

Quarterly Consolidated Report

2019

1st 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.

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1st Quarter Highlights

1. Revenues in the first quarter 2019 were NOK 67 mill (NOK 114 million in 1Q2018) with the year-over-year decrease explained by the Allseas project in 1Q2018. All our business in 1Q2019 was generated in the spot market, a quarter which is low season in our home market.

2. Despite the revenue decline, 1Q2019 EBITDA of NOK 14 million was in-line with the NOK 13 million in 1Q2018. Improved pricing and the benefit of our flexible business model offset the effect of lower year-over-year activity levels.

3. Mobilized *Topaz Tiamat*, one of the first subsea vessels suitable to accommodate battery pack, expected to be installed later this year (thus reducing fuel consumption and will have a "greener" footprint than peers). The vessel spread is well received by our clients.

4. Improved order book: As per 27.05.2019 firm order book is NOK 194 million. The order book figure includes activity in 2Q2019 and the vast majority is related to activity in 2019.

5. Good tender activity: Outstanding tender value at around NOK 1.8 billion (1.7 billion).

Key figures UNAUDITED

| (NOK 1000) | 1Q 2019 | 1Q 2018 | 12M 2018 |
|--|---------|---------|----------|
| Revenues (NOKm) | 67 | 114 | 675 |
| EBITDA (NOKm) | 14 | 13 | 275 |
| Pre-tax profit (NOKm) | -18 | -19 | -12 |
| Liquidity (NOKm) | 74 | 127 | 63 |
| Net working capital (NOKm) | 1 | -29 | 55 |
| Net interest bearing debt (NOKm) | 213 | 179 | 85 |
| Equity (NOKm) | 192 | 199 | 211 |
| Order backlog (NOKm) | 194 | 147 | 120 |
| Outstanding tender value (NOKbn) | 1.8 | 1.7 | 1.8 |
| Number of ROV days sold | 246 | 407 | 2 215 |
| Number of ROV days available | 831 | 900 | 3 795 |
| Technical uptime on ROVs | 99 % | 100 % | 99 % |
| Number of offshore personnel days sold | 2 236 | 2 719 | 13 269 |
| LTIs | - | - | - |
| Number of vessel days sold | 110 | 206 | 1 298 |

1st Quarter 2019

Operations including vessel update

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 831 available ROV-days in 1Q2019 (900 ROV-days in 1Q2018), of which 246 days were sold (407) leading to a total utilisation of 30% (45%). Furthermore, number of vessel days that passed through our P&L was 110 (206). The year-over-year reduction in sold volumes is partly explained by last year's Allseas contract which occupied a 2xROV vessel spread the entire 1Q2018. In addition, 5 of our ROVs were not available for sales in 1Q2019 (*Edda Fonn* ROV, *Topaz Tiamat* ROVs and *Viking Neptun* ROVs), compared with 2 ROVs in 1Q2018 (*Viking Neptun* ROVs).

REACH offshore personnel contracting business, Connect Offshore, continued sourcing highly skilled offshore personnel during the 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 15th May 2019 a firm order book of NOK 194 million, with the vast majority related to work in 2019. The order book figure does not include expected 2019 volumes from the frame agreements awarded during 2018.

Topaz Tiamat was mobilized in March 2019. The vessel is equipped with two Supporter WROVs and Reach Subsea offshore personnel and was ready for subsea projects in cooperation with MMT as from March 2019. *Topaz Tiamat* went directly from mobilization to the first project at the end of March for an international client in the oil and gas segment. The vessel is currently working on a call of under a frame agreement with Equinor expected to last through the summer.

Olympic Challenger is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel is on a contract between Reach Subsea and owner Olympic Shipping. In the first quarter the vessel worked in the spot market, mostly for clients in the oil and gas segment. *Olympic Challenger* is currently working on a contract in the North Sea region expected to last throughout the summer season.

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 first quarter. The "Surveyor II" is currently mobilised onboard the vessel.

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 high utilisation in 1Q2019.

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 Trinidad region. Operations are executed by Reach Subsea and MMT personnel onshore and offshore. The vessel spread was traded in the spot market in the first quarter with moderate utilisation, but is expected to have high activity from May and throughout the summer season.

Viking Neptun is mobilized with one Supporter WROV and one Constructor WROV and Reach Subsea delivers all ROV-services onboard the construction vessel. Eidesvik has entered into a walk to work contract in the wind market for the vessel that will leave the WROVs idle during the winter and spring season 2019. The vessel will be remobilised for WROV work during June and ready for projects for Ocean Installer from August 2019, where Reach Subsea is provider of all WROV services.

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Financial Results

Revenue for the quarter was NOK 67.4 million compared with NOK 114.4 million for 1Q2018. The decrease compared with 1Q2018 is largely explained by the Allseas project, which last year occupied a 2xROV vessel spread the entire quarter and involved a substantial amount of add-on services.

Operating expense for the quarter was NOK 81.1 million, compared with NOK 131.8 million for 1Q2018. Project-related expense represents the majority of the operating expense for the group. The reduction in operating expense is explained by the same factors as mentioned above under revenues.

1Q2019 EBITDA before amortization of termination fee¹ was NOK 13.6 million compared with NOK 13.2 million for 1Q2018. Despite a 40% decline in revenues, EBITDA was unchanged year-over-year, which is explained by; 1) improved pricing and margins on our projects, and 2) our flexible business model.

Depreciation for the quarter was NOK 27.2 million, compared with NOK 25.1 million for 1Q2018.

Net financial items for 1Q2019 was NOK -4.1 million (NOK -1.2 million in 1Q2018).

1Q2019 pre-tax result was NOK -17.8 million, compared with NOK -18.6 million for 1Q2018.

The total comprehensive income for 1Q2019 ended at NOK -19.7 million, compared with NOK -18.6 million for 1Q2018.

For 1Q2019, Oil & Gas revenues constituted 78.9 % while Renewable/Other constituted 21.1% of total revenues. By comparison, in 1Q2018 Oil & Gas revenues were 78.4 % while Renewable/Other constituted 21.6 % 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 renewable energy sector).

Capital structure

Total current assets at the end of the quarter were NOK 190.5 million (NOK 225.1 million in 1Q2018), of which cash and cash equivalents amounted to NOK 73.6 million (NOK 127.1 million). Receivables were NOK 116.9 million (NOK 76.1 million). Total non-interest bearing current liabilities were NOK 115.7 million (NOK 105.3 million), leaving a net working capital of NOK 1.2 million (NOK -29.2 million).

Total non-current assets at the end of the quarter were NOK 403.5 million (NOK 385.7 million). Property, plant and equipment now includes NOK 228.6 million of leases capitalised under IFRS 16 (NOK 216.6 million). The increase is explained by the charter commitment related to the vessel *Topaz Tiamat* with start-up in March 2019.

Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 213.0 million (NOK 179.0 million).

The Group's equity as of 31 March 2019 was NOK 191.8 million, which represents 32.3 % of the total balance sheet.

Net cash flow from operating activities for 1Q2019 was NOK 69.5 million (NOK 33.2 million), with the increase explained by a larger working capital release than last year. As was commented in the 4Q2018 report, parts of the seasonal 4Q working capital release was this time pushed over to 1Q2019.

Net cash flow from investing activities of NOK -33.4 million (NOK -10.2 million) is related to mobilisation of the *Topaz Tiamat*. Under the charter agreement Reach will be compensated for most of this through a put option on the mobilised LARS and associated equipment at the end of the charter period.

REACH has no major debt maturities or capital expenditure commitments for 2019 and onwards.

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31 March 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.newsworld.no, a service provided by the Oslo Stock Exchange.

¹EBITDA before 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.

News after quarter end

Reach Subsea has so far this year announced the award of several short and medium term contracts for the high season of 2019.

The order backlog figure of NOK 194 million includes the above mentioned contracts, but does not include the full expected 2019 volumes from the frame agreements awarded during 2018.

Reach Subsea also announced monthly operating figures for April 2019, see table below.

Investor relations

Starting in 2018, REACH took measures to improve the content and frequency of information to its investors. Our quarterly financial reports now include further financial details than before, aimed at improving the transparency of our business. Monthly operating statistics are being released and are also enclosed in the quarterly reports.

IFRS 16 Leases is a new accounting standard that is mandatory from 1 January 2019 (see Notes for further details). However, REACH early implemented the standard with effect from 1 January 2018, which means that also the 2018 reports are using the new standard. The new standard has a positive effect on EBITDA, but a fairly neutral effect on profit before tax for the full year.

The key assumptions used in calculating the capitalised value of assets subject to IFRS 16 includes: A 5% discount rate, management's assumptions for utilisation of the assets, and a period corresponding to the firm lease period (i.e., not including optional periods).

More details about the effect of IFRS 16, including the split between depreciation of capitalised leases and short term leases, can be found in the Notes.

| | Q1 | | April | | Year | |
|--|-------|-------|-------|-------|-------|-------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Number of ROV days sold | 246 | 407 | 196 | 155 | 442 | 562 |
| Number of ROV days available | 831 | 900 | 286 | 372 | 1 117 | 1 272 |
| Technical uptime on ROVs | 99 % | 100 % | 100 % | 100 % | 99 % | 100 % |
| Number of offshore personnel days sold | 2 236 | 2 719 | 897 | 840 | 3 133 | 3 559 |
| LTI's | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of Vessel days sold | 110 | 206 | 83 | 97 | 193 | 303 |

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. During the past year we have negotiated three new attractive long-term agreements for subsea spreads (Olympic Challenger, Havila Harmony, and Topaz Tiamat). These new 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. There are some signs of improved visibility in terms of a generally higher tender activity, and the gradual occurrence of some longer-term tenders and contract awards.

With the award of several frame agreements during 2018 from clients such as Equinor and Wintershall Norge, Reach Subsea has gained access to new market arenas in which to win projects. The benefits are starting to materialise in terms of several call-offs that will contribute to good utilisation the coming season.

Our broadened market reach is supported by the fact that Reach Subsea now control a versatile and flexible fleet of highly capable and specialized subsea spreads. Thus, we envisage higher utilization of vessels and assets in the years to come.

Haugesund, 27.05.2019



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 (MPSV) 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 but efficient azimuth thrusters combined with dynamic positioning system ensure safe and economic operations.

98.1 LOA x 20m beam
 1000m² deck space
 ERN 99,99,99,97
 Fully integrate online/survey spread
 Accomodation 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 II
 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



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



Income statement UNAUDITED

| Statement of profit or loss (NOK 1000) | 1Q 2019 | 1Q 2018 | 12M 2018 | NOTES |
|--|---------|---------|----------|-------|
| Operating revenue | 66 092 | 114 432 | 675 265 | |
| Other revenue | 1 298 | - | - | |
| Revenue | 67 390 | 114 432 | 675 265 | |
| Procurement expenses | -26 589 | -68 790 | -243 109 | |
| Personnel expenses | -16 821 | -23 324 | -98 417 | |
| Other operating expenses | -10 431 | -9 074 | -58 869 | |
| EBITDA before amortized termination fee | 13 549 | 13 244 | 274 871 | |
| Amortized termination fee | - | -5 500 | -33 000 | |
| EBITDA after amortized termination fee | 13 549 | 7 744 | 241 871 | |
| Depreciation | -27 237 | -25 130 | -245 855 | 3.1 |
| Operating result (EBIT) | -13 688 | -17 386 | -3 985 | |
| Interest income | 233 | 53 | 224 | |
| Interest expenses | -3 144 | -2 159 | -9 543 | 12 |
| Other net financial items | -518 | 843 | 360 | |
| Result from joint venture companies | -663 | 61 | 1 343 | |
| Profit (loss) before taxes | -17 780 | -18 589 | -11 601 | |
| Taxes | - | - | -500 | 9 |
| Profit (loss) before taxes | -17 780 | -18 589 | -12 101 | |
| Comprehensive income | | | | |
| Translation differences | -1 890 | - | 3 039 | |
| Gain/loss on financial derivatives of cash flow hedges | - | - | - | |
| Comprehensive income items | -1 890 | - | 3 039 | |
| Total comprehensive income | -19 670 | -18 589 | -9 062 | |
| Earnings per share | -0,14 | -0,13 | -0,07 | |
| Diluted earnings per share | -0,14 | -0,13 | -0,07 | |

Balance Sheet

UNAUDITED

| Statement of financial position (NOK 1000) | 2019 31/3 | 2018 31/3 | 2018 31/12 | NOTES |
|--|----------------|----------------|----------------|-------|
| Non-current assets | | | | |
| Deferred tax assets | 8 161 | 8 161 | 8 161 | 9 |
| Investment in joint ventures | 24 108 | 23 489 | 24 771 | |
| Property, plant and equipment | 371 259 | 348 592 | 208 878 | 3, 12 |
| Capitalised termination fee | 0 | 5 500 | - | 6 |
| Total non-current assets | 403 528 | 385 742 | 241 810 | |
| Current assets | | | | |
| Trade receivables | 66 011 | 63 625 | 173 071 | |
| Other receivables | 50 900 | 12 426 | 16 184 | |
| Capitalised termination fee | 0 | 22 000 | 0 | 6 |
| Cash and cash equivalents | 73 580 | 127 085 | 63 277 | |
| Total current assets | 190 490 | 225 136 | 252 532 | |
| Total assets | 594 018 | 610 878 | 494 342 | |
| Equity | | | | |
| Share capital | 143 546 | 143 240 | 143 546 | 7 |
| Share premium | 105 284 | 114 813 | 105 025 | |
| Proposed dividends | 10 048 | - | 10 048 | |
| Other equity | -67 041 | -58 564 | -47 370 | 8 |
| Total equity | 191 838 | 199 489 | 211 249 | |
| Non-current liabilities | | | | |
| Interest-bearing debt | 144 713 | 158 639 | 69 947 | 4, 12 |
| Total non-current liabilities | 144 713 | 158 639 | 69 947 | |
| Current liabilities | | | | |
| Current portion of interest bearing debt | 141 782 | 147 484 | 78 798 | 4, 12 |
| Trade payables | 63 077 | 100 245 | 85 252 | |
| Other current liabilities | 52 609 | 5 022 | 49 096 | |
| Total current liabilities | 257 468 | 252 750 | 213 146 | |
| Total liabilities | 402 181 | 411 389 | 283 093 | |
| Total equity and liabilities | 594 018 | 610 878 | 494 342 | |

Cashflow UNAUDITED

| Statement of cash flow (NOK 1000) | 1Q 2019 | 1Q 2018 | 12M 2018 | NOTES |
|--|---------|---------|----------|-------|
| Cash flow from operating activities | | | | |
| Operating result (EBIT) | -13 688 | -17 386 | -3 985 | |
| Paid taxes | - | - | - | |
| Depreciation and amortisation | 27 237 | 30 630 | 278 855 | |
| Change in trade debtors | 107 060 | 50 844 | -58 603 | |
| Change in trade creditors | -22 175 | -12 430 | 9 780 | |
| Change in other provisions | -29 320 | -18 483 | 21 252 | |
| Share option cost employees | 369 | - | 1 667 | |
| Net cash flow from operating activities | 69 484 | 33 176 | 248 966 | |
| Cash flow from investing activities | | | | |
| Purchase of fixed assets | -33 383 | - | -47 968 | |
| Investment in joint ventures | - | -10 183 | -10 183 | |
| Net cash flow from investing activities | -33 383 | -10 183 | -58 150 | |
| Cash flow from financing activities | | | | |
| Net interest paid | -107 | -612 | -2 643 | |
| Proceeds from borrowings and leases | - | 25 000 | 25 000 | |
| Repayment of borrowings and leases | -24 993 | -19 250 | -248 850 | |
| Net cash flow from financing activities | -25 099 | 5 138 | -226 493 | |
| Net change in cash and cash equivalents | 11 002 | 28 132 | -35 677 | |
| Cash and cash equivalents in the start of the period | 63 277 | 98 954 | 98 954 | |
| Translation differences | -699 | - | - | |
| Cash and cash equivalents in the end of the period | 73 580 | 127 085 | 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 | 259 | - | 259 | |
| Translation difference | - | -1 890 | -1 890 | 8 |
| Result for the period | - | -17 780 | -17 780 | |
| Equity 31.03.19 | 258 878 | -67 040 | 191 838 | |

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 | 32 962 | - | 159 937 | 421 | 193 320 |
| Disposals | - | -3 702 | - | - | -3 702 |
| Purchase cost 31.03.19 | 143 857 | 115 884 | 289 290 | 18 485 | 567 516 |
| Accumulated depreciation 31.03.19 | -53 976 | -70 705 | -60 687 | -10 889 | -196 257 |
| Net book value 31.03.19 | 89 881 | 45 178 | 228 603 | 7 596 | 371 259 |
| Depreciation in the period | -3 589 | -2 698 | -20 298 | -652 | -27 237 |
| 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) | 31/03/2019 | 31/12/2018 |
|---|-------------------|-------------------|
| Non-current liabilities | | |
| Bank borrowings | 16 250 | 17 500 |
| Lease liabilities to credit institutions | 21 762 | 26 203 |
| Other non-current lease liabilities (IFRS 16) | 106 714 | 26 244 |
| Total non-current borrowings | 144 713 | 69 947 |
| Current borrowings | | |
| Bank borrowings | 7 625 | 10 250 |
| Lease liabilities to credit institutions | 11 306 | 11 500 |
| Other current lease liabilities (IFRS 16) | 122 851 | 57 048 |
| Total current borrowings | 141 782 | 78 798 |
| Carrying amount | | |
| Bank borrowings | 23 875 | 27 750 |
| Finance lease liabilities | 262 633 | 120 995 |
| Total carrying amount | 286 508 | 148 745 |
| Fair value | | |
| Bank borrowings | 23 875 | 27 750 |
| Finance lease liabilities | 262 633 | 120 995 |
| Total fair value | 286 508 | 148 745 |

At 31.03.19 bank borrowings are secured on fixed assets for the value of NOK 133.5 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.

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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 16.05.19:

| | 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 | 4 160 000 | 2,9 % |
| 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 | 1 780 000 | 1,2 % |
| GOLDMAN SACHS & CO. LLC | 1 688 535 | 1,2 % |
| NÆRINGSLIVETS HOVEDORGANISASJON | 1 675 110 | 1,2 % |
| SMS INVESTERING AS | 1 652 366 | 1,2 % |
| MACAMA AS | 1 578 446 | 1,1 % |
| STAVA INVEST AS | 1 569 949 | 1,1 % |
| BARRUS CAPITAL AS | 1 510 090 | 1,1 % |
| GLUTEUS MEDIUS AS | 1 323 842 | 0,9 % |
| Total 20 largest | 104 952 798 | 73,1 % |
| Others | 38 593 210 | 26,9 % |
| 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 1Q2019 the Company has recognized NOK 0.3 million in cost related to the options and NOK 0.1 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 31.03.2019 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 01.01.-31.03 | 2018 01.01.-31.03 | 2018 01.01.-31.12 |
|--|-----------------------------|-----------------------------|-----------------------------|
| Revenue | | | |
| Oil & Gas | 53 202 | 89 660 | 598 718 |
| Renewable / other | 14 188 | 24 772 | 76 547 |
| Total | 67 390 | 114 432 | 675 265 |
| Operating expense | | | |
| Oil & Gas | -64 008 | -103 282 | -602 251 |
| Renewable / other | -17 070 | -28 536 | -76 999 |
| Total | -81 078 | -131 818 | -679 250 |
| Operating result | | | |
| Oil & Gas | -10 806 | -13 622 | -3 533 |
| Renewable / other | -2 882 | -3 764 | -452 |
| Total | -13 688 | -17 386 | -3 985 |
| EBITDA Earnings before Interest, Taxes, Depreciation & Amortization | | | |
| Oil & Gas | 10 696 | 6 068 | 214 452 |
| Renewable / other | 2 853 | 1 676 | 27 418 |
| Total | 13 549 | 7 744 | 241 871 |
| EBITDA before amortization of termination fee | | | |
| Oil & Gas | 10 696 | 10 377 | 243 712 |
| Renewable / other | 2 853 | 2 867 | 31 159 |
| Total | 13 549 | 13 244 | 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 1Q2019, Right-of-use assets consist of contractual commitments and estimated use in the contract period. Pay as you go contracts at det balance sheet date, with no contractual commitment, are not capitalized. The following have been recognized in 1Q2019:

| Right-of-use assets | 31/03/2019 | 31/03/2018 | 31/12/2018 |
|-------------------------------|----------------|----------------|---------------|
| Property, plant and equipment | 228 609 | 216 566 | 88 969 |
| Total | 228 609 | 216 566 | 88 969 |

| Lease liabilities | 31/03/2018 | 31/03/2018 | 31/12/2018 |
|-------------------|----------------|----------------|---------------|
| Current | 122 851 | 121 124 | 57 048 |
| Non current | 106 714 | 101 106 | 26 244 |
| Total | 229 565 | 222 230 | 83 292 |

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

| | Q1 2019 | Q1 2018 | 12M 2018 |
|--|---------------|---------------|----------------|
| Depreciation charge of right-of use assets | 20 298 | 18 158 | 216 105 |
| Interest expense | 2 805 | 1 480 | 6 316 |
| Total | 23 102 | 19 638 | 222 421 |

The total cash outflow for leases in 1Q2019 was NOK 16.5 million (1Q2018: 14.0 million).



Note 12 - Leasing

| Reconciliation of leases recognised in Q1 19 | 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 | -14 565 | - | - |
| Interests | - | 1 304 | 1 501 |
| Reclassification from long to short term | - | -8 691 | 8 691 |
| Payments | - | - | -10 750 |
| Ending balance 31.03.2019 | 228 609 | 106 715 | 122 851 |

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 | Q1 2019 | 12M 2018 |
|--|---------|----------|
| Depreciation of long term right-of-use assets | 14 565 | 94 541 |
| Depreciation of short term right-of-use assets | 5 733 | 121 563 |
| Depreciation of other assets | 6 939 | 29 751 |
| Total depreciation | 27 237 | 245 855 |

