Quarterly Consolidated Report

2018

2nd Quarter 2018

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

2nd Quarter Highlights

1. Frame contract award from Equinor for Inspection, Maintenance and Repair (IMR) services for 5 years (from 2019).
2. Frame contract award from Equinor for UK offshore wind farm operations at Dudgeon Offshore Wind Ltd and Hywind (Scotland) Ltd for 3 years + options (from 2018).
3. Signed significant contract for the vessel Olympic Challenger for 2Q and 3Q.
4. Reach Subsea's newly opened Houston office with early success, winning two frame agreements with oil majors and successfully completed some projects in the region.
5. 2Q EBITDA before amortization of termination fee was NOK 51.5 million (NOK 4.4 mill in 2Q2017), while pre-tax result was NOK 4.9 million (NOK -10.8 million).
6. Increased activity with 8 vessel spreads in operation. Olympic Challenger was ready for the first operational projects for Reach Subsea during the quarter.
7. Solid balance sheet maintained, positioning the Group to further invest in innovative technologies and subsea assets to leverage our platform for the expected future market recovery.
8. Tender activity remains high with outstanding tender value remaining stable at around NOK 1.7 billion.

Key figures UNAUDITED

	2Q 2018	2Q 2017	12M 2017
Revenues (NOKm)	191	79	360
EBITDA (NOKm)	52	4	27
Pre-tax profit (NOKm)	5	-11	-31
Liquidity (NOKm)	83	71	99
Net working capital (NOKm)	20	55	35
Net interest bearing debt (NOKm)	179	3	-35
Equity (NOKm)	205	225	218
Order backlog (NOKm)	135	186	95
Outstanding tender value (NOKbn)	1.7	1.7	1.7
Number of ROV days sold	793	408	1,739
Number of ROV days available	1,120	667	2,994
Technical uptime on ROVs	100 %	99 %	99 %
Number of offshore personnel days sold	3,942	3,078	11,565
LTIs	-	-	-
Number of vessel days sold	386	139	588

Operations

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

REACH had 1,120 available ROV-days in 2Q2018 (667 ROV-days in 2Q2017), of which 793 days were sold (408) leading to a total utilisation of 71% (61%). Furthermore, number of vessel days that passed through our P&L increased to 386 (139), reflecting more projects being managed internally.

REACH offshore personnel contracting business, Connect Offshore, continued sourcing highly skilled offshore personnel during the first 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.

Normand Reach is equipped with two Supporter WROVs and offshore personnel. Reach Subsea has a commitment to charter the vessel for 180 consecutive days during 2018 and was mobilised in March for its first project for 2018. After some idle time in April, the vessel startet a planned work to work contract with BP Mungo in May. The contract is expected to last throughout the commitment period for the vessel (late 3Q2018).

Edda Fonn, a purpose built ROV/Survey vessel equipped with one Supporter WROV and survey equipment, is on a flexible charter agreement from Østensjø lasting throughout the year. The vessel is utilized for Reach Subsea's own offshore operations in the cooperation with MMT. *Edda Fonn* performed various short term projects, mainly within oil & gas for international oil companies in the quarter, and had a high utilisation.

Viking Neptun was chartered under a Walk to Work contract between Eidesvik and Awden from October 2017 until April 2018. Reach Subsea has one Supporter WROV and one Constructor WROV and delivers all ROV-services onboard the construction vessel, a contract lasting throughout 2018. The contract between Eidesvik and Awden did not include WROV services, leaving the WROVs onboard idle. During the second quarter the vessel spread performed two projects managed by Eidesvik, in the oil and gas segment.

Stril Explorer is a survey vessel on a charter contract from Møkster to Reach Subsea's cooperation partner MMT. Reach Subsea provided ROV services consisting of one Supporter WROV and offshore personnel to the vessel in the second quarter of 2018. Projects performed by the*Stril Explorer s* pread are to a large extent ROV/Survey work handled as a cooperation between Reach Subsea and MMT. The "Surveyor Interceptor" is currently mobilized onboard *Stril Explorer* and had high utilisation also in the second quarter working on survey contracts with MMT/Nordstream and some other end clients.

Havila Subsea is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. *Havila Subsea* had high activity in the quarter with end clients such as Teekay and Equinor.

Olympic Delta is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel is on a contract between cooperation partner MMT and owner Olympic Shipping and is scheduled for projects under a cooperation agreement between Reach Subsea and MMT. The vessel had high activity in the quarter, performing on oil and gas projects managed by Reach Subsea for international oil companies.

Olympic Challenger was mobilised in March, 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 and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT. In the second quarter the vessel spread had high activity working on projects in the oil and gas sector.

Tidewater Enabler was chartered in for projects in the Trinidad region in March. There has been some projects performed by this spread also in the second quarter. These projects are run from Reach Subsea's Houston office.

REACH has per 20th August 2018 a firm order book of NOK 135 million, with the vast majority related to work in 2018. The order book figure does not include any of the expected volumes from the frame agreements awarded in 2018.

2nd Quarter 2018

Financial Results

Second quarter 2018 EBITDA before amortization of termination fee was NOK 51.5 million (NOK 4.4 million for 2Q2017) with a net profit of NOK 4.8 million (NOK 10.8 million loss for 2Q2017). The improved EBITDA result compared with last year is to a large extent explained by the implementation of IFRS 16 as most of our charter-in expenses are removed from EBITDA and capitalised, with the profit & loss effect now occurring as depreciation and interest expenses. In addition, increased activity and profitable projects contributed strongly to the positive results.

At the same time, the increased net result in 2Q2018 is also partly explained by the implementation of IFRS 16. Capitalised charter-in expenses are depreciated on a straight line basis, while the actual charter payments, which to a large extent are pay-as-you-go, are higher in the peak season (typically 2Q).

Looking beyond the accounting impact of IFRS 16, 2Q2018 was positively impacted by positive project results for all operational projects.

Revenue for the quarter was NOK 191.2 million compared with NOK 79.1 million for 2Q2017. The increase compared with the same quarter last year is due to increased activity and a large number of projects being managed by Reach Subsea. We had revenue from 386 vessel days through our P&L in the second quarter, compared with 139 days for 2Q2017.

Operating expense for the quarter was NOK 181.3 million, compared with NOK 88.3 million for 2Q2017. Project-related expense represents the majority of the operating expense for the group. The increase from last year is largely explained by the same factors that drove the revenue increase, partly offset by the effect of implementing IFRS 16.

Depreciation and amortisation of termination fee for the quarter was NOK 41.6 million, compared with NOK 13.6 million for 2Q2017. NOK 28.8 million of the increase is explained by the implementation of IFRS 16, and represents depreciation of capitalised leases for the quarter.

Net financial items for the quarter was NOK -5.1 million, compared with NOK -1.6 million for 2Q2017. Implementation of IFRS 16 increased interest expenses by NOK 2.3 million for the quarter.

The rental cost for the two WROVs onboard *Olympic Delta* occurs as operating expense (included in EBITDA), in contrast to the cost for the existing owned/financially leased WROVs occurring in the accounts mainly as depreciation and interest expense.

Revenue for the first half of 2018 was NOK 305.6 million (NOK 117.4 million for the first half of 2017). The increase is due to increased activity as well as one project in 1Q generating a large turnover, ref. explanation above.

EBITDA for the first half 2018 before amortized termination fee was NOK 64.8 million compared to NOK 6.9 million in 2017. The increase is explained by the same elements as for the second quarter, ref explanation above.

For 2Q2018, Oil & Gas revenues constituted 71 % while Renewable/Other constituted 29 % of total revenues. By comparison, for 2Q2017 Oil & Gas revenues were 79 % while Renewable/Other constituted 21 % 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).

[1]EBITDA 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 has been capitalized and will be amortized over the rest of the charter party periods. This termination fee occurs as an amortized pre-payment in the operating cost, although it has no cash effect. EBITDA will during the amortization period be split in two; before and after amortization of termination fee.

Capital structure

Total current assets at the end of the quarter were NOK 323.8 million (NOK 214.0 million in 2Q2017), of which cash and cash equivalents amounted to NOK 82.8 million (NOK 71.0 million). Receivables were NOK 219.0 million (NOK 118.0 million) and short-term portion of termination fee, that will be amortized over the next year (non-cash effect), is NOK 22.0 million (NOK 25.0 million). Total non-interest bearing current liabilities were NOK 199.5 million (NOK 62.6 million).

Total non-current assets at the end of the quarter were NOK 342.9 million (NOK 148.0 million), with the large increase explained by implementation of IFRS 16. Property, plant and equipment now includes NOK 187.8 million of leases capitalised under IFRS 16.

As part of the restructuring of charter commitments a termination fee of NOK 76 million to Østensjø and Solstad was paid in 2Q2016. The termination fee has been capitalized and is amortized over the rest of the charter party periods. As per quarter end remaining capitalized termination fee amounts to NOK 22.0 million, classified as a current receivable.

Net cash flow from operating activities for the second quarter 2018 was NOK 39.6 million (NOK - 30.9 million in 2Q2017). The increase from 2Q2017 is explained by three factors: 1) a higher underlying profitability, 2) the transfer of NOK 40.8 million in charter payments for capitalised leases (IFRS 16) from cash flow from operating activities to cash flow from financing activities, and 3) seasonal working capital increase of NOK 12.4 million compared with NOK 35.3 million in 2Q2017.

The Group's equity as of 30 June 2018 is NOK 204.9 million, which represents 30.7 % of the total balance sheet.

Net interest bearing debt stood at NOK 179.5 million (NOK 3.2 million), with the increase explained by inclusion of NOK 183.7 million in IFRS 16 lease liabilities. REACH has no major debt maturities or capital expenditure commitments for 2018 and onwards.

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30 June 2018 issued 143 239 525 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's Houston office has been awarded several contracts by oil majors in the region, comprising some 100 days of work going forward.

The Houston office was opened earlier this year, in order to target an expansion of our services into an important subsea hub. So far, Reach Subsea has executed a couple of projects in the region utilising subsea spreads hired-in on a project by project basis. However, we are gaining traction with our marketing efforts at a higher pace than expected with two frame agreements now signed with oil majors, and subsequent contract awards that have followed. Thus, the need to control one or more subsea spreads permanently dedicated to markets served by our Houston office has emerged more quickly than expected.

With this backdrop, Reach Subsea has entered into a charter agreement with Havila Shipping for use of the subsea vessel *Havila Harmony* for 3 years, with an option to extend for 1+1 years. The commercial terms of the charter agreement are confidential between the parties. The vessel will be mobilised with one ROV onboard, which Reach Subsea will lease initially. Thus, investments associated with this expansionary move are limited at the outset. Reach will mobilise the vessel immediately and use the vessel on own projects originated from our Houston office.

With this latest addition to our fleet, Reach Subsea currently markets 8 subsea spreads alone and together with our partner MMT Sweden, contributing to our strategy of carefully expanding our platform into a market recovery.

Jostein Alendal, CEO of Reach says: "We are pleased with how quickly we have been able to gain traction with our new Houston office, and to already be able to offer another quality subsea spread to our clients. Havila Harmony is a vessel that is very well suited for the kind of projects we currently have, as well as the nature of the project opportunities we see in the market. As we have repeatedly said, an important part of our operational strategy is to co-operate with shipowners renowned for high quality performance, which we have experienced first hand in our first year of operation with the Havila Subsea spread. We look forward to continue the good cooperation with Havila Shipping in the years to come."

REACH has further entered into short- and medium-term contracts for the vessels for 2018. The order book figure of NOK 135 million take these contracts into account. See further details under «Vessel Update» and «Outlook».

Vessel update

Edda Fonn: The vessel spread his expected to have high utilisation in the third quarter and is scheduled for the spot market thereafter.

Stril Explorer: The spread mobilised onboard *Stril Explorer* is working on a contract between MMT Sweden and an end client and is expected to have satisfactory utilisation throughout the third quarter.

Viking Neptun: The WROVs mobilised onboard *Viking Neptun* is currently working on a contract between Eidesvik and an end client.

Normand Reach: The vessel spread is on a walk to work contract with BP, which is expected to last throughout the third quarter. Following this contract, Reach Subsea will have covered its charter commitment for 2018.

Havila Subsea: The vessel spread had low utilisation in July and has secured work from mid-August throughout the third quarter. Thereafter the vessel will be traded in the spot market.

Olympic Delta: The vessel spread finished her Reach Subsea contract in July and is currently working for another operator.

Olympic Challenger: The vessel spread is expected to have full utilisation in the third quarter, however without use of theWROVs onboard (no cost for Reach Subsea).

Tidewater Enabler finished her contract for Reach Subsea during the summer season and will be replaced by *Havila Harmony* during August/September. As previously announced high activity for the vessel is expected.

Investor relations

Starting in 2018, REACH is taking 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 has early implemented the standard with effect from 1 January 2018, which means that the 2Q2018 report is 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. However, due to the pay-as-you-go nature of most of our leases, the new standard will have a negative effect on profit before tax in quarters with low utilisation of assets, and a positive effect in quarters with high utilisation of assets. The reason being that capitalised leases are depreciated on a straight line basis, while actual lease payments follow utilisation of the assets.

The assets which have been capitalised in accordance with IFRS 16 includes: *Normand Reach, Havila Subsea, and Olympic Challenger* (including ROVs onboard). Note that *Edda Fonn* is still treated as an operating lease as the remaining charter-in period is less than one year. Also, *Olympic Delta* and *Stril Explorer* are chartered in by our co-operation partner MMT and, thus, not subject to being capitalised.

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).

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 in the segment.
REACH currently markets and operates eight subsea spreads (vessel, ROVs, and personnel) alone or together with partners, of which six entails spreads where Reach Subsea has little or no vessel commitment (co-operation agreement with shipowner, or "pay as you earn" charter structures). The remaining spreads, *Normand Reach*, has a fixed charter commitment of 180 days in 2018, which is covered fully by a contract entered into with BP UK for a project on the Mungo field in UK sector. Further, Reach Subsea has a commitment for the vessel for 100 days in 2019, at a rate level that gives the company a competitive cost base. *Olympic Challenger* is on a charter contract from *Olympic Shipping* including some commitment on market adjusted terms. In July 2018, Reach Subsea added a new vessel to the marketed fleet, *Havila Harmony.* The vessel is intended for use world wide and will replace *Tidewater Enabler* as from August 2018. The charter contract for *Havila Harmony* includes some commitment on market adjusted terms.

The combination of a lean and agile organization, and the attractive cost structure of our subsea spreads, gives Reach 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 are 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 three major frame agreements from Equinor so far this year (3 year Survey together with MMT in the North Sea, 5 year IMR in the North Sea, 3+2 years Survey and IMR for UK wind operations), the expectation is that there will be better visibility of future projects. Combined with the fact that Reach Subsea alone or in cooperation with MMT now control a high number of vessels designed for subsea operations, we have greater flexibility and a higher ability to take on further projects within our market segments and, thus, envisage a higher utilization on the spreads in the years to come.

The Board is pleased with the result achieved in a 2Q2018 with tough competition and pressured rate levels. It is also encouraging to see that we are gaining traction with the major clients in our market, which bodes well for the future.

With a strong balance sheet, coupled with a flexible business model, the company aim to exploit attractive growth opportunities we currently see in the market.

Statement from the Board and CEO

We confirm, to the best of our knowledge, that the interim consolidated financial statements for the period 1 January to 30 June 2018, have been prepared in accordance with IAS 34 – Interim Financial Reporting, and give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the Interim Financial Reporting includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

Haugesund, 22.08.2018

Kåre Johannes Lie Chairman of the Board	**Anders Onarheim** Vice-Chairman of the Board	**Sverre B. Mikkelsen** Board member
Merete Haugli Board member	**Kristine Skeie** Board member	**Jostein Alendal** Managing Director

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

Reach Subsea Fleet

Edda Fonn

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

50/100 Te AHC Main Crane
Moonpool
700 m2 deck
ROV hangar
Mini-moonpool for survey
Permanent full survey suite
Large office facilities
1x Kystdesign supporter WROV

Olympic Delta

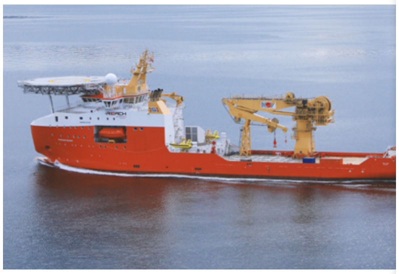
An Inspection, Maintenance and Repair Vessel with diesel electric frequency controlled propulsion.

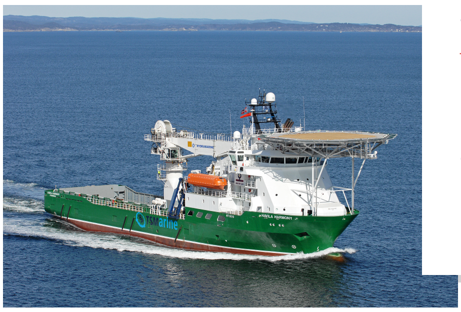
80 Te AHC crane
Moonpool
900 m2 deck
Dual ROV hangar
Permanent full survey suite
Large office facilities

Normand Reach

State of the art Offshore construction vessel with high crane capacity and prepared for complex offshore operations.

250 Te Crane
More than 16 MW installed power
Removable bulwark both aft and in front of crane
400 Te capacity in moonpool corners
Helideck 26 m diameter
Sufficient stability and capacity for VLS
Optimized arrangement for integrated subsea operations
Optimized deck structure for quick and efficient mobilisation
2x Kystdesign supporter WROVs





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

Havila Subsea

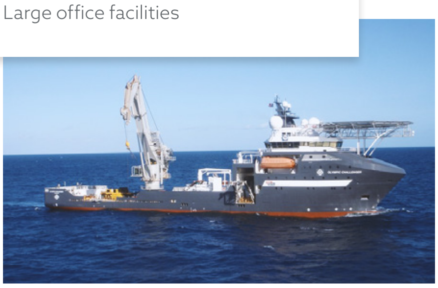
Cost effective IMR, survey and light construction vessel with long track record in the business.

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

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



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 m^3/h)
2600 m^2 steel deck
1x Kystdesign supporter WROV
and 1x constructor 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

Income statement

UNAUDITED

Statement of profit or loss (NOK 1000)	2Q 2018	2Q 2017	6M 2018	6M 2017	12M 2017 AUDITED	NOTES
Operating revenue	191,200	79,069	305,632	117,372	360,155	
Other revenue	-	-	-	-	-	
Revenue	191,200	79,069	305,632	117,372	360,155	
Procurement expenses	-95,875	-47,219	-164,664	-60,138	-206,676	
Personnel expenses	-25,006	-19,766	-48,330	-36,747	-81,512	
Other operating expenses	-18,802	-7,683	-27,877	-13,637	-45,264	
EBITDA before amortized termination fee	51,517	4,402	64,761	6,849	26,703	
Amortized termination fee	-5,500	-7,240	-11,000	-14,450	-28,471	
EBITDA after amortized termination fee	46,017	-2,838	53,761	-7,601	-1,768	
Depreciation	-36,106	-6,377	-61,236	-12,419	-25,719	3.12
Operating result (EBIT)	9,910	-9,215	-7,476	-20,020	-27,486	
Interest income	29	22	82	40	84	
Interest expenses	-2,914	-368	-5,073	-1,353	-3,466	12
Other net financial items	-898	-151	-55	-89	1,708	
Result from associated companies	-1,281	-1,081	-1,220	-2,136	-1,604	
Profit (loss) before taxes	4,847	-10,793	-13,742	-23,558	-30,764	
Taxes	-	-	-	-	-	9
Profit (loss) before taxes	4,847	-10,793	-13,742	-23,558	-30,764	
Comprehensive income						
Gain/loss on finacial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	-	-	-	-	-	
Total comprehensive income	4,847	-10,793	-13,742	-23,558	-30,764	
Earnings per share	0.07	-0.08	-0.10	-0.18	-0.22	
Diluted earnings per share	0.07	-0.08	-0.10	-0.18	-0.22	

Balance Sheet UNAUDITED

Statement of financial position (NOK 1000)	2018 30/6	2017 30/6	2017 31/12 AUDITED	NOTES
Non-current assets				
Deferred tax assets	8,161	8,161	8,161	9
Investment in associated companies	22,208	3,136	5,168	
Property, plant and equipment	312,506	114,743	101,796	3.12
Capitalised termination fee	0	22,000	11,000	6
Total non-current assets	342,875	148,040	126,126	
Current assets				
Trade receivables	194,720	108,239	114,469	
Other receivables	24,279	9,725	27,616	
Capitalised termination fee	22,000	25,021	22,000	6
Cash and cash equivalents	82,814	70,989	98,954	
Total current assets	323,813	213,974	263,038	
Total assets	666,688	362,014	389,164	
Equity				
Share capital	143,240	143,240	143,240	7
Share premium	115,368	114,754	114,813	
Other equity	-53,717	-32,769	-39,975	8
Total equity	204,891	225,225	218,077	
Non-current liabilities				
Interest-bearing debt	116,264	53,670	42,919	4.12
Total non-current liabilities	116,264	53,670	42,919	
Current liabilites				
Current portion of interest bearing debt	146,049	20,500	21,250	4.12
Trade payables	146,697	38,982	75,472	
Other current liabilities	52,788	23,637	31,447	
Total current liabilities	345,534	83,119	128,169	
Total liabilities	461,798	136,789	171,088	
Total equity and liabilities	666,688	362,014	389,164	

Cashflow UNAUDITED

Statement of cash flow (NOK 1000)	2Q 2018	2Q 2017	6M 2018	6M 2017	12M 2017 AUDITED	NOTES
Cash flow from operating activities						
Operating result (EBIT)	9,910	-9,215	-7,476	-20,020	-27,486	
Paid taxes	-	-	-		-	
Depreciation and amortisation	41,606	13,617	72,236	26,869	54,190	
Change in trade debtors	-145,007	-63,809	-94,163	-40,817	-47,046	
Change in trade creditors	83,6552	21,018	71,225	8,028	44,518	
Change in other provisions	48,927	7,494	30,444	3,124	-5,160	
Share option cost employees	556	-	556	-	-	
Net cash flow from operating activities	39,647	-30,896	72,822	-22,816	19,015	
Cash flow from investing activities						
Purchase of fixed assets	-37,222	-6,606	-37,222	-10,246	-10,600	
Investment in associated companies	-	-	-10,183	-	-1,500	
Net cash flow from investing activities	-37,222	-6,606	-47,405	-10,246	-12,100	
Cash flow from financing activities						
Net interest paid	-615	-346	-1,227	-1,312	-3,382	
Proceeds from issuance of ordinary shares	-	-29	-	85,833	85,892	
Proceeds from borrowings and leases	-	-	25,000	-	-	
Repayment of borrowings and leases	-46,080	-5,807	-65,330	-11,056	-21,058	
Net cash flow from financing activities	-46,695	-6,182	-41,557	73,464	61,452	
Net change in cash and cash equivalents	-44,271	-43,684	-16,140	40,402	68,367	
Cash and cash equivalents in the start of the period	127,085	114,672	98,954	30,586	30,586	
Cash and cash equivalents in the end of the period	82,814	70,988	82,814	70,988	98,954	

Equity UNAUDITED

(NOK 1000)	Share capital and share premium	Other equity	Total equity	NOTES
Equity 31.12.17	258,052	-39,975	218,077	
Capital increase	-	-	-	
Share issue cost	-	-	-	
IFRS 2 Option based salary	556	-	556	8
Result for the period	-	-13,742	-13,742	
Equity 30.06.18	258,608	-53,717	204,891	

Notes
to the interim financial statement

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 is 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 & equipment	ROV & equipment leased	Equipment & office machinery	Leased ships*	Total
Purchase cost 01.01.18	63,829	127,239	9,509	132,399	332,976
Additions	-	37,129	93	102,325	139,547
Disposals	-	-	-	-	-
Purchase cost 30.06.18	63,829	164,348	9,602	234,724	472,503
Accumulated depreciation 30.06.18	-41,051	-62,568	-9,443	-46,934	-159,996
Net book value 30.06.18	**22,778**	**101,780**	**159**	**187,790**	**312,506**
Depreciation in the period	5,527	8,738	37	46,934	61,236
Expected useful life (years)	3-8	3-8	3	1-3	
Depreciation plan	Straight line	Straight line	Straight line	Straight line	

* See note 12 for further information on leased assets

Note 4 - Borrowings

(NOK 1000)	30/06/2018	31/12/2017
Non-current liabilities		
Bank borrowings	20,000	5,250
Lease liabilities to credit institutions	32,109	37,669
Other non-current lease liabilities	64,155	-
Total non-current borrowings	116,264	42,919
Current borrowings		
Bank borrowings	15,500	10,500
Lease liabilities to credit institutions	11,000	10,750
Other current lease liabilities	119,549	-
Total current borrowings	146,049	21,250
Carrying amount		
Bank borrowings	35,500	15,750
Finance lease liabilities	226,813	48,419
Total carrying amount	262,313	64,169
Fair value		
Bank borrowings	35,500	15,750
Finance lease liabilities	226,813	48,419
Total fair value	262,313	64,169

The company had as of 30.06.18 debt of NOK 78.6 million to credit institutions, and NOK 183.7 million in other lease liabilities. The company's long-term debt consists of financial leasing and bank loan and is secured. The debt to credit institutions is secured by pledge of fixed assets. Book value of pledged fixed assets as of 30.06.18 amounted to NOK 124.7 million. All debt to credit institutions is in NOK.

Note 5 - Transactions with related parties

The company has undertaken various transactions with related parties consisting of concultancy 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.

Note 6 - Recievables

In connection with the restructuring of the charter party with Østensjø and Solstad in 2016, a termination fee of NOK 76 million was capitalised in 2Q2016. The termination fee is amortised over the rest of the charter party periods. In Q2 2018 a total of NOK 5.5 million has been amortised, leaving a remaining balance as of 30th June 2018 of NOK 22 million which is classified as a current receivable.

Note 7 - Shareholders

20 largest shareholders as per 15.08.18

	Shares	Stake
ACCELLO PARTNERS I AS	40,600,000	28.3 %
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	4,069,000	2.8 %
DANSKE INVEST NORGE	3,254,912	2.3 %
CORUNA AS	2,097,877	1.5 %
SKEISVOLL & CO AS	2,000,000	1.4 %
TEOMAR AS	2,000,000	1.4 %
A-Å INVEST AS	1,938,725	1.4 %
GOLDMAN SACHS & CO. GOLDMAN SACHS & CO -	1,776,589	1.2 %
AB INVESTMENT AS	1,705,743	1.2 %
LION INVEST AS	1,700,000	1.2 %
NHO - P665AK JP MORGAN CHASE BANK	1,675,110	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 %
FREEMAN SHIPPING & O	1,400,000	1.0 %
BOYE HANS JØRGEN	1,385,476	1.0 %
Total 20 largest	98,724,112	68.9 %
Others	44,515,413	31.1 %
Total	143,239,525	100.0 %

2nd Quarter 2018

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 3,494,832 options equivalent to a similar number of Reach Subsea ASA shares. As of Q2 2018 the Company has recognised NOK 0.5 million in cost related to the options and NOK 0.4 million in provision for payroll tax.

Note 9 - Tax

The Group has, based on contracts and budgets for 2018 and 2019, assumed that parts of the tax loss carried forward can be recognized. Per 30.06.2018 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)	2018 01.04.-30.06	2017 01.04.-30.06	2018 01.01.-30.06	2017 01.01.-30.06	2017 01.01-31.12
Revenue					
Oil & Gas	135,752	63,089	216,999	92,534	280,749
Renewable / other	55,448	15,980	88,633	24,838	79,406
Total	191,200	79,069	305,632	117,372	360,155
Operating expense					
Oil & Gas	-128,716	-70,442	-222,306	-108,317	-302,175
Renewable / other	-52,574	-17,842	-90,801	-29,074	-85,467
Total	-181,290	-88,283	-313,108	-137,392	-387,642
Operating result					
Oil & Gas	7,036	-7,353	-5,308	-15,783	-21,426
Renewable / other	2,874	-1,862	-2,168	-4,236	-6,060
Total	9,910	-9,215	-7,476	-20,020	-27,486
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization					
Oil & Gas	32,672	-2,264	38,170	-5,992	-1,377
Renewable / other	13,345	-574	15,591	-1,608	-390
Total	46,017	-2,838	53,761	-7,601	-1,768
EBITDA before amortization of termination fee					
Oil & Gas	36,577	3,512	45,980	5,399	20,816
Renewable / other	14,940	890	18,781	1,449	5,888
Total	51,517	4,402	64,761	6,849	26,703

Note 12 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018. AS a result the following have been recognised in 2018:

Right-of-use assets	30/06/2018
Property, plant and equipment	187,790
Total	187,790

Lease liabilities	30/06/2018
Current	119,549
Non current	64,155
Total	183,704

The statement of profit and loss shows the following amounts related to leasing.

	Q2 2018	6M 2018
Depreciation charge of right-of use assets	28,776	46,934
Interest expense	2,270	3,764
Total	31,046	50,698

The total cash outflow for leases in Q2 2018 was mNOK 40,8. The right-of use assets are calculated based on a discounted estimated commitment on the following vessels: Normand Reach, Olympic Challenger and Havila Subsea. The vessels Edda Fonn, Olympic Delta, Stril Explorer as well as other short term hired in vessels are treated as short term and recognized as an operating cost.

Reconciliation of leases recognised in Q2 18:

	Right-of use	Lease liability, non-current	Lease liability, current
Opening balance 01.04.2018	216,566	101,106	121,124
Additions	-	-	-
Disposals	-	-	-
Depreciation	-28,776	-	-
Interests	-	2,270	-
Reclassed from long to short term	-	-39,221	39,221
Payments	-	-	-40,796
Ending balance 30.06.2018	187,790	64,155	119,549