

2020 Q3

Everything is within Reach

Quarterly Consolidated Report



3rd 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.

Contents

About Reach Subsea	02
Highlights	03
Operations	04
Financial results	05
Capital structure	06
The Share	06
News after quarter end	07
Definitions	07
Outlook	08
Reach Subsea Fleet	09
Accounts	13
Notes	17

3rd Quarter 2020

3rd Quarter Highlights

- Highest quarterly result in Reach Subsea's history, despite challenging market and operating conditions, driven by high utilization and successful project execution.
- New innovative subsea service solution being developed, significantly reducing cost and virtually eliminating carbon footprint, with the aim of bringing to market in 2022.
- High growth in renewables segment during 3Q2020 with 32% (7% in 3Q2019) of revenue generated from non-oil & gas clients, driven by major survey projects in the offshore wind sector.
- 3Q 2020 EBITDA was NOK 87.9 million compared with NOK 61.3 mill in 3Q2019, while pre-tax result was NOK 33.2 million (NOK 4.1 million).
- EBITDA for the first nine months of 2020 was NOK 206.4 million (NOK 140.1 million), while pre-tax result was NOK 28.9 million (NOK -10.9 million).
- Busy contracting activity during and after quarter end, despite market turbulence. 430 project days secured for the remainder of 2020 season, and 470 project days secured for 2021.

Key figures

	3Q 2020	3Q 2019	9M 2020	9M 2019	12M 2019
Revenues (NOKm)	201	153	497	401	509
EBITDA (NOKm)	88	61	206	140	171
Pre-tax profit (NOKm)	33	4	29	-11	-36
Cash and equivalents (NOKm)	78	85	78	85	39
Net working capital (NOKm)	39	-4	39	-4	32
Net interest bearing debt, incl IFRS 16 leases (NOKm)	-16	129	-16	129	144
Equity (NOKm)	196	190	196	190	166
Order backlog (NOKm)	170	108	170	108	120
Outstanding tender value (NOKbn)	2,1	2	2,1	2	2,1
Number of ROV days sold	822	589	1 810	1 445	1 790
Number of ROV days available	838	1 004	2 483	2 800	3 638
Technical uptime on ROVs	99%	100%	99%	100%	100%
Number of offshore personnel days sold	5 166	3 421	13 237	9 169	10 992
LTIs	0	0	0	1	1
Number of vessel days sold	340	265	704	654	818

See definitions on page 7

3rd Quarter 2020

Operations

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

REACH had 838 available ROV-days in 3Q2020 (1,004 ROV-days in 3Q2019), of which 822 days were sold (589) leading to a total utilization of 98% (59 %). Furthermore, number of vessel days that passed through our P&L was 340 (265) in the third 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 23 November 2020 a firm order book of NOK 170 million for 4Q2020 and beyond (NOK 108 million per 19 November 2019). Reach now has approximately 430 project days (equivalent to about 580 ROV days) for 4Q2020 execution, and about 470 project days (700 ROV days) for 2021 execution.

Vessel update:

Topaz Tiamat 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* worked on IMR projects for oil and gas clients and survey projects for offshore wind clients in the Northern part of Europe, with full utilization throughout 3Q2020. The vessel will have high utilization until demobilization in December 2020.

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 and had high utilization during 3Q2020. *Olympic Challenger* is currently scheduled for a project in US Gulf of Mexico lasting into 1Q2021 with options to extend towards the summer.

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 for Equinor, as well as a seismic node recovery project, with full utilization during 3Q2020. The spread is expected to have high utilization during 4Q2020 and is currently working in the Mediterranean on a project expected to last into 1Q2021.

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 performed various survey projects before it started 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 mobilized 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 July 2020, whereafter she was demobilized 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 Subsea as ROV service supplier, for 120-200 days in both 2020 and 2021, and had full utilization in 3Q2020. Furthermore, it was recently announced that the vessel will work on a project for DEME in the offshore wind sector from November until February next year, where Reach Subsea will deliver ROV services.

Supporter 07 has been mobilized onboard **Olympic Artemis**, ready for the first projects in 3Q2020. The vessel spread works in the spot market and had good utilization in 3Q2020, with some projects carried into the first part of 4Q2020.

3rd Quarter 2020

Financial results

Revenue for 3Q2020 was NOK 201.4 million compared with NOK 152.8 million for 3Q2019, while year to date revenue was NOK 497.3 million (NOK 400.9 million). The increased revenue is primarily explained by a higher project activity level.

Operating expense for 3Q2020 was NOK 113.5 million (NOK 91.4 million), while it amounted to NOK 290.9 million (NOK 260.8 million) for the first nine months. Project-related expense represents the majority of the operating expense for the group. As already mentioned, activity levels were higher, explaining the year-over-year increase in operating expense. Also, COVID-19 has had a cost effect of NOK 4 million on our operations (increased medic, quarantining of offshore personnel), of which our clients have compensated us NOK 1 million.

3Q2020 EBITDA was NOK 87.9 million (NOK 61.3 million) while EBITDA for the first nine months of 2020 was NOK 206.4 million (NOK 140.1 million). Improved project results and higher utilization are the primary explanations for the improved EBITDA. Included in EBITDA are also accounting gains from early termination of two charter-in agreements (*Havila Harmony* and *Topaz Tiamat*), which amounted to NOK 2.6 million in 3Q2020 and NOK 8.7 million for the first nine months. These gains are classified as other income in our P&L.

Depreciation for 3Q2020 was NOK 63.8 million (NOK 53.5 million) and NOK 162.5 million for the first nine months (NOK 137.6 million in 2019). The increase from last year is primarily a result of higher project activity levels, giving rise to increased charter hires under our pay-as-use charter agreements. Such charter expenses are under IFRS 16 rules classified as depreciation of right of use assets.

There was no impairment in 3Q2020. Impairment of NOK 7.5 million year to date (incurred in 2Q 2020) is related to expected lower utilization of one of our chartered vessels. There was no impairment in 2019. See further evaluation of impairment sensitivity in the Notes.

Please note that in the 2Q2020 report, the early termination gain on *Havila Harmony* was booked as a NOK 8.8 million reduction in depreciation and a NOK 2.6 million impairment charge. The net effect of NOK 6.2 million has in the nine months 2020 figures been

reclassified to revenues as other income.

The operating result for 3Q2020 was NOK 24.1 million (NOK 7.9 million) and NOK 36.4 million (NOK 2.5 million) for the first nine months. Increased utilization and good project results are the key reasons to the strong improvement in operating result.

The time charterparty with P&O for the vessel *Topaz Tiamat* was terminated early September 2020. No termination fee has been recognized in the accounts.

Special effects related to *Topaz Tiamat*, *Havila Harmony*, impairments, and COVID-19 costs impacted the operating result by NOK -0.4 million for 3Q2020, and NOK -4.8 million for the first nine months.

Net financial items for 3Q2020 was NOK 9.1 million (NOK -3.7 million). Net financial items year to date was NOK -7.5 million (NOK -13.4 million). Currency effects have been significant this year, amounting to NOK 8.8 million (NOK -0.8 million) in 3Q2020 and NOK -0.5 million (NOK -3.1 million) year to date. The main reason for the fluctuating currency effects in our accounts this year is that some of our future charter hire is in USD (classified as debt/lease liability with quarterly revaluations according to IFRS 16), impacted by this year's massive movements in the foreign exchange markets.

The total comprehensive income for 3Q2020 ended at NOK 33.3 million, compared with NOK 4.1 million for 3Q2019. Total comprehensive income for the nine months of 2020 was NOK 29.9 million compared to NOK -11.5 million for the same period in 2019.

Special effects related to *Topaz Tiamat*, *Havila Harmony*, impairments, COVID-19 costs, and currency effects have impacted 3Q2020 and nine months of 2020 comprehensive income by NOK 8.4 million and NOK -5.2 million, respectively.

For 3Q2020, Oil & Gas revenues constituted 68 % while Renewable/Other constituted 32% of total revenues. By comparison, in 3Q2019 Oil & Gas revenues were 93 % while Renewable/Other constituted 7% 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).

3rd Quarter 2020

Capital structure

Total current assets at the end of the quarter were NOK 246.6 million (NOK 198.1 million per 3Q 2019), of which cash and cash equivalents amounted to NOK 78.2 million (NOK 84.9 million). Including the unutilized revolving credit facility, available liquidity is NOK 98.2 million. Receivables were NOK 168.4 million (NOK 113.2 million) including bunkers. Total non-interest-bearing current liabilities were NOK 129.5 million (NOK 116.7 million), leaving a net working capital of NOK 38.9 million (NOK -3.6 million). The working capital level is in line with the seasonal activity.

Total non-current assets at the end of the quarter were NOK 141.2 million (NOK 322.6 million). Property, plant and equipment includes NOK 27.7 million of leases capitalized under IFRS 16 (NOK 168.6 million). The reduction is explained by reduced remaining period of charter commitment for all vessels and the early termination of charterparties for the vessels *Topaz Tiamat* and *Havila Harmony*.

Net interest-bearing debt (total interest-bearing debt, including capitalized leases under IFRS 16, less cash) stood at NOK -16 million (NOK 129 million), with the reduction mainly explained by the reduced charter commitment as described above. Net financial interest-bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK -48.6 million (NOK -39.3 million).

The Group's equity as of 30 September 2020 was NOK 196.1 million, which represents 50.6 % of the total balance sheet (36.6% at 30 September 2019).

Net cash flow from operating activities for 3Q2020 was NOK 88.2 million (NOK 85.5 million). Net cash flow from financing activities was NOK -67.0 million (NOK -54.8 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 3Q2020 was NOK 20.5million (NOK 32.5 million). Net change in cash for the first nine months of 2020 was NOK 40.3 million compared to NOK 21.3 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 September 2020 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 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.

3rd Quarter 2020

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.

In October Reach Subsea was awarded a contract for use of the *Olympic Challenger* in a project in the Gulf of Mexico. The contract, which does not include ROVs, commenced in November with a firm period lasting through 1Q2021 and with options to extend towards the summer of 2021. With this contract, Reach Subsea has covered its remaining commitment on the *Olympic Challenger*.

Also in October, the subsea construction vessel *Viking Neptune* was booked for an offshore wind contract between Eidesvik Offshore and DEME, with Reach as the supplier of ROVs and ROV services. The contract commenced early November for a fixed period of 84 days with options to extend.

With the addition of these contracts, our schedule for 4Q and the winter season is improving. Reach Subsea now has approximately 430 project days (equivalent to about 580 ROV days) for execution in 4Q2020, and about 470 project days (700 ROV days) for 2021 execution. As a comparison, actual ROV days sold in 4Q2019 was 345. Three of our subsea spreads have now secured a good schedule for 1Q2021.

The order book figure of NOK 170 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

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).

	Q1		Q2		Q3		Oktober		Year (to date)	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Number of ROV days sold	246	254	610	734	589	822	139	189	1 584	1 999
Number of ROV days available	831	770	965	875	1 004	838	304	279	3 104	2 762
Technical uptime on ROVs	99 %	99 %	100 %	99 %	100 %	99 %	100 %	98 %	100 %	99 %
Number of offshore personnel days sold	2 236	2 522	3 512	5 549	3 421	5 166	452	883	9 621	14 120
LTI's	0	0	1	0	0	0	0	0	1	0
Number of Vessel days sold	110	96	279	268	265	340	67	90	721	794

3rd Quarter 2020

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 are monitoring the market for opportunistic asset additions to complement and strengthen our portfolio, and to replace *Topaz Tiamat* and *Havila Harmony*.

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. However, the projects we are involved in have gone ahead as planned during 2020, with schedule changes to some projects. As we head into the seasonally challenging winter season, prospects look much better than in previous years. The vessel charter commitments we had are fully covered for

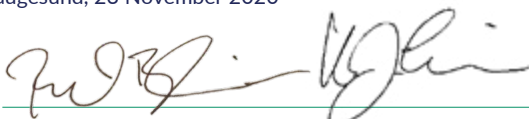
4Q2020/1Q2021, eliminating the potential negative earnings and cash flow effects from non-utilization days in this period. Overall, we see that our capacity, both the fixed and flexible part, is well booked for 4Q2020, while three of our subsea spreads have a good schedule for 1Q2021.

Looking beyond the 2020/21 winter season, we see that the dramatic change in our business environment provides 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. We have together with our partner MMT a very competitive survey offering, which had a major breakthrough in 2020 through the Massachusetts wind survey for Equinor in USA. 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 to maintain a competitive cost structure and remain agile and flexible to cope with a market we expect to be characterized by short- and medium-term projects. At the same time, we are in the process of developing new innovative solutions, together with strong industrial partners, that will reshape the way subsea services are provided. The anticipated impact of these solutions are significant reductions in the cost of providing subsea services, and virtually eliminating the carbon footprint associated with subsea services. We intend to announce our new innovative solutions in the first part of 2021, with the aim of bringing it to market in 2022.

The Board and management are very pleased with delivering record results so far in 2020, which provides a good foundation for addressing both the challenges and opportunities we face.

Haugesund, 23 November 2020



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
 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 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
 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



Pipelay & Installation support

Vessels

Topaz Tiamat

Client

Saipem

Location

UK

Period

2-3Q2020

Water Depth

15-55 m



Vessel Support & Survey

From June to August 2020, Reach Subsea was contracted by Saipem Ltd for Pipeline Installation vessel support and Survey for the Tolmount 20" Gas Export and 3" Methanol Pipeline, installed from onshore terminal at Easington and out to the Tolmount Main Platform.

Topaz Tiamat acted as support vessel for the Pipelayer Vessel *Castoro Sei*. Our scope of this campaign included Mattress installation, Touchdown monitoring, Boulder relocation, MBES Pre-lay survey, As-laid survey, As-trenched survey and As-backfilled survey.

The campaign went well and safe, with good data, low downtime, no injuries, no HSEQ incidents and a very pleased client.

Featured Project #2



Water pipeline

Vessels

Olympic Challenger

Client

Kalyon Insaat

Location

Turkey

Period

3Q2020

Water Depth

15-1300 m



Water pipeline inspection and repair project

Reach Subsea was contracted by Kalyon Insaat to assist in inspection and repair of the pipeline supplying fresh water from the Turkish mainland to Turkish Republic of Northern Cyprus.

The project involved complex marine operations and multiple vessels, whereas the *Olympic Challenger* was used as one the lead vessels. The project, which involved repair and replacement of a 500m long pipeline segment and inspection tasks, was successfully completed with excellent performance from the Reach Subsea and Olympic team onboard.

Income statement UNAUDITED



Statement of profit or loss (NOK 1000)	3Q 2020	3Q 2019	9M 2020	9M 2019	12M 2019	NOTES
Operating revenue	198 805	153 855	488 534	400 712	508 337	
Other income/losses	2 566	-1 103	8 734	194	194	11
Revenue	201 370	152 752	497 267	400 906	508 531	
Procurement expenses	-55 743	-46 844	-142 421	-149 298	-184 140	
Personnel expenses	-30 767	-25 660	-80 802	-66 516	-90 552	
Other operating expenses	-26 947	-18 923	-67 665	-44 964	-62 433	
EBITDA	87 914	61 325	206 380	140 128	171 406	
Depreciation	-63 790	-53 467	-162 479	-137 579	-187 728	3,11
Impairment	-	-	-7 505	-	-	3,11
Operating result (EBIT)	24 124	7 859	36 397	2 549	-16 322	
Interest income	45	178	233	548	680	
Interest expenses	-1 224	-2 647	-6 683	-8 995	-11 452	11
Other net financial items	8 794	-789	-464	-3 053	-5 200	
Result from associated companies	1 484	-448	-554	-1 916	-3 391	
Profit (loss) before taxes	33 221	4 151	28 927	-10 868	-35 685	
Taxes	-	-24	-	-24	-24	8
Profit (loss)	33 221	4 127	28 927	-10 891	-35 709	
Comprehensive income						
Translation differences	120	-71	1 008	-645	-699	
Gain/loss on financial derivatives of cash flow hedges	-	-	-	-	-	
Comprehensive income items	120	-71	1 008	-645	-699	
Total comprehensive income	33 342	4 056	29 936	-11 537	-36 408	
Earnings per share	0,23	0,03	0,21	-0,08	-0,25	
Diluted earnings per share	0,23	0,03	0,21	-0,08	-0,25	

Balance Sheet

UNAUDITED



Statement of financial position (NOK 1000)	2020 30/09	2019 30/09	2019 31/12	NOTES
Non-current assets				
Deferred tax assets	8 161	8 161	8 161	8
Investment in joint ventures	20 730	22 760	21 285	
Property, plant and equipment	112 265	291 668	247 802	3, 11
Total non-current assets	141 157	322 590	277 247	
Current assets				
Bunkers	3 128	6 589	6 696	
Trade receivables	118 769	66 289	59 154	
Other receivables	46 506	40 279	63 624	
Cash and cash equivalents	78 166	84 907	38 657	
Total current assets	246 570	198 063	168 131	
Total assets	387 727	520 653	445 378	
Equity				
Share capital	143 546	143 546	143 546	6
Share premium	105 025	105 801	105 025	
Other equity	-52 481	-58 907	-82 740	7
Total equity	196 090	190 440	165 831	
Non-current liabilities				
Interest-bearing debt to credit institutions	15 814	29 073	25 216	4, 11
Interest-bearing debt, other (related to IFRS 16)	0	68 060	58 784	4, 11
Total non-current liabilities	15 814	97 133	83 999	
Current liabilities				
Interest-bearing debt to credit institutions, short term	13 704	16 573	16 023	4, 11
Interest-bearing debt, other (related to IFRS 16), short term	32 591	99 781	82 497	4, 11
Trade payables	81 360	63 632	53 984	
Other current liabilities	48 169	53 094	43 045	
Total current liabilities	175 823	233 080	195 548	
Total liabilities	191 636	330 213	279 548	
Total equity and liabilities	387 727	520 653	445 378	

Cashflow

UNAUDITED



Statement of cash flow (NOK 1000)	3Q 2020	3Q 2019	9M 2020	9M 2019	12M 2019	NOTES
Cash flow from operating activities						
Operating result (EBIT)	24 124	7 859	36 397	2 549	-16 322	
Paid taxes	-	-524	-	-524	-524	
Gain/loss on disposed assets	-2 566	1 103	-8 734	-194	-194	
Depreciation and amortisation	63 790	53 467	162 479	137 579	187 728	
Impairment	-	-	7 505	-	0	
Change in trade debtors	10 235	48 538	-59 615	106 782	113 917	
Change in trade creditors	-2 628	-17 199	27 376	-21 620	-31 268	
Change in other provisions	-4 896	-7 904	32 247	-30 071	-63 345	
Share option cost employees	108	149	324	776	1 035	
Net cash flow from operating activities	88 167	85 488	197 978	195 277	191 026	
Cash flow from investing activities						
Sale of fixed assets	-	1 794	-	6 794	6 794	
Purchase of fixed assets	-680	-	-2 118	-33 908	-33 908	
Net cash flow from investing activities	-680	1 794	-2 118	-27 114	-27 114	
Cash flow from financing activities						
Net interest paid	-236	-395	-2 394	-1 113	-1 726	
Payment of dividends	-	-	-	-10 048	-10 048	
Drawdown on overdraft bank facility	-	-	-	-	0	
Repayment of borrowings and leases	-66 729	-54 416	-153 149	-135 654	-177 231	
Net cash flow from financing activities	-66 965	-54 811	-155 543	-146 815	-189 005	
Net change in cash and cash equivalents	20 522	32 471	40 317	21 348	-25 093	
Cash and cash equivalents in the start of the period	57 339	51 410	38 657	63 277	63 277	
Translation differences	306	1 026	-807	282	473	
Cash and cash equivalents in the end of the period	78 166	84 907	78 166	84 907	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	-	324	324	7
Translation difference	-	1 008	1 008	
Dividends paid	-	-	-	
Result for the period	-	28 927	28 927	
Equity 30.09.2020	248 571	-52 481	196 090	

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	2 118	-	109 776	-	111 895
Disposals/adjusted commitment	-9 951	-	-328 214	-6 800	-344 965
Purchase cost 30.09.20	133 253	115 884	110 140	12 084	371 360
Accumulated depreciation 30.09.20	-77 607	-88 465	-74 919	-10 600	-251 592
Accumulated impairment 30.09.20	-	-	-7 505	-	-7 505
Net book value 30.09.20	55 646	27 419	27 716	1 484	112 265
Depreciation in the period	-14 112	-9 888	-136 737	-1 742	-162 479
Impairment in the period	,	-	-7 505	,	-7 505
Expected useful life (years)	3-8	3-8	1-3	3	
Depreciation plan	Linear	Linear	Linear	Linear	

Note 3 - Fixed assets

Summary

Impairment indicators such as COVID-19 market effects and declined oil price has been identified and impairment testing has been performed in accordance with IAS 36. An impairment of NOK 7.5 million has been recognised during 2020 related to booked Right-of-use assets. In addition, due to cancellation of Topaz Tiamat charter agreement in the quarter, an impairment testing has been performed in 3Q for assets directly related to the vessel. This testing did not result in any impairment, and no impairment has been recognized in 3Q.

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 utilisation for assets and selling price. Utilisation is based on firm contractual days on a short to medium term and estimated future selling on a medium to longer term. Forecasted utilisation 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 September 2020 represents the remaining committed vessel days on charter agreements with vessel owners. The impairment testing in 2Q 2020 resulted in an impairment of NOK 7.5 million. No additional impairment in 3Q 2020. The recoverable amount is sensitive to estimated utilisation 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. The recoverable amount is based on estimated future cash flow for the CGU, and is sensitive to estimated utilisation and selling rate assumptions.

Due to cancellation of charter agreement for Topaz Tiamat and Havila Harmony, booked assets related to mobilisation of the two vessels have been derecognised in the balance sheet. The derecognition has resulted in recognised gain on the disposal of the right-of-use asset according to IFRS 16.

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%	3 271
20%	9 809
30%	20 373

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



Note 4 - Borrowings

(NOK 1000)	30/09/2020	31/12/2019
Non-current liabilities		
Bank borrowings	8 750	12 500
Lease liabilities to credit institutions	7 064	12 716
Other non-current lease liabilities (IFRS 16)	0	58 784
Total non-current borrowings	15 814	83 999
Current borrowings		
Bank borrowings	5 000	5 000
Lease liabilities to credit institutions	8 704	11 023
Other current lease liabilities (IFRS 16)	32 591	82 497
Total current borrowings	46 295	98 520
Carrying amount		
Bank borrowings	13 750	17 500
Finance lease liabilities	48 358	165 019
Total carrying amount	62 157	182 568
Fair value		
Bank borrowings	13 750	17 500
Finance lease liabilities	48 358	165 019
Total fair value	62 157	182 568

At 30.09.20 bank borrowings are secured on fixed assets for the value of NOK 84.5 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 09.11.2020:

	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 %
HOLME HOLDING AS	5 800 000	4,0 %
JT INVEST AS	5 529 539	3,9 %
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 %
SMS INVESTERING AS	1 652 366	1,2 %
NÆRINGSLIVETS HOVEDORGANISASJON	1 635 991	1,1 %
MEYERLØKKA AS	1 605 000	1,1 %
BARRUS CAPITAL AS	1 510 090	1,1 %
TEM INVEST AS	1 250 000	0,9 %
CASTEL AS	1 248 517	0,9 %
Total 20 largest	106 580 725	74,2 %
Others	36 965 283	25,8 %
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 finalized 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 3Q2020 the Company has recognized NOK 324 000 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 30.09.2020 NOK 8.2 million is capitalized.

Note 9 - Events after quarter end

Reach Subsea has been awarded several contracts and call-offs under frame agreements, involving inspection, survey and construction support projects across Europe and the Americas after the quarter end. None of these events are considered to have an effect that may influence the accounts.



Note 10 - Segments

(NOK 1000)	2020 01.07.-30.09	2019 01.07.-30.09	2020 01.01.-30.09	2019 01.01.-30.09	2019 01.01.-31.12
Revenue					
Oil & Gas	137 370	142 518	410 267	331 561	472 943
Renewable / other	64 000	10 234	87 000	69 345	35 588
Total	201 370	152 752	497 267	400 906	508 531
Operating expense					
Oil & Gas	-120 914	-135 188	-380 239	-329 454	-488 122
Renewable / other	-56 333	-9 707	-80 632	-68 904	-36 731
Total	-177 247	-144 894	-460 871	-398 357	-524 853
Operating result					
Oil & Gas	16 457	7 331	30 029	2 108	-15 180
Renewable / other	7 667	526	6 368	441	-1 142
Total	24 124	7 859	36 397	2 549	-16 322
EBITDA					
Oil & Gas	59 973	57 216	170 272	115 890	159 410
Renewable / other	27 941	4 108	36 107	24 238	11 996
Total	87 914	61 325	206 380	140 128	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 3Q2020, 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	30/09/2020	31/12/2019
Property, plant and equipment	27 716	133 203
Total	27 716	133 203

Lease liabilities	30/09/2020	31/12/2019
Current	32 591	82 497
Non current	-	58 784
Total	32 591	141 281

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

	Q3 2020	Q3 2019	9M 2020	9M 2019	12M 2019
Depreciation charge of right-of use assets	55 608	44 864	136 737	113 478	155 090
Impairment charge of right-of-use assets	-	-	7 505	-	-
Interest expense	943	1 469	4 057	7 334	9 046
Total charges to the P&L	56 551	46 333	148 299	120 812	164 136

The total cash outflow for leases in 3Q2020 was NOK 62.5 million (3Q2019: 50.5 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	-89 681	-	-
Impairment	-7 505	-	-
Interests	-	-	4 057
Reclassification from long to short term	-	-58 784	58 784
Adjusted commitment	-71 021	-	-86 841
Currency adjustment	-	-	5 746
Payments	-	-	-94 372
Ending balance 30.09.2020	27 716	-	32 591

The right-of-use assets at the beginning for the period were 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 recognised as depreciations. The adjusted commitment on *Havila Harmony* and *Topaz Tiamat* during the year has resulted in a derecognition of right-of-use assets of NOK 71 million and lease liability of NOK 86.8 million. The derecognition has resulted in a gain of NOK 8.7 million in the year. Derecognition of other assets related to the two vessels has been included in the calculated gain.

Due to adjusted commitment, *Havila Harmony* has been treated as a short term vessel lease during 3Q20. For presentation purposes, the previous recorded effects related to derecognition of the *Havila Harmony* right-of-use asset has been reclassified in the Q3 financial report. The following table shows the above mentioned reclassification

Reclassification Q2 (+gain/-loss)	Q2 report published	Q2 report reclassified
Other income/losses	-	6 168
Depreciation (reduction)	8 813	-
Impairment	-2 644	-
Total EBIT effect	6 168	6 168

Reconciliation of depreciation	Q3 2020	Q3 2019	9M 2020	9M 2019	12M 2019
Depreciation of long term right-of-use assets	28 120	30 113	89 681	74 621	104 734
Depreciation of short term right-of-use assets	27 488	14 751	47 056	38 857	50 356
Depreciation of other assets	8 182	8 604	25 742	24 101	32 618
Total depreciation	63 790	53 467	162 479	137 579	187 728

Contact

Reach Subsea ASA

Garpeskjærveien 2, 5527 Haugesund, Norway

+47 40 00 77 10

post@reachsubsea.no

reachsubsea.no