Quarterly Consolidated Report

2019

REACH SUBSEA

2nd 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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2nd Quarter Highlights

1. Revenues in the second quarter 2019 were NOK 181 mill (NOK 191 million in 2Q2018) while revenues for the first half of 2019 were NOK 248 million (NOK 306 million). The decrease is explained by a reduction in the number of marketable vessel days and ROV days.

2. 2Q2019 pre tax profit of NOK 4 million was in line with the reported NOK 5 million in 2Q2018, but lower than the underlying (excl amortisation of termination fee) 2Q2018 pre-tax profit of NOK 10 million. Improved pricing and the benefit of our flexible business model only partly offset the effect of lower year-over-year activity levels.

3. The order backlog of NOK 203 million and outstanding tender value of NOK 2.1 billion represents a solid increase compared to the corresponding figures of NOK 135 million and NOK 1.7 billion, respectively, a year ago.

4. Topaz Tiamat performed her first projects after mobilization in 1Q2019 to the client's full satisfaction, and demonstrating 25-40% lower fuel consumption than similar sized vessels. The vessel is also among the first subsea vessels suitable to accommodate battery pack (expected to be installed later this year), contributing to a further reduction in fuel consumption and carbon footprint.

Key figures UNAUDITED

(NOK 1000)	2Q 2019	2Q 2018	12M 2018
Revenues (NOKm)	181	191	675
EBITDA before amortized termination fee (NOKm)	65	52	275
Pre-tax profit (NOKm)	4	5	-12
Liquidity (NOKm)	51	83	63
Net working capital (NOKm)	21	20	55
Net interest bearing debt (NOKm) (includes IFRS leasing commitment)	200	179	85
Equity (NOKm)	186	205	211
Order backlog (NOKm)	203	135	120
Outstanding tender value (NOKbn)	2.1	1.7	1.8
Number of ROV days sold	610	793	2,215
Number of ROV days available	965	1,120	3,795
Technical uptime on ROVs	100%	100%	99 %
Number of offshore personnel days sold	3,512	3,942	13,269
LTIs	1	-	-
Number of vessel days sold	279	386	1,298

2nd 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 965 available ROV-days in 2Q2019 (1,120 ROV-days in 2Q2018), of which 610 days were sold (793) leading to a total utilisation of 63% (71%). Furthermore, number of vessel days that passed through our P&L was 279 (386). 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 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. The LTI reported was a "cut in hand" injury leading to a short sick leave.

REACH has per 26th August 2019 a firm order book of NOK 203 million for 3Q2019 and beyond, 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 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 in the second quarter of 2019, and had high utilisation throughout the quarter and into July. The spread had some idle time following this and is planned for projects starting late August.

OlympicChallenger is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The spread had high utilisation in the second quarter and is currently working on a contract in the North Sea region expected to last throughout the late summer/early autumn 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 second quarter and is scheduled for work until mid-September. 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 2Q2019 followed by some idle time early 3Q. The vessel spread is currently working in the Baltic region.
The "Surveyor Interceptor I" is currently mobilized onboard *Stril Explorer.*

Havila Harmony was mobilized in August 2018 with a hired- inWROV for work in the Trinidad 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 for parts of the second quarter with moderate utilisation, but is expected to have high activity the coming late 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. 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. The vessel was ready for projects including Reach ROVs in July 2019 and is currently working on a subsea contract with Ocean Installer. The vessel spread is signed for a contract between Eidesvik and Ocean Installer in the peak season 2020 and 2021.

The ROV that was onboard Edda Fonn last year was demobilised in January and has remained idle so far this year while the company explores for a suitable vessel for re-mobilisation of the ROV.

2nd Quarter 2019

Financial Results

Revenue for the quarter was NOK 180.8 million compared with NOK 191.2 million for 2Q2018. Revenue for the first 6 months of 2019 was NOK 248.2 million (NOK 305.6 million for the first 6 months of 2018). The decrease in revenue is explained by a lower number of vessel spreads compared to the same period last year as well as the Allseas project in 1Q2018 generating a high turnover.

Operating expense for the quarter was NOK 172.4 million, compared with NOK 181.3 million for 2Q2018. Operating expense for the first 6 months of 2019 was NOK 253.5 million (NOK 313.1 million in 2018). Project-related expense represents the majority of the operating expense for the group. The reduction in operating expense is mainly explained by lower activity.

2Q2019 EBITDA before amortization of termination fee[2] was NOK 65.3 million compared with NOK 51.5 million for 2Q2018. EBITDA for the first 6 months of 2019 was NOK 78.8 million compared to NOK 64.8 million in 2018.

Depreciation for the quarter was NOK 56.9 million, compared with NOK 36.1 million for 2Q2018.

The increased EBITDA before amortization fee and depreciation is mainly explained by the reclassification of charter hire[1].

Net financial items for 2Q2019 was NOK -4.5 million (NOK -5.1 million in 2Q2018).

2Q2019 pre-tax result was NOK 3.9 million, compared with NOK 4.8 million for 2Q2018 (NOK 10.3 million excluding termination fee).

The total comprehensive income for 2Q2019 ended at NOK 4.1 million, compared with NOK 4.8 million for 2Q2018 (NOK 10.3 million excluding termination fee).

Total comprehensive income for the first 6 months of 2019 was NOK -15.6 million compared to NOK -13.7 million for the same period last year (NOK -2.7 million excluding termination fee).

For 2Q2019, Oil & Gas revenues constituted 76 % while Renewable/Other constituted 24 % of total revenues. By comparison, in 2Q2018 Oil & Gas revenues were 71 % while Renewable/Other constituted 29 % 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 218.5 million (NOK 323.8 million in 2Q2018), of which cash and cash equivalents amounted to NOK 51.4 million (NOK 82.8 million). Receivables were NOK 167.1 million (NOK 219.0million). Total non-interest bearing current liabilities were NOK 146.1million (NOK 199.5 million), leaving a net working capital of NOK 21.0 million (NOK 19.5 million).

Total non-current assets at the end of the quarter were NOK 364.7 million (NOK 342.9 million). Property, plant and equipment now includes NOK 198.7 million of leases capitalised under IFRS 16 (NOK 89.0 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 200.0 million (NOK 179.0 million). Net financial interest bearing debt (excluding IFRS 16 leases) was NOK -1.9 million (NOK -17.3 million). The NOK 15.4 million year-over-year increase in net financial debt is explained by capital expenditures of NOK 44.7 million, as well as the dividend payment of NOK 10 million.

The Group's equity as of 30 June 2019 was NOK 186.1 million, which represents 31.9 % of the total balance sheet.

Net cash flow from operating activities for 2Q2019 was NOK 45.3 million (NOK 39.6 million), also influenced by the effect of the reclassification of charter hire[1]. Net cash flow for 2Q2019 of NOK -22.1 million (NOK -44.3 million) is explained by the seasonal working capital increase of NOK 20.2 million (NOK 12.4 million), as well as the dividend payment of NOK 10 million (zero).

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

[1]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 and Notes below.

[2]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 was capitalized and amortized over the rest of the charter party periods. EBITDA was 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.

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30 June 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 so far this year announced the award of several short and medium term contracts for the season of 2019.

The order backlog figure of NOK 203 million includes the above mentioned contracts, as well as running contract extensions and call-offs, but does not include the full expected 2019 volumes from the frame agreements awarded during 2018.

Reach Subsea also announced monthly operating figures for the first 7 months of 2019, see table below ("Year" refers to year to date figures) .

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		Q2		July		Year	
	2019	2018	2019	2018	2019	2018	2019	2018
Number of ROV days sold	246	407	610	793	210	172	1 066	1 372
Number of ROV days available	831	900	965	1 120	350	388	2 146	2 408
Technical uptime on ROVs	99 %	100 %	100 %	100 %	100 %	100 %	99 %	99 %
Number of offshore personnel days sold	2 236	2 719	3 512	3 942	1 001	865	6 749	7 526
LTIs	0	0	1	0	0	0	1	0
Number of Vessel days sold	110	206	279	386	105	132	494	724

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*). All our 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, Shell, BP and Wintershall, 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, 26.08.2019

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

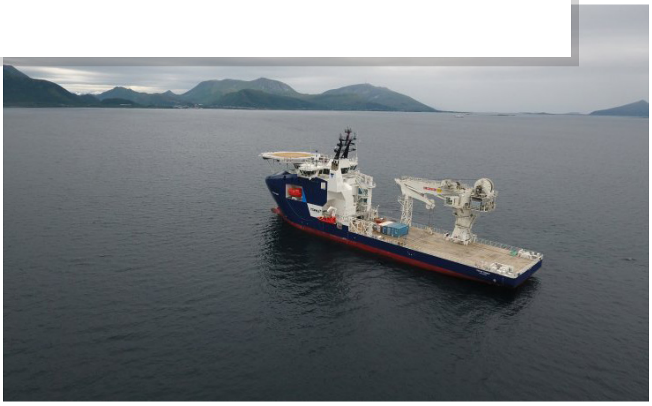
Contact:
Jostein Alendal (CEO)
Birgitte Wendelbo Johansen (CFO)

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
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 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

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
7.2x7.2 m 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

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

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
7.2x7.2 m Moonpool
1000 m2 deck
Dual WROV hangar
Permanent full survey suite
Large office facilities
2xWROVs

Income statement UNAUDITED

Statement of profit or loss (NOK 1000)	2Q 2019	2Q 2018	6M 2019	6M 2018	12M 2018	NOTES
Operating revenue	180 765	191 200	246 857	305 632	675 265	
Other revenue	-	-	1 298	-	-	
Revenue	180 765	191 200	248 154	305 632	675 265	
Procurement expenses	-75 866	-95 875	-102 454	-164 664	-243 109	
Personnel expenses	-24 035	-25 006	-40 856	-48 330	-98 417	
Other operating expenses	-15 610	-18 802	-26 041	-27 877	-58 869	
EBITDA before amortized termination fee	65 254	51 517	78 803	64 761	274 870	
Amortized termination fee	-	-5 500	-	-11 000	-33 000	
EBITDA after amortized termination fee	65 254	46 017	78 803	53 761	241 870	
Depreciation	-56 875	-36 106	-84 112	-61 236	-245 855	3,12
Operating result (EBIT)	8 380	9 910	-5 308	-7 476	-3 985	
Interest income	137	29	370	82	224	
Interest expenses	-3 204	-2 914	-6 348	-5 073	-9 543	12
Other net financial items	-580	-898	-1 098	-55	360	
Result from associated companies	-804	-1 281	-1 467	-1 220	1 343	
Profit (loss) before taxes	3 929	4 847	-13 851	-13 742	-11 601	
Taxes	-	-	-	-	-500	9
Profit (loss) before taxes	3 929	4 847	-13 851	-13 742	-12 101	
Comprehensive income						
Translation differences	149	-	-1 741	-	3 039	
Gain/loss on finacial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	149	-	-1 741	-	3 039	
Total comprehensive income	4 078	4 847	-15 592	-13 742	-9 062	
Earnings per share	0,03	0,07	-0,11	-0,10	-0,07	
Diluted earnings per share	0,03	0,07	-0,11	-0,10	-0,07	

Balance Sheet UNAUDITED

Statement of financial position (NOK 1000)	2019 30/6	2018 30/6	2018 31/12	NOTES
Non-current assets				
Deferred tax assets	8 161	8 161	8 161	9
Investment in associated companies	23 304	22 208	24 771	
Property, plant and equipment	333 282	312 506	208 878	3, 12
Capitalised termination fee	-	-	-	6
Total non-current assets	364 747	342 875	241 810	
Current assets				
Trade receivables	114 828	194 720	173 071	
Other receivables	52 308	24 279	16 184	
Capitalised termination fee	-	22 000	-	6
Cash and cash equivalents	51 410	82 814	63 277	
Total current assets	218 545	323 813	252 532	
Total assets	583 292	666 688	494 342	
Equity				
Share capital	143 546	143 240	143 546	7
Share premium	105 543	115 368	105 025	
Proposed dividends	-	-	10 048	
Other equity	-62 963	-53 717	-47 370	8
Total equity	186 126	204 891	211 249	
Non-current liabilities				
Interest-bearing debt	122 400	116 264	69 947	4, 12
Total non-current liabilities	122 400	116 264	69 947	
Current liabilites				
Current portion of interest bearing debt	128 678	146 049	78 798	4, 12
Trade payables	80 831	146 697	85 252	
Other current liabilities	65 257	52 788	49 096	
Total current liabilities	274 766	345 534	213 146	
Total liabilities	397 166	461 798	283 093	
Total equity and liabilities	583 292	666 688	494 342	

Cashflow UNAUDITED

Statement of cash flow (NOK 1000)	2Q 2019	2Q 2018	6M 2019	6M 2018	12M 2018	NOTES
Cash flow from operating activities						
Operating result (EBIT)	8 380	9 910	-5 308	-7 476	-3 985	
Paid taxes	-	-	-	-	-	
Depreciation and amortisation	56 875	41 606	84 112	72 236	278 855	
Change in trade debtors	-48 817	-145 007	58 244	-94 163	-58 603	
Change in trade creditors	17 754	83 655	-4 421	71 225	9 780	
Change in other provisions	10 855	48 927	-18 464	30 444	21 252	
Share option cost employees	259	556	627	556	1 667	
Net cash flow from operating activities	45 306	39 647	114 790	72 822	248 966	
Cash flow from investing activities						
Purchase of fixed assets	-525	-37 222	-33 908	-37 222	-47 968	
Investment in associated companies	-	-	-	-10 183	-10 183	
Net cash flow from investing activities	-525	-37 222	-33 908	-47 405	-58 150	
Cash flow from financing activities						
Net interest paid	-612	-615	-718	-1 227	-2 643	
Proceeds from borrowings and leases	-	-	-	25 000	25 000	
Payment of dividends	-10 048	-	-10 048	-	-	
Repayment of borrowings and leases	-56 245	-46 080	-81 238	-65 330	-248 850	
Net cash flow from financing activities	-66 905	-46 695	-92 004	-41 557	-226 493	
Net change in cash and cash equivalents	-22 124	-44 271	-11 123	-16 140	-35 677	
Cash and cash equivalents in the start of the period	73 580	127 085	63 277	98 954	98 954	
Translation differences	-46	-	-744	-	-	
Cash and cash equivalents in the end of the period	51 410	82 814	51 410	82 814	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	517	-	517	8
Translation difference	-	-1 741	-1 741	
Dividends paid	-10 048	-	-10 048	
Result for the period	-	-13 851	-13 851	
Equity 30.06.19	249 089	-62 962	186 126	

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	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	-	178 311	820	212 219
Disposals	-	-3 702	-	-	-3 702
Purchase cost 30.06.19	143 983	115 884	307 664	18 884	586 414
Accumulated depreciation 30.06.19	-59 207	-73 329	-109 004	-11 592	-253 132
Net book value 30.06.19	84 776	42 554	198 660	7 292	333 282
Depreciation in the period	-8 820	-5 322	-68 615	-1 355	-84 112
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)	30/06/2019	31/12/2018
Non-current liabilities		
Bank borrowings	15 000	17 500
Lease liabilities to credit institutions	18 103	26 203
Other non-current lease liabilities (IFRS 16)	89 311	26 244
Total non-current borrowings	122 400	69 947
Current borrowings		
Bank borrowings	5 000	10 250
Lease liabilities to credit institutions	11 439	11 500
Other current lease liabilities (IFRS 16)	112 239	57 048
Total current borrowings	128 678	78 798
Carrying amount		
Bank borrowings	20 000	27 750
Finance lease liabilities	231 078	120 995
Total carrying amount	251 078	148 745
Fair value		
Bank borrowings	20 000	27 750
Finance lease liabilities	231 092	120 995
Total fair value	251 092	148 745

At 30.06.19 bank borrowings are secured on fixed assets for the value of NOK 134.6 million (31.12.18: 120.0 million).

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 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 20.08.2019:

	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	4 450 227	3.1 %
DANSKE INVEST NORGE	3 254 912	2.3 %
CORUNA AS	2 250 000	1.6 %
FREEMAN SHIPPING & OFFSHORE AS	2 064 478	1.5 %
RMS INVEST AS	2 000 000	1.4 %
TEOMAR AS	2 000 000	1.4 %
A-Å INVEST AS	1 935 725	1.4 %
LION INVEST AS	1 850 000	1.3 %
GOLDMAN SACHS & CO. GOLDMAN SACHS & CO -	1 688 535	1.2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1 675 110	1.2 %
SMS INVESTERING AS	1 652 366	1.2 %
STAVA INVEST AS	1 631 362	1.1 %
MACAMA AS	1 578 446	1.1 %
BARRUS CAPITAL AS	1 510 090	1.1 %
GLUTEUS MEDIUS	1 323 842	0.9 %
Total 20 largest	105 374 438	73.4 %
Others	38 171 570	26.6%
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 constitues a maximum of 3,886,875 options equivalent to a similar number of Reach Subsea ASA shares, whereof 306,483 shares were exercise and 858,461 shares expired in 2018. As of 2Q2019 the Company has recognized NOK 0.5 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 30.06.2019 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 01.04.-30.06	2018 01.04.-30.06	2019 01.01.-30.06	2018 01.01.-30.06	2018 01.01.-31.12
Revenue					
Oil & Gas	137 706	135 752	189 043	216 999	598 718
Renewable / other	43 069	55 448	59 111	88 633	76 547
Total	180 765	191 200	248 154	305 632	675 265
Operating expense					
Oil & Gas	-131 322	-128 716	-193 087	-222 306	-602 251
Renewable / other	-41 063	-52 574	-60 376	-90 801	-76 999
Total	-172 385	-181 290	-253 463	-313 108	-679 250
Operating result					
Oil & Gas	6 384	7 036	-4 044	-5 308	-3 533
Renewable / other	1 996	2 874	-1 264	-2 168	-452
Total	8 380	9 910	-5 308	-7 476	-3 985
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization					
Oil & Gas	49 711	32 672	60 032	38 170	214 452
Renewable / other	15 544	13 345	18 771	15 591	27 418
Total	65 254	46 017	78 803	53 761	241 871
EBITDA before amortization of termination fee					
Oil & Gas	49 711	36 577	60 032	45 980	243 712
Renewable / other	15 544	14 940	18 771	18 781	31 159
Total	65 254	51 517	78 803	64 761	274 871

Note 12 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018.
"Pay-as-you-go" contractual charter hire was reclassified from operating expense to depreciations as from 3Q2018 based on updated IFRS 16 guidelines. In 1Q2018 and 2Q2018 reports charter hire occurs as operating expense, whilst in 1Q2019 and 2Q2019 charter hire is classified as depreciation. As from 3Q2018 reports (including "year to date" figures) all charter hire is classified as depreciation.
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 2Q2019, Right-of-use assets consist of contractial 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 has been recognized in 2019:

Right-of-use assets	30/06/2019	31/12/2018
Property, plant and equipment	198 660	88 969
Total	198 660	88 969

Lease liabilities	30/06/2018	31/12/2018
Current	112 239	57 048
Non current	89 311	26 244
Total	201 550	83 292

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

	Q2 2019	Q2 2018	6M 2019	6M 2018	12M 2018
Depreciation charge of right-of use assets	48 317	28 776	68 615	46 934	216 105
Interest expense	2 455	2 270	5 260	3 764	6 316
Total	50 772	31 046	73 874	50 698	222 421

The total cash outflow for leases in 2Q2019 was NOK 48.8 million and NOK 65.3 million for the first 6 months (2018: 225.1 million).

The effect of the reclassification of charter hire from operating expense to depreciation is NOK 52.1 mill for the first 6 months of 2018 (NOK 30.4 mill in 2Q2018).

Note 12 - Leasing

Reconciliation of leases recognised 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	-44 509	-	-
Interests	-	2 331	2 929
Reclassification from long to short term	-	-4 108	4 108
Payments	-	-	-41 221
Ending balance 30.06.2019	198 660	112 324	89 226

The right-of-use assets are calcuated 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	Q2 2019	Q2 2018	6M 2019	6M 2018	12M 2018
Depreciation of long term right-of-use assets	29 944	28 776	44 509	46 934	94 541
Depreciation of short term right-of-use assets	18 373	-	24 106	-	121 563
Depreciation of other assets	8 558	7 330	15 497	14 302	29 751
Total depreciation	56 875	36 106	84 112	61 236	245 855