

2020 Q2

Everything is within Reach

Quarterly Consolidated Report



2nd 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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2nd Quarter Highlights

- Highest quarterly result in Reach Subsea's history, despite challenging market and operating conditions, driven by high utilisation and successful project execution.
- 2Q 2020 EBITDA was NOK 87.0 million compared with NOK 65.3 mill in 2Q2019, while pre-tax result was NOK 27.6 million (NOK 3.9 million).
- First half 2020 EBITDA of NOK 112.3 million (NOK 78.8 million), while pre-tax result was NOK -4.3 million (NOK -13.9 million)
- Busy contracting activity during and after quarter end, despite market turbulence. 700 project days secured for the remainder of 2020 season, and 350 project days secured for 2021.
- Breakthrough in the US offshore wind market, winning Equinor's major survey contract for the lease area offshore New England together with cooperation partner MMT Sweden AB.
- Several special effects in 2Q2020 related to early demobilisation of Havila Harmony, impairments, currency effects, and COVID-19. However, net effect limited with marginal impact on pre-tax result.

Key figures UNAUDITED

	2Q 2020	2Q 2019	12M 2019
Revenues (NOKm)	211	181	509
EBITDA	87	65	171
Pre-tax profit (NOKm)	28	4	-36
Liquidity (NOKm)	57	51	39
Net working capital (NOKm)	41	21	32
Net interest bearing debt, incl IFRS 16 leases (NOKm)	116	200	144
Equity (NOKm)	163	186	166
Order backlog (NOKm)		203	120
Outstanding tender value (NOKbn)	2,10	2,10	2,1
Number of ROV days sold	734	610	1 790
Number of ROV days available	875	965	3 638
Technical uptime on ROVs	99%	100%	100%
Number of offshore personnel days sold	5 549	3 512	10 992
LTI	0	1	1
Number of vessel days sold	268	279	818

See definitions on page 5

2nd 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 875 available ROV-days in 2Q2020 (965 ROV-days in 2Q2019), of which 734 days were sold (610) leading to a total utilisation of 84 % (63 %). Furthermore, number of vessel days that passed through our P&L was 268 (279) in the second 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 24th August 2020 a firm order book of NOK xx million for 3Q2020 and beyond, with the vast majority related to work in 2020. Reach now has approximately 700 project days (equivalent to about 1,100 ROV days) for second half 2020 execution, and about 350 project days (550 ROV days) for 2021 execution.

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** works mainly for oil and gas clients in the IMR segment and is scheduled with projects in the Northern part of Europe throughout 3Q2020.

Olympic Challenger is equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool. The vessel has the North Sea as her main area of operation, mainly for clients in the oil and gas/IMR segment. **Olympic Challenger** is currently scheduled for various short and medium term projects lasting throughout 3Q2020.

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** worked in the North Sea on various projects in the quarter. The spread is further scheduled for projects in Europe lasting throughout the year.

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 half of 2020 in the Baltic, and starts the Equinor Wind project in USA in August, a contract expected to last into the first half of 2021. The "Surveyor Interceptor I" is currently mobilized onboard **Stril Explorer**.

Havila Harmony was mobilised in 2018 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 worked on projects in the Caribbean region during the high season, whereafter she was demobilised in August.

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**, ready for the first projects in 3Q2020. The vessel spread has planned projects throughout 3Q2020.

Financial results

Revenue for the quarter was NOK 210.9 million compared with NOK 180.8 million for 2Q2019. Year to date revenue was NOK 289.7 million compared to NOK 248.2 million for the first half of 2019. The increased revenue is primarily explained by a higher project activity level.

Operating expense for the second quarter was NOK 123.9 million, compared with NOK 115.5 million for 2Q2019. Project-related expense represents the majority of the operating expense for the group. For the first half of 2020 operating expense was NOK 177.4 million compared to NOK 169.4 in 2019. As already mentioned, activity levels were higher explaining the year-over-year development in operating expense. Also, COVID-19 has had a cost effect of NOK 8 million on our operations (increased medic, quarantining of offshore personnel), of which our clients have compensated us NOK 5 million.

2Q2020 EBITDA was NOK 87.0 million compared with NOK 65.3 million for 2Q2019. EBITDA for the first six months of 2020 was NOK 112.3 million (NOK 78.8 million the same period in 2019). Improved project results and higher utilisation are the primary explanations for the improved EBITDA.

Depreciation for the quarter was NOK 47.8 million (NOK 56.9 million) and NOK 89.9 million for the first six months (NOK 84.1 million in 2019).

The cancellation of the Havila Harmony charter resulted in a reduction in depreciation of NOK 8.8 million, as the book value of the lease liability was higher than the book value of the capitalized asset. Impairment of NOK 10.1 million in 2Q2020 is related to write-down of capitalized mobilization on Havila Harmony (NOK 2.6 million) as well as expected lower utilisation of one of our chartered vessels (NOK 7.5 million). There was no impairment in 2019.

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).

The operating result for 2Q2020 was NOK 29.0 million (NOK 8.4 million) and NOK 12.3 million (NOK -5.3 million) for the first six months. Special effects related to Havila Harmony, impairments and COVID-19 costs impacted the operating result negatively by NOK 4.3 million. Despite this, increased utilisation and good project results contributed to the strong improvement in operating result.

Net financial items for 2Q2020 was NOK -1.5 million (NOK -4.4 million). In the second quarter currency effects contributed positively by NOK 2.9 million. Net financial items year to date was NOK -16.6 million (NOK -8.5 million), of which currency effects amounted to NOK -9.3 million. The main reason for the currency effects in our accounts this year is that some of our future charter hire is in USD (classified as debt/lease liability according to IFRS 16), impacted by this years massive movements in the foreign exchange markets.

The total comprehensive income for 2Q2020 ended at NOK 27.8 million, compared with NOK 4.1 million for 2Q2019. Total comprehensive income for the first half of 2020 was NOK -3.4 million compared to NOK -15.6 million for the same period in 2019.

Special effects related to Havila Harmony, impairments, COVID-19 costs, and currency effects have impacted 2Q2020 and first half 2020 comprehensive income by NOK -1.4 million and NOK -13.6 million, respectively.

For 2Q2020, Oil & Gas revenues constituted 94 % while Renewable/Other constituted 6 % of total revenues. By comparison, in 2Q2019 Oil & Gas revenues were 76 % while Renewable/Other constituted 24% 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 241.6 million (NOK 218.5 million in 2019), of which cash and cash equivalents amounted to NOK 57.3 million (NOK 51.4 million). Receivables were NOK 184.2 million (NOK 167.1 million) including bunkers. Total non-interest bearing current liabilities were NOK 143.1 million (NOK 146.1 million), leaving a net working capital of NOK 41.2 million (NOK 21.0 million). The working capital level is in line with the seasonal activity increase.

Total non-current assets at the end of the quarter were NOK 237.1 million (NOK 364.7 million). Property, plant and equipment includes NOK 113.8 million of leases capitalised under IFRS 16 (NOK 133.2 million). The reduction is explained by reduced remaining period of charter commitment for vessels and the early demobilization of *Havila Harmony*.

Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 115.6 million (NOK 199.7 million). Net financial interest bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK -23.6 million (NOK -1.9 million).

The Group's equity as of 30 June 2020 was NOK 162.6 million, which represents 34.0% of the total balance sheet (31.9% at 30 June 2019).

Net cash flow from operating activities for 2Q2020 was NOK 90.7 million (NOK 45.3 million). Net cash flow from financing activities was NOK -69.8 million (NOK -66.9 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 2Q2020 was NOK 21.0 million (NOK -22.1 million). Net change in cash for the first six months of 2020 was NOK 19.8 million compared to NOK -11.1 million in the same period in 2019.

REACH has no major debt maturities to credit institutions or capital expenditure (investment) commitments for 2020 and onwards.

The Share

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30.06. 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. Reach Subsea and MMT announced in August 2020 that they have been awarded a contract with a major European energy company for a cable route survey in the Mediterranean. The campaign, which involves use of our high speed survey ROV the Surveyor Interceptor onboard Havila Subsea, has two phases and will be conducted during 4Q 2020 and in 2021.

With the addition of these contracts, our schedule for 4Q and the winter season is improving. Reach Subsea now has approximately 700 project days (equivalent to about 1,100 ROV days) for second half 2020 execution, and about 350 project days (550 ROV days) for 2021 execution.

The order book figure of NOK xx 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. Definitions can be found on page 5.

Outlook

REACH currently markets and operates six 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 have been put to the test, so far with impressive results.

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 operating effects of COVID-19 are that offshore crew changes have become more complex and costly 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. The effects of the lower oil price are that E&P companies are re-scrutinizing their spending plans and postponing or canceling projects. This also goes for renewables projects which are owned or funded by E&P companies. However, the projects we are involved have gone ahead as planned, with schedule changes to some projects.

	Q1		Q2		July		Year (to date)	
	2019	2020	2019	2020	2019	2020	2019	2020
Number of ROV days sold	246	254	610	734	210	298	1066	1286
Number of ROV days available	831	770	965	875	350	300	2146	1945
Technical uptime on ROVs	99 %	99 %	100 %	99 %	100 %	99 %	100 %	99 %
Number of offshore personnel days sold	2236	2522	3512	5549	1001	2149	6749	10220
LTIs	0	0	1	0	0	0	1	0
Number of Vessel days sold	110	96	279	268	105	143	494	507

The dramatic change in our business and operating environment has increased the longer term 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. For 2020 we observe that our fleet is fully booked for 3Q, while two of our subsea spreads are covered for 4Q. Beyond this we are dependent on winning new work in order to generate profits and 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 winter season 2020/21 and beyond.

In this new and more uncertain environment, we have a sharp focus on mitigating actions such as closely monitoring all costs, scrutinizing our liabilities and, not least, executing projects well and winning more work from our clients. 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.

The Board is obviously very pleased with the 2Q2020 results, which represents a quarterly record for our company. Operational excellence and solid project execution remains key to profitability, and to winning the trust of our clients.

Haugesund, 24.08.2020

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 2020 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.

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 Skeie
Board member

Sverre B. Mikkelsen
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

Income statement

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Statement of profit or loss (NOK 1000)	2Q 2020	2Q 2019	6M 2020	6M 2019	12M 2019	NOTES
Operating revenue	210 933	180 765	289 729	246 857	508 337	
Other income/losses	-	-	-	1 298	194	
Revenue	210 933	180 765	289 729	248 155	508 531	
Procurement expenses	-66 638	-75 866	-86 678	-102 454	-184 140	
Personnel expenses	-28 354	-24 035	-50 035	-40 856	-90 552	
Other operating expenses	-28 917	-15 610	-40 718	-26 041	-62 433	
EBITDA	87 023	65 254	112 298	78 803	171 406	
Depreciation	-47 827	-56 875	-89 876	-84 112	-187 728	3,11
Impairment	-10 149	-	-10 149	-	-	3,11
Operating result (EBIT)	29 047	8 380	12 273	-5 308	-16 322	
Interest income	50	137	188	370	680	
Interest expenses	-3 765	-3 204	-5 459	-6 348	-11 452	11
Other net financial items	2 887	-580	-9 258	-1 098	-5 200	
Result from associated companies	-666	-804	-2 038	-1 467	-3 391	
Profit (loss) before taxes	27 554	3 929	-4 294	-13 851	-35 685	
Taxes	-	-	-	-	-24	8
Profit (loss)	27 554	3 929	-4 294	-13 851	-35 709	
Comprehensive income						
Translation differences	230	149	888	-1 741	-699	
Gain/loss on financial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	230	149	888	-1 741	-699	
Total comprehensive income	27 783	4 078	-3 406	-15 592	-36 408	
Earnings per share	0,19	0,03	-0,02	-0,11	-0,25	
Diluted earnings per share	0,19	0,03	-0,02	-0,11	-0,25	

Balance Sheet

UNAUDITED



Statement of financial position (NOK 1000)	2020 30/06	2019 30/06	2019 31/12	NOTES
Non-current assets				
Deferred tax assets	8 161	8 161	8 161	8
Investment in joint ventures	19 247	23 304	21 285	
Property, plant and equipment	209 651	333 282	247 802	3, 11
Total non-current assets	237 059	364 747	277 247	
Current assets				
Bunkers	6 223	6 700	6 696	
Trade receivables	129 004	114 828	59 154	
Other receivables	49 014	45 608	63 624	
Cash and cash equivalents	57 339	51 410	38 657	
Total current assets	241 580	218 545	168 131	
Total assets	478 639	583 292	445 378	
Equity				
Share capital	143 546	143 546	143 546	6
Share premium	105 025	105 543	105 025	
Other equity	-85 931	-62 963	-82 740	7
Total equity	162 640	186 126	165 831	
Non-current liabilities				
Interest-bearing debt to credit institutions	19 479	33 089	25 216	4, 11
Interest-bearing debt, other (related to IFRS 16)	11 962	89 311	58 784	4, 11
Total non-current liabilities	31 442	122 400	83 999	
Current liabilities				
Interest-bearing debt to credit institutions, short term	14 303	16 439	16 023	4, 11
Interest-bearing debt, other (related to IFRS 16), short term	127 199	112 239	82 497	4, 11
Trade payables	83 988	80 831	53 984	
Other current liabilities	59 067	65 257	43 045	
Total current liabilities	284 557	274 766	195 548	
Total liabilities	315 999	397 166	279 548	
Total equity and liabilities	478 639	583 292	445 378	

Cashflow

UNAUDITED



Statement of cash flow (NOK 1000)	2Q 2020	2Q 2019	6M 2020	6M 2019	12M 2019	NOTES
Cash flow from operating activities						
Operating result (EBIT)	29 047	8 380	12 273	-5 308	-16 322	
Paid taxes	-	-	-	-	-524	
Gain sold assets	-	-	-	-	-194	
Depreciation and amortisation	47 827	56 875	89 876	84 112	187 728	
Impairment	10 149	-	10 149	-	-	
Change in trade debtors	-32 760	-48 817	-69 850	58 244	113 917	
Change in trade creditors	7 270	17 754	30 004	-4 421	-31 268	
Change in other provisions	29 056	10 855	37 143	-18 464	-63 345	
Share option cost employees	108	259	216	627	1 035	
Net cash flow from operating activities	90 698	45 306	109 811	114 790	191 026	
Cash flow from investing activities						
Sale of fixed assets	-	-	-	-	6 794	
Purchase of fixed assets	138	-525	-1 438	-33 908	-33 908	
Net cash flow from investing activities	138	-525	-1 438	-33 908	-27 114	
Cash flow from financing activities						
Net interest paid	-1 983	-612	-2 158	-718	-1 726	
Payment of dividends	-	-10 048	-	-10 048	-10 048	
Drawdown on overdraft bank facility	-11 005	-	-	-	-	
Repayment of borrowings and leases	-56 809	-56 245	-86 420	-81 238	-177 231	
Net cash flow from financing activities	-69 797	-66 905	-88 578	-92 004	-189 005	
Net change in cash and cash equivalents	21 039	-22 124	19 795	-11 123	-25 093	
Cash and cash equivalents in the start of the period	37 955	73 580	38 657	63 277	63 277	
Translation differences	-1 655	-46	-1 113	-744	473	
Cash and cash equivalents in the end of the period	57 339	51 410	57 339	51 410	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	-	216	216	7
Translation difference	-	888	888	
Dividends paid	-	-	-	
Result for the period	-	-4 294	-4 294	
Equity 30.06.2020	248 571	-85 931	162 640	

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	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	1 438	-	82 288	-	83 727
Disposals/adjusted commitment	-	-	-21 852	-	-21 852
Purchase cost 30.06.20	142 524	115 884	389 014	18 884	666 305
Accumulated depreciation 30.06.20	-79 212	-85 177	-267 691	-14 321	-446 505
Accumulated impairment 30.06.20			-7 505	-2 644	-10 149
Net book value 30.06.20	63 312	30 707	113 812	4 563	209 651
Depreciation in the period	-9 547	-6 600	-72 316	-1 413	-89 876
Impairment in the period	-	-	-7 505	-2 644	-10 149
Expected useful life (years)	3-8	3-8	1-3	3	
Depreciation plan	Linear	Linear	Linear	Linear	

Note 3 - Fixed assets

Impairment

In the first half of 2020 the world has been significantly affected by the COVID-19 outbreak. There has also been a significant decrease in oil price. Both of these events are considered as impairment indicators and impairment testing has been carried out. Impairment testing is based on a value in use. An impairment charge of NOK 10.1 million has been recognised in Q2 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 of asset and selling price. Utilization is based on firm contractual days on a short to medium term and estimated future selling price 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 managements 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 2020 represents the remaining committed vessel days on charter agreements with vessel owners. The impairment testing demonstrated that the assets recoverable amounts is lower than book value, and an impairment is required in Q2 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. Se 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 Q2 2020. The recoverable amount is based on estimated future cash flow for the ROVs, 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%	5 168
20%	13 970
30%	30 395

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



Note 4 - Borrowings

(NOK 1000)	30/06/2020	31/12/2019
Non-current liabilities		
Bank borrowings	10 000	12 500
Lease liabilities to credit institutions	9 479	12 716
Other non-current lease liabilities (IFRS 16)	11 962	58 784
Total non-current borrowings	31 442	83 999
Current borrowings		
Bank borrowings	5 000	5 000
Lease liabilities to credit institutions	9 303	11 023
Other current lease liabilities (IFRS 16)	127 199	82 497
Total current borrowings	141 502	98 520
Carrying amount		
Bank borrowings	15 000	17 500
Finance lease liabilities	157 944	165 019
Total carrying amount	172 993	182 568
Fair value		
Bank borrowings	15 000	17 500
Finance lease liabilities	157 944	165 019
Total fair value	172 993	182 568

At 30.06.20 bank borrowings are secured on fixed assets for the value of NOK 98.5 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 17.08.2020:

	Shares	Stake
NORTH ENERGY ASA	46126567	32,1 %
VERDIPAPIRFONDET EIKA NORGE	10285650	7,2 %
JOSO INVEST AS	7564589	5,3 %
HOLME HOLDING AS	5700000	4,0 %
JT INVEST AS	5529539	3,9 %
NORMAND DRIFT AS	5000000	3,5 %
DANSKE INVEST NORGE VEKST	2820462	2,0 %
STAVA INVEST AS	2298751	1,6 %
CORUNA AS	2250000	1,6 %
FREEMAN SHIPPING & OFFSHORE AS	2064478	1,4 %
RMS INVEST AS	2000000	1,4 %
LION INVEST AS	2000000	1,4 %
TEOMAR AS	2000000	1,4 %
A-Å INVEST AS	1938725	1,4 %
GOLDMAN SACHS & CO. LLC	1677763	1,2 %
SMS INVESTERING AS	1652366	1,2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1635991	1,1 %
MACAMA AS	1578446	1,1 %
BARRUS CAPITAL AS	1510090	1,1 %
TEM INVEST AS	1250000	0,9 %
Total 20 largest	106 883 417	74,5 %
Others	36 662 591	25,5 %
Total	143 546 008	100,0 %

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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 2Q2020 the Company has recognized NOK 216 thousand 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 30.06.2020 NOK 8.2 million is capitalized.

Note 9 - Events after quarter end



Note 10 - Segments

(NOK 1000)	2020 01.04.-30.06	2019 01.04.-30.06	2020 01.01.-30.06	2019 01.01.-30.06	2019 01.01.-31.12
Revenue					
Oil & Gas	198 879	137 706	273 173	189 043	472 943
Renewable / other	12 053	43 059	16 556	59 111	35 588
Total	210 933	180 765	289 729	248 155	508 531
Operating expense					
Oil & Gas	-171 492	-131 322	-261 602	-193 087	-488 122
Renewable / other	-10 393	-41 063	-15 855	-60 376	-36 731
Total	-181 885	-172 386	-277 457	-253 463	-524 853
Operating result					
Oil & Gas	27 387	6 384	11 571	-4 044	-15 180
Renewable / other	1 660	1 996	701	-1 264	-1 142
Total	29 047	8 380	12 273	-5 308	-16 322
EBITDA					
Oil & Gas	82 050	61 525	105 881	60 032	159 410
Renewable / other	4 973	3 729	6 417	18 771	11 996
Total	87 023	65 254	112 298	78 803	171 406



Note 11 - 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 2Q2020, 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	30/06/2020	31/12/2019
Property, plant and equipment	113 812	133 203
Total	113 812	133 203

Lease liabilities	30/06/2020	31/12/2019
Current	127 199	82 497
Non current	11 962	58 784
Total	139 161	141 281

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

	Q2 2020	Q2 2019	6M 2020	6M 2019	12M 2019
Depreciation charge of right-of use assets	39 071	48 317	72 316	68 615	155 090
Impairment charge of right-of use assets	7 505	-	-	-	-
Interest expense	1 731	2 455	3 113	5 260	9 046
Total charges to the P&L	48 307	50 772	75 430	73 875	164 136

The total cash outflow for leases in 2Q2020 was NOK 53.3 million and NOK 79.0 million for the first 6 months of 2020 (Q22019: NOK 48.8 million).



Note 11 - Leasing

Reconciliation of leases on committed days 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	62 721	-	62 721
Disposals	-	-	-
Depreciation	-52 749	-	-
Impairment	-7 505		
Interests	-	267	2 847
Reclassification from long to short term	-	-48 283	48 283
Adjusted (released) commitment	-21 852	-	-22 512
Currency adjustment	-	1 195	12 759
Payments	-	-	-59 396
Ending balance 30.06.2020	113 812	11 962	127 199

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	Q2 2020	Q2 2019	6M 2020	6M 2019	12M 2019
Depreciation of long term right-of-use assets	23 720	29 944	52 749	44 509	104 734
Depreciation of short term right-of-use assets	15 350	18 373	19 568	24 106	50 356
Depreciation of other assets	8 757	8 558	17 560	15 497	32 618
Total depreciation	47 827	56 875	89 876	84 112	187 728

Contact

Reach Subsea ASA

Garpeskjærveien 2, 5527 Haugesund, Norway

+47 40 00 77 10

post@reachsubsea.no

reachsubsea.no