Quarterly Consolidated Report

2018

3rd 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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3rd Quarter Highlights

1. Succesful growth: Year to date turnover was NOK 484.6 million, compared to NOK 248.3 million for the same period in 2017, with an EBITDA (before amortized termination fee) of NOK 194.3 million (NOK 25.0 million YTD 2017).
2. 3Q EBITDA before amortization of termination fee was NOK 77.5 million (NOK 18.2 mill in 3Q2017), while pre-tax result was NOK 8.0 million (NOK 2.8 million).
3. Reach Subsea has been awarded a Frame Agreement for Marine Subsea Services to Wintershall Norge AS. The frame agreement has a duration of 3 years + 4 yearly options, and commences in 2018.
4. High activity with 8 vessel spreads in operation including full activity in Trinidad.
5. 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.
6. Tender activity remains high with outstanding tender value remaining stable at around NOK 1.7 billion.
7. New guidelines received during 3Q on IFRS 16 increases EBITDA, but has no effect on pre-tax result (see notes and page 7 for details)

Key figures UNAUDITED

	3Q 2018	3Q 2017	12M 2017
Revenues (NOKm)	179	131	360
EBITDA before amortized termination fee (NOKm)	78	18	27
Pre-tax profit (NOKm)	8	3	-31
Liquidity (NOKm)	69	62	99
Net working capital (NOKm)	38	75	35
Net interest bearing debt (NOKm) (includes IFRS leasing commitment)	121	7	-35
Equity (NOKm)	214	228	218
Order backlog (NOKm)	84	115	95
Outstanding tender value (NOKbn)	1.7	1.7	1.7
Number of ROV days sold	579	678	1,739
Number of ROV days available	933	858	2,994
Technical uptime on ROVs	100 %	100 %	99 %
Number of offshore personnel days sold	3,569	4,276	11,565
LTIs	0	0	0
Number of vessel days sold	379	242	588

Operations including vessel update

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

REACH had 933 available ROV-days in 3Q2018 (858 ROV-days in 3Q2017), of which 579 days were sold (678) leading to a total utilisation of 62% (79%). Furthermore, number of vessel days that passed through our P&L was 379 (242), 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 20th November 2018 a firm order book of NOK 84 million, with the vast majority related to work in 2018. The order book figure does not include any of the expected 2019 volumes from the frame agreements awarded during 2018.

Normand Reach is equipped with two Supporter WROVs and offshore personnel. The vessel worked on a walk to work- contract with BP Mungo the whole third quarter covering the rest of the charter commitment (180 consecutive days) for 2018. In October 2018 Solstad Offshore announced that they have released Reach Subsea from its 100 day commitment for the vessel in 2019. The two WROVs onboard will therefore be de-mobilised in November/December and reallocated to our new subsea vessel spread *Topaz Tiamat* ready for operations from March 2019.

Edda Fonn, a purpose built ROV/Survey vessel equipped with one Supporter WROV and survey equipment, is on a flexible charter agreement from Østensjø lasting throughout the year. The vessel is utilized for Reach Subsea's own offshore operations in the cooperation with MMT. *Edda Fonn* performed various short term projects in the third quarter, mainly within the Oil & Gas segment. Clients were international oil companies. The spread performed very well and had a high utilization. The vessel spread is expected to continue with high utilisation also in the fourth quarter and will thereafter be demobilized, as the owner has sold the vessel.

Havila Harmony was mobilized in August 2018 with a hired-in WROV for work in the Trinidad region. Operations will be executed by Reach Subsea and MMT personnel onshore and offshore. Projects in this region are run from Reach Subsea's Houston office. High activity is expected also in the fourth 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 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 third quarter working on survey contracts with MMT/ Nordstream and other end clients, expected to last throughout the year

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 third 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.

Olympic Challenger was mobilised in March, equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel is on a contract between Reach Subsea and owner Olympic Shipping and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT. In the third 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. Havila Subsea had low activity the first part of the quarter, which picked up with work for end clients such as Wintershall and Equinor. The vessel spread is currently working on a survey project using the Surveyor Interceptor II lasting through November. She will thereafter be traded in the spot market.

Viking Neptun was chartered in for a Reach Subsea project in July. Reach Subsea has one Supporter WROV and one Constructor WROV and delivers all ROV-services onboard the construction vessel, a contract lasting throughout 2018. During the third quarter the vessel spread further performed short term projects in the oil and gas segment. These projects were managed by Eidesvik. 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.

3rd Quarter 2018

Financial Results

Revenue for the quarter was NOK 179.0 million compared with NOK 130.9 million for 3Q2017. Revenue for the first nine months of 2018 was NOK 484.6 million (NOK 248.3 million for the same period 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 379 vessel days through our P&L in the third quarter, compared with 242 days for 3Q2017.

3Q2018 EBITDA before amortization of termination fee[1)] was NOK 77.5 million compared with NOK 18.2 million for 3Q2017, with a net profit of NOK 8.0 million (NOK 2.8 million for 3Q2017). EBITDA for the first nine months of 2018 before amortized termination fee was NOK 194.3 million compared to NOK 25.0 million in 2017. The improved 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.

3Q2018 pre-tax result was NOK 8.0 million, compared with NOK 2.8 million for 3Q2017. For the first nine months of 2018 pre-tax result was NOK -5.8 million, compared with NOK -20.7 million for 2017. The implementation of IFRS 16 has a negligible effect on pre-tax results, thus, the improvement over 2017 is a reflection of higher activity and positive project results for most operational projects.

Operating expense for the quarter was NOK 101.5 million, compared with NOK 112.7 million for 3Q2017. Project-related expense represents the majority of the operating expense for the group. Activity level (including vessel cost) was higher YTD 2018 than YTD 2017, however the IFRS 16 implementation with re-classification of charter hire from operating expense to depreciation, reduces the (comparable) operating expense in 2018.

Depreciation and amortisation of termination fee for the quarter was NOK 66.4million, compared with NOK 14.0 million for 3Q2017. NOK 53.6 million of the increase is explained by the implementation of IFRS 16, and represents depreciation of IFRS leases for the quarter. Further details are explained in Note 12.

Net financial items for the quarter was NOK -3.1 million, compared with NOK -1.4 million for 3Q2017. Implementation of IFRS 16 increased interest expenses by NOK 1.5 million for the quarter.

For 3Q2018, Oil & Gas revenues constituted 67.3 % while Renewable/Other constituted 32.7 % of total revenues. By comparison, for 3Q2017 Oil & Gas revenues were 67.0 % while Renewable/Other constituted 33.0 % 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.

Capital structure

Total current assets at the end of the quarter were NOK 275.4 million (NOK 251.7 million in 3Q2017), of which cash and cash equivalents amounted to NOK 68.7 million (NOK 62.4 million). Receivables were NOK 190.2 million (NOK 167.3 million) and short-term portion of termination fee, that will be amortized over the next year (non-cash effect), is NOK 16.5 million (NOK 22.0 million). Total non-interest bearing current liabilities were NOK 151.8 million (NOK 92.0 million), leaving a net working capital of NOK 38.4 million (NOK 75.3 million)

Total non-current assets at the end of the quarter were NOK 280.4 million (NOK 137.8 million), with the large increase explained by implementation of IFRS 16. Property, plant and equipment now includes NOK 130.4 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 16.5million, classified as a current receivable. Following the release of our 2019 commitment on Normand Reach, the remaining capitalised termination fee will be expensed in whole in 4Q2018.

Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 121.1 million (NOK 7.0 million), with the increase explained by inclusion of NOK 117.7 million in IFRS 16 lease liabilities as of 3Q2018. Net debt excluding the IFRS 16 lease liabilities was NOK 3.4 million.

The Group’s equity as of 30 September 2018 is NOK 214.1 million, which represents 38.5 % of the total balance sheet.

Net cash flow from operating activities for 3Q2018 was NOK 58.3 million (NOK - 0.7 million in 3Q2017), positively influenced by the transfer of NOK 63.4 million in charter payments (IFRS 16) to cash flow from financing activities, and countered by a NOK 20 million seasonal working capital increase. As is customary for our business, working capital will typically be released towards the end of the year.

REACH has no major debt maturities or capital expenditure commitments for 2018 and onwards.

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30 September 2018 issued 143 546 008 shares, of which the majority is owned by Norwegian shareholders. The increased number of shares compared to end of 2Q2018 is a result of an issue of 306,483 shares in connection with an option programme for employees.

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

Normand Reach 2019 commitment released (05.10.18):

Solstad Offshore ASA ("Solstad") announced that it has been awarded a contract for use of Normand Reach for 4-6 months, starting in 4Q 2018. As the contract is for the vessel itself without use of ROVs, Reach Subsea has been released from its 100 day commitment towards Solstad for 2019, and will de-mobilise the two ROVs onboard. As a consequence, the remaining capitalised termination fee of NOK 16.5 million will be expensed in whole in 4Q2018. Also, the remaining capitalised value of the right of use asset for Normand Reach, and the associated lease liability, will be removed in 4Q2018.

New vessel capacity in our fleet (08.11.18):

Reach Subsea and MMT have over the last year been awarded several important frame agreements for Survey, IMR and light construction within both the oil & gas and renewable sector. With this backdrop of expected increase in activity, Reach Subsea has entered into an agreement with Topaz Energy and Marine ("Topaz") for use of the newbuild subsea vessel *Topaz Tiamat* for 2.5 years, with three yearly options thereafter. Topaz Tiamat will be deployed into the successful co-operation agreement Reach has with MMT. The commercial terms of the charter agreement are confidential between the parties, but is structured in a way that enables Reach and MMT to offer a competitive subsea service to our clients for the next 5.5 year period.

The *Topaz Tiamat* is a 1,000m^2, diesel-electric light subsea construction vessel with 82 pax accommodation in comfort class 3, equipped with an AHC 120-tonne subsea construction crane. The vessel is built to the highest North Sea standards, with world-class station keeping and fuel economics. The charter envisages a battery pack upgrade that will even further drive fuel savings and reduce the vessel's environmental footprint.

The *Topaz Tiamat* will be mobilized during Q1 2019 with ROVs from within the current Reach ROV fleet. Thus, investments associated with this expansionary move are limited at the outset.

The vessel is intended used for Reach and MMT' own projects within Survey, IMR and light construction within the oil & gas and renewables sectors. This subsea spread is well suited for our core focus markets and has a good fit with the tenders we currently have outstanding

REACH has further entered into short- and medium-term contracts for the vessels for 4Q2018. The order book figure of NOK 84 million take these contracts into account. See further details under «Vessel Update» and «Outlook».

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 3Q2018 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).

Note that the early implementation of IFRS 16 has been adjusted in 3Q2018, as new guidelines on how to interpret the standard have been received. From 01.07.18, also short term leases (lease term 12 month or less) are capitalized as right-of-use assets and depreciated. The new guidelines also affect assets that are leased for more than 12 months, but where the lease terms do not contain any commitments (pay-as-you-go). Such assets will now be treated as short term leases and can no longer be capitalised based on management's assumption of expected use, but rather based on actual commitment incurred at the reporting date.

The implication of the new guidelines for Q32018, is that all expenses in relation to leases of vessels and ROVs are presented as depreciation and interest expense. Furthermore, *Havila Subsea* and the *Olympic Challenger* ROVs (lease agreements for more than 12 months without commitment) have been removed from the balance sheet, but the incurred lease expenses during 3Q2018 remain classified as depreciation.

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 eight 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 are well positioned for profitable growth.

The subsea industry is still characterised by oversupply of tonnage and equipment, resulting in a market with tough competition and pressured rate levels. There are some signs of improved visibility in terms of a generally higher tender activity, and the gradual occurrence of some longer-term tenders and contract awards. Also, client requirements for next year's season are emerging at an earlier stage than last year.

With the award of several frame agreements from Equinor and the Frame Agreement for Marine Subsea Services with Wintershall Norge AS this year, the expectation is that there will be better visibility of future projects.

Combined with the fact that Reach Subsea alone or in cooperation with MMT now control a high number of vessels designed for subsea operations, we have greater flexibility and a higher ability to take on further projects within our market segments and, thus, envisage a higher utilization on the spreads in the years to come.

The Board is pleased with the results achieved in a period of tough competition and pressured rate levels. It is encouraging to see that we are gaining traction with the major clients in our market, something which bodes well for the future. It is also encouraging to note how quickly our new Houston office has gained business in the region. A strong balance sheet, coupled with a flexible business model, enables the company to exploit attractive growth opportunities we currently see in the market.

Haugesund, 20.11.2018

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

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

Reach Subsea Fleet

Edda Fonn

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

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

Olympic Delta

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

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

Normand Reach

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

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

Havila Harmony

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

150 Te Crane
Moonpool
800m2 deck
Helideck
1 Schilling WROV

Havila Subsea

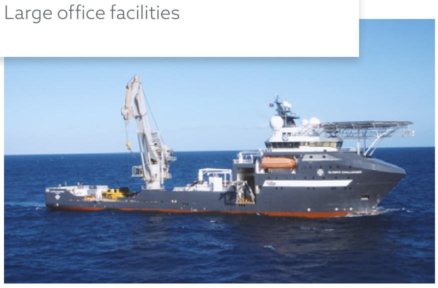
Cost effective IMR, survey and light construction vessel with long track record in the business.

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

Stril Explorer

Fully integrated survey vessel with light construction capabilities.

DP II
ROV hangar for 1 WROV systems
1 Surveyor ROV system
50 t offshore crane
Large Office and accommodation facilities
70 berths
450 m2 deck
1x Kystdesign supporter WROV and 1x Surveyor Interceptor

Income statement UNAUDITED

Statement of profit or loss (NOK 1000)	3Q 2018	3Q 2017	9M 2018	9M 2017	12M 2017	NOTES
Operating revenue	178,972	130,888	484,604	248,260	360,155	
Other revenue	-	-	-	-	-	
Revenue	178,972	130,888	484,604	248,260	360,155	
Procurement expenses	-59,405	-68,444	-172,035	-128,582	-206,676	
Personnel expenses	-25,553	-25,601	-73,883	-62,348	-81,512	
Other operating expenses	-16,516	-18,668	-44,393	-32,305	-45,264	
EBITDA before amortized termination fee	77,498	18,176	194,293	25,025	26,703	
Amortized termination fee	-5,500	-7,259	-16,500	-21,709	-28,471	
EBITDA after amortized termination fee	71,998	10,917	177,793	3,316	-1,768	
Depreciation	-60,927	-6,719	-174,198	-19,138	-25,719	3.1
Operating result (EBIT)	11,071	4,199	3,595	-15,821	-27,486	
Interest income	95	13	177	53	84	
Interest expenses	-2,333	-1,377	-7,405	-2,730	-3,466	12
Other net financial items	-770	-208	-826	-297	1,708	
Result from associated companies	-80	204	-1,300	-1,932	-1,604	
Profit (loss) before taxes	7,982	2,830	-5,759	-20,727	-30,764	
Taxes	-	-	-	-	-	9
Profit (loss)	7,982	2,830	-5,759	-20,727	-30,764	
Comprehensive income						
Gain/loss on financial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	-	-	-	-	-	
Total comprehensive income	7,982	2,830	-5,759	-20,727	-30,764	
Earnings per share	0.17	0.02	-0.04	-0.15	-0.22	
Diluted earnings per share	0.16	0.02	-0.04	-0.15	-0.22	

Balance Sheet UNAUDITED

Statement of financial position (NOK 1000)	2018 30/9	2017 30/9	2017 31/12	NOTES
Non-current assets				
Deferred tax assets	8,161	8,161	8,161	9
Investment in associated companies	22,128	4,841	5,168	
Property, plant and equipment	250,078	108,304	101,796	3.12
Capitalised termination fee	0	16,500	11,000	6
Total non-current assets	280,367	137,806	126,126	
Current assets				
Trade receivables	177,953	156,368	114,469	
Other receivables	12,229	10,904	27,616	
Capitalised termination fee	16,500	22,000	22,000	6
Cash and cash equivalents	68,668	62,397	98,954	
Total current assets	275,349	251,668	263,038	
Total assets	555,717	389,475	389,164	
Equity				
Share capital	143,546	143,240	143,240	7
Share premium	116,185	114,754	114,813	
Other equity	-45,587	-29,938	-39,975	8
Total equity	214,144	228,056	218,077	
Non-current liabilities				
Interest-bearing debt	90,462	48,411	42,919	4.12
Total non-current liabilities	90,462	48,411	42,919	
Current liabilites				
Current portion of interest bearing debt	99,295	21,000	21,250	4.12
Trade payables	120,393	71,677	75,472	
Other current liabilities	31,423	20,331	31,447	
Total current liabilities	251,111	113,008	128,169	
Total liabilities	341,573	161,419	171,088	
Total equity and liabilities	555,717	389,475	389,164	

Cashflow

UNAUDITED

Statement of cash flow (NOK 1000)	3Q 2018	3Q 2017	9M 2018	9M 2017	12M 2017	NOTES
Cash flow from operating activities						
Operating result (EBIT)	11,071	4,199	3,595	-15,821	-27,486	
Paid taxes	-	-	-		-	
Depreciation and amortisation	66,427	13,977	190,698	40,846	54,190	
Change in trade debtors	30,679	-48,128	-63,484	-88,945	-47,046	
Change in trade creditors	-26,304	32,694	44,921	40,722	44,518	
Change in other provisions	-24,171	-3,430	6,273	-306	-5,160	
Share option cost employees	556	-	1,111	-	-	
Net cash flow from operating activities	58,259	-688	183,115	-23,504	19,015	
Cash flow from investing activities						
Purchase of fixed assets	-2,368	-280	-39,590	-10,526	-10,600	
Investment in associated companies	0	-1,500	-10,183	-1,500	-1,500	
Net cash flow from investing activities	-2,368	-1,780	-49,773	-12,026	-12,100	
Cash flow from financing activities						
Net interest paid	-1,594	-1,365	-2,821	-2,677	-3,382	
Proceeds from issuance of ordinary shares	-	-0	-	85,833	85,892	
Proceeds from borrowings and leases	-	-	25,000	-	-	
Repayment of borrowings and leases	-68,442	-4,760	-185,807	-15,816	-21,058	
Net cash flow from financing activities	-70,036	-6,125	-163,627	67,340	61,452	
Net change in cash and cash equivalents	-14,145	-8,593	-30,286	31,810	68,367	
Cash and cash equivalents in the start of the period	82,814	70,989	98,954	30,586	30,586	
Cash and cash equivalents in the end of the period	68,668	62,397	68,668	62,397	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	-	-	-	
Translation difference	-	148	148	
IFRS 2 Employee share options	1,679	-	1,679	8
Result for the period	-	-5,759	-5,759	
Equity 30.09.18	259,731	- 45,587	214,144	

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. From 01.07.18, also short term leases (lease term 12 month or less) are capitalized as right- of use assets and depreciated. This change also affects assets that are leased for more than 12 months, but where the lease terms do not contain any commitments ("pay-as-you-go"). The impact is that for Q3 2018, 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 will be treated as short term leases, where the lease expenses are classified as depreciation, and where the lease is capitalised 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	63,829	127,239	9,509	132,399	332,976
Additions	2,352	37,129	109	141,572	181,162
Disposals	0	0	0	75,335	75,335
Purchase cost 30.09.18	66,181	164,368	9,618	198,635	438,802
Accumulated depreciation disposals				-22,193	-22,193
Accumulated depreciation 30.09.18	-43,792	-67,168	-9,416	-46,049	-166,425
Net book value 30.09.18	22,389	97,201	202	130,393	250,078
Depreciation in the period	8,201	13,338	58	46,049	67,646
Expected useful life (years)	3-8	3-8	3	1-3	
Depreciation plan	Straight line	Straight line	Straight line	Straight line	

* See note 12 for further information on leased assets

Note 4 - Borrowings

(NOK 1000)	30/09/2018	31/12/2017
Non-current liabilities		
Bank borrowings	18,750	5,250
Lease liabilities to credit institutions	29,403	37,669
Other non-current lease liabilities	42,308	-
Total non-current borrowings	90,462	42,919
Current borrowings		
Bank borrowings	12,875	10,500
Lease liabilities to credit institutions	11,000	10,750
Other current lease liabilities	75,420	-
Total current borrowings	99,295	21,250
Carrying amount		
Bank borrowings	31,625	15,750
Finance lease liabilities	158,132	48,419
Total carrying amount	189,757	64,169
Fair value		
Bank borrowings	31,625	15,750
Finance lease liabilities	158,132	48,419
Total fair value	189,757	64,169

The company had as of 30.09.18 debt of NOK 72 million to credit institutions, and NOK 117.7 million in other lease liabilities. The company's long-term debt consists of financial leasing and bank loan and is secured. The debt to credit institutions are secured by pledge of fixed assets and cash deposits. Book value of pledged fixed assets as of 30.09.18 amounted to NOK 119.8 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 concultancy services. All transactions are carried out as part of the normal course of business and the deal is carried out on commercial terms in accordance with the Companies Act § § 3-8 and 3-9.

Note 6 - Recievables

In connection with the restructuring of the charter party with Østensjø and Solstad in 2016, a termination fee of NOK 76 million was capitalised in 2Q2016. The termination fee is amortised over the rest of the charter party periods. In Q3 2018 a total of NOK 5.5 million has been amortised, leaving a remaining balance as of 30 September 2018 of NOK 16.5 million which is classified as a current receivable. 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 will in whole be expensed in 4Q2018.

Note 7 - Shareholders

20 largest shareholders as per 13.11.18	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	4,128,000	2.9 %
DANSKE INVEST NORGE	3,254,912	2.3 %
CORUNA AS	2,097,877	1.5 %
SKEISVOLL & CO AS	2,000,000	1.4 %
TEOMAR AS	2,000,000	1.4 %
A-Å INVEST AS	1,938,725	1.4 %
FREEMAN SHIPPING & O	1,864,478	1.3 %
GOLDMAN SACHS & CO. GOLDMAN SACHS & CO -	1,776,589	1.2 %
NORTH ENERGY CAPITAL	1,736,411	1.2 %
AB INVESTMENT AS	1,705,743	1.2 %
LION INVEST AS	1,700,000	1.2 %
NHO - P665AK JP MORGAN CHASE BANK	1,675,110	1.2 %
SMS INVESTERING AS	1,652,366	1.2 %
MACAMA AS	1,578,446	1.1 %
BARRUS CAPITAL AS	1,510,090	1.1 %
Total 20 largest	99,598,525	69.4 %
Others	43,947,483	30.6 %
Total	143,546,008	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 constitutes a maximum of 3,494,832 options equivalent to a similar number of Reach Subsea ASA shares. As of 3Q2018 the Company has recognised NOK 1.1 million in cost related to the options and NOK 0.4 million in provision for payroll tax.

Note 9 - Tax

The Group has, based on contracts and budgets for 2018 and 2019, assumed that parts of the tax loss carried forward can be recognized. Per 30.09.2018 NOK 8.2 million is capitalized.

Note 10 - Events after quarter end

On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 has been released. The remaining capitalised termination fee of NOK 16.5 million will in whole be expensed in 4Q2018. The Group has not had any other major events after the balance sheet date that affect the accounts.

Note 11 - Segments

(NOK 1000)	**2018** 01.07.-30.09	**2017** 01.07.-30.09	**2018** 01.01.-30.09	**2017** 01.01.-30.09	**2017** 01.01-31.12
Revenue					
Oil & Gas	120,370	87,695	325,927	183,712	280,749
Renewable / other	58,602	43,193	158,676	64,548	79,406
Total	178,972	130,888	484,604	248,260	360,155
Operating expense					
Oil & Gas	-112,924	-84,882	-323,509	-195,420	-302,175
Renewable / other	-54,977	-41,807	-157,499	-68,661	-85,467
Total	-167,901	-126,689	-481,009	-264,082	-387,642
Operating result					
Oil & Gas	7,446	2,813	2,418	-11,708	-21,426
Renewable / other	3,625	1,386	1,177	-4,113	-6,060
Total	11,071	4,199	3 ,595	-15,822	-27,486
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization					
Oil & Gas	48,423	7,315	119,577	2,454	-1,377
Renewable / other	23,575	3,603	58,216	862	-390
Total	71,998	10,918	177,793	3,315	-1,767
EBITDA before amortization of termination fee					
Oil & Gas	52,122	12,178	130,674	18,519	20,816
Renewable / other	25,375	5,998	63,618	6,507	5,888
Total	77,498	18,176	194,293	25,025	26,704

Note 12 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018. From 01.07.2018, also short term leases (commited lease term 12 months or less) are capitalized as right- of use assets and depreciated. The impact is that for 3Q2018, all cost in relation to leases of vessels are presented as depreciation and interest expenses.

As of 3Q2018, 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. Compared to 2Q2018 report, the right of use asset and the corresponding lease liability has been reduced by MNOK 75, to reflect this principle.

As a result the following have been recognised in 3Q2018:

Right-of-use assets	30/09/2018
Property, plant and equipment	130,393
Total	130,393

Lease liabilities	30/09/2018
Current	75,420
Non current	42,308
Total	117,728

	3Q 2018	9M 2018
Depreciation charge of right-of-use assets	53,632	152,653
Interest expense	1,469	5,234
Total	55,102	157,887

The total cash outflow for leases recognised as right-of-use assets in Q3 2018 was NOK 63.4 million.

Reconciliation of leases recognised in 3Q2018:	Right-of use	Lease liability, non-current	Lease liability, current
Opening balance 01.07.2018	187,790	64,155	119,549
Additions	39,247	39,247	-
Disposals	-75,335	-	-75,597
Depreciation	-21,308	-	-
Interests	-	1,469	-
Reclassified from long to short term	-	-62,563	62,563
Payments	-	-	-31,108
Ending balance 30.09.2018	130,393	42,308	75,420

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

	2018 01.07.-30.09	**2018** 01.01.-30.09
Depreciation of long term right-of-use assets	21,308	46,049
Depreciation of short term right-of-use assets	32,324	106,604
Depreciation of other assets	7,294	21,546
Total depreciations	60,927	174,198