

2020 Q1

Everything is within Reach

Quarterly Consolidated Report



1st Quarter 2020

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

- 1Q 2020 EBITDA was NOK 25.3 million compared with NOK 13.5 mill in 1Q2019, while pre-tax result was NOK -31.8 million compared with NOK -19.1 million. NOK 12.7 million of the pre-tax deterioration is due to negative non-cash currency effects.
- Seasonally low utilisation combined with significant negative currency effects from the NOK weakening in March, as well as linear vessel cost-related depreciations (effect from IFRS 16) is the main reason for the negative result.
- Busy contracting activity during and after quarter end, despite market turbulence. 750 project days secured for the remainder of 2020 season, and 300 project days secured for 2021.
- The ROV formerly on *Edda Fonn* has now been mobilized on *Olympic Artemis*, a fit for purpose modern subsea vessel.
- Limited preliminary effects of COVID-19, but the outlook beyond 3Q2020 has become more uncertain.

Key figures UNAUDITED

	1Q 2020	1Q 2019	12M 2019
Revenues (NOKm)	79	67	509
EBITDA (NOKm)	25	14	171
Pre-tax profit (NOKm)	-32	-19	-36
Liquidity (NOKm)	38	74	39
Net working capital (NOKm)	48	1	32
Net interest bearing debt, incl IFRS 16 leases (NOKm)	153	213	144
Equity (NOKm)	135	192	166
Order backlog (NOKm)	230	194	120
Outstanding tender value (NOKbn)	2,0	1,8	2,1
Number of ROV days sold	254	246	1 790
Number of ROV days available	770	831	3 638
Technical uptime on ROVs	99%	100%	100%
Number of offshore personnel days sold	2 522	2 236	10 992
LTI	0	0	1
Number of vessel days sold	96	110	818

See definitions on page 5

1st Quarter 2020

Operations

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

REACH had 770 available ROV-days in 1Q2020 (831 ROV-days in 1Q2019), of which 254 days were sold (246) leading to a total utilisation of 33% (30%). Furthermore, number of vessel days that passed through our P&L was 96 (110) in the first quarter.

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 26th May 2020 a firm order book of NOK 230 million for 2Q2020 and beyond, with the vast majority related to work in 2020. The order book figure does not include expected volumes from the frame agreements.

Vessel update:

Topaz Tiamat was mobilized in March 2019. The vessel is equipped with two Supporter WROVs and Reach Subsea offshore personnel and was ready for subsea projects in cooperation with MMT as from March 2019. *Topaz Tiamat* was idle the first month of the year followed by a 20 day yard stay for battery pack installation at the owner's cost. In March the vessel started working for a major oil and gas client in the North Sea lasting throughout the quarter. *Topaz Tiamat* is scheduled with projects in the North Sea until August 2020.

Olympic Challenger is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The spread started the quarter with a few spot jobs in the North Sea followed by a decommissioning project in March/April. The vessel is scheduled for various short and medium term projects during the summer season, mainly in Europe.

Havila Subsea is equipped with two owned Schilling WROVs and offshore personnel from Reach Subsea's offshore pool and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT. *Havila Subsea* was idle the first month of the year and then worked on a project in the Caribbean region for an international oil and gas company in the first quarter, whereafter she had transit to the North Sea to work on various projects. The spread is scheduled for projects in the North Sea until August 2020.

Stril Explorer is a survey vessel on a charter contract from Møkster to Reach Subsea's cooperation partner MMT. Reach Subsea provides ROV services consisting of one Supporter WROV and offshore personnel to the vessel. Projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach Subsea and MMT. The spread had high utilisation in the first quarter in the Baltic, which is expected to continue until the Equinor Wind project start-up in USA later this year. The "Surveyor Interceptor I" is currently mobilized onboard *Stril Explorer*.

Havila Harmony is mobilised with a hired-in WROV for work in the Caribbean region. Operations are executed by Reach Subsea and MMT personnel onshore and offshore. The vessel spread has been idle for repair at owners cost, for some time, however is back in operation in the second quarter of 2020. The vessel spread is scheduled for projects in the Caribbean region during the high season.

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 a contract between Eidesvik and Ocean Installer, with Reach as ROV service supplier, for 120-200 days in both 2020 and 2021.

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

Financial results

Revenue for the quarter was NOK 78.8 million compared with NOK 67.4 million for 1Q2019. The increased revenue is primarily explained by a higher service scope on our projects as activity levels were fairly unchanged.

Operating expense for the quarter was NOK 53.5 million, compared with NOK 53.8 million for 1Q2019. Project-related expense represents the majority of the operating expense for the group. As already mentioned, activity levels were fairly similar to last year explaining the flat year-over-year development in operating expense.

1Q2020 EBITDA was NOK 25.3 million compared with NOK 13.5 million for 1Q2019. The increased EBITDA is partly explained by improved project results.

Depreciation for the quarter was NOK 42.0 million (NOK 27.2 million). The increase is largely explained by the IFRS16-effect of *Topaz Tiamat*, which we took on charter medio March 2019. Furthermore, IFRS16 right of use assets are depreciated linearly, while charterhire payments are more seasonally skewed. On top of this we did not pay charterhire on *Topaz Tiamat* for February during the battery pack installation, although the right of use asset was still depreciated. For 1Q2020 the difference between IFRS16 depreciation and charterhire payments was NOK 7.6 million (NOK 3.9 million). The operating result for the Group was NOK -16.8 million in 1Q2020 compared to NOK -13.7 million the same period last year.

The IFRS 16 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). Pay as you go charter hire is classified as depreciations based on IFRS 16 guidelines. 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.

Net financial items for 1Q2020 was NOK -15.1 million (NOK -5.4 million), strongly influenced by the weakening of the NOK towards the end of the quarter. Net currency effects amounted to NOK -14.5 million in the quarter (NOK -1.8 million), including a NOK 22 million unrealized currency loss related to revaluation of charter commitments denominated in USD.

The total comprehensive income for 1Q2020 ended at NOK -31.2 million, compared with NOK -19.7 million for 1Q2019. The decrease compared with last year is mainly explained by the already mentioned currency effects and IFRS16 depreciation effect. Although 1Q is typically the seasonally weakest quarter in our business, underlying profitability still improved year-over-year.

For 1Q2020, Oil & Gas revenues constituted 89 % while Renewable/Other constituted 11 % of total revenues. By comparison, in 1Q2019 Oil & Gas revenues were 79 % while Renewable/Other constituted 21% 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).

Definitions:

EBITDA: earnings before interest, taxes, depreciations and amortizations

Liquidity: Cash and cash equivalents.

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

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

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

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

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

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

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

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

Capital structure

Total current assets at the end of the quarter were NOK 201.5 million (NOK 190.5 million), of which cash and cash equivalents amounted to NOK 38.0 million (NOK 73.6 million). Receivables were NOK 163.6 million (NOK 116.9 million) including bunkers. Total non-interest bearing current liabilities were NOK 115.9 million (NOK 115.7 million), leaving a net working capital of NOK 47.7 million (NOK 1.2 million). The high working capital level is partly explained by late payments from two clients for projects executed in 2019, which has been released after the balance sheet date.

Total non-current assets at the end of the quarter were NOK 239.6 million (NOK 403.5 million). Property, plant and equipment includes NOK 104.2 million of leases capitalised under IFRS 16 (NOK 228.6 million). The reduction is mainly explained by reduced remaining period of charter commitment for vessels.

Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 153 million (NOK 213 million). Net financial interest bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK 10.3 million (NOK -16.7 million). The increase is explained by the abovementioned NOK 46.5 million increase in net working capital.

The Group's equity as of 31 March 2020 was NOK 134.7 million, which represents 30.5 % of the total balance sheet.

Net cash flow from operating activities for 1Q2020 was NOK 19.1 million (NOK 69.5 million), with the decrease largely explained by increased working capital. Net cash flow from financing activities was NOK -18.8 million (NOK -25.1 million in 1Q2019), 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 1Q2020 was NOK -1.2 million (NOK 11.0 million). REACH has no major debt maturities to credit institutions or capital expenditure (investment) commitments for 2020 and onwards.

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

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31.03.20 issued 143 546 008 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 being released 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.

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. These projects represent about 750 project days (1,250 ROV days) for the remainder of 2020 and about 300 project days (450 ROV days) for 2021 execution.

One of the contract awards after quarter end represents a breakthrough in the US offshore wind market for Reach and its partner MMT. The contract is a major survey project for Equinor's lease area offshore New England, scheduled to commence in late summer 2020 and expected to run continuously throughout to 2Q2021.

The order book figure of NOK 230 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.

Outlook

REACH currently markets and operates seven 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 have been monitoring the market for opportunistic asset additions to complement and strengthen our portfolio and have in 2020 mobilised the former *Edda Fonn* ROV on the *Olympic Artemis* at attractive and flexible terms.

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 weak markets. With the impact of the COVID-19 outbreak and oil price collapse, these features of our business model look set to be put to the test.

Prior to the COVID-19 outbreak and the collapse in the oil price, tendering and contracting activity had started off stronger than in previous years. The preliminary effects of COVID-19 are that offshore crew changes have become, and will increasingly become, more challenging to execute. So far, we have not had any operating disruptions due to crew changes, nor have we had any infections onboard the vessels we operate from.

	January		February		March		Q1		April		Year (to date)	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Number of ROV days sold	63	39	54	53	129	162	246	254	196	198	442	452
Number of ROV days available	279	279	248	210	304	281	831	770	286	280	1117	1050
Technical uptime on ROVs	100%	99%	100%	100%	100	99%	100%	99%	100%	100%	100%	99%
Number of offshore personnel days sold	540	437	931	756	765	1329	2236	2522	897	1369	3133	3891
LTIs	0	0	0	0	0	0	0	0	0	0	0	0
Number of Vessel days sold	28	11	27	13	55	72	110	96	83	66	193	162

The effects of the collapse in the oil price has quickly become noticeable as E&P companies are re-scrutinizing their spending plans and postponing or cancelling projects. This also goes for renewables projects which are owned or funded by E&P companies. As of now, the projects we are involved in are going ahead as planned, with schedule changes to some projects, but status on projects we are tendering for has become more uncertain.

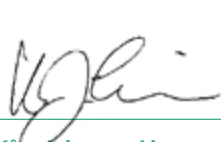
The recent dramatic change in our business and operating environment has increased the uncertainty in our outlook. The Board and the management is of the opinion that currently there is not sufficient and reliable information to provide clear and measurable assumptions for calculating the financial exposure related to the future oil price and the duration of the COVID-19 situation. Up until mid-3Q we have good visibility,

barring any cancellations, while we beyond this point are dependent on winning new work in order to protect our financial position. Short visibility is something we are used to as our position has been built in a market for short to medium term projects, but the project opportunities might be fewer and far between in the second half of 2020.

With the current market conditions and low oil price, there is an increased risk related to operating profit, which later in the year could negatively impact our financial position and key ratios in our loan covenants.

In this new and more uncertain environment, we have a sharp focus on mitigating actions such as closely monitoring all costs and introducing longer shift cycles for offshore personnel. In the longer term, we will accelerate our effort to develop more cost effective subsea service solutions, and increase the share of non-oil&gas business.

Haugesund, 26.05.2020



Kåre Johannes Lie
Chairman of the Board



Anders Onarheim
Vice-Chairman of the Board



Sverre B. Mikkelsen
Board member



Ingunn Iveland
Board member



Kristine Skeie
Board member



Jostein Alendal
Managing Director

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

The Vessel Fleet



Viking Neptun

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 and DEICE notation
- 4.400 Te below deck Carousel,
- Moonpool
- Helideck for Sikorsky S92
- Optimized stability and capacity for VLS (SWL 600 Te)
- Anti-heeling system (3 pumps each 2.200 m³/h)
- 2600 m² steel deck
- 1x Kystdesign supporter WROV and 1x constructor WROV
- Battery pack installed 1Q2020



Havila Harmony

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

-
- 150T AHC Main Crane
- Permanent full survey suite
- Large office facilities
- Helideck
- 816m² deck
- 1xSchilling WROV



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
- Permanent full survey suite
- Large office facilities
- Helideck 26 m diameter
- 2x Schilling WROVs in hangar

The Vessel Fleet



Topaz Tiamat

Multi-purpose ROV support vessel, designed specially to serve the offshore subsea market.

- 120t AHC Crane
- Helideck
- 1000m² deck
- Construction moonpool
- 2x Kystdesign supporter WROVs in ROV hangar
- Optimized for low fuel consumption
- Battery pack installed 1Q2020



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

Featured Project #1



Light Construction

Vessel

Topaz Tiamat

Client

Equinor

Location

North Sea

Period

1Q2020

Water Depth

Various



Efficient Light Construction

During the 1st Quarter of 2020 the *Topaz Tiamat* spread was employed for various Light Construction and Survey projects for Equinor. By selection of highly effective subsea tools in combination of the workability of the vessel this project was completed with very high efficiency. This project was also the first project performed after installation of a new battery pack for hybrid propulsion which was successfully adopted to achieve approx. 11% fuel savings from an already fuel effective vessel.

Featured Project #2



Structure Inspection

Vessel

Havila Subsea

Client

Shell

Location

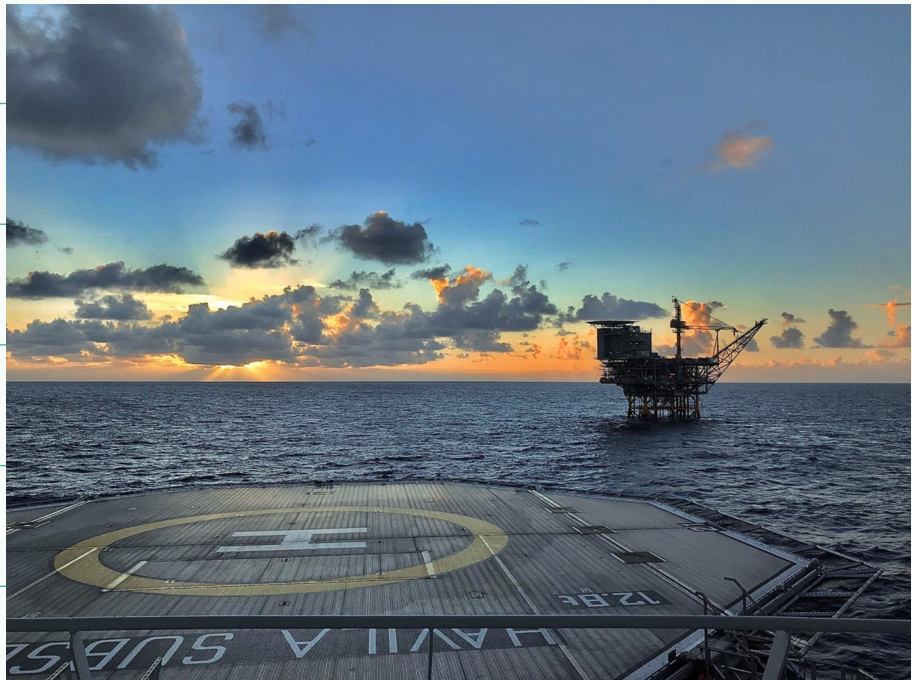
Trinidad & Tobago

Period

1Q2020

Water Depth

Various



Efficient Light Construction

During the February and March of 2020 the *Havila Subsea* successfully completed an Inspection, Maintenance and Repair project campaign on multiple assets on Trinidad's North and East Coast. The project was safely delivered on time and within budget despite the onset of the global COVID-19 pandemic.

'These projects are a testimony to the hard work and tenacity of our highly skilled offshore and project management teams leveraging technology to mitigate risk and ensure safety of our crews' Comments Trinidad Country Manager, Darryl Ennals

Income statement

UNAUDITED



Statement of profit or loss (NOK 1000)	1Q 2020	1Q 2019	12M 2019	NOTES
Operating revenue	78 797	66 092	508 337	
Other income/losses	-	1 298	194	
Revenue	78 797	67 390	508 531	
Procurement expenses	-20 040	-26 589	-184 140	
Personnel expenses	-21 680	-16 821	-90 552	
Other operating expenses	-11 801	-10 431	-62 433	
EBITDA	25 275	13 549	171 406	
Depreciation	-42 049	-27 237	-187 728	3,11
Operating result (EBIT)	-16 774	-13 688	-16 322	
Interest income	137	233	680	
Interest expenses	-1 695	-3 144	-11 452	11
Other net financial items	-12 144	-1 819	-5 200	
Result from associated companies	-1 371	-663	-3 391	
Profit (loss) before taxes	-31 848	-19 081	-35 685	
Taxes	-	-	-24	8
Profit (loss) taxes	-31 848	-19 081	-35 709	
Comprehensive income				
Translation differences	658	-589	-699	
Gain/loss on financial derivatives of cash flow hedges	-	-	-	
Comprehensive income items	658	-589	-699	
Total comprehensive income	-31 190	-19 670	-36 408	
Earnings per share	-0,22	-0,14	-0,25	
Diluted earnings per share	-0,22	-0,14	-0,25	

Balance Sheet

UNAUDITED



Statement of financial position (NOK 1000)	2020 31/03	2019 31/03	2019 31/12	NOTES
Non-current assets				
Deferred tax assets	8 161	8 161	8 161	8
Investment in joint ventures	19 913	24 108	21 285	
Property, plant and equipment	211 546	371 259	247 802	3, 11
Total non-current assets	239 620	403 528	277 247	
Current assets				
Bunkers	5 179	7 471	6 696	
Trade receivables	96 244	66 011	59 154	
Other receivables	62 130	43 429	63 624	
Cash and cash equivalents	37 955	73 580	38 657	
Total current assets	201 508	190 490	168 131	
Total assets	441 128	594 018	445 378	
Equity				
Share capital	143 546	143 546	143 546	6
Share premium	105 025	105 025	105 025	
Proposed dividends	-	10 048	-	
Other equity	-113 822	-66 781	-82 740	7
Total equity	134 749	191 838	165 831	
Non-current liabilities				
Interest-bearing debt to credit institutions	22 470	37 999	25 216	4, 11
Interest-bearing debt, other (related to IFRS 16)	42 561	106 714	58 784	4, 11
Total non-current liabilities	65 031	144 713	83 999	
Current liabilities				
Interest-bearing debt to credit institutions, short term	25 812	18 931	16 023	4, 11
Interest-bearing debt, other (related to IFRS 16), short term	99 645	122 851	82 497	4, 11
Trade payables	76 718	63 077	53 984	
Other current liabilities	39 174	52 609	43 045	
Total current liabilities	241 348	257 468	195 548	
Total liabilities	306 379	402 181	279 548	
Total equity and liabilities	441 128	594 018	445 378	

Cashflow

UNAUDITED



Statement of cash flow (NOK 1000)	1Q 2020	1Q 2019	12M 2019	NOTES
Cash flow from operating activities				
Operating result (EBIT)	-16 774	-13 688	-16 322	
Paid taxes	-	-	-524	
Gain sold assets	-	-	-194	
Depreciation and amortisation	42 049	27 237	187 728	
Change in trade debtors	-37 090	107 060	113 917	
Change in trade creditors	22 734	-22 175	-31 268	
Change in other provisions	8 087	-29 320	-63 345	
Share option cost employees	108	369	1 035	
Net cash flow from operating activities	19 113	69 484	191 026	
Cash flow from investing activities				
Sale of fixed assets	-	-	6 794	
Purchase of fixed assets	-1 576	-33 383	-33 908	
Net cash flow from investing activities	-1 576	-33 383	-27 114	
Cash flow from financing activities				
Net interest paid	-175	-107	-1 726	
Payment of dividends	-	-	-10 048	
Drawdown on overdraft bank facility	11 005			
Repayment of borrowings and leases	-29 610	-24 993	-177 231	
Net cash flow from financing activities	-18 781	-25 099	-189 005	
Net change in cash and cash equivalents	-1 244	11 002	-25 093	
Cash and cash equivalents in the start of the period	38 657	63 277	63 277	
Translation differences	542	-699	473	
Cash and cash equivalents in the end of the period	37 955	73 580	38 657	

Equity

UNAUDITED



(NOK 1000)	Share capital and share premium	Other equity	Total equity	NOTES
Equity 01.01.2020	248 571	-82 740	165 831	
IFRS 2 Option based salary	-	108	108	7
Translation difference	-	658	658	
Result for the period	-	-31 848	-31 848	
Equity 31.03.2020	248 571	-113 822	134 749	

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.

Note 3 - Fixed assets

(NOK 1000)	ROV and ROV equipment	Right of use asset ROV, leased from financial institutions	Right of use asset Vessel and other equipment	Equipment and office machinery	Total
Purchase cost 01.01.20	141 086	115 884	328 578	18 884	604 431
Additions	1 576	-	4 217	-	5 794
Disposals	-	-	-	-	-
Purchase cost 31.03.20	142 662	115 884	332 795	18 884	610 225
Accumulated depreciation 31.03.20	-74 451	-81 888	-228 621	-13 615	-398 678
Net book value 31.03.20	68 211	33 996	104 175	5 269	211 546
Depreciation in the period	-4 786	-3 311	-33 246	-707	-42 049
Expected useful life (years)	3-8	3-8	1-3	3	
Depreciation plan	Linear	Linear	Linear	Linear	

*See note 11 for further information on Right-of-use assets.

Note 3 - Fixed assets

Impairment

In the first quarter of 2020 the world has been significantly affected by the COVID-19 outbreak. There has also been a significant decrease in oil price. Both events are considered as impairment indicators and impairment testing has been carried out. Impairment testing is based on a value in use. No impairment charge has been made in Q1 2020.

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 asset 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. Reach Subsea has been awarded several short to medium term contracts for 2020 which is incorporated in the cash flow forecast. 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 31 March 2020 represents the remaining committed vessel days on charter agreements with vessel owners. The impairment testing demonstrated that the assets recoverable amounts is larger than book value, and as such no impairment is required in Q1 2020. The recoverable amount is based on estimated future cash flow for the vessels and is highly sensitive to estimated utilization and selling rate assumptions. See note 11 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 in Q1 2020. The recoverable amount is based on estimated future cash flow for the vessels and is sensitive to estimated utilization and selling rate assumptions.

Sensitivity:

Drop in estimated revenue	Impairment charge (NOK 1000)
10%	1 299
20%	3 190
30%	20 224

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



Note 4 - Borrowings

(NOK 1000)	31/03/2020	31/12/2019
Non-current liabilities		
Bank borrowings	11 250	12 500
Lease liabilities to credit institutions	11 220	12 716
Other non-current lease liabilities (IFRS 16)	42 561	58 784
Total non-current borrowings	65 031	83 999
Current borrowings		
Bank borrowings	16 005	5 000
Lease liabilities to credit institutions	9 807	11 023
Other current lease liabilities (IFRS 16)	99 645	82 497
Total current borrowings	125 457	98 520
Carrying amount		
Bank borrowings	27 255	17 500
Finance lease liabilities	163 233	165 019
Total carrying amount	190 537	182 568
Fair value		
Bank borrowings	27 255	17 500
Finance lease liabilities	163 233	165 019
Total fair value	190 537	182 568

At 31.03.20 bank borrowings are secured on fixed assets for the value of NOK 107.5 million (31.12.19: 114.7 million).

Note 5 - Transactions with related parties

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



Note 6 - Shareholders

20 largest shareholders as per 31.03.2020:

	Shares	Stake
NORTH ENERGY ASA	46 126 567	32.1 %
VERDIPAPIRFONDET EIKA NORGE	10 285 650	7.2 %
JOSO INVEST AS	7 564 589	5.3 %
JT INVEST AS	5 529 539	3.9 %
HOLME HOLDING AS	5 470 000	3.8 %
NORMAND DRIFT AS	5 000 000	3.5 %
DANSKE INVEST NORGE VEKST	2 820 462	2.0 %
STAVA INVEST AS	2 298 751	1.6 %
CORUNA AS	2 250 000	1.6 %
FREEMAN SHIPPING & OFFSHORE AS	2 064 478	1.4 %
RMS INVEST AS	2 000 000	1.4 %
LION INVEST AS	2 000 000	1.4 %
TEOMAR AS	2 000 000	1.4 %
A-Å INVEST AS	1 938 725	1.4 %
GOLDMAN SACHS & CO. LLC	1 687 716	1.2 %
SMS INVESTERING AS	1 652 366	1.2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1 635 991	1.1 %
MACAMA AS	1 578 446	1.1 %
BARRUS CAPITAL AS	1 510 090	1.1 %
TEM INVEST AS	1 250 000	0.9 %
Total 20 largest	106 663 370	74.3 %
Others	36 882 638	25.7 %
Total	143 546 008	100.0 %



Note 7 - Share-based remuneration

Board of directors of Reach Subsea ASA has approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group have been granted the right to acquire up to a certain maximum number of shares in the Company at a fixed strike price ("the Option"). The strike price is divided into two levels, equal to the subscription price in the two last private placements conducted by the Company (May 2016 NOK 2.00 and January 2017 1.75). The options can be exercised over a period of three years. The options are non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. The stock option plan constitutes a maximum of 3,886,875 options equivalent to a similar number of Reach Subsea ASA shares, whereof 306,483 shares were exercised in 2018 and 2,023,405 shares expired in 2018-2019. As of 1Q2020 the Company has recognized NOK 108,000 in cost related to the options.

Note 8 - Tax

The Group has, based on contracts and budgets for 2020 and 2021, assumed that parts of the tax loss carried forward can be recognized. Per 31.03.2020 NOK 8.2 million is capitalized.

Note 9 - Events after quarter end

The Group has entered into a new vessel charter agreement, valid from Q2 2020. Based on the contractual committed days in the new agreement, an addition of NOK 62.7 million will be capitalized as a Right-of-use asset at 01.04.2020. The Group has not had any major events after the balance date that affects the accounts.



Note 10 - Segments

(NOK 1000)	2020 01.01.-31.03	2019 01.01.-31.03	2019 01.01.-31.12
Revenue			
Oil & Gas	70 346	53 202	472 943
Renewable / other	8 451	14 188	35 589
Total	78 797	67 390	508 531
Operating expense			
Oil & Gas	-85 321	-64 008	-488 122
Renewable / other	-10 250	-17 070	-36 731
Total	-95 571	-81 078	-524 853
Operating result			
Oil & Gas	-14 975	-10 806	-15 180
Renewable / other	-1 799	-2 882	-1 142
Total	-16 774	-13 688	-16 322
EBITDA			
Oil & Gas	22 564	10 696	159 410
Renewable / other	2 711	2 853	11 996
Total	25 275	13 549	171 406



Note 11 - Leasing

The company has early adopted IFRS 16 as of 01.01.2018. Short term leases (committed lease term 12 month or less) of vessels are capitalized as right-of-use assets and depreciated. The impact is that all cost in relation to leases of vessels are presented as depreciation and interest expense. As of 1Q2020, 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 in 2020:

Right-of-use assets	31/03/2020	31/12/2019
Property, plant and equipment	104 175	133 203
Total	104 175	133 203

Lease liabilities	31/03/2020	31/12/2019
Current	99 645	82 497
Non current	42 561	58 784
Total	142 206	141 281

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

	Q1 2020	Q1 2019	12M 2019
Depreciation charge of right-of use assets	33 245	20 298	155 091
Interest expense	1 382	2 805	9 046
Total charges to the P&L	34 627	23 102	164 137

The total cash outflow for leases in 1Q2020 was NOK 25.6 million (Q12019: 16.5 million).



Note 11 - Leasing

Reconciliation of leases recognised in 2020	Right-of use assets	Lease liability, non-current	Lease liability, current
Opening balance 01.01.2020	133 203	58 784	82 497
Additions	-	-	-
Disposals	-	-	-
Depreciation	-29 028	-	-
Interests	-	414	968
Reclassification from long to short term	-	-23 111	23 111
Adjusted commitment	-	-	-659
Currency adjustment	-	6 475	15 160
Payments	-	-	-21 432
Ending balance 31.03.2020	104 175	42 561	99 645

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

Reconciliation of depreciation	Q1 2020	Q1 2019	12M 2019
Depreciation of long-term right-of-use assets	29 028	14 565	104 734
Depreciation of short-term right-of-use assets	4 217	5 733	50 357
Depreciation of other assets	8 803	6 939	32 617
Total depreciation	42 049	27 237	187 728

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