

# Quarterly Consolidated Report

2018

# 1st 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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## 1st Quarter Highlights

1. Implementation of IFRS 16 boosts balance sheet by NOK 220 million, increases EBITDA and reduces pre-tax result for 1Q2018 compared with 1Q2017.
2. 1Q EBITDA before amortization of termination fee was NOK 13.2 million (NOK 2.4 mill in 1Q2017), while pre-tax result was NOK -18.6 million (NOK -12.8 million). However, underlying financial performance was in line with 1Q 2017.
3. Strategic breakthrough with the award of significant frame agreements with Equinor for survey, light construction and IMR services for the next 5 years.
4. Solid balance sheet maintained, positioning the Group to further invest in innovative technologies and subsea assets to leverage our platform for the expected future market recovery.
5. Tender activity remains high with outstanding tender value of around NOK 1.7 billion, compared with NOK 1.4 billion at the end of 1Q2017.
6. Reach Subsea opened an office in Houston at the beginning of 2018 with the objective of penetrating other markets, in particular the Gulf of Mexico and West Africa. The Houston office has already been awarded and successfully completed some projects in Trinidad.

## Key figures UNAUDITED

	1Q 2018	1Q 2017	12M 2017
Revenues (NOKm)	114	38	360
EBITDA (NOKm)	13	2	27
Pre-tax profit (NOKm)	-19	-13	-31
Liquidity (NOKm)	127	115	99
Net working capital (NOKm)	-29	20	35
Net interest bearing debt (NOKm)	179	-35	-35
Equity (NOKm)	199	236	218
Order backlog (NOKm)	147	55	95
Outstanding tender value (NOKbn)	1.7	1.4	1.7
Number of ROV days sold	407	215	1,739
Number of ROV days available	900	540	2,994
Technical uptime on ROVs	100 %	100 %	99 %
Number of offshore personnel days sold	2,719	2,007	11,565
LTIs	-	-	-
Number of vessel days sold	206	67	588

## Operations

REACH had per quarter end twelve WROV-systems in operation in addition to "Surveyor Interceptor", owned by a joint venture between Reach Subsea and MMT Sweden AB (MMT). During the first quarter 2018, the fleet has been increased by two WROVs, accomplished through charter-in agreements with limited risk exposure for Reach Subsea. In addition a second Surveyor ROV was delivered, "Surveyor II", which will be ready for commercial work during 2Q 2018.

REACH had 900 available ROV-days in 1Q2018 (540 ROV-days in 1Q2017), of which 407 days were sold (215) leading to a total utilisation of 45% (40%). As *Viking Neptun* was on a walk-to-work contract between Eidesvik and Awden during the entire quarter, 180 ROV-days were not commercially available to the market.

REACH offshore personnel contracting business, Connect Offshore, continued sourcing highly skilled offshore personnel during the first quarter. This personnel base is highly important in peak seasons, when the number of man hours in operation normally doubles compared to Reach Subsea's own staff.

REACH has not had any serious incidents during the quarter, which support our objective that the right procedures, well trained personnel and high-quality equipment generate operational success.

*Normand Reach* is equipped with two Supporter WROVs and offshore personnel. Reach Subsea has a commitment to charter the vessel for 180 consecutive days during 2018 and was mobilised in March for its first project for 2018, a decommissioning project for AF Decom.

*Edda Fonn*, a purpose built ROV/Survey vessel equipped with one Supporter WROV and survey equipment, is on a flexible charter agreement from Østensjø lasting throughout the year. The vessel is utilized for Reach Subsea's own offshore operations in the cooperation with MMT. *Edda Fonn* had some spot market activity in January, followed by a planned docking in February. In March the vessel spread performed an oil & gas project for an international oil company.

*Viking Neptun* was chartered under a Walk to Work contract between Eidesvik and Awden from October 2017 until April 2018. Reach Subsea has one Supporter WROV and one Constructor WROV and delivers all ROV-services onboard the construction vessel, a contract lasting throughout 2018. The contract between Eidesvik and Awden does not include WROV services, leaving the WROVs onboard idle in the quarter.

*Stril Explorer* is a survey vessel on a charter contract from Møkster to Reach Subsea's cooperation partner MMT. Reach Subsea provided ROV services consisting of one Supporter WROV and offshore personnel to the vessel in the first 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" is currently mobilized onboard *Stril Explorer* and had high utilisation in the first quarter working on a survey contract with MMT/Nordstream.

*Havila Subsea* is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. *Havila Subsea* started the year with a spot market fixture, followed by a two months project for Equinor in the oil and gas sector.

*Olympic Delta* is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel is on a contract between cooperation partner MMT and owner Olympic Shipping and is scheduled for projects under a cooperation agreement between Reach Subsea and MMT. The vessel spent the full quarter on a contract with Allseas in the Black Sea.

*Olympic Challenger* was mobilised in March, equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel is on a contract between Reach Subsea and owner Olympic Shipping and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT.

*Tidewater Enabler* was chartered in for a project with Shell in Trinidad in March. The project was run from Reach Subsea's Houston office.

*Normand Vision* was chartered in for a short term project for NOV in March.

REACH has per 22nd May 2018 a firm order book of NOK 147 million, with the vast majority related to work in 2018.

# 1st Quarter 2018

## Quarterly Results

First quarter 2018 EBITDA before amortization of termination fee was NOK 13.2 million (NOK 2.4 million for 1Q2017) with a net loss of NOK 18.6 million (NOK 12.8 million loss for 1Q2017). The improved EBITDA result compared with last year is to a large extent explained by the implementation of IFRS 16 as most of our charter-in expenses are removed from EBITDA and capitalised, with the profit & loss effect now occurring as depreciation and interest expenses. At the same time, the reduced net result in 1Q2018 is also explained by the implementation of IFRS 16. Capitalised charter-in expenses are depreciated on a straight line basis, while the actual charter payments, which to a large extent are pay-as-you-go, are lower in the low season (typically 1Q).

Looking beyond the accounting impact of IFRS 16, 1Q2018 was positively impacted by one project which generated a solid profit. On the other hand, low utilisation on equipment had a negative effect as both *Viking Neptun* and *Normand Reach*, which accounts for 40% of our ROV-days, had virtually no ROV-activity during the quarter.

Revenue for the quarter was NOK 114.4 million compared with NOK 38 million for 1Q2017. The increase compared with the same quarter last year is partly due to one project generating a large turnover, as well as a 89% increase in number of sold ROV days. In addition, we had revenue from 206 vessel days through our P&L, compared with 67 days for 1Q2017.

Operating expense for the quarter was NOK 101.2 million, compared with NOK 35.9 million for 1Q2017. Project-related expense represents the majority of the operating expense for the group. The increase from last year is largely explained by the same factors that drove the revenue increase, partly offset by the effect of implementing IFRS 16.

Ordinary depreciation and amortisation of termination fee for the quarter was NOK 30.6 million, compared with NOK 13.3 million for 1Q2017. NOK 18 million of the increase is explained by the implementation of IFRS 16, and represents depreciation of capitalised leases for the quarter.

Net financial items for the quarter was NOK -1.2 million, compared with NOK -2.0 million for 1Q2017. Implementation of IFRS 16 increased interest expenses by NOK 1.5 million for the quarter. Positive currency effects and a NOK 1 million improvement in result from associated company more than compensated this.

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

For 1Q2018, Oil & Gas revenues constituted 78% while Renewable/Other constituted 22 % of total revenues. By comparison, for 1Q2017 Oil & Gas revenues were 75 % while Renewable/Other constituted 25 % 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).

<sup>1</sup>EBITDA before amortization of termination fee recognizes the effect of renegotiated vessel charter rates for *Edda Fonn* and *Normand Reach*. As part of the restructuring of charter commitments in June 2016 a termination fee of NOK 76 million was paid to Østensjø and Solstad. The termination fee has been capitalized and will be amortized over the rest of the charter party periods. This termination fee occurs as an amortized pre-payment in the operating cost, although it has no cash effect. EBITDA will during the amortization period be split in two; before and after amortization of termination fee.

## Capital structure

Total current assets at the end of the quarter were NOK 225.1 million (NOK 191.5 million in 1Q2017), of which cash and cash equivalents amounted to NOK 127.1 million (NOK 114.7 million). Receivables were NOK 76.1 million (NOK 50.1 million) and short-term portion of termination fee, that will be amortized over the next year (non-cash effect), is NOK 22.0 million (NOK 26.8 million). Total non-interest bearing current liabilities were NOK 105.3 million (NOK 29.9 million), which includes NOK 37 million in payment due for acquisition of the Havila Subsea ROVs. Leaving aside the Havila Subsea ROV effect, net working capital at quarter end was NOK 7.9 million (NOK 20.2 million).

Total non-current assets at the end of the quarter were NOK 385.7 million (NOK 154.4 million), with the large increase explained by implementation of IFRS 16. Property, plant and equipment now includes NOK 216.6 million of leases capitalised under IFRS 16.

As part of the restructuring of charter commitments a termination fee of NOK 76 million to Østensjø and Solstad was paid in 2Q2016. The termination fee has been capitalized and is amortized over the rest of the charter party periods. As per quarter end remaining capitalized termination fee amounts to NOK 27.5 million (NOK 54.3 million) of which NOK 5.5 million (NOK 27.5 million) is classified as a long-term receivable with the remaining NOK 22.0 million (NOK 26.8 million) classified as a current receivable.

Net cash flow from operating activities for the first quarter 2018 was NOK 33.2 million (NOK 8.1 million in 1Q2017). The increase is partly explained by a positive working capital movement, but also by the transfer of NOK 14 million in charter payments for capitalised leases (IFRS 16) from cash flow from operating activities to cash flow from financing activities.

The long term financing of the two ROVs was made available in March 2018, whilst the actual payment was conducted in April 2018. Reach Subsea's investment in Surveyor II (owned by 50 % owned Surveyor AS) in 1Q amounted to NOK 10.2 million. The Group's equity as of 31st March 2018 is NOK 199.5 million, which represents 32.6 % of the total balance sheet.

Net interest bearing debt stood at NOK 179.0 million (NOK -34.7 million), with the increase explained by inclusion of NOK 222.2 million in IFRS 16 lease liabilities. REACH has no major debt maturities or capital expenditure commitments for 2018 and onwards.

## The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31.03.18 issued 143 239 525 shares, of which the majority is owned by Norwegian shareholders.

Reach Subsea essentially follows the recommendation for reporting of IR-information issued by the Oslo Stock Exchange's and publish all the news releases on [www.newsweb.no](http://www.newsweb.no), a service provided by the Oslo Stock Exchange.

## News after quarter end

Reach Subsea has been awarded a Frame Agreement for Inspection, Maintenance and Repair (IMR) services to Equinor Petroleum. The frame agreement has a duration of 5 years, and commences in 2019. Commercial terms under the agreement are confidential between the parties. However, the frame agreement is call-off based, which means that Equinor can award contracts for IMR services in the North Sea on an as needed basis.

Jostein Alendal says: "We are proud to be awarded the IMR Frame Agreement with Equinor, which is of significant strategic importance and improves visibility for our service offerings for the next 5 years. This award is a testament to the track record we have built over the past few years, combining a relentless focus on the highest quality in our operations, and strict cost discipline. Honours to Reach's greatest asset - our people - for contributing to building a track record that formed the basis for this milestone in our history."

REACH has further entered into short- and medium-term contracts for the vessels for the first half 2018. The order book figure of NOK 147 million take these contracts into account. See further details under «Vessel Update» and «Outlook».

## Vessel update

**EddaFonn:** The vessel spread has had high utilisation in April and May and is currently doing UXO survey. *Edda Fonn* is scheduled for the spot market during the summer season.

**StrilExplorer:** The spread mobilised onboard *Stril Explorer* had high utilisation in April, as the vessel was on a Reach Subsea project in the oil and gas sector. Thereafter the vessel has been working on a contract between MMT Sweden and an end client and is expected to have satisfactory utilisation throughout the summer season.

**VikingNeptun:** The WROVs mobilised onboard *Viking Neptun* have been idle during the walk to work kontrakt between Eidesvik and their end client. The vessel was remobilised to perform a subsea project in May, expected to last towards the end of 2Q 2018.

**NormandReach:** The vessel spread was idle most of April, and started the planned walk to work contract with BP early May. The contract is expected to last throughout the second quarter and well into Q3.

**HavilaSubsea:** The vessel spread had high utilisation in April and has secured work lasting until Mid-June. Thereafter the vessel will be traded in the spot market.

**OlympicDelta:** The vessel spread finished the Allseas contract in March and went directly on a new contract in the oil and gas segment expected to last until mid-June.

**OlympicChallenger:** The vessel spread had low utilisation in April, but is currently working on a contract in the oil and gas sector lasting until late May 2018. Thereafter the vessel is scheduled for the spot market.

**TidewaterEnabler:** The vessel performed her first Reach Subsea project in March, and has recently started her second project in Trinidad for a major oil company.

## 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 1Q2018 report is using the new standard.

The new standard has a positive effect on EBITDA, but a fairly neutral effect on profit before tax for the full year. However, due to the pay-as-you-go nature of most of our leases, the new standard will have a negative effect on profit before tax in quarters with low utilisation of assets, and a positive effect in quarters with high utilisation of assets. The reason being that capitalised leases are depreciated on a straight line basis, while actual lease payments follow utilisation of the assets.

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

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

## Outlook

REACH's strategy is to be a full-service provider within subsea service. The Group's management and board have extensive and long experience in the segment.

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

The combination of a lean and agile organization, and the attractive cost structure of our subsea spreads, gives Reach a flexible and competitive cost base tailored to cope with continued weak markets. Given Reach Subsea's strong operational track record and high utilisation of vessels and assets compared to our competitors, we are well positioned for profitable growth.

The subsea industry is still characterised by oversupply of tonnage and equipment, resulting in a market with tough competition and pressured rate levels. There are some signs of improved visibility in terms of a generally higher tender activity, and the gradual occurrence of some longer-term tenders.

With the recent award of the 5 year IMR contract from Equinor and the survey frame contract from Equinor to MMT/Reach Subsea the expectation is that there will be better visibility of future projects. Combined with the fact that Reach Subsea alone or in cooperation with MMT now control a high number of vessels designed for subsea operations, we have greater flexibility and higher ability to take on further projects within our market segments and thus envisage a higher utilization on the spreads in the years to come.

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

Haugesund, 22.05.2018



**Kåre Johannes Lie**  
Chairman of the Board



**Anders Onarheim**  
Vice-Chairman of the Board



**Sverre B. Mikkelsen**  
Board member



**Merete Haugli**  
Board member

**Kristine Skeie**  
Board member



**Jostein Alendal**  
Managing Director

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



# Reach Subsea Fleet

## Edda Fonn

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

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



## 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 Subsea

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

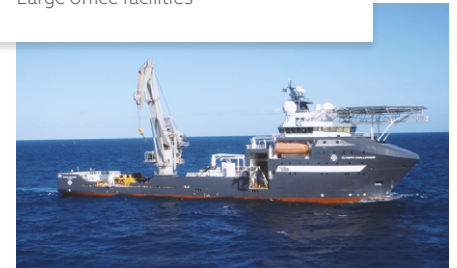
150T AHC Main Crane  
Removable bulwark on each side  
Moonpool in hangar, 650 m<sup>2</sup> deck  
Dual ROV hangar  
Permanent full survey suite  
Large office facilities  
Helideck 26 m diameter  
De-ice  
2x Schilling WROVs



## 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



## 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



## 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 m<sup>2</sup> deck  
1x Kystdesign supporter WROV  
and 1x Surveyor Interceptor



# Income statement

Statement of profit or loss (NOK 1000)	1Q 2018 UNAUDITED	1Q 2017 UNAUDITED	12M 2017 AUDITED	NOTES
Operating revenue	114,432	38,303	360,155	
Other revenue	-	-	-	
Revenue	114,432	38,303	360,155	
Procurement expenses	-68,790	-12,920	-206,676	
Personnel expenses	-23,324	-16,982	-81,512	
Other operating expenses	-9,074	-5,955	-45,264	
EBITDA before amortized termination fee	13,244	2,447	26,703	
Amortized termination fee	-5,500	-7,210	-28,471	
EBITDA after amortized termination fee	7,744	-4,763	-1,768	
Depreciation	-25,130	-6,042	-25,719	3.1
Operating result (EBIT)	-17,386	-10,805	-27,486	
Interest income	53	18	84	
Interest expenses	-2,159	-984	-3,466	12
Other net financial items	843	62	1,708	
Result from associated companies	61	-1,055	-1,604	
Profit (loss) before taxes	-18,589	-12,765	-30,764	
Taxes	-	-	-	9
Profit (loss) before taxes	-18,589	-12,765	-30,764	
<b>Comprehensive income</b>				
Gain/loss on financial derivatives of cash flow hedges	-	-	-	
Comprehensive income items	-	-	-	
Total comprehensive income	-18,589	-12,765	-30,764	
Earnings per share	-0.13	-0.11	-0.22	
Diluted earnings per share	-0.13	-0.11	-0.22	

# Balance Sheet

Statement of financial position (NOK 1000)	2018 31/3 UNAUDITED	2017 31/3 UNAUDITED	2017 31/12 AUDITED	NOTES
<b>Non-current assets</b>				
Deferred tax assets	8,161	8,161	8,161	9
Investment in associated companies	23,489	4,218	5,168	
Property, plant and equipment	348,592	114,513	101,796	3.12
Capitalised termination fee	5,500	27,500	11,000	6
<b>Total non-current assets</b>	<b>385,742</b>	<b>154,392</b>	<b>126,126</b>	
<b>Current assets</b>				
Trade receivables	63,625	44,430	114,469	
Other receivables	12,426	5,646	27,616	
Capitalised termination fee	22,000	26,761	22,000	6
Cash and cash equivalents	127,085	114,672	98,954	
<b>Total current assets</b>	<b>225,136</b>	<b>191,509</b>	<b>263,038</b>	
<b>Total assets</b>	<b>610,878</b>	<b>345,901</b>	<b>389,164</b>	
<b>Equity</b>				
Share capital	143,240	143,240	143,240	7
Share premium	114,813	114,782	114,813	
Other equity	-58,564	-21,976	-39,975	8
<b>Total equity</b>	<b>199,488</b>	<b>236,046</b>	<b>218,077</b>	
<b>Non-current liabilities</b>				
Interest-bearing debt	158,639	58,977	42,919	4,12
<b>Total non-current liabilities</b>	<b>158,639</b>	<b>58,977</b>	<b>42,919</b>	
<b>Current liabilities</b>				
Current portion of interest bearing debt	147,484	21,000	21,250	4,12
Trade payables	100,245	17,964	75,472	
Other current liabilities	5,022	11,914	31,447	
<b>Total current liabilities</b>	<b>252,750</b>	<b>50,878</b>	<b>128,169</b>	
<b>Total liabilities</b>	<b>411,389</b>	<b>109,855</b>	<b>171,088</b>	
<b>Total equity and liabilities</b>	<b>610,878</b>	<b>345,901</b>	<b>389,164</b>	

# Cashflow

Statement of cash flow (NOK 1000)	1Q 2018 UNAUDITED	1Q 2017 UNAUDITED	12M 2017 AUDITED	NOTES
<b>Cash flow from operating activities</b>				
Operating result (EBIT)	-17,386	-10,805	-27,486	
Paid taxes	-	-	-	
Depreciation and amortisation	30,630	13,252	54,190	
Change in trade debtors	50,844	22,992	-47,046	
Change in trade creditors	-12,430	-12,990	44,518	
Change in other provisions	-18,483	-4,370	-5,160	
Share option cost employees	-	-	-	
Net cash flow from operating activities	33,176	8,080	19,015	
<b>Cash flow from investing activities</b>				
Purchase of fixed assets	-	-3,640	-10,600	
Investment in associated companies	-10,183	-	-1,500	
Guarantees Charter-party	-	-	-	
Net cash flow from investing activities	-10,183	-3,640	-12,100	
<b>Cash flow from financing activities</b>				
Net interest paid	-612	-966	-	
Other financial items paid	-	-	-	
Proceeds from issuance of ordinary shares	-	85,861	85,892	
Proceeds from borrowings and leases	25,000	-	-	
Repayment of borrowings and leases	-19,250	-5,249	-21,058	
Net cash flow from financing activities	5,138	79,646	61,452	
<b>Net change in cash and cash equivalents</b>	28,132	84,087	68,367	
Cash and cash equivalents in the start of the period	98,954	30,586	30,586	
Cash and cash equivalents in the end of the period	127,085	114,672	98,954	

# Equity

UNAUDITED

(NOK 1000)	Share capital and share premium	Other equity	Total equity	NOTES
Equity 31.12.17	258,052	-39,975	218,077	
Capital increase				
Share issue cost				
IFRS 2 Option based salary				8
Result for the period		-18,589	-18,589	
Equity 31.03.18	258,052	-58,564	199,488	

# 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 & equipment	ROV & equipment leased	Equipment & office machinery	Leased ships*	Total
Purchase cost 01.01.18	63,829	127,239	9,509	132,399	332,976
Additions	0	37,109	93	102,325	139,527
Disposals	0	0	0	0	0
Purchase cost 31.03.18	63,829	164,348	9,602	234,724	472,503
Accumulated depreciation 31.03.18	-38,446	-57,865	-9,442	-18,158	-123,910
Net book value 31.03.18	25,383	106,484	160	216,566	348,592
Depreciation in the period	2,922	4,035	16	18,158	25,130
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

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## Note 4 - Borrowings

(NOK 1000)	31/03/2018	31/12/2017
Non-current liabilities		
Bank borrowings	22,625	5,250
Lease liabilities to credit institutions	34,909	37,669
Other non-current lease liabilities	101,106	-
Total non-current borrowings	158,639	42,919
Current borrowings		
Bank borrowings	15,500	10,500
Lease liabilities to credit institutions	10,860	10,750
Other current lease liabilities	121,124	-
Total current borrowings	147,484	21,250
Carrying amount		
Bank borrowings	38,125	15,750
Finance lease liabilities	267,998	48,419
Total carrying amount	306,123	64,169
Fair value		
Bank borrowings	38,125	15,750
Finance lease liabilities	267,998	48,419
Total fair value	306,123	64,169

The company had as of 31.03.18 debt of NOK 83.9 million to credit institutions and NOK 222.2 million in other lease liabilities. The company's long-term debt consists of financial leasing and bank loan and is secured by pledge of fixed assets and cash deposits. Book value of pledged fixed assets as of 31.03.18 amounted to NOK 132.0 million. All debt to credit institutions are in NOK.

## 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.

## Note 6 - Receivables

In connection with the restructuring of the charter party with Østensjø and Solstad in 2016, a termination fee of NOK 76.0 million was capitalised in 2Q2016. The termination fee is amortised over the rest of the charter party periods. In Q1 2018 a total of NOK 5.5 million has been amortised, leaving a remaining balance as of 31 March 2018 of NOK 27.5 million, of which NOK 5.5 million is classified as a long term receivable and NOK 22.0 million as a current receivable.





## Note 7 - Shareholders

### 20 largest shareholders as per 15.05.18

	Shares	Stake
ACCELLO PARTNERS I AS	40,600,000	28.3 %
EIKA NORGE	10,285,650	7.2 %
JOSO INVEST AS	7,564,589	5.3 %
JT INVEST AS	5,529,539	3.9 %
NORMAND DRIFT AS	5,000,000	3.5 %
HOLME HOLDING AS	4,021,000	2.8 %
DANSKE INVEST NORGE	2,232,109	1.6 %
CORUNA AS	2,097,877	1.5 %
SKEISVOLL & CO AS	2,000,000	1.4 %
TEOMAR AS	2,000,000	1.4 %
A - Å INVEST AS	1,938,725	1.4 %
BOYE HANS JØRGEN	1,800,200	1.3 %
GOLDMAN SACHS & CO. GOLDMAN SACHS & CO -	1,776,589	1.2 %
AB INVESTMENT AS	1,705,743	1.2 %
NHO - P665AK JP MORGAN CHASE BANK	1,675,110	1.2 %
SMS INVESTERING AS	1,652,366	1.2 %
LION INVEST AS	1,630,000	1.1 %
MACAMA AS	1,578,446	1.1 %
BARRUS CAPITAL AS	1,510,090	1.1 %
FREEMAN SHIPPING & O	1,400,000	1.0 %
Total 20 largest	97,998,033	68.4 %
Others	45,241,492	31.6 %
Total	143,239,525	100.0 %

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## 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 is expected to constitute a maximum of 3,886,875 options equivalent to a similar number of Reach Subsea ASA shares.

## Note 9 - Tax

The Group has, based on contracts and budgets, assumed that parts of the tax loss carried forward can be recognized. Per 31.03.2018 NOK 8.2 million is capitalized.

## Note 10 - Events after quarter end

The Group has not had any major events after the balance date that affects the accounts.

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## Note 11 - Segments

(NOK 1000)	<b>2018</b> 01.01.-31.03	<b>2017</b> 01.01.-31.03	<b>2017</b> 01.01.-31.12
Revenue			
Oil & Gas	89,660	28,727	280,749
Renewable / other	24,772	9,576	79,406
Total	114,432	38,303	360,155
Operating expense			
Oil & Gas	-103,282	-36,831	-302,175
Renewable / other	-28,536	-12,277	-85,467
Total	-131,818	-49,108	-387,642
Operating result			
Oil & Gas	-13,622	-8,104	-21,426
Renewable / other	-3,764	-2,701	-6,060
Total	-17,386	-10,805	-27,486
EBITDA			
Oil & Gas	6,068	-3,572	-1,377
Renewable / other	1,676	-1,191	-390
Total	7,744	-4,763	-1,767
EBITDA before amortization of termination fee			
Oil & Gas	10,377	1,835	20,816
Renewable / other	2,867	612	5,888
Total	13,244	2,447	26,704



## Note 12 - Leasing

The company has early adopted IFRS 16 for 01.01.2018. The balance sheet shows the following amounts relating to leases:

Right-of-use assets	31/03/2018
Property, plant and equipment	216,566
<b>Total</b>	<b>216,566</b>
Lease liabilities	31/03/2018
Current	121,124
Non current	101,106
<b>Total</b>	<b>222,230</b>

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

	Q1 2018
Depreciation charge of right-of use assets	18,158
Interest expense	1,480
<b>Total</b>	<b>19,638</b>

The total cash outflow for leases in Q1 2018 was NOK 14.0 million.

Reconciliation of leases recognised in Q1 2018:

	Right of use assets	Lease liability, non-current	Lease liability, current
Opening balance	132.399	49.715	82.684
Additions	102.325	49.911	52.414
Disposals			
Depreciation	-18,158		
Interest		1.480	
Payments			-13.974
<b>Ending balance</b>	<b>216.566</b>	<b>101.106</b>	<b>121.124</b>

The right-of use assets are calculated based on a discounted **estimated** commitment on the following vessels: *Normand Reach*, *Olympic Challenger* and *Havila Subsea*. The vessels *Edda Fonn*, *Olympic Delta*, *Stril Explorer* as well as other short term hired in vessels are treated as short term and recognized as an operating cost.

