

2021 Q2

Everything is within REACH

Quarterly Consolidated Report

Our vision is to be the preferred operator by those who need the best possible subsea partner, one that will always perform above expectations

2nd Quarter 2021

About Reach Subsea

Reach Subsea ASA is listed on Euronext Oslo Stock Exchange under the ticker REACH.

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 Survey- and Work ROVs operated by highly qualified offshore personnel, and supported by our competent onshore engineering resources.

The Group's objective is to be a preferred subsea partner and full-service provider of subsea operations for clients, among others by having focus on safety, environment, financial solidity and profitability. Moderate risk contracts are targeted, thus securing revenue and strong liquidity in parallel with increasing the fleet, asset base and staff size.

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2nd Quarter 2021

Highlights

- Another strong quarterly result and the best first half result in Reach Subsea's history driven by continued high utilization and successful project execution
- High activity in renewables segment with 33% and 52% of project days generated from non-oil & gas clients for 2Q2021 and year-to-date, respectively.
- On track to meet the fifteen Sustainability targets we have set for 2021.
- 2Q2021 EBIT was NOK 17.8 million (NOK 29.0 million), while pre-tax result was NOK 15.9 million (NOK 27.6 million). EBIT for the first six months of 2021 ended at NOK 30.0 million (NOK 12.3 million), while pre-tax result was NOK 27.2 million (NOK -4.3 million).
- Busy tendering activity during the quarter, and we have a good schedule for the third quarter to build upon for the upcoming 2021/22 winter season.
- Launch of new innovative subsea service solution, Reach Remote project, postponed to 2023 in order to mitigate risks associated with global supply chain challenges. Significant interest from clients and potential partners across the world.

Key figures

	2Q 2021 <i>unaudited</i>	2Q 2020 <i>unaudited</i>	6M 2021 <i>unaudited</i>	6M 2020 <i>unaudited</i>	12M 2020 <i>audited</i>
Revenue (NOKm)	170	217	272	296	628
EBIT (NOKm)	18	29	30	12	51
Pre-tax profit (NOKm)	16	28	27	-4	43
Cash and cash equivalents (NOKm)	73	57	73	57	105
Net working capital (NOKm)	94	41	94	41	25
Net interest bearing debt, incl IFRS 16 leases (NOKm)	40	116	40	116	-64
Equity (NOKm)	216	163	216	163	210
Order backlog (NOKm)	253	290	253	290	145
Outstanding tender value (NOKbn)	2.0	2.1	2.0	2.1	2.1
Number of ROV days sold	608	734	1 013	988	2 388
Number of ROV days available	946	875	1 695	1 645	3 250
Technical uptime on ROVs	99 %	99 %	99 %	99 %	99 %
Number of offshore personnel days sold	3 121	5 549	5 518	8 071	15 780
LTI's	0	0	0	0	0
Number of vessel days sold	296	268	505	364	956

See definitions on page 6

2nd Quarter 2021

Operations

REACH had per quarter end ten WROV-systems and two "Surveyor Interceptor" available for subsea operations.

REACH had 946 available ROV-days in 2Q2021 (875 ROV-days in 2Q2020), of which 608 days were sold (734) leading to a total utilization of 64% (84%). Furthermore, the number of vessel days that passed through our P&L in 2Q2021 was 296 (268). As per 30 June 2021 the ROV utilisation was 60% (60%), while vessel utilisation was 91% (65%).

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 16 August 2021 a firm order book of NOK 253 million and approximately 1 550 project days for execution in 3Q2021 and beyond.

The **Reach Remote** project, our new and future-proof, sustainable solutions for subsea services launched early 2021, is progressing. The project is carried out in cooperation with renowned industrial partners Kongsberg Maritime and Massterly, and is also supported by a grant from Innovation Norway.

Pre-commissioning work has been ongoing during 2Q2021, with emphasis on detail engineering and supply chain evaluations for the build phase. As reported after quarter end, disruptions in global supply chains has led Reach to postpone the commissioning of the first USVs, and the first vehicles are now expected to be launched early in 2023.

Also, developing pioneering new technology requires extensive testing, serious verification and certification that carries international recognition. To that end, an important milestone for Reach Remote was reached when it was announced in August that Sletta, Smedasundet and Karmsundet in the Haugalandet district of western Norway has been granted official status as a national test site for remote-controlled technologies and unmanned vessels by the Norwegian Coastal Administration and the Norwegian Maritime Authority.

Since Reach Remote was publicly launched earlier this year, Reach has experienced great interest from clients and potential partners across the world. There are several potential industrial partners Reach is in dialogue with who wish to be part of Reach Remote, and who could contribute to the funding and commercialization of the project. While still in the early stages, these dialogues form part of evaluating which financing strategy for Reach Remote is in the best interest of the company and its shareholders

Vessel update:

Stril Explorer is a survey vessel on a charter contract from Møkster to Reach Subsea's cooperation partner MMT Sweden AB ("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 finished the Equinor Wind project in USA early June 2021, with new projects thereafter filling the schedule into 4Q2021. The "Surveyor Interceptor I" is currently mobilized onboard *Stril Explorer*.

Viking Neptun is mobilized with one Supporter WROV and one Constructor WROV and Reach Subsea delivers all ROV-services onboard the construction vessel. The vessel spread is signed for contracts between Eidesvik and Havfram, with Reach Subsea as ROV service provider lasting until the end of the third quarter 2021 plus +options. Eidesvik recently announced that *Viking Neptun* is signed for a contract with Havfram that includes the use of Reach Subsea's WROVs for at least 180 days in 2022.

Olympic Artemis is mobilized with one Supporter WROV and is set up for projects in survey and light construction within the renewables and oil and gas sector. The subsea spread worked in the oil and gas segment in Europe in 2Q2021 and is scheduled for projects lasting through August 2021, whereafter she will operate in the spot market.

Olympic Delta is currently mobilized with two hired-in WROVs. The subsea spread worked on offshore wind projects in the northern part of Europe from delivery in March 2021 until May, and thereafter a complex project for a client in the oil and gas sector. The vessel currently has a schedule lasting throughout the third quarter.

Havila Subsea is equipped with two owned Schilling WROVs and offshore personnel from Reach Subsea's offshore pool and is scheduled for projects in cooperation with MMT. *Havila Subsea* had good utilization in the first half, and currently has a project schedule lasting into 4Q2021.

Olympic Challenger worked on a project without use of Reach ROVs in US Gulf of Mexico lasting until June 2021, whereafter she was demobilized and exited Reach Subsea's marketed fleet.

Olympic Zeuz was hired for this year's IMR call of with Equinor. The vessel was mobilized with hired WROVs and the project was executed with Reach Subsea personnel on- and offshore.

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Financial results

As previously reported, Reach Subsea purchased cooperation partner MMT's shares in our jointly owned entity Surveyor AS at book value 31.03.2021. Surveyor AS owns the two "Surveyor Interceptor" high speed survey ROVs. The transaction was closed in the second quarter. Thus, Surveyor AS is fully consolidated into our Group accounts as from 31.03.2021. In the figures for 2020 (in brackets) Surveyor AS is presented as an associated company based on the equity method. The effects of the transaction are further described in the Notes.

Revenue for 2Q2021 was NOK 169.8 million compared with NOK 217.1 million for 2Q2020. The reduced revenue is primarily explained by a lower number of ROV days and manhours sold compared to the same period last year. Year to date revenue was NOK 271.6 million compared to NOK 295.9 million as per 30.06.2020.

Operating expense for 2Q2021 was NOK 152.0 million (NOK 188.1 million). Project-related expense represents the majority of the operating expense for the group. Operating expense for the first 6 months was NOK 241.6 million (NOK 283.6 million). Depreciation for 2Q2021 was NOK 75.2 million (NOK 56.6 million). The increase is explained by the consolidation of Surveyor AS from 31.3.2021 as well as higher number of vessel days compared with the same period last year, as expenses under IFRS 16 rules are classified as depreciation of right of use assets. There was no impairment in the quarter (NOK 7.5 million in 2Q2020). See further evaluation of impairment sensitivity in the Notes.

2Q2021 operating result (EBIT) was NOK 17.8 million (NOK 29.0 million). Operating result year to date was NOK 30.0 million (NOK 12.3 million). Improved project results and higher utilization are the primary explanations for the improved EBIT for the first six months. 2Q2020 The year-over-year reduction in 2Q2021 EBIT was due to higher utilization and stronger project results in a very strong 2Q2020. Also, project expenses related to Reach Remote are not capitalized and amounted to NOK 3.3 million in 2Q2021.

Net financial items for 2Q2021 were NOK -1.9 million (NOK -1.5 million) and NOK -2.8 million year to date (-16.6 million). Financial cost in our 1H2020 accounts were influenced by the massive movements in the foreign exchange markets, causing fluctuating currency effects on charter hire in USD (classified as debt/lease liability with quarterly revaluations according to IFRS 16), which was the main reason for a higher net financial cost the first six months 2020 compared to 2021. As per 30.06.2021 all charter hire is in NOK.

The total comprehensive income for 2Q2021 was NOK 15.9 million, compared with NOK 27.8 million for 2Q2020. Total comprehensive income for the first six months of 2021 ended at NOK 27.3 million compared to NOK -3.4 million the same period last year. Higher utilization and project results combined with less (negative) currency effects are the main reasons for the improvement. Also, comprehensive income for the first six months of 2020 contained special effects of NOK -13.6 million

For 2Q2021, Oil & Gas revenues constituted 73 % while Renewable/Other constituted 27 % of total revenues. By comparison, in 2Q2020 Oil & Gas revenues were 94 % while Renewable/Other constituted 6 % 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 258.4 million (NOK 241.6 million per 30.06.2020), of which cash and cash equivalents amounted to NOK 73.4 million (NOK 57.3 million). Including the unutilized revolving credit facility, available liquidity was NOK 93.4 million. Receivables and inventories were NOK 185.0 million (NOK 184.2 million). Total non-interest-bearing current liabilities were NOK 91.2 million (NOK 143.1 million). This leaves a net working capital of NOK 94.4 million (NOK 41.2 million). The working capital level has increased in line with seasonal activity, but is also influenced by a couple of large client payments falling due right after quarter end.

Total non-current assets at the end of the quarter were NOK 161.1 million (NOK 237.1 million). Property, plant and equipment includes NOK 71.4 million of leases capitalized under IFRS 16 (NOK 113.8 million). Launch and Recovery Systems ("LARS") booked at NOK 25 million were sold during the quarter.

Net interest-bearing debt (total interest-bearing debt, including capitalized leases under IFRS 16, less cash) stood at NOK 39.5 million (NOK 115.6 million). Net financial interest-bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK -33.6 million (NOK -23.6 million), i.e. cash positive. The year-over-year reduction in net debt is largely explained by positive cash flows the past year, partly offset by payment of NOK 21.5 million in dividend.

The Group's equity as of 30.06.21 was NOK 215.4 million, which represents 51.3 % of the total balance sheet (34.0 % 30.06.20).

Net cash flow from operating activities for 2Q2021 was NOK 12.4 million (NOK 90.7 million). Net cash flow from investing activities was NOK 0.9 million (NOK 0.1 million for 2Q2020). Net cash flow from financing activities was NOK -84.6 million (NOK -69.8 million) and includes vessel charter hire classified as "Repayment of borrowings and leases" according to IFRS 16. Details about cash outflow from leases can be found in the Notes. Net change in cash and cash equivalents for 2Q2021 was NOK -71.3 million (NOK 21.0 million), influenced by an increase in trade receivables, which was partly reversed right after quarter end, purchase of the shares in Surveyor AS and payment of dividend. Net change in cash and cash equivalents was NOK -32.5 million (NOK 19.8 million) for the first six months of 2021.

REACH has no major debt maturities to credit institutions or capital expenditure (investment) commitments for 2021 and onwards.

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The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange (Euronext).

The Company has per 30.06.2021 issued 143,606,008 shares, of which the majority is owned by Norwegian shareholders.

Investor relations

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.

Reach Subsea aims to have a high level on content and frequency of information to its investors. Our quarterly financial reports include financial details to increase the transparency of our business. Monthly operating statistics are released within 15 days after month end and are also enclosed in the quarterly reports.

Financial reports, General Meeting Minutes, Share price information, Corporate Governance, Operational figures and presentation of the Board and Management can be found on the company's web page www.reachsubsea.no as well as the full Sustainability Report covering initiatives and measures on Corporate Social Responsibility.

Reach Subsea ASA has a dividend policy stating that the company aims to distribute a dividend of around 50% of adjusted net profit. Adjusted net profit is defined as reported net profit, adjusted for amortization of termination fee.

News after quarter end

REACH has been awarded several contracts and call-offs under frame agreements, involving inspection, survey and construction support projects across Europe and the Americas. Clients represent major operators and tier 1 contractors in both the oil & gas and renewable sectors.

Our schedule indicates good utilization throughout the third quarter for all of our subsea spreads. Reach has also entered into various contracts and call-offs under frame agreements, and now has approximately 1,550 project days (equivalent to approximately 2,200 ROV days), of which approximately 1,250 project days are for 2021 execution and approximately 300 project days are for 2022 execution. These contracts cover a wide spectrum of project types and are across both oil & gas and renewables projects. Our schedule now indicates good utilisation for the third quarter to build upon for the 2021/22 winter season.

Furthermore, Reach has entered into an LOI for mobilisation of one ROV, which was formerly on *Topaz Tiamat*, on a new subsea vessel towards a two-year firm contract, which would add approximately 750 project days to our schedule. The client and region for this two year contract is currently confidential between the parties. Reach expect the LOI to be converted to a firm contract in the near future.

These figures do not include options and expected call-off extensions under frame agreements, which from experience can constitute significant additional work.

The order book figure of NOK 253 million take these contracts into account. See further details under «Vessel Update» and «Outlook».

Year to date Operation figures are presented in the table below.

	Q1		April		May		June		Q2		July		Year (to date)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Number of ROV days sold	405	254	178	198	210	278	220	258	608	734	250	298	1 263	1 286
Number of ROV days available	749	770	300	280	310	309	336	286	946	875	362	300	2 057	1 945
Technical uptime on ROVs	98 %	99 %	99 %	100 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %
Number of offshore personnel days sold	2 397	2 522	822	1 369	1 105	2 065	1 194	2 115	3 121	5 549	993	2 149	6 511	10 220
LTI's	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of Vessel days sold	209	96	119	66	103	98	74	104	296	268	90	143	595	507

Definitions

EBIT: Earnings before interest and taxes (operating result).

Liquidity: Cash and cash equivalents.

Net working capital: Receivables and inventories less non-interest-bearing current liabilities.

Net interest-bearing debt: Interest bearing debt less cash and cash equivalents.

Number of ROV days sold (ROV days): Total number of ROV days sold in Reach Subsea AS (incl. Surveyor AS from 1.4.2021).

Number of ROV days available: Total number of ROVs owned by Reach Subsea AS (incl. Surveyor AS from 1.4.2021) 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.

Project days: Total number of days that a subsea spread is sold to projects, including ROV, personnel and/or vessel.

Technical uptime on ROVs: 1-unpaid break down hours divided by total sold operation hours

Number of offshore personnel days sold: Total offshore manhours (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).

2nd Quarter

Outlook

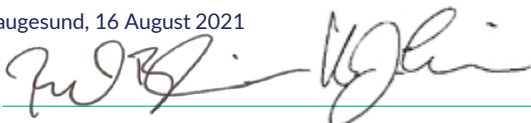
REACH currently markets and operates five subsea spreads (vessel, ROVs, and personnel, alone or together with partners), which have an attractive cost structure. These subsea spreads are tailored to our target markets and are well suited to the scope of services that are at the core of our business. We are monitoring the market for opportunistic asset additions to complement and strengthen our portfolio, while at the same time progressing Reach Remote towards market launch in 2023.

Looking into 2021 and beyond we see that the dramatic changes in global energy markets creates a business environment with both challenges and opportunities. The challenges are evident as subsea services provided to the oil & gas sector, our historical core market, will have lower activity levels than in the past. The opportunities are that our core subsea service competence can be utilized in the growing offshore wind sector as well as new emerging sectors such as offshore fish farming and subsea mining. We have together with our partner MMT a very competitive survey offering. Our ambition is to build on this success, and also increase our footprint within IMR services to the offshore wind sector.

Our response to both the challenges and opportunities we face is twofold. First, in the near term we will maintain a competitive cost structure and remain agile and flexible in order to generate good returns in a market we expect to be characterized by short- and medium-term projects.

Second, we will introduce Reach Remote to the market in 2023 and aim to provide our subsea services from a remote and autonomous platform from 2025. With Reach Remote fully deployed, we will virtually eliminate the carbon footprint and personnel risk associated with our offshore operations, while also achieving a game changing reduction to the cost of providing subsea services.

Haugesund, 16 August 2021



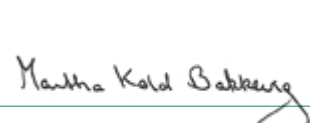
Rachid Bendriss
Chairman of the Board



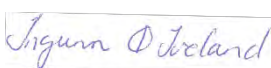
Kåre Johannes Lie
Vice-Chairman of the Board



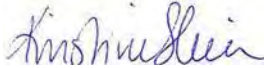
Anders Onarheim
Board member



Martha Kold Bakkevig
Board member



Ingunn Iveland
Board member



Kristine Skele
Board member



Sverre B. Mikkelsen
Board member



Jostein Alendal
Managing Director

Our decision to postpone the introduction of Reach Remote to 2023 is sound and founded on making sure we get it right at the outset. With global supply chain challenges looming, we want to spend more time on quality assurance before incurring investment commitments. Also, introduction of new technologies require a sound regime for certification. To that end, the recent announcement of making Haugesund the national center for testing, verification and certification of remote technologies is an important milestone for Reach Remote. It is also encouraging to note the response from clients and potential partners from across the world who want to be part of Reach Remote.

The Board and management are very pleased with delivering strong results for the first half of 2021, which provides a good foundation for addressing both the challenges and opportunities we face.

STATEMENT PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

Statement by the Board of Directors and Chief Executive Officer: We hereby confirm that the half-year financial statements for the period 1 January to 30 June 2021 have, to the best of our knowledge, been prepared pursuant to IAS 34 Interim Financial Reporting and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole. We hereby also confirm that, to the best of our knowledge, the half year financial statements provide a true and fair overview of developments, the financial performance and important events during the accounting period and their effect on the half-year financial statements, the most important risk and uncertainty factors that the group faces in the next accounting period and material transactions with close associates.

Contact:

Jostein Alendal (CEO)

Birgitte Wendelbo Johansen (CFO)

The Vessel Fleet



Viking Neptune

State of the art, high capacity subsea construction vessel, prepared for flexible, cable installation and heavy lifting.

D400 Te AHC Main Crane and 100 Te AHC Auxiliary Crane DP3, ICE 1B
4.400 Te below deck Carousel,

Moonpool

2600 m² steel deck

1x Kystdesign supporter WROV and 1x constructor WROV

Battery pack installed 1Q2020



Olympic Artemis

Cost effective IMR, survey and light construction vessel

60t AHC crane

Helideck

Moonpool

1x Kystdesign supporter WROV in hangar

Cargo deck 820 m²



Havila Subsea

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

150T AHC Main Crane

Moonpool in hangar for module handling

650 m² deck

Helideck 26 m diameter

2x Schilling WROVs in hangar

The Vessel Fleet



Olympic Delta

Multi-purpose ROV support vessel, designed specially to serve the subsea inspection, maintenance and repair (IMR) market.

- 80t AHC Crane
- Helideck
- 900m² deck
- Moonpool
- Dual WROV hangar
- Permanent full survey suite
- Large office facilities



Stril Explorer

Multi-purpose support vessel, designed to be a cost-effective, flexible platform for subsea & offshore.

- 60t offshore crane
- Large office and accommodation facilities
- 70 berths
- 450m² deck
- 1x Kystdesign supporter WROV and 1x Surveyor Interceptor in ROV hangar



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
- Construction moonpool
- 1000 m² deck
- 2xWROVs in WROV hangar
- Permanent full survey suite
- Large office facilities

Sustainability

Reach Subsea strives to be an industry leading subsea operator with a long term sustainability goal to have zero harm to personnel, environment and equipment. Reach Subsea's priorities within sustainability are defined based on an evaluation of stakeholders' expectations and interests.

Our assessment of material topics and key targets for 2021 can be found in the Sustainability report for 2020. Our sustainability performance will be measured regularly and presented to the market on a quarterly basis.

Visit our webpage www.reachsubsea.no/sustainability for more information.

Status for first half of 2021 is summarized below:

Environment

Increase activity within non-Oil&Gas segment to 50%

☐ **Achieved**

Activity is measured through performed project days during the quarter. Activity within non-Oil&Gas segment was 52% percent of total activity during first half of 2021. The activity is driven by major survey projects in the offshore wind sector.

Reduce CO2 emissions compared to activity levels

☐ **Achieved**

Our total CO2 emission per sold vessel day was 34.40 tonn CO2 equivalents during first half of 2021, compared to 37.19 in 2020. The reduction of 7% is mainly due to less transit activity during the quarter.

Zero major spills of hazardous materials to the sea

☐ **Achieved**

0 major spills during the first half of 2021. Reach continues to focus on use of environmentally friendly highly degradable hydraulic oils in our ROVs.

Increase use of remote operations

☐ **Achieved**

REACH performed remote operations in Q1 on *Havila Subsea*, with good results.

Invest in Unmanned Surface Vessels

☐ **Ongoing**

REACH is currently performing a study related to Reach Remote. A final investment decision is expected in second half of 2021.

Participate in Ocean Cleanup campaign

☐ **Ongoing**

Reach has not participated in a Ocean Cleanup during first half of 2021, however we still plan on performing such a campaign during the year.

Sustainability

Employees

Maintain turnover below 8 %

☐ **Achieved**

There has been no material turnover during the first half of 2021.

Further develop REACH-ED with new e-learning

☐ **Ongoing**

We are currently planning an expansion of the REACH-ED system. As of Q2 no new e-learning are implemented.

Zero work related injuries

☐ **Achieved**

No work related injuries occurred during first half of 2021.

Work related sick leave at low level (less than 1.0 %)

☐ **Achieved**

There has been no work related sick leave during the first half of 2021.

Increase percentage of female employees in offshore employment categories

☐ **Achieved**

REACH has hired new offshore trainees during first half of 2021, whereof one is female.

Implement campaign with focus on mental and physical health

☐ **Ongoing**

The HSEQ campaign 'Well-being & Mental Health' was implemented in Q2.

Responsible business

Maintain customer satisfaction score at 4 and higher

☐ **Achieved**

During the first half of 2021 our registered customer satisfaction score is 4.69.

Develop REACH-ED to include e-training for suppliers

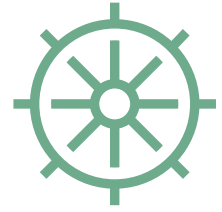
☐ **Achieved**

REACH-ED now includes e-training for suppliers. All suppliers working on REACH offshore projects have to perform the e-learning 'Working on a Reach Subsea Vessel'.

Maintain technical uptime at 99 % or higher

☐ **Achieved**

Technical uptime during the first half of 2021 was 99 %, the same level as in 2020.



Featured Project #1

Pipeline Inspection

Vessel

Havila Subsea

Client

Shell

Location

UK

Period

2Q2021

Water Depth

Various



Pipeline Inspection with Surveyor Interceptor

Reach Subsea and MMT were contracted by Shell UK to perform pipeline inspection works using the Surveyor Interceptor during Q2 of 2021.

The customer feedback included the remark *"This has been another excellent year of data collection across all of our assets which has been conducted flawlessly"* which speaks to the exceptional survey platform that the Surveyor Interceptor is and the strong cooperation that has been developed between Reach Subsea and MMT.

Featured Project #2



Equinor IMR Frame Agreement

Vessel

Olympic Zeus

Client

Equinor

Location

Norway

Period

2Q2021

Water Depth

380 m



Inspection, Maintenance and Repair

During Q2 of 2021 Reach Subsea was awarded the first ever call-off for Equinor under the Inspection, Maintenance and Repair Frame Agreement.

The project included fast track planning and execution of a complex lifting operation with the use of new and innovative technology for remote disconnection of lifting rigging. Although the project was rather short it has proved to be an important showcase of Reach Subsea's strong focus on embracing new technology and to deliver fast track projects to support urgent needs with solid and safe project execution. The vessel *Olympic Zeus* was chartered for this project.

Income statement



Statement of profit or loss (NOK 1000)	2Q 2021 unaudited	2Q 2020 unaudited	6M 2021 unaudited	6M 2020 unaudited	12M 2020 audited	NOTES
Operating revenue	169 795	210 933	271 570	289 729	618 870	
Other income/losses	-	6 168	-	6 168	9 160	10
Revenue	169 795	217 100	271 570	295 897	628 030	
Procurement expenses	(30 368)	(66 638)	(47 270)	(86 678)	(169 972)	
Personnel expenses	(24 901)	(28 354)	(49 508)	(50 035)	(111 422)	
Other operating expenses	(21 513)	(28 917)	(31 847)	(40 718)	(79 429)	
EBITDA	93 013	93 190	142 945	118 466	267 207	
Depreciation*	(75 231)	(56 640)	(112 988)	(98 689)	(208 386)	3,10
Impairment*	-	(7 505)	-	(7 505)	(7 505)	3,10
Operating result (EBIT)	17 782	29 047	29 957	12 273	51 317	
Interest income	114	50	114	188	149	
Interest expenses	(2 641)	(3 765)	(3 240)	(5 459)	(6 576)	10
Other net financial items	621	2 887	211	(9 258)	(3 274)	
Result from associated companies	-	(666)	146	(2 038)	1 487	
Profit (loss) before taxes	15 875	27 554	27 187	(4 294)	43 103	
Taxes	-	-	-	-	-	8
Profit (loss)	15 875	27 554	27 187	(4 294)	43 103	
Comprehensive income						
Translation differences	22	230	141	888	684	
Gain/loss on financial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	22	230	141	888	684	
Total comprehensive income	15 897	27 783	27 328	(3 406)	43 787	
Earnings per share	0.11	0.19	0.19	(0.02)	0.31	
Diluted earnings per share	0.11	0.19	0.19	(0.02)	0.31	

*) As explained in the 3Q2020 financial report disclosure note 11, the recorded amounts related to the derecognition of the Havila Harmony right of use asset has been reclassified for presentation purposes

Balance Sheet



Statement of financial position (NOK 1000)	2021 30/06 unaudited	2020 30/06 unaudited	2020 31/12 audited	NOTES
Non-current assets				
Deferred tax assets	8 161	8 161	8 161	8
Investment in joint ventures	-	19 247	22 772	11
Property, plant and equipment	152 970	209 651	90 103	3, 10
Total non-current assets	161 132	237 059	121 036	
Current assets				
Bunkers	6 100	6 223	1 376	
Trade receivables	142 994	129 004	90 783	
Other receivables	35 918	49 014	44 422	
Cash and cash equivalents	73 354	57 339	105 396	
Total current assets	258 365	241 580	241 978	
Total assets	419 497	478 639	363 014	
Equity				
Share capital	143 606	143 546	143 606	6
Share premium	71 775	105 025	83 529	
Proposed dividends	-	-	21 541	
Other equity	561	(85 931)	(38 522)	7
Total equity	215 942	162 640	210 154	
Non-current liabilities				
Interest-bearing debt to credit institutions	21 753	19 479	12 731	4, 10
Interest-bearing debt, other (related to IFRS 16)	-	11 962	-	4, 10
Total non-current liabilities	21 753	31 442	12 731	
Current liabilities				
Interest-bearing debt to credit institutions, short term	18 051	14 303	12 859	4, 10
Interest-bearing debt, other (related to IFRS 16), short term	73 096	127 199	15 766	4, 10
Trade payables	60 112	83 988	65 055	
Other current liabilities	30 542	59 067	46 448	
Total current liabilities	181 802	284 557	140 128	
Total liabilities	203 555	315 999	152 859	
Total equity and liabilities	419 497	478 639	363 014	

Cashflow

UNAUDITED



Statement of cash flow (NOK 1000)	2Q 2021	2Q 2020	6M 2021	6M 2020	12M 2020	NOTES
Cash flow from operating activities						
Operating result (EBIT)	17 221	29 047	29 065	12 273	51 317	
Paid taxes	-	-	-	-	-	
Gain on sold assets*	-	(6 168)	-	(6 168)	(9 160)	
Depreciation and amortisation*	75 231	56 640	112 988	98 689	208 386	
Impairment*	-	7 505	-	7 505	7 505	
Change in trade debtors	(60 767)	(32 760)	(43 433)	(69 850)	(31 629)	
Change in trade creditors	8 853	7 270	(10 303)	30 004	11 071	
Change in other provisions	(28 142)	29 056	(11 647)	37 143	30 770	
Share option cost employees	-	108	-	216	432	
Net cash flow from operating activities	12 396	90 698	77 001	109 811	268 691	
Cash flow from investing activities						
Acquired cash balance from consolidation of Surveyor AS	-	-	12 482	-	-	11
Sale of fixed assets	24 718	-	24 718	-	(2 176)	
Purchase of shares in subsidiaries	(22 872)	-	(22 872)	-	(1 576)	11
Purchase of fixed assets	(1 000)	138	(1 000)	(1 438)	(2 118)	
Net cash flow from investing activities	846	138	13 328	(1 438)	(2 118)	
Cash flow from financing activities						
Net interest paid	(162)	(1 983)	(1 258)	(2 158)	(2 176)	
Proceeds from issuance of ordinary shares	-	-	105	-	-	
Drawdown on overdraft bank facility	-	(11 005)	-	-	-	
Payment of dividends	(21 541)	-	(21 541)	-	-	
Repayment of borrowings and leases	(62 848)	(56 809)	(100 148)	(86 420)	(197 996)	
Net cash flow from financing activities	(84 551)	(69 797)	(122 842)	(88 578)	(200 172)	
Net change in cash and cash equivalents	(71 309)	21 039	(32 513)	19 795	66 401	
Cash and cash equivalents in the start of the period	(144 260)	37 955	(105 396)	38 657	38 657	
Translation differences	403	(1 655)	470	(1 113)	339	
Cash and cash equivalents in the end of the period	73 354	57 339	73 354	57 339	105 396	

*) As explained in the 3Q2020 financial report disclosure note 11, the recorded amounts related to the derecognition of the Havila Harmony right of use asset has been reclassified for presentation purposes

Equity

UNAUDITED



(NOK 1000)	Share capital and share premium	Other equity	Total equity	NOTES
Equity 01.01.2021	248 676	(38 522)	210 154	
Translation difference	-	141	141	
Dividends paid	(21 541)	-	(21 541)	
Result for the period	-	27 187	26 626	
Allocation of other equity	(11 755)	11 755	-	
Equity 30.06.2021	215 381	561	215 942	

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 statements are audited. Consolidated interims- and yearly financial statements are available on the news services from Oslo Stock Exchange (www.newsweb.no) or the company's webpage (www.reachsubsea.com).

Note 2 - Significant accounting principles

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

Note 3 - Fixed assets

(NOK 1000)	ROV and ROV equipment	ROV, leased from financial institutions	Right of use asset Vessel and other equipment	Equipment and office machinery	Total
Purchase cost 01.01.21	133 253	115 746	134 029	12 084	395 111
Additions*	46 155	-	154.410	-	200 565
Disposals/adjusted commitment	(22 856)	(1 862)	-	-	(24 718)
Purchase cost 30.06.21	156 552	113 884	288 439	12 084	570 958
Accumulated depreciation 30.06.21	(93 174)	(96 623)	(209 548)	(11 146)	(410 491)
Accumulated impairment 30.06.21	-	-	(7 505)	-	(7 505)
Net book value 30.06.21	63 378	17 262	71 393	938	152 970
Depreciation in the period	(11 468)	(4 853)	(96 557)	(108)	(112 988)
Impairment in the period	-	-	-	-	-
Expected useful life (years)	3-8	3-8	1-3	3	
Depreciation plan	Linear	Linear	Linear	Linear	

* Refer to note 11 for additions to ROV and ROV equipment acquired in purchase of Surveyor AS.

The Group has sold two of its LARS systems during the quarter. No gain/loss has been recognized from this sale, as the assets depreciation plan took into consideration agreed selling price at time of sale.

Note 3 - Fixed assets

Summary

Impairment testing has been performed in accordance with IAS 36. Impairment testing for Q2 2021 did not result in any impairment.

Discount rate

The discount rate is based on the Weighted Cost of Capital (WACC) pre-tax for the Group. The discount rate is 9.0 %.

Revenue assumptions

The revenue assumption in the cash flow forecast is based on a combination of utilization for assets and selling price. Utilization is based on firm contractual days on a short to medium term and estimated future selling on a medium to longer term. Forecasted utilization on a longer term is based on historical data, as well as management's expectations of market development. Forecasted selling rates are based on historical data. No inflation adjustments have been made to revenue assumptions.

Right-of use-assets - vessels:

The right-of-use assets at 30 June 2021 represents the remaining committed vessel days on charter agreements with vessel owners. The impairment testing demonstrated that the recoverable amount is larger than book value, and as such no impairment charge is required. The recoverable amount is sensitive to estimated utilization and selling rate assumptions. See note 10 for further information on Right-of-use assets.

ROV and ROV equipment:

Impairment testing has been performed on each ROVs CGU, i.e., both owned and leased ROVs. The recoverable amount is based on estimated future cash flows, which is based on estimated selling price, budgeted maintenance cost and utilization. The impairment testing demonstrated that the assets recoverable amount is larger than book value, and as such no impairment charge is required. The recoverable amount is based on estimated future cash flow for the CGU and is sensitive to estimated utilization and selling rate assumptions.

A sensitivity analysis show the following sensitivity in the impairment testing, including both Right-of-use assets, ROV and ROV equipment:

Drop in estimated revenue	Impairment charge (NOK 1000)
10%	545
20%	12 020
30%	33 417

An increase of the WACC of 2 percentage points will not result in any impairment charge.



Note 4 - Borrowings

(NOK 1000)	30/06/2021	31/12/2020
Non-current liabilities		
Bank borrowings	19 730	7 500
Lease liabilities to credit institutions	2 023	5 231
Other non-current lease liabilities (IFRS 16)	-	-
Total non-current borrowings	21 753	12 731
Current borrowings		
Bank borrowings	11 584	5 000
Lease liabilities to credit institutions	6 467	7 859
Other current lease liabilities (IFRS 16)	73 096	15 766
Total current borrowings	91 148	28 625
Carrying amount		
Bank borrowings	31 315	12 500
Finance lease liabilities	81 586	28 856
Total carrying amount	112 901	41 356
Fair value		
Bank borrowings	31 315	12 500
Finance lease liabilities	81 586	28 856
Total fair value	112 901	41 356

At 30.06.21 bank borrowings are secured on fixed assets for the value of NOK 81.5 million (31.12.20: 76.6 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 are carried out on commercial terms in accordance with the Public Companies Act § 3-16.



Note 6 - Shareholders

20 largest shareholders as per 30.06.2021

	Shares	Stake
NORTH ENERGY ASA	46 126 567	32.1 %
JOSO INVEST AS	7 564 589	5.3 %
HOLME HOLDING AS	6 125 000	4.3 %
VERDIPAPIRFONDET EIKA NORGE	5 781 083	4.0 %
JT INVEST AS	5 529 539	3.9 %
SOBER AS	5 000 000	3.5 %
NORMAND DRIFT AS	5 000 000	3.5 %
DANSKE INVEST NORGE VEKST	2 820 462	2.0 %
LION INVEST AS	2 380 000	1.7 %
STAVA INVEST AS	2 300 000	1.6 %
CORUNA AS	2 250 000	1.6 %
RMS INVEST AS	2 000 000	1.4 %
TEOMAR AS	2 000 000	1.4 %
A-Å INVEST AS	1 938 725	1.4 %
SMS INVESTERING AS	1 652 366	1.2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1 635 991	1.1 %
BARRUS CAPITAL AS	1 510 090	1.1 %
FREEMAN SHIPPING & OFFSHORE AS	1 387 457	1.0 %
TEM INVEST AS	1 250 000	0.9 %
CASTEL AS	1 248 517	0.9 %
Total 20 largest	105 500 396	73.5 %
Others	38 105 612	26.5 %
Total	143 606 008	100.0 %

List of 20 largest shareholders in updated monthly on www.reachsubsea.no



Note 7 - Share-based remuneration

The 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 has not yet been finalized.

Note 8 - Tax

The Group has, based on contracts and budgets for 2021 and 2022, assumed that parts of the tax loss carried forward can be recognized. Per 30.06.21 NOK 8.2 million is capitalized.

Note 9 - Segments

(NOK 1000)	2021 01.04.-30.06.	2020 01.04.-30.06.	2021 01.01.-30.06.	2020 01.01.-30.06.	2020 01.01.-31.12.
Revenue					
Oil & Gas	124 612	205 047	179 236	279 341	473 389
Renewable / other	45 183	12 053	92 334	16 556	154 641
Total	169 795	217 101	271 570	295 897	628 030
Operating expense					
Oil & Gas	(108 796)	(177 660)	(161 441)	(267 770)	(434 708)
Renewable / other	(43 217)	(10 393)	(80 171)	(15 855)	(142 005)
Total	(152 013)	(188 053)	(241 613)	(283 625)	(576 714)
Operating result					
Oil & Gas	15 906	27 387	17 757	11 571	38 681
Renewable / other	1 876	1 660	12 200	701	12 636
Total	17 782	29 047	29 957	12 272	51 317
EBITDA					
Oil & Gas	83 202	87 865	84 731	111 690	201 412
Renewable / other	9 811	5 326	58 215	6 776	65 795
Total	93 013	93 190	142 945	118 466	267 207



Note 10 - Leasing

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 2Q2021, 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 capitalized. The following have been recognized:

Right-of-use assets	30/06/2021	31/12/2020
Property, plant and equipment	71 393	13 534
Total	71 393	13 534

Lease liabilities	30/06/2021	31/12/2020
Current	73 096	15 766
Non-current	-	-
Total	73 096	15 766

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

	Q2 2021	Q2 2020	6M 2021	6M 2020	12M 2020
Depreciation charge of right-of use assets	65 290	47 883	96 557	81 129	174 802
Impairment charge of right-of-use assets	-	7 505	-	7 505	7 505
Interest expense	1 371	1 731	1 868	3 113	4 252
Total charges to the P&L	66 661	57 120	98 425	91 747	186 559

The total cash outflow for leases in 2Q2021 was NOK 57.6 million and NOK 91.4 million in the first half of 2021 (Q22020: NOK 53.3 million).



Note 10 - Leasing

Reconciliation of leases on committed days recognized in 2021:	Right-of use assets	Lease liability, non-current	Lease liability, current
Opening balance 01.01.2021	13 534	-	15 766
Additions	128 837	-	128 837
Disposals	-	-	-
Depreciation	(70 984)	-	-
Impairment	-	-	-
Interests	-	-	1 868
Reclassification from long to short term	-	-	-
Adjusted commitment	-	-	(368)
Currency adjustment	-	-	70
Payments	-	-	(73 077)
Ending balance 30.06.2021	71 393	-	73 096

The right-of-use assets for the period were calculated based on a discounted estimated commitment on the following vessels; *Olympic Challenger*, *Olympic Delta* and *Olympic Artemis*, as well as hired in ROVs onboard *Olympic Delta*. The vessel *Havila Subsea* as well as other short term hired in vessels are treated as short term leases under IFRS 16 and are also recognized as depreciations.

Reconciliation of depreciation	Q2 2021	Q2 2020	6M 2021	6M 2020	12M 2020
Depreciation of long term right-of-use assets	47 819	32 533	70 984	61 561	103 857
Depreciation of short term right-of-use assets	17 471	15 350	25 573	19 568	70 945
Depreciation of other assets	9 939	8 757	16 429	17 560	33 584
Total depreciation	75 231	56 640	112 988	98 688	208 386

Note 11 – Business combinations

In March 2021 our joint venture partner MMT Sweden AB (“MMT”) was acquired by Ocean Infinity. This transaction triggered an option for Reach Subsea to purchase MMT’s shares in our jointly owned entity Surveyor AS at book value. This option was exercised 31.03.2021 with the effect that the balance sheet for Surveyor AS is consolidated into our Group accounts as per quarter end. The transaction was closed in June 2021.

A preliminary purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at the acquisition date. Fair values are in accordance with the requirements of IFRS 3. The agreed purchase price for MMT’s shares is NOK 22.8 million. The fair values of the identifiable assets and liabilities in the transaction as at the date of the acquisition have been estimated as follows:

(NOK 1000)	
Property, plant and equipment	44 855
Trade receivables	8 778
Other receivables	8 250
Cash and cash equivalents	12 482
Total assets	74 365
Interest-bearing debt to credit institutions	22 961
Trade payables	5 601
Other current liabilities	246
Total assets	28 807
Total identifiable net assets at fair value	45 558
Whereof 50 % is acquired	22 779
Total consideration	22 779
Goodwill	-

Note 12 - Events after quarter end

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

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