Quarterly Consolidated Report

2018

4th 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.

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4th Quarter Highlights

1. **Solid improvement in profits**: 2018 net profit excluding amortization of termination fee of NOK 20.9 million, a solid improvement over NOK -2.3 million in 2017.

2. **Dividend, a new milestone**: Based on the strong improvement in underlying results, and according to the dividend policy adopted last year, the Board will propose a dividend of NOK 0.07 per share.

3. **High growth**: Revenue increased by almost 90% in 2018 to NOK 675.3 million, driven by higher activity and increased share of in-house project execution.

4. **Strong Q4**: EBITDA before amortization of termination fee was NOK 80.6 million (NOK 1.7 mill in 4Q2017), while pre-tax profit before amortization of termination fee was NOK 10.7 million (NOK -3.3 million).

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

Key figures UNAUDITED

	4Q 2018	4Q 2017	12M 2018	12M 2017
Revenues (NOKm)	191	112	675	360
EBITDA before amortized termination fee (NOKm)	81	2	275	27
Pre-tax profit (NOKm)	-6	-10	-12	-31
Liquidity (NOKm)	63	99	63	99
Net working capital (NOKm)	55	35	55	35
Net interest bearing debt (NOKm) (includes IFRS leasing commitment)	85	-35	85	-35
Equity (NOKm)	211	218	211	218
Order backlog (NOKm)	120	95	120	95
Outstanding tender value (NOKbn)	1.8	1.7	1.8	1.7
Number of ROV days sold	436	295	2,215	1,595
Number of ROV days available	842	827	3,795	2,892
Technical uptime on ROVs	99 %	99 %	99 %	99 %
Number of offshore personnel days sold	3,039	2,204	13,269	11,565
LTIs	0	0	0	0
Number of vessel days sold	327	140	1,298	588

Operations including vessel update

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

REACH had 842 available ROV-days in 4Q2018 (827 ROV-days in 4Q2017), of which 436 days were sold (295) leading to a total utilisation of 52% (36%). Furthermore, number of vessel days that passed through our P&L was 327 (140), reflecting a higher number of projects being managed internally.

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 February 2019 a firm order book of NOK 120 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 mobilisation started in December 2018. The vessel will be equipped with two Supporter WROVs (previously mobilised onboard *Normand Reach*) and Reach Subsea offshore personell and is expected to be ready for subsea projects in cooperation with MMT as from March 2019.

Olympic Challenger was mobilised in March 2018, 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 fourth quarter the vessel was on a contract in the oil and gas sector excluding WROV work lasting until mid-October. The vessel went directly onto another project lasting into December, however without use of WROV (no cost for Reach Subsea as the WROWs are chartered-in on a pay-as-you-go basis).

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 fourth quarter. The "Surveyor II" is currently mobilised onboard the vessel and had high utilisation in the quarter.

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 contrakt in the wind market for the vessel that will leave the WROVs idle during the winter and spring season 2019.

Stril Explorer is a survey vessel on a charter contractfrom Møkster to Reach Subsea's cooperation partner MMT. Reach Subsea provided ROV services consisting of one Supporter WROV and offshore personnel to thevessel in the third quarter of 2018. 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 "Surveyor Interceptor I" is currently mobilized onboard *Stril Explorer* and had high utilisation also in the fourth quarter working on survey contracts with MMT/end clients.

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 had high activity in the fourth quarter.

Edda Fonn, a purpose built ROV/Survey vessel equippedwith one Supporter WROV and survey equipment, is on a flexible charter agreement from Østensjø lasting throughout 2018. The vessel has been utilized for Reach Subsea's own offshore operations in the cooperation with MMT. *Edda Fonn* performed various short term projects in the fourth quarter, mainly within the Oil & Gas segment. Clients were international oil companies. The Supporter WROV spread was demobilized in January 2019 as the owner has sold the vessel.

Olympic Delta is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel has been on a contract between cooperation partner MMT and owner Olympic Shipping and was utilised in the early fourth quarter for projects under a cooperation agreement between Reach Subsea and MMT. The projects lasted through October, and the vessel is not planned for further projects by Reach Subsea/MMT.

Normand Reach was de-mobilised in November/ December and the two Supporter WROVs are being allocated to our new subsea vessel spread *TopazTiamat* ready for operations from March 2019.

4th Quarter 2018

Financial Results

Revenue for the quarter was NOK 190.7 million compared with NOK 111.9 million for 4Q2017. Revenue for the full year 2018 was NOK 675.3 million (NOK 360.2 million for the full year 2017). The increase compared with the same period last year is due to increased activity and a larger number of projects being managed internally by Reach Subsea. We had revenue from 327 vessel days through our P&L in 4Q2018 (140 days), and 1,298 vessel days in 2018 (588 days).

Operating expense for the quarter was NOK 110.1 million, compared with NOK 110.2 million for 4Q2017. Operating expense for 2018 was NOK 400.4 million (NOK 333.5 million). Project-related expense represents the majority of the operating expense for the group. Activity level (including vessel cost) was higher in 2018 than 2017, however the IFRS 16 implementation with re-classification of charter hire from operating expense to depreciation, reduces the (comparable) operating expense in 2018.

4Q2018 EBITDA before amortization of termination fee[1)] was NOK 80.6 million compared with NOK 1.7 million for 4Q2017. EBITDA for the full year 2018 before amortized termination fee was NOK 274.9 million compared to NOK 26.7 million in 2017. The higher EBITDA compared with last year is to a large extent explained by the implementation of IFRS 16 as all of our charter-in expenses are removed from EBITDA, with the profit & loss effect now occurring as depreciation and interest expenses.

As pre-announced in the 3Q2018 report, the remaining capitalised termination fee of NOK 16.5 million was expensed in full in 4Q2018 (NOK 6.8 million). Thus, going forward, this delayed accounting effect (non-cash) from the 2016 charter restructuring will no longer impact our financial statements. The reason for expensing the remaining balance in 4Q2018 was the cancellation of the charterparty on *Normand Reach*.

Depreciation for the quarter was NOK 71.7 million, compared with NOK 6.6 million for 4Q2017. NOK 63.5 million of the increase is explained by the implementation of IFRS 16, and represents depreciation of IFRS leases for the quarter. For 2018 depreciation was NOK 245.9 million (NOK 25.7 million), of which NOK 216.1 million represents IFRS leases. Further details are explained in Note 12.

Net financial items for 4Q2018 was NOK -0.9 million (NOK 1.3 million), and NOK -9.0 million for 2018 (NOK -1.7 million). Implementation of IFRS 16 increased interest expenses by NOK 1.0 million for 4Q2018 and NOK 6.3 million for 2018.

Result from associated companies for 4Q2018 was NOK 2.6 million (NOK 0.3 million), and NOK 1.3 million for 2018 (NOK -1.6 million). The improvement is driven by higher utilisation of the two Surveyor ROVs owned by Surveyor AS.

4Q2018 pre-tax result was NOK -5.8 million, compared with NOK -10.0 million for 4Q2017. For the full year 2018 pre-tax result was NOK -12.1 million, compared with NOK -30.8 million for 2017.

The adjusted net result for 2018 ended at NOK 20.9 million, compared with NOK -2.3 million for 2017. Adjusted net result is defined as reported net result, adjusted for amortised termination fee, and represents the basis for the company's dividend policy.

The implementation of IFRS 16 has a negligible effect on pre-tax and net results, thus, the improvement over 2017 is a reflection of higher activity and solid project execution.

In line with the dividend policy introduced last year, the Board will propose a dividend of NOK 0.07 per share, which represents around 50% of the adjusted net result for 2018.

For the full year 2018, Oil & Gas revenues constituted 88.7 % while Renewable/Other constituted 11.3 % of total revenues. By comparison, in 2017 Oil & Gas revenues were 78.0 % while Renewable/Other constituted 22.0 % 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. The charterparty with Normand Reach had initially firm period ending in June 2019. With Solstad obtainaing alternative work for the vessel, the amortisation fee is fully expensed in the 2018 accounts.

Capital structure

Total current assets at the end of the quarter were NOK 252.5 million (NOK 263.0 million in 4Q2017), of which cash and cash equivalents amounted to NOK 63.3 million (NOK 99.0 million). Receivables were NOK 189.3 million (NOK 142.1 million). Total non-interest bearing current liabilities were NOK 134.3 million (NOK 106.9 million), leaving a net working capital of NOK 54.9 million (NOK 35.2 million).

Total non-current assets at the end of the quarter were NOK 241.8 million (NOK 126.1 million), with the large increase explained by implementation of IFRS 16. Property, plant and equipment now includes NOK 89.0 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 was capitalized and has been amortized over the rest of the charter party periods. Following the release of our 2019 commitment on Normand Reach, the remaining capitalised termination fee has been expensed in whole in 4Q2018.

Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 85 million (NOK -35 million), with the increase explained by inclusion of NOK 83.3 million in IFRS 16 lease liabilities as of 4Q2018. Net debt excluding the IFRS 16 lease liabilities was NOK 1.7 million.

The Group's equity as of 31 December 2018 is NOK 211.2 million, which represents 42.7 % of the total balance sheet.

Net cash flow from operating activities for 4Q2018 was NOK 65.9 million (NOK 42.5 million), positively influenced by the transfer of NOK 56.5 million in charter payments (IFRS 16) to cash flow from financing activities, and countered by a NOK 15.3 million working capital increase (NOK 40.8 million decrease in 4Q2017). The untypical 4Q working capital increase in 2018 is a mere coincidence, and a substantial part of the NOK 55 million working capital has been released in January 2019.

REACH has no major debt maturities or capital expenditure commitments for 2019 and onwards. However, REACH will receive the vessel *Topaz Tiamat* during 1Q2019 on a long-term charter agreement, which will result in an addition of right to use assets of approximately NOK 160 million (and a corresponding increase in lease liabilities). This commitment is shared with MMT Sweden.

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31 December 2018 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 recently announced the award of several short and medium term contracts for 2019 execution, with a combined firm value of approximately NOK 80 million.

Most of these contracts also contain optional periods, which, if called upon, would increase the firm contract value considerably.

The order backlog figure of NOK 120 million includes the above mentioned contracts, but does not include expected 2019 volumes from the frame agreements awarded during 2018.

Reach Subsea also announced monthly operating figures for January 2019:

	January		Year	
	2019	2018	2019	2018
Number of ROV days sold	63	117	63	117
Number of ROV days available	279	310	279	310
Technical uptime on ROVs	100 %	99 %	100 %	100 %
				0
Number of offshore personnel days sold	540	731	540	731
LTI's	0	0	0	0
				0
Number of Vessel days sold	28	55	28	55

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 4Q2018 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.

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).

The company has early adopted IFRS 16 as of 01.01.2018. Short term leases (lease term 12 month or less) and assets that are leased for more than 12 months, but where the lease terms do not contain any commitments ("pay-as-you-go"), are also capitalized as right- of use assets and depreciated. The impact is that, all cost in relation to leases of vessels and ROVs are classified as depreciation and interest expense. Vessels and ROVs with a "pay-as-you-go" lease structure are treated as short term leases, where the lease expenses are classified as depreciation, and where the lease is capitalised at the balance sheet date only to the extent a commitment is incurred at the reporting date. See note 12 for details.

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.

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 five subsea spreads (vessel, ROVs, and personnel), alone or together with partners, which have an attractive cost structure suited for current markets. During the 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. Also, client requirements for this year's season have emerged at an earlier stage than last year.

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. 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.

The Board is pleased that the company managed to deliver an adjusted net profit of NOK 21 million, which was a solid improvement over 2017. Consequently, and in accordance with the dividend policy introduced a year ago, the Board will propose a dividend of NOK 0.07 per share. Although the level of profit is well below our longer term ambition, it is encouraging that Reach was able to grow its business and improve profitability in a market that remained challenging in 2018.

Haugesund, 19.02.2019

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 2018

Havila Subsea

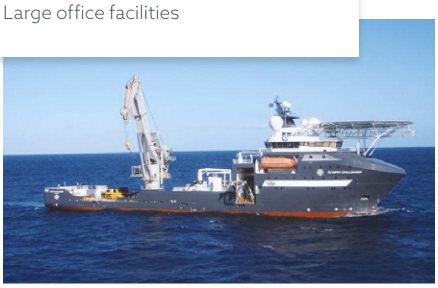
Cost effective IMR, survey and light construction vessel with long track record in the business.

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

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 m³/h)
2600 m² steel deck
1x Kystdesign supporter WROV
and 1x constructor WROV

Stril Explorer

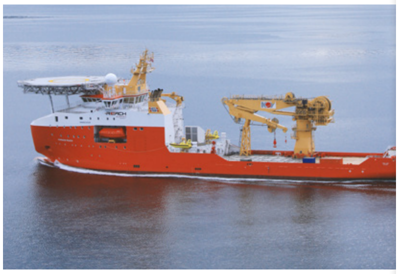
Fully integrated survey vessel with light construction capabilities.

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

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



Normand Reach

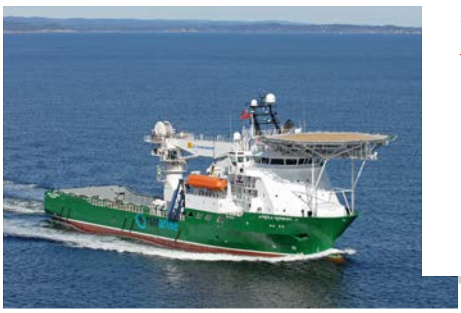
State of the art Offshore construction vessel with high crane capacity and prepared for complex offshore operations.

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

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



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

Income statement
UNAUDITED

Statement of profit or loss (NOK 1000)	4Q 2018	4Q 2017	12M 2018	12M 2017	NOTES
Operating revenue	190,662	111,895	675,265	360,155	
Other revenue	-	-	-	-	
Revenue	190,662	111,895	675,265	360,155	
Procurement expenses	-71,074	-78,094	-243,109	-206,676	
Personnel expenses	-24,533	-19,163	-98,417	-81,512	
Other operating expenses	-14,476	-12,960	-58,869	-45,264	
EBITDA before amortized termination fee	80,578	1,678	274,871	26,703	
Amortized termination fee	-16,500	-6,762	-33,000	-28,471	
EBITDA after amortized termination fee	64,078	-5,084	241,871	-1,768	
Depreciation	-71,658	-6,582	-245,855	-25,719	3.12
Operating result (EBIT)	-7,580	-11,665	-3,985	-27,486	
Interest income	47	31	224	84	
Interest expenses	-2,138	-736	-9,543	-3,466	12
Other net financial items	1,186	2,005	360	1,708	
Result from associated companies	2,643	327	1,343	-1,604	
Profit (loss) before taxes	-5,842	-10,038	-11,601	-30,764	
Taxes	-500	-	-500	-	9
Profit (loss) after taxes	-6,342	-10,038	-12,101	-30,764	
Comprehensive income					
Gain/loss on finacial derivatives of cash flow hedges	-	-	-	-	
Comprehensive income items	-	-	-	-	
Total comprehensive income	-6,342	-10,038	-12,101	-30,764	
Earnings per share	-0.18	-0.07	-0.08	-0.22	
Diluted earnings per share	-0.17	-0.07	-0.08	-0.22	

Balance Sheet UNAUDITED

Statement of financial position (NOK 1000)	2018 31/12	2017 31/12	NOTES
Non-current assets			
Deferred tax assets	8,161	8,161	9
Investment in associated companies	24,771	5,168	
Property, plant and equipment	208,878	101,796	3.12
Capitalised termination fee	0	11,000	6
Total non-current assets	241,810	126,125	
Current assets			
Trade receivables	173,071	114,469	
Other receivables	16,184	27,616	
Capitalised termination fee	0	22,000	6
Cash and cash equivalents	63,277	98,954	
Total current assets	252,532	263,038	
Total assets	494,342	389,164	
Equity			
Share capital	143,546	143,240	7
Share premium	106,692	114,813	
Proposed dividends	10,048		
Other equity	-49,039	-39,975	8
Total equity	211,249	218,077	
Non-current liabilities			
Interest-bearing debt	69,947	42,919	4.12
Total non-current liabilities	69,947	42,919	
Current liabilites			
Taxes payable	500	0	
Current portion of interest bearing debt	78,798	21,250	4.12
Trade payables	85,252	75,472	
Other current liabilities	48,596	31,447	
Total current liabilities	213,146	128,169	
Total liabilities	283,093	171,088	
Total equity and liabilities	494,342	389,164	

Cashflow UNAUDITED

Statement of cash flow (NOK 1000)	4Q 2018	4Q 2017	12M 2018	12M 2017	NOTES
Cash flow from operating activities					
Operating result (EBIT)	-10,080	-11,665	-6,485	-27,486	
Paid taxes	-	-	-		
Depreciation and amortisation	88,158	13,344	278,855	54,190	
Change in trade debtors	4,881	41,899	-58,603	-47,046	
Change in trade creditors	-35,142	3,795	9,780	44,518	
Change in other provisions	17,478	-4,853	23,752	-5,160	
Share option cost employees	556	-	1,667	-	
Net cash flow from operating activities	65,852	42,519	248,966	19,016	
Cash flow from investing activities					
Purchase of fixed assets	-8,377	-74	-47,968	-10,600	
Investment in associated companies	-	-	-10,183	-1,500	
Net cash flow from investing activities	-8,377	-74	-58,150	-12,100	
Cash flow from financing activities					
Net interest paid	178	-705	-2,643	-3,385	
Proceeds from issuance of ordinary shares	-	59	-	85,892	
Proceeds from borrowings and leases	-	-	25,000	-	
Repayment of borrowings and leases	-63,043	-5,242	-248,850	-21,058	
Net cash flow from financing activities	-62,865	-5,888	-226,493	61,449	
Net change in cash and cash equivalents	-5,391	36,557	-35,677	68,365	
Cash and cash equivalents in the start of the period	68,668	62,397	98,954	30,586	
Cash and cash equivalents in the end of the period	63,277	98,954	63,277	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	567	-	567	
Translation difference	-	3,039	3,039	
IFRS 2 Option based salary	1,667	-	1,667	8
Result for the period	-	-12,101	-12,101	
Equity 31.12.18	260,286	-49,037	211,249	

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.

The company has early adopted IFRS 16 as of 01.01.2018. Short term leases (lease term 12 month or less) and assets that are leased for more than 12 months, but where the lease terms do not contain any commitments ("pay-as-you-go"), are also capitalized as right- of use assets and depreciated. The impact is that, all cost in relation to leases of vessels and ROVs are classified as depreciation and interest expense. Vessels and ROVs with a "pay-as-you-go" lease structure are treated as short term leases, where the lease expenses are classified as depreciation, and where the lease is capitalised at the balance sheet date only to the extent a commitment is incurred at the reporting date. See note 12 for details.

Note 3 - Fixed assets

(NOK 1000)	ROV & equipment	ROV & equipment leased	Equipment & office machinery	Leased assets*	Total
Purchase cost 01.01.18	71,503	119,565	9,509	132,399	332,976
Additions	39,461	20	8,487	141,572	189,539
Disposals	0	0	0	90,466	90,466
Purchase cost 31.12.18	110,964	119,585	17,996	183,505	432,049
Accumulated depreciation disposals				-22,193	-22,193
Accumulated depreciation 31.12.18	-50,453	-68,006	-10,071	-72,348	-200,878
Net book value 31.12.18	60,512	51,579	7,925	88,969	208,878
Depreciation in the period	14,862	14,176	713	72,348	102,099
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)	31/12/2018	31/12/2017
Non-current liabilities		
Bank borrowings	17,500	5,250
Lease liabilities to credit institutions	26,203	37,669
Other non-current lease liabilities	26,244	-
Total non-current borrowings	69,947	42,919
Current borrowings		
Bank borrowings	10,250	10,500
Lease liabilities to credit institutions	11,500	10,750
Other current lease liabilities	57,048	-
Total current borrowings	78,798	21,250
Carrying amount		
Bank borrowings	27,750	15,750
Finance lease liabilities	120,995	48,419
Total carrying amount	148,745	64,169
Fair value		
Bank borrowings	27,750	15,750
Finance lease liabilities	120,995	48,419
Total fair value	148,745	64,169

The company had as of 31.12.18 debt of NOK 65.5 million to credit institutions, and NOK 83.3 million in other lease liabilities. The company's long-term debt consists of financial leasing and bank loan to credit institutions and is secured by pledge of fixed assets. Book value of pledged fixed assets as of 31.12.18 amounted to NOK 120 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.

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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 has been amortised over the rest of the charter party periods. In Q3 2018 a total of NOK 5.5 million was amortised, leaving a remaining balance as of 30 September 2018 of NOK 16.5 million. On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 has been released. Thus, the remaining capitalised termination fee of NOK 16.5 million is expensed in 4Q2018.

Note 7 - Shareholders

20 largest shareholders as per 08.02.19

	Shares	Stake
ACCELLO PARTNERS I A	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	4,146,000	2.9 %
DANSKE INVEST NORGE	3,254,912	2.3 %
CORUNA AS	2,250,000	1.6 %
RMS INVEST AS	2,000,000	1.4 %
TEOMAR AS	2,000,000	1.4 %
A-Å INVEST AS	1,938,725	1.4 %
FREEMAN SHIPPING & O	1,864,478	1.3 %
LION INVEST AS	1,780,000	1.2 %
GOLDMAN SACHS & CO. GOLDMAN SACHS & CO -	1,776,589	1.2 %
AB INVESTMENT AS	1,755,743	1.2 %
NORTH ENERGY CAPITAL	1,736,411	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 %
Total 20 largest	99,898,648	69.6%
Others	43,647,360	30.4 %
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 3.494.832 options equivalent to a similar number of Reach Subsea ASA shares. As of Q4 2018 the Company has recognised NOK 1.7 million in cost related to the options and NOK 0.2 million in provision for payroll tax.

Note 9 - Tax

The Group has, based on contracts and budgets for 2018 and 2019, assumed that parts of the tax loss carried forward can be recognized. Per 31.12.2018 NOK 8.2 million is capitalized. For activities performed by the Company in another tax jurisdictions, the Company has recognised 0.5 MNOK in tax cost and taxes payable.

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** 01.10.-31.12	**2017** 01.10.-31.12	**2018** 01.01.-31.12	**2017** 01.01-31.12
Revenue				
Oil & Gas	127,160	105,081	598,718	280,749
Renewable / other	63,502	6,814	76,547	79,406
Total	190,662	111,895	675,265	360,155
Operating expense				
Oil & Gas	-132,215	-116,036	-602,251	-302,175
Renewable / other	-66,027	-7,525	-76,999	-85,467
Total	-198,241	-123,561	-679,250	-387,642
Operating result				
Oil & Gas	-5,055	-10,955	-3,533	-21,426
Renewable / other	-2,525	-711	-452	-6,061
Total	-7,580	-11,665	-3,985	-27,486
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization				
Oil & Gas	42,736	-4,774	214,452	-1,377
Renewable / other	21,342	-310	27,418	-390
Total	64,078	-5,084	241,871	-1,768
EBITDA before amortization of termination fee				
Oil & Gas	53,741	1,576	243,712	20,816
Renewable / other	26,837	102	31,159	5,888
Total	80,578	1,678	274,871	26,703

Note 12 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018. Aso short term leases (commited lease term 12 months 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 expenses. As of 4Q2018, Right of use assets consist of contractual commitments and estimated use in the contract period. Pay as you go contracts at the balance sheet date, with no contractual commitment, are not capitalised. The following have been recognised in 4Q2018:

Right-of-use assets	31/12/2018
Property, plant and equipment	88,969
Total	88,969

Lease liabilities	31/12/2018
Current	57,048
Non current	26,244
Total	83,293

	Q4 2018	12M 2018
Depreciation charge of right-of use assets	63,503	216,105
Interest expense	1,045	6,316
Total	64,548	222,421

The total cash outflow for leases in Q4 2018 was mNOK 56,5. As of Q4 2018, Right of use assets consist of contractual commitments and estimated use in the contract period. Pay as you go contracts at the balance sheet date, with no contractual commitment, are not capitalised. Reconciliation of leases recognised in Q4 18:

	Right-of use	Lease liability, non-current	Lease liability, current
Opening balance 01.09.2018	130,393	42,308	75,420
Additions	-	-	-
Disposals	-15,131	-15,131	
Depreciation	-26,298	-	-
Interests	-	1,045	-
Reclassed from long to short term	-	-1,978	1,978
Payments	-		-20,363
Ending balance 31.12.2018	88,970	26,244	57,048

The right-of use assets are calculated based on a discounted estimated commitment on the following vessels: *Normand Reach, Olympic Challenger* and *Havila Harmony*. The vessels *Edda Fonn*, *Olympic Delta*, *Olympic Triton* as well as other short term hired in vessels are treated as short term leases under IFRS 16 and are also recognized as depreciations.

	2018 01.10.-31.12	**2017** 01.01.-31.12
Depreciation of long term right- of use assets	26,298	72,348
Depreciation of short term right- of use assets	37,205	143,758
Depreciation of other assets	8,155	29,751
Total depreciations	71,658	245,855

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