updated IFRS 16 guidelines. In the 1Q2018 and 2Q2018 reports charter hire occurs as operating expense, whilst in 1Q2019 and 2Q2019 charter hire is classified as depreciation. As from the 3Q2018 report (including "year to date" figures) all charter hire is classified as depreciation according to IFRS16.

Net financial items for 3Q2019 was NOK -3.7 million (NOK -3.1 million). 3Q2019 pre-tax result was NOK 4.2 million (NOK 8.0 million), which includes a NOK 1.1 million loss on sale of assets that are not needed in our future business. The total comprehensive income for 3Q2019 ended at NOK 4.1 million, compared with NOK 8.0 million for 3Q2018.

¹ EBITDA after amortization of termination fee recognizes the effect of renegotiated vessel charter rates for *Edda Fonn* and *Normand Reach*. As part of the restructuring of charter commitments in June 2016 a termination fee of NOK 76 million was paid to Østensjø and Solstad. The termination fee was capitalized and amortized over the rest of the charter party periods. EBITDA during the amortization period be split in two; before and after amortization of termination fee. The amortisation fee was fully expensed in the 2018 accounts.

Total comprehensive income for the first 9 months of 2019 was NOK -11.5 million compared to NOK -5.8 million for the same period last year. The reduction in pre-tax result and comprehensive income, both for the quarter and year-to-date, is largely due to lower utilisation. Having three of our ten ROVs unavailable to the market has been costly for our profitability.

For 3Q2019, Oil & Gas revenues constituted 93 % while Renewable/Other constituted 7 % of total revenues. By comparison, in 3Q2018 Oil & Gas revenues were 67 % while Renewable/Other constituted 33 % of total revenues. Oil & Gas entails revenues from survey, IMR and light construction projects where the end client is an oil & gas company. Renewable/Other entails revenues from survey, IMR and light construction projects where the end client is a non-oil & gas company (typically a company in the renewables energy sector).

Capital structure

Total current assets at the end of the quarter were NOK 198.1 million (NOK 275.3 million), of which cash and cash equivalents amounted to NOK 84.9 million (NOK 68.7 million). Receivables were NOK 113.2 million (NOK 190.2 million). Total non-interest bearing current liabilities were NOK 116.7 million (NOK 151.8 million), leaving a net working capital² of NOK -4.0 million (NOK 38 million).

Total non-current assets at the end of the quarter were NOK 322.6 million (NOK 280.4 million). Property, plant and equipment now includes NOK 168.6 million of leases capitalised under IFRS 16 (NOK 130.4 million). The increase is explained by the charter commitment related to the vessel *Topaz Tiamat*. Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 128.6 million (NOK 121.1 million). Net financial interest bearing debt (excluding IFRS 16 leases) was NOK -39.3 million (NOK 3.4 million). The Group's equity as of 30 September 2019 was NOK 190.4 million, which represents 37 % of the total balance sheet. Net cash flow from operating activities for 3Q2019 was NOK 85.5 million (NOK 58.3 million), with the improvement largely explained by favourable working capital movements. Net cash flow for 3Q2019 was NOK 32.5 million (NOK -14.1 million). REACH has no major debt maturities or capital expenditure (investment) commitments for 2019 and onwards.

3rd Quarter 2019

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30.09.2019 issued 143 546 008 shares, of which the majority is owned by Norwegian shareholders. Reach Subsea essentially follows the recommendation for reporting of IR-information issued by the Oslo Stock Exchange's and publish all the news releases on www.newsweb.no, a service provided by the Oslo Stock Exchange.

News after quarter end

Reach Subsea has been awarded several short and medium term contracts for the season of 2019.

The order backlog figure of NOK 108 million includes the above mentioned contracts, as well as running contract extensions and call-offs counted from 1.10.2019, but does not include the full expected volumes from our frame agreements.

Reach Subsea also announced monthly operating figures for the first 10 months of 2019, see table below.

	Q1		Q2		Q3		Oktober		Year (to date)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of ROV days sold	246	407	610	793	589	579	139	209	1 584	1 988
Number of ROV days available	831	900	965	1 120	1 004	933	304	310	3 104	3 263
Technical uptime on ROVs	99 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Number of offshore personnel days sold	2 236	2 719	3 512	3 942	3 421	3 569	452	1 453	9 621	11 683
LTI's	0	0	1	0	0	0	0	0	1	0
Number of Vessel days sold	110	206	279	386	265	379	67	128	721	1 099

Definitions:

EBITDA after termination fee: see page 5.

Liquidity: Cash and cash equivalents.

Net working capital: Receivables less Non-interest bearing current Liabilities.

Net interest bearing debt: Interest bearing debt less cash and cash equivalents. Number of ROV days sold: Total number of ROV days sold in Reach Subsea AS (ex Surveyor AS).

Number of ROV days available: Total number of ROVs owned by Reach Subsea AS (ex Surveyor) multiplied with number of days in the month plus Total number of ROVs hired in (pay as use) by Reach Subsea AS multiplied with actual number of operational days in the month.

Technical uptime on ROVs: Percentage of hours in operation compared with technical breakdown.

Number of offshore personnel days sold: Total offshore man hours (offshore pool), including own and hired in resources.

LTI's: Number of loss time incidents (number of incidents resulting in absence from work).

Number of vessel days sold: Vessel days sold by Reach Subsea AS (excl. JV/Cooperation partners).

Outlook

REACH's strategy is to be a full-service provider within subsea service. The Group's management and board have extensive and long experience within this segment.

REACH currently markets and operates six subsea spreads (vessel, ROVs, and personnel), alone or together with partners, which have an attractive cost structure suited for current markets.

These subsea spreads are tailored to our target markets, and are well suited to the scope of services that are at the core of our business. We continue to monitor the market for opportunistic asset additions to complement and strengthen our portfolio for the future.

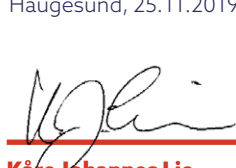
The combination of a lean and agile organization, and the attractive cost structure of our subsea spreads, gives Reach Subsea a flexible and competitive cost base tailored to cope with continued weak markets. Given Reach Subsea's strong operational track record and high utilisation of vessels and assets compared to our competitors, we remain well positioned for profitable growth.

The subsea industry is still characterised by oversupply of tonnage and equipment, resulting in a market with tough competition and pressured rate levels. 2019 is proving to be very similar to 2018 in terms of pricing. There are some signs of improved visibility in terms of a generally higher tender activity, as evidenced by this year's steady increase in our outstanding tender value. Also, client inquiries for next year's season are emerging earlier than before, which is partly a function of being part in the frame agreements we have been awarded the past year.

The Board is not pleased with this year's setback in utilization and profits. Having three (two on *Viking Neptun*, one formerly on *Edda Fonn*) of our ten ROVs idle and unavailable to the market this year goes a long way in explaining the lower utilization and negative impact on our profitability.

This will be addressed going forward as *Viking Neptun* has secured 120-200 days of ROV relevant work in both 2020 and 2021, and we are now planning to mobilise the former *Edda Fonn* ROV on a new vessel from 2020. Also, our business out of Trinidad is developing well, and, depending on the outcome of some tenders, we are contemplating the prospect of having two subsea spreads dedicated to the region. Thus, we envisage higher utilization of vessels and assets in the years to come.

Haugesund, 25.11.2019



Kåre Johannes Lie
Chairman of the Board



Anders Onarheim
Vice-Chairman of the Board



Sverre B. Mikkelsen
Board member



Ingunn Iveland
Board member



Kristine Skeie
Board member



Jostein Alendal
Managing Director

Contact: Jostein Alendal (CEO) Birgitte Wendelbo Johansen (CFO)

Reach Subsea Fleet

Topaz Tiamat

The vessel is a Multi-Purpose ROV Support Vessel designed specially to serve the offshore subsea market. With a 120-tonne Active Heave Compensated crane and integrated ROV hangars with two work-class ROVs, the vessel is custom built for subsea operations both over the ship-side or through the 7.2 x 7.2 metre moonpool. Powerful, efficient azimuth thrusters combined with dynamic positioning (DP2) system ensure safe and economic operations.

98.1 LOA x 20m beam
1000m² deck space
Fully integrate online/survey spread
Accommodation for 82 PAX
2x Kystdesign supporter WROV



Havila Harmony

Multi-purpose Support vessel with DP2 capable of performing a wide range of work scopes.

150 Te Crane
Moonpool
800m² deck
Helideck
1 Schilling WROV



Stril Explorer

Fully integrated survey vessel with light construction capabilities.

DP 2
ROV hangar for 1 WROV systems
1 Surveyor ROV system
50 t offshore crane
Large Office and accommodation facilities
70 berths
450 m² deck
1x Kystdesign supporter WROV
and 1x Surveyor Interceptor



3rd Quarter 2019

Havila Subsea

Cost effective IMR, survey and light construction vessel with long track record in the business.

- 150T AHC Main Crane
- Removable bulwark on each side
- Moonpool in hangar, 650 m² deck
- Dual ROV hangar
- Permanent full survey suite
- Large office facilities
- Helideck 26 m diameter
- De-ice
- 2x Schilling WROVs



Viking Neptun

State of the art, high capacity subsea construction vessel, prepared for flexible and cable installation and heavy lifting.

- D400 Te AHC Main Crane and 100 Te AHC Auxiliary Crane
- Removable bulwark
- ICE 1B and DEICE notation
- 4.400 Te Carousel, 3000 Te Moonpool
- Helideck for Sikorsky S92
- Optimized stability and capacity for VLS (SWL 600 Te)
- Anti-heeling system (3 pumps each 2.200 m³/h)
- 2600 m² steel deck
- 1x Kystdesign supporter WROV and 1x constructor WROV

Olympic Challenger

Light Construction / ROV Support Vessel designed with focus on good sea keeping abilities and excellent station keeping performances.

- 250 Te AHC Main Crane
- Moonpool
- 1000 m² deck
- Dual WROV hangar
- Permanent full survey suite
- Large office facilities



500 IMR days



As a result of subsea field development, subsea facilities require Inspection, Maintenance and Repair (IMR).

As a 'subsea janitor', work under water includes to observe and report the technical integrity status of subsea facilities, early detection of faults, followed by adjustments and potential repair, due to wear and tear or accidental impacts. The IMR activities arise from a planned inspection and maintenance scheme authored by the field operator, and can both include initiatives to improve the production, or on the opposite, engage activities to terminate production.

IMR is one of Reach Subsea's core business segments, and our vessel fleet includes specially equipped vessels for this purpose, typically Havila Subsea and Topaz Tiamat. Both vessels have sufficient deck load capacity, offshore crane and 2 work class ROV's in addition to a high-accuracy subsea positioning system and the offshore project team, together defined as 'the Vessel Spread'.



Reach Subsea holds several IMR Frame Agreements with BP, BHP, Shell, Wintershall Dea and Equinor, for the supply of Subsea IMR Services internationally and on the Norwegian Continental Shelf. The work awarded, often consists of smaller work tasks on various subsea facilities, bundled into campaigns to ensure high utilization of the Vessel Spread.



IMR work require detailed engineering and planning, not only to ensure the correct method and tool is mobilized for the right subsea task, but also to ensure efficient logistics and quality of subcontractor services.

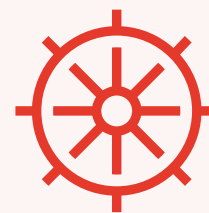
Reach Subsea utilize 3D vessel models and digital planning tools in addition to extensive practical experience, when planning IMR campaigns on behalf of our Clients.

Efficiency in operations is highly dependent on the experience of the operator and the offshore project team. Over the years, Reach Subsea have attracted both graduates and experienced personnel, merging a valuable combination of new technology and experience when solving the subsea puzzle of various challenges. Detailed task plans are required, subject to Safe Job Analysis and verification by the Client to ensure all considerations have been taken into account.

An IMR campaign typically include an offshore project team managed by an Offshore Manager, supported by Shift Supervisors, work class ROV teams and a deck crew. The Vessel's back deck is furnished with the subsea tools and equipment, sea fastened and positioned according to engeered calculations and plans. In addition to the standard instrumentation, the ROV's are typically equipped with hydraulic or electric torque tool to allow for operation of valves. The subsea positioning systems require digital maps of the specific subsea fields, to allow for correct positioning of vessel and ROV.

Reach Subsea have successfully performed 500 IMR days, and we are proud to say this has been accomplished without any major accidents or incidents. We believe our HSE culture is a result of experience and learning from the past, and as we move forward – our dedication to perform safe & efficient IMR operations will remain unaltered.

Featured Project



Sabella SAS

Vessel

Olympic Challenger

Client

Sabella SAS

Period

October 2019

Weight of turbine

107 tons



Installation of a horizontal axis tidal turbine

In October the Olympic Challenger was contracted to Sabella SAS for installation of a horizontal axis tidal turbine 2km South-East off the coast of Ushant Island, France. The tidal turbine has a rated capacity of 1MW and the nacelle is moored to the seabed using a gravity base structure. Power is brought to shore via a jumper cable. The turbine was deployed by the vessel crane and guided into position by the WROV's onboard. The ROVs also performed pre-/post survey, preparatory work and electrical hook-up of the turbine. Dry weight of the turbine is 107 tons and requires a capable subsea construction vessel for such a complex lifting operation.

Income statement UNAUDITED

Statement of profit or loss (NOK 1000)	3Q 2019	3Q 2018	9M 2019	9M 2018	12M 2018	NOTES
Operating revenue	153 855	178 972	400 712	484 604	675 265	
Other revenue	-1 103	-	194	-	-	
Revenue	152 751	178 972	400 906	484 604	675 265	
Procurement expenses	-46 844	-59 405	-149 298	-172 035	-243 109	
Personnel expenses	-25 660	-25 553	-66 516	-73 883	-98 417	
Other operating expenses	-18 923	-16 516	-44 964	-44 393	-58 869	
EBITDA before amortized termination fee	61 325	77 498	140 128	194 293	274 870	
Amortized termination fee	-	-5 500	-	-16 500	-33 000	
EBITDA after amortized termination fee	61 325	71 998	140 128	177 793	241 870	
Depreciation	-53 467	-60 927	-137 579	-174 198	-245 855	3,12
Operating result (EBIT)	7 857	11 071	2 549	3 595	-3 985	
Interest income	178	95	548	177	224	
Interest expenses	-2 647	-2 333	-8 995	-7 405	-9 543	12
Other net financial items	-789	-770	-3 053	-826	2 806	
Result from associated companies	-448	-80	-1 916	-1 300	1 343	
Profit (loss) before taxes	4 151	7 982	-10 868	-5 759	-9 155	
Taxes	-24	-	-24	-	-500	9
Profit (loss)	4 127	7 982	-10 891	-5 759	-9 655	
Comprehensive income						
Translation differences	-71	-	-645	-	593	
Gain/loss on financial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	-71	-	-645	-	593	
Total comprehensive income	4 056	7 982	-11 537	-5 759	-9 062	
Earnings per share	0,03	0,17	-0,08	-0,04	-0,07	
Diluted earnings per share	0,03	0,16	-0,08	-0,04	-0,07	

Balance Sheet

UNAUDITED

Statement of financial position (NOK 1000)	2019 30/9	2018 30/9	2018 31/12	NOTES
Non-current assets				
Deferred tax assets	8 161	8 161	8 161	9
Investment in associated companies	22 760	22 128	24 771	
Property, plant and equipment	291 668	250 078	208 878	3, 12
Capitalised termination fee	-	-	-	6
Total non-current assets	322 590	280 367	241 810	
Current assets				
Trade receivables	66 289	177 953	173 071	
Other receivables	46 868	12 229	16 184	
Capitalised termination fee	-	16 500	-	6
Cash and cash equivalents	84 907	68 668	63 277	
Total current assets	198 063	275 349	252 532	
Total assets	520 653	555 717	494 342	
Equity				
Share capital	143 546	143 546	143 546	7
Share premium	105 801	116 185	105 025	
Proposed dividends	0	-	10 048	
Other equity	-58 907	-45 587	-47 370	8
Total equity	190 440	214 144	211 249	
Non-current liabilities				
Interest-bearing debt	97 133	90 462	69 947	4, 12
Total non-current liabilities	97 133	90 462	69 947	
Current liabilities				
Current portion of interest bearing debt	116 354	99 295	78 798	4, 12
Trade payables	63 632	120 393	85 252	
Other current liabilities	53 094	31 423	49 096	
Total current liabilities	233 080	251 111	213 146	
Total liabilities	330 213	341 573	283 093	
Total equity and liabilities	520 653	555 717	494 342	

Cashflow

UNAUDITED

Statement of cash flow (NOK 1000)	3Q 2019	3Q 2018	9M 2019	9M 2018	12M 2018	NOTES
Cash flow from operating activities						
Operating result (EBIT)	7 857	11 071	2 549	3 595	-3 985	
Paid taxes	-524	-	-524	-	-	
Loss sold assets	1 103	-	-194			
Depreciation and amortisation	53 467	66 427	137 579	190 698	278 855	
Change in trade debtors	48 538	30 679	106 782	-63 484	-58 603	
Change in trade creditors	-17 199	-26 304	-21 620	44 921	9 780	
Change in other provisions	-7 904	-24 171	-30 071	6 273	21 252	
Share option cost employees	149	556	776	1 111	1 667	
Net cash flow from operating activities	85 488	58 259	195 277	183 115	248 966	
Cash flow from investing activities						
Sale of fixed assets	1 794	-	6 794	-	0	
Purchase of fixed assets	-	-2 368	-33 908	-39 590	-47 968	
Investment in associated companies	-	-	-	-10 183	-10 183	
Net cash flow from investing activities	1 794	-2 368	-27 114	-49 773	-58 150	
Cash flow from financing activities						
Net interest paid	-395	-1 594	-1 113	-2 821	-2 643	
Proceeds from borrowings and leases	-	-	-	25 000	25 000	
Payment of dividends	-	-	-10 048	-	-	
Repayment of borrowings and leases	-54 416	-68 442	-135 654	-185 807	-248 850	
Net cash flow from financing activities	-54 811	-70 036	-146 815	-163 627	-226 493	
Net change in cash and cash equivalents	32 470	-14 146	21 348	-30 286	-35 677	
Cash and cash equivalents in the start of the period	51 410	82 814	63 277	98 954	98 954	
Translation differences	1 026	-	282	-	-	
Cash and cash equivalents in the end of the period	84 907	68 668	84 907	68 668	63 277	

Equity

UNAUDITED

(NOK 1000)	Share capital and share premium	Other equity	Total equity	NOTES
Equity 31.12.18	258 619	-47 370	211 249	
IFRS 2 Option-based salary	776	-	776	8
Translation difference	-	-645	-645	
Dividends paid	-10 048	-	-10 048	
Result for the period	-	-10 891	-10 891	
Equity 30.09.19	249 347	-58 907	190 440	

Notes



Note 1 - Basis for preparation

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim financial statements are unaudited, and do not include all of the information required for the full financial statements, and should be read in conjunction with the consolidated yearly financial statement. The yearly financial statement are audited. Consolidated interims- and yearly financial statements are available on the news services from Oslo Stock Exchange (www.newsweb.no) or the company's webpage (www.reachsubsea.com).

Note 2 - Significant accounting principles

The accounting principles used in the preparation of these financial statements are consistent with those used in the annual financial statements. These consolidated condensed financial statements should be read in conjunction with the annual financial statements, which include a full description of the Group's accounting principles.

Note 3 - Fixed assets

(NOK 1000)	ROV and ROV equipment	Right of use asset ROV, leased from financial institutions	Right of use asset Vessel and other equipment	Equipment and office machinery	Total
Purchase cost 01.01.19	110 895	119 586	129 353	18 064	377 898
Additions	33 088	-	192 963	820	226 871
Disposals	-2 897	-3 702	-	-	-6 600
Purchase cost 30.09.19	141 086	115 884	322 316	18 884	598 169
Accumulated depreciation 30.09.19	-64 480	-75 953	-153 763	-12 201	-306 501
Net book value 30.09.19	76 606	39 930	168 553	6 683	291 668
Depreciation in the period	-14 093	-7 946	-113 478	-2 062	-137 579
Expected useful life (years)	3-8	3-8	1-3	3	
Depreciation plan	Linear	Linear	Linear	Linear	

* See note 12 for further information on Right-of-use assets



Note 4 - Borrowings

(NOK 1000)	30/09/2019	31/12/2018
Non-current liabilities		
Bank borrowings	13 750	17 500
Lease liabilities to credit institutions	15 274	26 203
Other non-current lease liabilities (IFRS 16)	68 060	26 244
Total non-current borrowings	97 133	69 947
Current borrowings		
Bank borrowings	5 000	10 250
Lease liabilities to credit institutions	11 573	11 500
Other current lease liabilities (IFRS 16)	99 781	57 048
Total current borrowings	116 354	78 798
Carrying amount		
Bank borrowings	18 750	27 750
Finance lease liabilities	194 689	120 995
Total carrying amount	213 488	148 745
Fair value		
Bank borrowings	18 750	27 750
Finance lease liabilities	194 689	120 995
Total fair value	213 488	148 745

At 30.09.19 bank borrowings are secured on fixed assets for the value of NOK 123,2 million (31.12.18: 120,0 million).

Note 5 - Transactions with related parties

The company has undertaken various transactions with related parties consisting of consultancy services. All transactions are carried out as part of the normal course of business and the deal is carried out on commercial terms in accordance with the Companies Act § 3-8 and 3-9.

3rd Quarter 2019



Note 6 - Receivables

In connection with the restructuring of the charter party with Østensjø and Solstad in 2016, a termination fee of NOK 76 million was capitalized in 2Q2016. The termination fee has been amortized over the rest of the charter party periods. In 2018 Solstad and Reach announced that the commitment for 2019 had been released. Thus, the remaining capitalized termination fee was expensed in 2018.

Note 7 - Shareholders

20 largest shareholders as per 15.11.2019:

	Shares	Stake
NORTH ENERGY ASA	46 126 567	32,1 %
EIKA NORGE	10 285 650	7,2 %
JOSO INVEST AS	7 564 589	5,3 %
JT INVEST AS	5 529 539	3,9 %
NORMAND DRIFT AS	5 000 000	3,5 %
HOLME HOLDING AS	4 800 000	3,3 %
DANSKE INVEST NORGE VEKST	3 254 912	2,3 %
CORUNA AS	2 250 000	1,6 %
FREEMAN SHIPPING & OFFSHORE AS	2 064 478	1,4 %
RMS INVEST AS	2 000 000	1,4 %
TEOMAR AS	2 000 000	1,4 %
A-Å INVEST AS	1 938 725	1,4 %
LION INVEST AS	1 850 000	1,3 %
GOLDMAN SACHS & CO. LLC	1 688 535	1,2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1 675 110	1,2 %
STAVA INVEST AS	1 671 362	1,2 %
SMS INVESTERING AS	1 652 366	1,2 %
MACAMA AS	1 578 446	1,1 %
BARRUS CAPITAL AS	1 510 090	1,1 %
ENGELSTAD	1 387 500	1,0 %
Total 20 largest	105 827 869	73,7 %
Others	37 718 139	26,3 %
Total	143 546 008	100,0 %



Note 8 - Share-based remuneration

"Board of directors of Reach Subsea ASA has approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group have been granted the right to acquire up to a certain maximum number of shares in the Company at a fixed strike price ("the Option"). The strike price is divided into two levels, equal to the subscription price in the two last private placements conducted by the Company (May 2016 NOK 2.00 and January 2017 1.75). The options can be exercised over a period of three years. The options are non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. The stock option plan constitutes a maximum of 3.886.875 options equivalent to a similar number of Reach Subsea ASA shares, whereof 306.483 shares were exercised and 858.461 shares expired in 2018. As of 3Q2019 the Company has recognized NOK 0,8 million in cost related to the options and NOK 0,2 million in provision for payroll tax.

Note 9 - Tax

The Group has, based on contracts and budgets for 2019 and 2020, assumed that parts of the tax loss carried forward can be recognized. Per 30.09.2019 NOK 8,2 million is capitalized.

Note 10 - Events after quarter end

The Group has not had any major events after the balance date that affects the accounts.



Note 11 - Segments

(NOK 1000)	2019 01.07.-30.09	2018 01.07.-30.09	2019 01.01.-30.09	2018 01.01.-30.09	2018 01.01.-31.12
Revenue					
Oil & Gas	142 518	120 370	331 561	325 927	598 718
Renewable / other	10 233	58 602	69 344	158 676	76 547
Total	152 751	178 972	400 906	484 604	675 265
Operating expense					
Oil & Gas	-135 188	-112 924	-329 454	-323 509	-602 251
Renewable / other	-9 707	-54 977	-68 904	-157 499	-76 999
Total	-144 894	-167 901	-398 357	-481 009	-679 250
Operating result					
Oil & Gas	7 331	7 446	2 108	2 418	-3 533
Renewable / other	526	3 625	441	1 177	-452
Total	7 857	11 071	2 549	3 595	-3 985
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization					
Oil & Gas	57 216	48 423	115 890	119 577	214 452
Renewable / other	4 108	23 575	24 238	58 216	27 418
Total	61 325	71 998	140 128	177 793	241 871
EBITDA before amortization of termination fee					
Oil & Gas	57 216	52 122	115 890	130 674	243 712
Renewable / other	4 108	25 375	24 238	63 618	31 159
Total	61 325	77 498	140 128	194 293	274 871



Note 12 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018. Short term leases (committed lease term 12 month or less) of vessels are capitalized as right-of-use assets and depreciated. The impact is that all cost in relation to leases of vessels are presented as depreciation and interest expense. As of 3Q2019, Right-of-use assets consist of contractual commitments and estimated use in the contract period. Pay as you go contracts at the balance sheet date, with no contractual commitment, are not capitalized. The following have been recognized in 2019:

Right-of-use assets	30/09/2019	31/12/2018
Property, plant and equipment	168 553	88 969
Total	168 553	88 969

Lease liabilities	30/09/2019	31/12/2018
Current	99 781	57 048
Non current	68 060	26 244
Total	167 841	83 292

See note 4 for further information on the Company's borrowings.

	Q3 2019	Q3 2018	9M 2019	9M 2018	12M 2018
Depreciation charge of right-of use assets	30 113	53 632	74 621	152 653	216 105
Interest expense	2 074	1 469	7 334	5 234	6 316
Total	32 187	55 101	81 955	157 887	222 421



Note 12 - Leasing

Reconciliation of leases on committed firm days recognized in 2019	Right-of use assets	Lease liability, non-current	Lease liability, current
Opening balance 01.01.2019	88 970	26 244	57 048
Additions	154 205	87 843	66 362
Disposals	-	-	-
Depreciation	-74 621	-	-
Interests	-	2 974	4 360
Reclassification from long to short term	-	-49 001	49 001
Payments	-	-	-76 990
Ending balance 30.09.2019	168 553	68 060	99 781

The right-of-use assets are calculated based on a discounted estimated commitment on the following vessels; Olympic Challenger, Havila Harmony and Topaz Tiamat. The vessel Havila Subsea as well as other short term hired in vessels are treated as short term leases under IFRS 16 and are also recognized as depreciations.

Reconciliation of depreciation	Q3 2019	Q3 2018	9M 2019	9M 2018	12M 2018
Depreciation of long term right-of-use assets	30 113	21 308	74 621	46 049	94 541
Depreciation of short term right-of-use assets	14 751	32 324	38 857	106 604	121 563
Depreciation of other assets	8 604	7 294	24 101	21 546	29 751
Total depreciation	53 467	60 927	137 579	174 198	245 855

The total cash outflow for long term and pay as you go leases in 3Q2019 was NOK 50,5 million and NOK 115,8 million for the first 9 months (2018: 225,1 million).

