

# Quarterly Consolidated Report

2019

# 4th 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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# 4th Quarter 2019

## 4th Quarter Highlights

1. Operating revenues in the fourth quarter 2019 were NOK 108 mill (NOK 191 million in 4Q2018) while revenues for the full year 2019 were NOK 509 million (NOK 675 million). 4Q2019 pre tax result of NOK -25 million (NOK -6 million). Pre tax result for 2019 ended at NOK -36 million compared to NOK -9 million in 2018. The decrease in turnover and net result is mainly explained by reduced utilisation of assets in 2019 compared to 2018.
2. Increased visibility for the 2020 season with 400 project days secured, and in the final stages of concluding contracts for an estimated 300 additional days. The three ROVs with lowest utilisation in 2019 are expected to have substantially higher activity level this year.
3. The ROV formerly on *Edda Fonn* has now been mobilized on *Olympic Artemis*, a fit for purpose modern subsea vessel
4. The order backlog stands at NOK 120 million and outstanding tender value is at NOK 2.1 billion.

## Key figures UNAUDITED

<small>(NOK 1000)</small>	<b>4Q 2019</b>	<b>4Q 2018</b>	<b>12M 2019</b>	<b>12M 2018</b>
Revenues (NOKm)	108	191	509	675
EBITDA after termination fee (NOKm)	31	81	171	275
Pre-tax profit/loss (NOKm)	-25	-6	-36	-9
Liquidity (NOKm)	39	63	39	63
Net working capital (NOKm)	32	55	32	55
Net interest bearing debt, incl IFRS 16 leases (NOKm)	144	85	144	85
Equity (NOKm)	166	211	166	211
Order backlog (NOKm)	120	120	120	120
Outstanding tender value (NOKbn)	2.1	1.8	2.1	1.8
Number of ROV days sold	345	436	1 790	2 215
Number of ROV days available	838	842	3 638	3 795
Technical uptime on ROVs	100%	100%	100%	100%
Number of offshore personnel days sold	1 823	3 039	10 992	13 269
LTIs	0	0	1	0
Number of vessel days sold	164	327	818	1 298

# 4th Quarter 2019

## Operations

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

REACH had 838 available ROV-days in 4Q2019 (842 ROV-days in 4Q2018), of which 345 days were sold (436) leading to a total utilisation of 41% (52%). For the full year 2019 Reach had 3,638 available ROV-days (3,795 in 2018) with a utilisation of 49% (58% in 2018). Furthermore, number of vessel days that passed through our P&L was 164 (327) in the fourth quarter and 818 (1,298) for the full year. The reduction compared to last year is largely explained by the *Viking Neptun* spread having less ROV projects, 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 fourth 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 20nd February 2020 a firm order book of NOK 120 million for 1Q2020 and beyond, with the vast majority related to work in 2020. The order book figure does not include expected volumes from the frame agreements.

*TopazTiamat* 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* worked on smaller projects for Equinor and other clients in the oil and gas sector in the fourth quarter and had low utilisation.

*OlympicChallenger* is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The spread started the quarter with a tidal turbine installation, and thereafter worked in the IMR segment in the North Atlantic with decent utilisation.

*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 in the Carribean region for international oil and gas companies.

*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 the fourth quarter within the renewables/ other segment in the Baltic and in the Mediterranean. The "Surveyor Interceptor I" is currently mobilized onboard *Stril Explorer*.

*HavilaHarmony* is mobilised with a hired-in WROV for work in the Carribean region. Operations are executed by Reach Subsea and MMT personnel onshore and offshore. The vessel spread was working on frame contracts with international oil and gas clients until August 2019, whereafter the vessel has been idle for repair at owners cost, and is expected to be back in operation in the first quarter of 2020.

*VikingNeptun* is mobilized with one Supporter WROV and one Constructor WROV and Reach Subsea delivers all ROV-services onboard the construction vessel. The vessel finished a walk to work contract between owner Eidesvik and an end client in June, leaving the ROVs idle for the entire first half and has thereafter had some ROV projects in the third and (early) fourth quarter. The vessel spread is signed for a contract between Eidesvik and Ocean Installer, with Reach as ROV supplier, for 120-200 days in both 2020 and 2021.

Supporter 07 has been mobilisation onboard a new vessel, *Olympic Artemis*, during 1Q2020 to be ready for operations from the season 2020. This vessel spread will not represent substantial commitment in our accounts.

## Financial Results

Revenue for the quarter was NOK 107.6 million compared with NOK 190.7 million for 4Q2018. Revenue for the full year 2019 was NOK 508.5 million (NOK 675.3 million for the full year 2018). The decrease in revenue is explained by a lower number of vessel spreads and reduced utilisation of own assets compared to last year.

Operating expense (including depreciation) for the quarter was NOK 126.5 million, compared with NOK 198.2 million for 4Q2018. Operating expense for full year 2019 was NOK 524.9 million (NOK 679.3 million). Project-related expense represents the majority of the operating expense for the group. The reduction in operating expense is mainly explained by lower activity, hereunder sold vessel days.

**4Q2019 EBITDA before amortization of termination fee<sup>1</sup> was NOK 31.3 million compared with NOK 80.6 million for 4Q2018. EBITDA before amortization of termination fee<sup>1</sup> for the full year 2019 was NOK 171.4 million compared to NOK 274.9 million in 2018.**

Depreciation for the quarter was NOK 50.1 million (NOK 71.7 million), while depreciation for the full year 2019 was NOK 187.7 million (NOK 245.9 million). The reduction in depreciation is explained by the decline in sold vessel days, which impacts depreciation of IFRS 16 leases.

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

Net financial items for 4Q2019 was NOK -5.9 million (NOK 1.3 million). 4Q2019 pre-tax result was NOK -24.8 million (NOK -6.8 million). The total comprehensive income for 4Q2019 ended at NOK -24.9 million, compared with NOK -6.3 million for 4Q2018.

Total comprehensive income for the full year 2019 was NOK -36.4 million compared to NOK -9.1 million for 2018. The reduction in pre-tax result and comprehensive income is largely due to lower utilisation. Having three of our ten ROVs unavailable to the market has been costly for our profitability.

<sup>1</sup> EBITDA after amortization of termination fee recognizes the effect of renegotiated vessel charter rates for *Edda Fonn*

and *Normand Reach*. As part of the restructuring of charter commitments in June 2016 a termination fee of NOK 76 million was paid to Østensjø and Solstad. The termination fee was capitalized and amortized over the rest of the charter party periods.

EBITDA 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.

For 4Q2019, Oil & Gas revenues constituted 85 % while Renewable/Other constituted 15 % of total revenues. By comparison, in 4Q2018 Oil & Gas revenues were 67 % while Renewable/Other constituted 33 % of total revenues. Oil & Gas entails revenues from survey, IMR and light construction projects where the end client is an oil & gas company. Renewable/Other entails revenues from survey, IMR and light construction projects where the end client is a non-oil & gas company (typically a company in the renewables energy sector).

## Capital structure

Total current assets at the end of the quarter were NOK 168.1 million (NOK 252.5 million), of which cash and cash equivalents amounted to NOK 38.7 million (NOK 63.3 million). Receivables were NOK 129.5 million (NOK 189.3 million). Total non-interest bearing current liabilities were NOK 97.0 million (NOK 1134.3 million), leaving a net working capital of NOK 32.4 million (NOK 54.9 million).

Total non-current assets at the end of the quarter were NOK 277.2 million (NOK 241.8 million). Property, plant and equipment includes NOK 133.2 million of leases capitalised under IFRS 16 (NOK 89.0 million). The increase is explained by the charter commitment related to the vessel *Opaz Tiamat*. Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 143.9 million (NOK 85.5 million). Net financial interest bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK 2.6 million (NOK 2.2 million). The Group's equity as of 31 December 2019 was NOK 165.8 million, which represents 37 % of the total balance sheet. Net cash flow from operating activities for 4Q2019 was NOK -4.3 million (NOK 65.9 million), with the decrease largely explained by increased working capital. Net cash flow for 4Q2019 was NOK -46.4 million (NOK -5.4 million). REACH has no major debt maturities or capital expenditure (investment) commitments for 2020 and onwards.

The liquidity reserve is lower than in previous quarters, which requires an active follow-up and management of our working capital.

# 4th Quarter 2019

## The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31.12.2019 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](http://www.newsweb.no), a service provided by the Oslo Stock Exchange.

## News after quarter end

Reach Subsea has been awarded several short and medium term contracts for the season of 2020.

The order backlog figure of NOK 120million includes the above mentioned contracts, as well as running contract extensions and call-offs counted from 1.1.2020, but does not include the full expected volumes from our frame agreements.

Reach Subsea also announced monthly operating figures for January 2020. see table below.

	January	
	2019	2020
Number of ROV days sold	63	39
Number of ROV days available	279	279
Technical uptime on ROVs	100 %	99 %
Number of offshore personnel days sold	540	437
LTI's	0	0
Number of Vessel days sold	28	11

### Definitions:

EBITDA after termination fee: see page 5.

Liquidity: Cash and cash equivalents.

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

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

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

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

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

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

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

## 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.

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

These subsea spreads are tailored to our target markets, and are well suited to the scope of services that are at the core of our business. We continue to monitor the market for opportunistic asset additions to complement and strengthen our portfolio for the future, and have in 2020 mobilised the former *Edda Fonn* ROV on the *Olympic Artemis*.

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 are well positioned for profitable growth.

REACH has a strong focus on Corporate, Social Responsibility and we look forward to present our updated sustainability report in the Annual Report and on our web pages in April 2020.

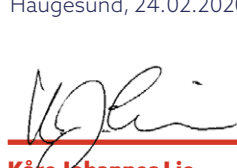
The subsea industry is still characterised by oversupply of tonnage and equipment, resulting in a market with tough competition and pressured rate levels. However, tendering and contracting activity has started off stronger in 2020 compared with previous years. Also, we are seeing signs that demand from other regions is pulling subsea vessels out of the North Sea region. It remains to be seen how this will affect the market balance in this year's North Sea season.

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

This will be addressed going forward as *Viking Neptun* has secured 150-200 days of ROV relevant work in both 2020 and 2021, and we have now mobilised the former *Edda Fonn* ROV on the *Olympic Artemis*.

We have about 400 project days of work in place for 2020, and are in the final stages of concluding contracts representing an estimated 300 additional project days alone and together with our cooperation partner MMT Sweden. Thus, the foundation for current year visibility is at unprecedented levels, with the execution phase on these project days building up towards the latter half of 1Q 2020.

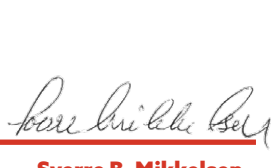
Haugesund, 24.02.2020



**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) and 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  
1000m<sup>2</sup> deck space  
Fully integrate online/survey spread  
Accommodation for 82 PAX  
2x Kystdesign supporter WROV



## Havila Harmony

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

150 Te Crane  
Moonpool  
800m<sup>2</sup> 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 m<sup>2</sup> deck  
1x Kystdesign supporter WROV  
and 1x Surveyor Interceptor





# 4th Quarter 2019

## Havila Subsea

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

- 150T AHC Main Crane
- Removable bulwark on each side
- Moonpool in hangar, 650 m<sup>2</sup> 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<sup>3</sup>/h)
- 2600 m<sup>2</sup> steel deck
- 1x Kystdesign supporter WROV and 1x constructor WROV

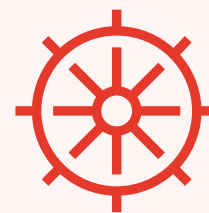
## Olympic Challenger

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

- 250 Te AHC Main Crane
- Moonpool
- 1000 m<sup>2</sup> deck
- Dual WROV hangar
- Permanent full survey suite
- Large office facilities



## Featured Project



# Decommissioning

### Vessel

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Olympic Challenger

### Client

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Major Oil and Gas company

### Period

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November 2019



### Innovative solutions for core clients

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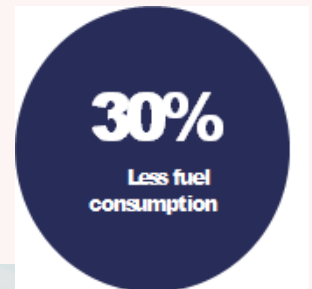
In November, *Olympic Challenger* was involved in a larger decommissioning project for a major Oil & Gas Company on NCS in the North Sea.

Scope of work included removal of several risers (umbilical and flowlines) from a FPSO, and preparatory works (cleaning/inspection) for planning of future decommissioning works on the same location. The products were recovered to deck through work moon-pool using the 250T vessel crane, before load was picked up and transferred to a tensioner on deck and cut to smaller pieces using an hydraulic shear cutter. Water depth in the area is approx. 125m.

## Reduced carbon footprint



# Environmental Initiatives



Reach Subsea is focused on other the entire environmental impact and has implemented the following:

- Replaced to biodegradable oil on WROV's and LARS to reduce effect of minor spills.
- Highly efficient oil filtration units on vessels enables recycling of hydraulic oils which greatly reduces waste and transportation.
- Chemical shortlist reduced from 150 to < 40, and many chemicals have been replaced with more friendly to both personnel and to the environment through waste and other exposure.

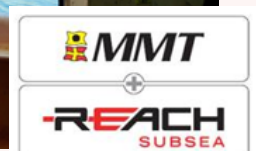


### Vessel

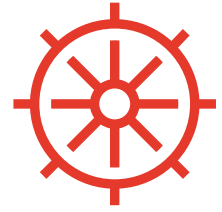
### TOPAZ TIAMAT

During February 2020 *Topaz Tiamat*, our pool vessel jointly operated together with our cooperation partner MMT Sweden AB, has been upgraded to a hybrid power with the installation of a 500 kWh battery pack. The already very fuel-efficient vessel will benefit from this upgrade with an expected fuel reduction of 11% and approx. 1000 tonnes of carbon dioxide per year. In addition, the upgrade will also enable the vessel to utilise shoreside electrical power during port calls and mobilizations, vastly reducing local air pollution. This initiative is in line with Reach Subsea ambitions to embrace environmentally friendly solutions and continuous focus on reducing our carbon footprint.

Reach Subsea and MMT Sweden AB has in 2019 also achieved large fuel savings, and subsequently reduced CO<sub>2</sub> emissions, through use of more effective operations. The *Topaz Tiamat* demonstrated a fuel saving of 29% on the 2019 campaign for Equinor, and the *Surveyor Interceptor* has achieved more than 3 times more effective survey operations with approx. 50% reduction of fuel and CO<sub>2</sub> emissions.



# Autonomous and unmanned



## Pioneering survey in Trinidad and Tobago

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### Autonomous and unmanned survey vessel

In a pioneering move by Reach Subsea for the Trinidad & Tobago offshore energy sector, a vessel remotely controlled from shore took to the sea off Galeota point, South East of Trinidad to undertake survey work for a Major Energy Client as a part of a collaborative project with MMT during Q4 2019 and Q1 2020.

The unmanned vessel can perform survey duties 100% autonomously or be monitored and controlled 24/7 via a satellite connection by a team at an on-shore control center with support and emergency response by an onsite team. The Unmanned Surface Vessel carried out seabed surveys in water depth ranging from 1.0m to 30.0m with a total survey line length of 150km.

Throughout the survey, the data collected was monitored from shore in real-time by experts located in the UK. This demonstrates the highly flexible and collaborative nature of this new technology, enabling industry experts to have direct access to real-time data, from any location. The use of USVs in survey operations offer significant benefits including safety with operators remaining onshore, efficiency with 24/7 operations and environmental with ultra-low emissions which together leads to significant economic savings.

This project demonstrates how Reach Subsea leverages new technology to reduce risk and increase operational efficiency while maintaining commercial competitiveness.

# Income statement UNAUDITED

Statement of profit or loss (NOK 1000)	4Q 2019	4Q 2018	12M 2019	12M 2018	NOTES
Operating revenue	107 625	190 662	508 337	675 265	
Other income/losses	-	-	194	-	
Revenue	107 625	190 662	508 531	675 265	
Procurement expenses	-34 842	-71 074	-184 140	-243 109	
Personnel expenses	-24 036	-24 533	-90 552	-98 417	
Other operating expenses	-17 469	-14 476	-62 433	-58 869	
EBITDA before amortized termination fee	31 278	80 578	171 406	274 871	
Amortized termination fee	-	-16 500	-	-33 000	
EBITDA after amortized termination fee	31 278	64 078	171 406	241 871	
Depreciation	-50 149	-71 658	-187 728	-245 855	3,12
Operating result (EBIT)	-18 871	-7 580	-16 322	-3 985	
Interest income	132	47	680	224	
Interest expenses	-2 457	-2 138	-11 452	-9 543	12
Other net financial items	-2 147	741	-5 200	2 806	
Result from associated companies	-1 475	2 643	-3 391	1 343	
Profit (loss) before taxes	-24 817	-6 287	-35 685	-9 155	
Taxes	-	-500	-24	-500	9
Profit (loss) before taxes	-24 818	-6 787	-35 709	-9 655	
<b>Comprehensive income</b>					
Translation differences	-54	445	-699	593	
Gain/loss on financial derivatives of cash flow hedges	-	-	-	-	
Comprehensive income items	-54	445	-699	593	
Total comprehensive income	-24 870	-6 342	-36 408	-9 062	
Earnings per share	-0,17	-0,18	-0,25	-0,07	
Diluted earnings per share	-0,17	-0,18	-0,25	-0,07	

# Balance Sheet

UNAUDITED

Statement of financial position (NOK 1000)	2019 31/12	2018 31/12	NOTES
<b>Non-current assets</b>			
Deferred tax assets	8 161	8 161	9
Investment in associated companies	21 285	24 771	
Property, plant and equipment	247 802	208 878	3, 12
<b>Total non-current assets</b>	<b>277 247</b>	<b>241 810</b>	
<b>Current assets</b>			
Trade receivables	59 154	173 071	
Other receivables	70 320	16 184	
Cash and cash equivalents	38 657	63 277	
<b>Total current assets</b>	<b>168 131</b>	<b>252 532</b>	
<b>Total assets</b>	<b>445 378</b>	<b>494 342</b>	
<b>Equity</b>			
Share capital	143 546	143 546	7
Share premium	106 060	105 025	
Proposed dividends	-	10 048	
Other equity	-83 775	-47 370	8
<b>Total equity</b>	<b>165 831</b>	<b>211 249</b>	
<b>Non-current liabilities</b>			
Interest-bearing debt	83 999	69 947	4, 12
<b>Total non-current liabilities</b>	<b>83 999</b>	<b>69 947</b>	
<b>Current liabilities</b>			
Current portion of interest bearing debt	98 520	78 798	4, 12
Trade payables	53 984	85 252	
Other current liabilities	43 045	49 096	
<b>Total current liabilities</b>	<b>195 548</b>	<b>213 146</b>	
<b>Total liabilities</b>	<b>279 548</b>	<b>283 093</b>	
<b>Total equity and liabilities</b>	<b>445 378</b>	<b>494 342</b>	

# Cashflow UNAUDITED

Statement of cash flow (NOK 1000)	4Q 2019	4Q 2018	12M 2019	12M 2018	NOTES
<b>Cash flow from operating activities</b>					
Operating result (EBIT)	-18 871	-10 080	-16 322	-3 985	
Paid taxes	-	-	-524	-	
Gain/loss sold assets	-	-	-194	-	
Depreciation and amortisation	50 148	88 158	187 728	278 855	
Change in trade debtors	7 135	4 881	113 917	-58 603	
Change in trade creditors	-9 648	-35 142	-31 268	9 780	
Change in other provisions	-33 274	17 478	-63 345	21 252	
Share option cost employees	259	556	1 035	1 667	
<b>Net cash flow from operating activities</b>	<b>-4 251</b>	<b>65 852</b>	<b>191 026</b>	<b>248 966</b>	
<b>Cash flow from investing activities</b>					
Sale of fixed assets	-	-	6 794	-	
Purchase of fixed assets	-	-8 377	-33 908	-47 968	
Investment in associated companies	-	-	-	-10 183	
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>-8 377</b>	<b>-27 114</b>	<b>-58 150</b>	
<b>Cash flow from financing activities</b>					
Net interest paid	-612	178	-1 726	-2 643	
Proceeds from borrowings and leases	-	-	-	25 000	
Payment of dividends	-	-	-10 048	-	
Repayment of borrowings and leases	-41 577	-63 043	-177 231	-248 850	
<b>Net cash flow from financing activities</b>	<b>-42 190</b>	<b>-62 865</b>	<b>-189 005</b>	<b>-226 493</b>	
<b>Net change in cash and cash equivalents</b>	<b>-46 441</b>	<b>-5 391</b>	<b>-25 093</b>	<b>-35 677</b>	
Cash and cash equivalents in the start of the period	84 907	68 668	63 277	98 954	
Translation differences	191	-	473	-	
<b>Cash and cash equivalents in the end of the period</b>	<b>38 657</b>	<b>63 277</b>	<b>38 657</b>	<b>63 277</b>	

# 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	1 035	-	1 035	8
Translation difference	-	-699	-699	
Dividends paid	-10 048	-	-10 048	
Result for the period	-	-35 709	-35 709	
Equity 30.12.19	249 606	-83 775	165 831	



# 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](http://www.newsweb.no)) or the company's webpage ([www.reachsubsea.com](http://www.reachsubsea.com)).

## Note 2 - Significant accounting principles

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

## Note 3 - Fixed assets

(NOK 1000)	ROV and ROV equipment	Right of use asset ROV, leased from financial institutions <sup>1)</sup>	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	-	204 463	820	238 371
Disposals	-2 897	-3 702	-5 238 <sup>2)</sup>	-	-11 838
Purchase cost 31.12.19	141 086	115 884	328 578	18 884	604 431
Accumulated depreciation 31.12.19	-69 665	-78 577	-195 375	-12 908	-356 630
Net book value 31.12.19	71 421	37 306	133 203	5 976	247 802
Depreciation in the period	-19 278	-10 570	-155 110	-2 769	-187 728
Expected useful life (years)	3-8	3-8	1-3	3	
Depreciation plan	Linear	Linear	Linear	Linear	

<sup>1)</sup>See note 12 for further information on Right-of-use assets.

<sup>2)</sup>Disposal of Right of use asset - vessel and other equipment is related to change of commitment.

# 4th Quarter 2019



## Note 4 - Borrowings

(NOK 1000)	<b>31/12/2019</b>	<b>31/12/2018</b>
Non-current liabilities		
Bank borrowings	12 500	17 500
Lease liabilities to credit institutions	12 716	26 203
Other non-current lease liabilities (IFRS 16)	58 784	26 244
Total non-current borrowings	83 999	69 947
Current borrowings		
Bank borrowings	5 000	10 250
Lease liabilities to credit institutions	11 023	11 500
Other current lease liabilities (IFRS 16)	82 497	57 048
Total current borrowings	98 520	78 798
Carrying amount		
Bank borrowings	17 500	27 750
Finance lease liabilities	165 019	120 995
Total carrying amount	182 519	148 745
Fair value		
Bank borrowings	17 500	27 750
Finance lease liabilities	165 019	120 995
Total fair value	182 519	148 745

At 31.12.19 bank borrowings are secured on fixed assets for the value of NOK 114,7 million (31.12.18: 120,0 million).

## Note 5 - Transactions with related parties

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

# 4th Quarter 2019



## Note 6 - Receivables

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

## Note 7 - Shareholders

20 largest shareholders as per 10.02.2020:

	Shares	Stake
NORTH ENERGY ASA	46126567	32,1 %
VERDIPAPIRFONDET EIKA NORGE	10285650	7,2 %
JOSO INVEST AS	7564589	5,3 %
JT INVEST AS	5529539	3,9 %
HOLME HOLDING AS	5100000	3,6 %
NORMAND DRIFT AS	5000000	3,5 %
DANSKE INVEST NORGE VEKST	3254912	2,3 %
STAVA INVEST AS	2278751	1,6 %
CORUNA AS	2250000	1,6 %
FREEMAN SHIPPING & OFFSHORE AS	2064478	1,4 %
RMS INVEST AS	2000000	1,4 %
TEOMAR AS	2000000	1,4 %
LION INVEST AS	1950000	1,4 %
A-Å INVEST AS	1938725	1,4 %
GOLDMAN SACHS & CO. LLC	1688535	1,2 %
SMS INVESTERING AS	1652366	1,2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1635991	1,1 %
MACAMA AS	1578446	1,1 %
BARRUS CAPITAL AS	1510090	1,1 %
ENGELSTAD	1503250	1,0 %
Total 20 largest	106 911 889	74,5 %
Others	36 634 119	25,5 %
Total	143 546 008	100,0 %

# 4th Quarter 2019



## Note 8 - Share-based remuneration

Board of directors of Reach Subsea ASA has approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group have been granted the right to acquire up to a certain maximum number of shares in the Company at a fixed strike price ("the Option"). The strike price is divided into two levels, equal to the subscription price in the two last private placements conducted by the Company (May 2016 NOK 2.00 and January 2017 1.75). The options can be exercised over a period of three years. The options are non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. The stock option plan constitutes a maximum of 3.886.875 options equivalent to a similar number of Reach Subsea ASA shares, whereof 306.483 shares were exercised and 858.461 shares expired in 2018. As of 4Q2019 the Company has recognized NOK 1 million in cost related to the options.

## Note 9 - Tax

The Group has, based on contracts and budgets for 2019 and 2020, assumed that parts of the tax loss carried forward can be recognized. Per 31.12.2019 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.

# 4th Quarter 2019



## Note 11 - Segments

(NOK 1000)	<b>2019</b> 01.10.-31.12	<b>2018</b> 01.10.-31.12	<b>2019</b> 01.01.-31.12	<b>2018</b> 01.01.-31.12
Revenue				
Oil & Gas	91 372	127 160	472 943	598 718
Renewable / other	16 253	63 502	35 589	76 547
Total	107 625	190 662	508 531	675 265
Operating expense				
Oil & Gas	-107 393	-132 215	-488 122	-602 251
Renewable / other	-19 103	-66 027	-36 731	-76 999
Total	-126 496	-198 241	-524 853	-679 250
Operating result				
Oil & Gas	-16 021	-5 055	-15 180	-3 533
Renewable / other	-2 850	-2 525	-1 142	-452
Total	-18 871	-7 580	-16 322	-3 985
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization				
Oil & Gas	26 554	42 736	159 410	214 452
Renewable / other	4 723	21 342	11 996	27 418
Total	31 278	64 078	171 406	241 871
EBITDA before amortization of termination fee				
Oil & Gas	26 554	53 741	159 410	243 712
Renewable / other	4 723	26 837	11 996	31 159
Total	31 278	80 578	171 406	274 871

# 4th Quarter 2019



## Note 12 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018. Short term leases (committed lease term 12 month or less) of vessels are capitalized as right-of-use assets and depreciated. The impact is that all cost in relation to leases of vessels are presented as depreciation and interest expense. As of 4Q2019, Right-of-use assets consist of contractual commitments and estimated use in the contract period. Pay as you go contracts that the balance sheet date, with no contractual commitment, are not capitalized. The following have been recognized in 2019:

Right-of-use assets	31/12/2019	31/12/2018
Property, plant and equipment	133 203	88 969
<b>Total</b>	<b>133 203</b>	<b>88 969</b>

Lease liabilities	31/12/2019	31/12/2018
Current	82 497	57 048
Non current	58 784	26 244
<b>Total</b>	<b>141 281</b>	<b>83 292</b>

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

	Q4 2019	Q4 2018	12M 2019	12M 2018
Depreciation charge of right-of use assets	30 113	63 503	104 734	216 105
Interest expense	1 712	1 045	9 046	6 316
<b>Total</b>	<b>31 825</b>	<b>64 548</b>	<b>113 780</b>	<b>222 421</b>

The total cash outflow for leases in 4Q2019 was NOK 37,2 million and YTD NOK 153,0 million (2018: 225,1 million).

# 4th Quarter 2019



## 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	-104 734	-	-
Interests	-	3 764	5 282
Reclassification from long to short term	-	-57 977	57 977
Adjusted commitment	-5 238	-2 180	-3 058
Currency adjustment		1 089	1 527
Payments	-	-	-102 641
Ending balance 31.12.2019	133 203	58 784	82 497

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

Reconciliation of depreciation	Q4 2019	Q4 2018	12M 2019	12M 2018
Depreciation of long term right-of-use assets	30 113	26 298	104 734	94 541
Depreciation of short term right-of-use assets	11 499	37 205	50 356	121 563
Depreciation of other assets	8 517	8 155	32 618	29 751
Total depreciation	50 149	71 658	187 728	245 855

