ANNUAL REPORT 2016

Reach Subsea is your new provider of IMR, ROV, Survey, Construction Support and Decommissioning Services.

REACH SUBSEA

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OUR BUSINESS

"We can with confidence state that we have managed to maintain the right focus on customer needs."

After our third year in full operation, I am of the opinion that we have managed the company well, despite the downturn in the Oil & Gas industry. We are almost in-line with the plan we established in 2012 and, in light of how the offshore market has evolved, we have managed to take the right actions at the right time and hold a steady course. The changes we made in spring 2016 with respect to the charter commitments for Normand Reach and Edda Fonn were crucial. This enabled us to continue in a market characterized by historically low rates and zero visibility. Only once, in the mid 80's, the industry has had a similar decline in offshore and shipping markets. Ships are being laid up in an increasing pace and rates in free-fall can give every stakeholder in the industry a sigh of panic. The only consolation with this theory is that any market could benefit from an occasional adjustment, but for those who lose their jobs or investments as a result of the downturn, it can have a drastic and long impact. The times we are in are characterized by major structural changes as consolidations, changes of ownership and loss of shareholder and creditor's values. Some have been forced to take huge losses, some are going bankrupt, while others have been in a position to seize the opportunities when such times occurs.

I am very pleased that we've managed to preserve our shareholders' values, establish a healthy balance sheet and manage our commitments during last year, which in turn also ensures the business we have built up so far, and prepare us for future growth and expansion.

Despite the downturn in the industry and extremely high competition for the work available in the market, last year has not solely been negative. We have quite contrary maintained our growth and increased our activity and utilization. Our total offshore man-hours increased by 50 % compared to 2015, and as in previous years we have hired in an additional ship to our operations. In August, we chartered *Polar King* for a mission within subsea mining and that same month we also had the highest number of people in rotation offshore. *Viking Neptun* has been in continuous operation for Technip with projects in Ghana, UK and Indonesia with extremely high-quality operations, while *Edda Fonn* and *Stril Explorer* have obtained high utilization in cooperation with MMT. *Normand Reach* has had satisfactory utilization throughout the year.

We can with confidence state that we have managed to maintain the right focus on customer needs and spotless operations despite a stressful market. We will continue this going forward.

Last year we established a cooperation with Aibel with the intent to focus on synergies between topside and subsea operations, and jointly address the decommission market. In October we moved to Aibel's new and modern offices to seek a seamless organisational structure and to address the activities we will have with Aibel in the years to come.

Though we have experienced a significant reduction in activity level in our prime market Oil & Gas, we have, to a certain degree, managed to compensate by increased activity in the offshore wind market. Although the Oil & Gas industry has been and will remain the dominant market for our activities in the coming decade, it is important to focus on new and different segments within offshore and subsea. Nearly half of our revenue is generated from other activities than the Oil & Gas segment.

Looking ahead I believe that we have come out stronger of this historic downturn in the market. The new equity raised in February 2017 has put us in a unique position to look ahead in a longer-term perspective and continue to make the right investments.

It's time to generate shareholder value once again.

Jostein Alendal
CEO, Reach Subsea ASA

ADVANCE
PERFORM
ACHIEVE

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

To find out more about what we can offer, request information about our assets and operations or arrange a meeting, please don't hesitate to get in touch.

Garpeskjærveien 2 5527 Haugesund +47 40 00 77 10
post@reachsubsea.no

Corporate structure

THE VESSEL FLEET

Edda Fonn

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

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

Normand Reach

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

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

Havila Subsea

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

150T AHC Main Crane
Removable bulwark on each side
Moonpool in hangar, 650 m² deck
Dual ROV hangar
Permanent full survey suite
Large office facilities
Helideck 26 m diameter
De-ice
2x Schilling WROVs

Viking Neptun

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

D400 Te AHC Main Crane and 100 Te AHC Auxiliary Crane
Removable bulwark
ICE 1B and DEICE notation
4.400 Te Carousel, 3000 Te Moonpool
Helideck for Sikorsky S92
Optimized stability and capacity for VLS (SWL 600 Te)
Anti-heeling system (3 pumps each 2.200 m³/h)
2600 m² steel deck
1x Kystdesign supporter WROV and 1x constructor WROV

Stril Explorer

Fully integrated survey vessel with light construction capabilities.

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

The management team

Jostein Alendal
Managing Director

Education: Automation Engineer. **Experience:** Technical Manager and co-founder of DeepOcean with group responsibility of all ROV operations. Stolt Comex Seaway AS, Seateam AS and DSND.

20+ years in subsea

Birgitte W. Johansen
Chief Financial Officer
HR Manager

Education: The Blue MBA and Master of Business and Economics. **Experience:** Account Manager in BNP Paribas, Shipping department. Analyst and Project Manager in Oceanlink Management. Relationship Manager in SpareBank 1 SR-Bank, Energy and Maritime department.

18+ years in finance

Inge Grutle
Chief Operations Officer

Education: Master of Science degree in Marine and Subsea Technology. **Experience:** IMR Engineering Manager and Business Development in DeepOcean and has experience in planning and execution of offshore and subsea operations.

12+ years in subsea

Bård Thuen Høgheim
Chief Commercial Officer

Education: Master in Finance from Imperial College Business School. **Experience:** Project Broker in the subsea and renewables market in RS Platou and has experience in offshore industry analysis.

10+ years in offshore

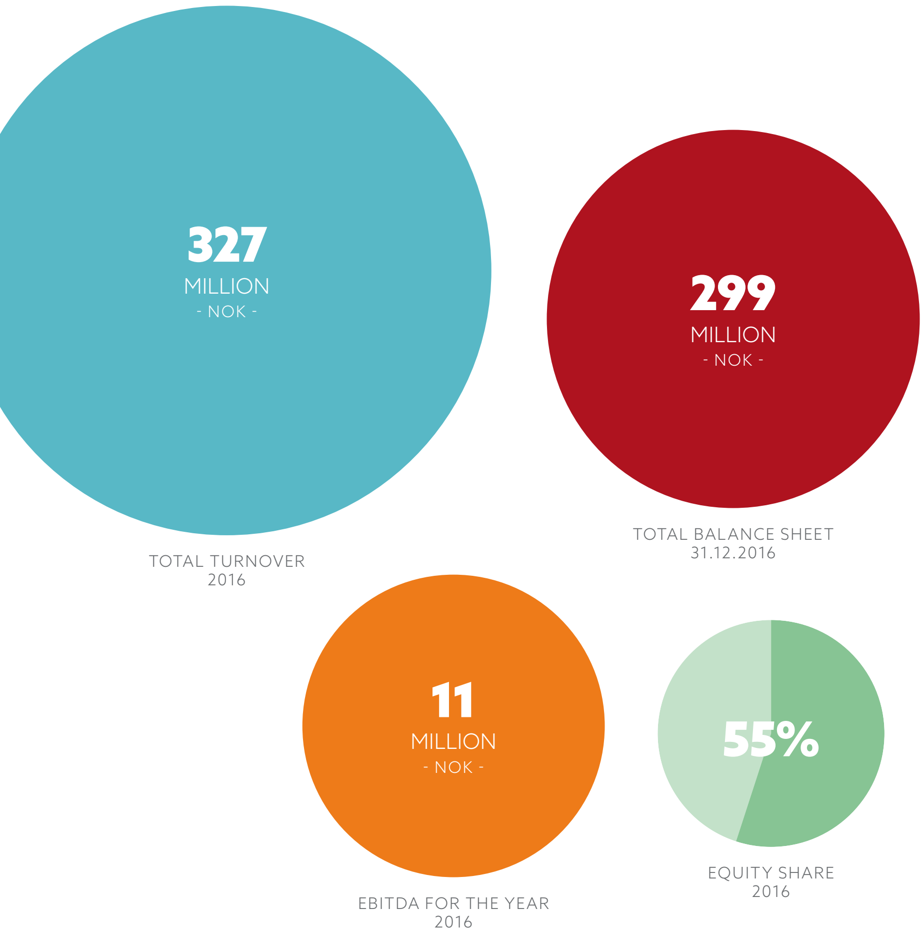
DIRECTORS REPORT

Business Concept

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 become 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 will be targeted, thus securing revenue and strong liquidity in parallel with increasing the fleet, asset base and staff size.



2016 highlight review

Reach had per 31 December 2016 six WROV-systems in operation in addition to "Surveyor Interceptor", owned by a joint venture between Reach Subsea and MMT Sweden AB (MMT). In April 2017 two hired WROV-systems were added to the fleet. All ROV systems are mobilized on board first class subsea vessels.

Reach started 2016 with three vessels in operation; *Normand Reach*, *Edda Fonn* and *Stril Explorer* as well as all WROV-systems and offshore personnel. Further, we provided ROV services, personnel, tooling and engineering for *Viking Neptun* operations.

Overall, our six WROVs as well as the innovative survey ROV, Surveyor, obtained a high utilization during the year.

The contract visibility and order backlog was continuous low in 2016 due to a market characterized by oversupply and low rates in most segments and regions. Entering into new segments (i.e. subsea mining) as well as growing within segments less influenced by the oil price (i.e. cable and wind) has been a key factor in explaining the high utilisation achieved in 2016. Close cooperation with MMT Sweden AB ("MMT") in the Joint Venture established in 2015 ("JV") was an important factor, as the two companies together have built a strong track record in the market. Included in the JV agreement is the shared commitment of the vessel spread (vessel/WROV/survey equipment) *Edda Fonn*, on charter to Reach Subsea until December 2017, and the WROV/survey spread mobilized on board the vessel *Stril Explorer*. The spreads are jointly marketed to both parties' clients.

In addition, *Normand Reach* was utilized by the JV on a contract in the wind-market.

In May/June 2016 Reach Subsea renegotiated charter commitment arrangements for the vessels Edda Fonn and Normand Reach.

As a result, the rates are now market based and the shipowners, Østensjø and Solstad, became shareholders in Reach Subsea ASA.

Offshore operations performed by the Reach Subsea spreads receive high client scores in all segments and on all sectors. Our high attention to HSEQ is illustrated by the fact that we have had no serious accidents or incidents.

Edda Fonn

Reach has *Edda Fonn*, a purpose built ROV/Survey vessel, on a charter from Østensjø until December 2017. The vessel is utilized for Reach Subsea's own offshore operations in the JV with MMT. *Edda Fonn* started the year in the renewables sector followed by a planned docking. In second quarter the vessel performed survey (including search for and detonation of UXOs) on Hywind closely cooperated with MMT. In general spot/short term contracts in the North Sea, Baltic and German regions dominated the rest of the year, mainly within the renewables sector to new and existing clients.

In May 2016, the charter contract between Reach Subsea and Østensjø was restructured with new market adjusted rate levels and lay-up options. This improved the competitive position of Reach Subsea, and the JV, in a challenging market.

Edda Fonn has obtained strong scores on client satisfaction reviews from end users of the vessel.

This is a result of an experienced marine crew provided by Østensjø Rederi combined with Reach Subsea's own, highly professional ROV crew. In addition, the survey team from MMT Sweden has shown excellent performance. End clients for the *Edda Fonn* projects in 2016 include MMT, Tennet, Exxon Mobil, Statoil, Dong, Nordstream, Bibby, Boscalis and Wintershall.

Normand Reach

Reach vessel *Normand Reach*, hired on time charter from Solstad Offshore and equipped with Reach Subsea WROVs and personnel, was on charter to DOF Subsea from June 2015 until Mid-July 2017. *Normand Reach* mainly performed work within the oil and gas segment, with a high customer satisfaction score until the end of 3Q. End clients were major oil companies. Thereafter the vessel worked in the renewables sector for the JV setup between MMT and Reach Subsea through the fourth quarter and the vessel was also fitted with a motion compensated gangway system for walk-to-work projects in the German sector.

In June 2016, the charter commitment for the vessel *Normand Reach* was restructured from a firm 365 days per year ending mid 2019 (plus options) to a flexible model where the firm charter commitment period for 2016 ended in September and Reach Subsea is committed to utilise the vessel for 180 days in 2017, 180 days in 2018 and 100 days in 2019. The charter rate was reduced to the current market level, and charter guarantees and option periods were cancelled. Reach Subsea paid a termination fee (cash premium) as well as issued new shares to Solstad as compensation for the new improved rate structure.

As part of the agreement both Solstad and Reach Subsea may find work for the vessel, resulting in Solstad entering into a contract with McDermott in Australia for 120 days in 2017 and thus Reach Subsea's 2017 commitment being covered. Reach Subsea will provide WROV services onboard the vessel during the contract, consisting of WROVs and tooling including crew.

Stril Explorer

Reach provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* in 2016. *Stril Explorer* is a survey vessel on a charter contract from Møkster to Reach Subsea's JV-partner MMT. Until April 2016 the vessel was covered by the JV agreement between Reach Subsea and MMT, but thereafter the commitment for the vessel is covered by MMT. However, projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach Subsea and MMT, where Reach Subsea is responsible for ROV operations.

During the first quarter the vessel performed under a contract in the French Caribbean, an innovative survey of the geophysical and sedimentary context of an arena of an offshore plant outside Martinique, with modest rates and long transit. The Surveyor Interceptor was mobilized on board *Stril Explorer* in the second quarter to perform a survey in the Baltic Sea. Thereafter *Stril Explorer* went to the Black Sea to perform a special survey with both the WROV and the Surveyor Interceptor (see project page). Clients have been highly satisfied with the performance of the Surveyor Interceptor, with both data quality and data collection speed proving to beat expectations. In the fourth quarter *Stril Explorer* was located in the Baltic area working for clients in the oil & gas and the renewables market.

DIRECTORS REPORT

Viking Neptun

Reach has two WROVs and delivers all ROV-services onboard *Viking Neptun*, a construction vessel on contracts with Technip lasting from delivery in 2015 until 1Q2017. The vessel has performed very well with excellent feedback reports from end clients of Technip such as Statoil, resulting in winning a supplier of the year award from Technip for 2015.

During 2016 *Viking Neptun* performed successful offshore operations in Ghana, the North Sea/Atlantic region and in South East Asia (ending in 1Q2017).

Polar King

Reach hired the vessel *Polar King*, due to lack of availability in own fleet, for a subsea mining contract with NTNU in August 2016. The vessel performed very well in this new market segment, adding new technology skills and experiences to the Reach Subsea team. In addition, *Polar King* was hired for a short-term job for Total.

Reach Subsea ASA share information

Reach Subsea ASA is listed on the Oslo Stock Exchange. The Company had per 31 December 2016 issued 91,241,065 shares, of which the majority is owned by Norwegian shareholders.

An extraordinary general meeting on 7 February 2017 approved the issuance of 48,609,900 new shares related to the private placement that closed on 13 January 2017. In addition, The Board of Directors was granted an authorization to issue up to 8,571,500 shares in a subsequent repair offering directed towards eligible shareholders. The subsequent offering resulted in 3,388,560 new shares being issued.

The total number of shares issued after the transaction is 143,239,525 each with a nominal value of NOK 1,00 per share.

No dividend was paid based on the financial year 2015. The Board of Directors intend to propose that no dividends will be paid for the financial year 2016. Capital will be used for investments as well as working capital in 2017.

The Group consists of three companies; Reach Subsea ASA and the fully owned subsidiaries Reach Subsea AS and Connect Offshore AS. The main activity of the Group is conducted in Reach Subsea AS. Connect Offshore AS provides hired offshore personnel to Reach Subsea and other clients.

In addition, Reach Subsea AS holds 50 % of the shares in Surveyor AS, where MMT owns the remaining 50%. Surveyor AS' purpose is to own the Surveyor Interceptor as well as holding the rights for the first five Surveyor Interceptor deliveries from Kystdesign AS (main manufacturer based in Haugesund).

Reach Subsea makes every effort to ensure that accurate, relevant and timely information is disclosed about the Group's performance and results in order to maintain confidence in the capital market. Market information is primarily given on a quarterly basis through financial statements. In addition, presentations are made to partners, lenders and investors regularly and upon request.

Reach Subsea essentially follows the recommendation for reporting of IR-information issued by the Oslo Stock Exchange and publishes all the news releases on newsweb.no, a service provided by the Oslo Stock Exchange.

It is in Reach Subsea's own interest to publish current, financial analysis of the highest possible quality. All analysts are treated equally at all times regardless of their recommendations and views on the Reach Subsea share. An overview of analysts covering the share can be found at reachsubsea.com/investors/shareinfo

Corporate Governance

The Group has a Corporate Governance Policy based on strategic goals and expectations from the stock exchange as well as the capital markets. Reach Subsea adheres to the Norwegian Code of Practice for Corporate Governance and presents a separate chapter elaborating the Corporate Governance report in the Annual Report.

Health, Safety, Environment & Quality

Reach Subsea operates a Business Management System in accordance with ISO 9001, 14001 & 18001 requirements, in addition to certain international regulations and business standards. All Reach Subsea employees and subcontractors are trained to work safely, introduced to the company HSEQ policies and familiarized with the risks involved in day-to-day work.

Our Safety Delegates are actively involved in change management processes, and monitoring the work environment onshore and offshore. The Work Environment Committee meets on a quarterly basis, with focus on evaluating, monitoring and suggesting HSEQ improvements.

Our HSEQ professionals monitor the company's Business Management System, annual audit program and all HSEQ initiatives, which include risk management activities, safety campaigns, work environment inspections, vendor audits, design reviews and marine readiness reviews.

The HSEQ reporting level in 2016 was strong, and there were no major injuries to personnel (1 LTI). The sickness absence was 1,2% and annual turnover 3 %. Reach Subsea administration consists of 24 % female employees, and the company has a strong commitment to prevent any form of discrimination due to age, gender, religion, ethnicity or other factors.

Reach Subsea works to minimize pollution, promoting an efficient and sustainable use of resources, including energy and water, and minimizing emissions. In 2016, we successfully operated a ROV in a project with biodegradable oil instead of traditional hydraulic oil. We will continue to search for and learn about more environmental friendly and cost efficient solutions.

Excellent feedback from our clients prove that we are recognized by strong technical ability and high HSEQ performance. Reach Subsea focus on continuous improvement, which we believe will give us a competitive advantage.

Corporate, Social Responsibility

Reach Subsea takes a proactive stance to safeguard and integrate the consideration of human rights, labour rights and social conditions. Four key areas within CSR form basis for our CSR-policy:

Human Resources: Maintain an organisation with high ethical standards and values set into practice and defined via the Code of conduct, HR Manual, Personnel handbook and internal and external training as well as team building activities. Examples of 2016 team-building sessions have been sailing, strategy session (Management and Board of Directors) and Supervisor seminar (offshore supervisors). All employees in Reach Subsea have the same rights and possibilities regardless of gender, background, religion, nationality or disability. Recruitment processes do not exclude any applicant based on these issues.

Environment: Maintain focus on HSEQ, extended use of video-conferencing, further develop evaluation criteria for suppliers such as ship owners and transportation. Reach Subsea works actively to ensure that we always follow rules and regulations and that all employees have an environmentally friendly attitude.

Society: Aim to be an attractive and professional employer by following Norwegian legislation and stay updated on rules concerning offshore and onshore employees in an international environment, contribute to anti-corruption and fraud–prevention by having good routines for electing suppliers and agents. Further, Reach Subsea believes in competence Sharing and contributes to projects in the region and innovation of subsea assets such as the Surveyor Interceptor.

Financial: Live up to the established Corporate Governance policy, reduce risk and secure the Group's financial strength. Reach Subsea endeavours a high level of reporting to shareholders and analysts. Reach Subsea works against corruption, money laundering and fraud.

Invoices and payments are always confirmed by at least two persons and the use of agents is limited, close to nothing. Reach Subsea, a relatively small organisation with a simple legal structure, is quite transparent when it comes to the flow of money.

Risk Factors

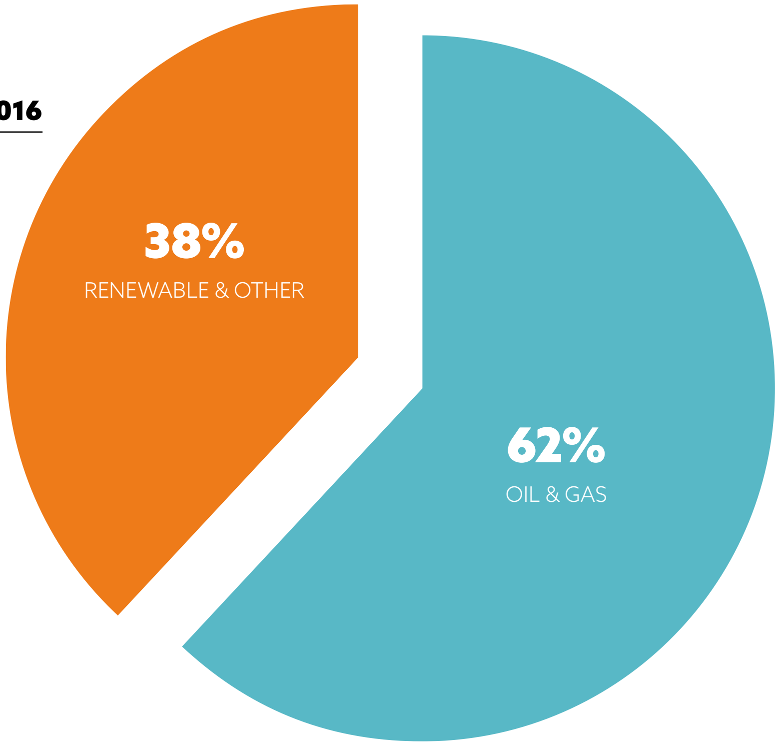
The Group is exposed to commercial, operational and financial risk by the nature of the business. Freight rates, currency exchange rates and interest rates may impact the value of the Group's assets, liabilities and future cash flows. To reduce and manage these risk factors management regularly reviews and reassesses the main market risks. Whenever a major risk factor is identified, action to reduce the specific threat is considered.

The Group is exposed to interest rate risk and exchange rate risk through financing and contracts with clients. The management is continuously considering hedging and other risk reducing methods as well as aiming to have expenses and income in the same currency. The Group has no major loan instalments or maturities the next five years. No need for financing has been recognised in the near future. The Group's liquidity situation as per today (April 2017) is strong. Long lead time in payments from clients has increased the working capital requirement.

The Board emphasizes that there is considerable uncertainty about future events, especially concerned the subsea market development. Market- and operational risk is related to changes in demand for and prices of services provided by the Group, and potential adverse effects of the provision of such services.

REVENUE SECTOR

2016

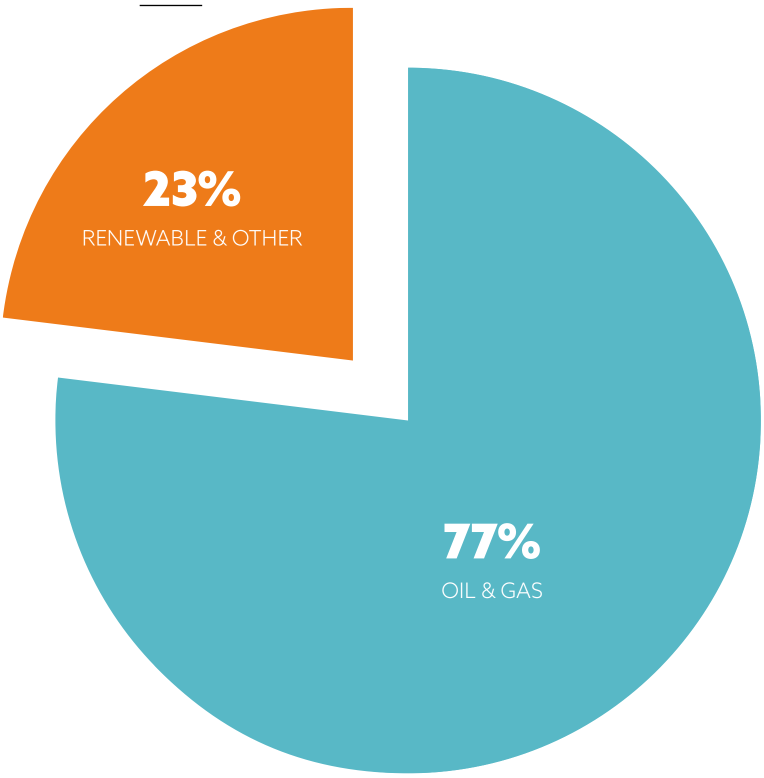


The Group continually evaluates measures to reduce risk exposure as mentioned above. Since 2014, the oil price has significantly reduced and market volatility has increased. This has resulted in increased uncertainty in the oil and gas sector, which affects the Group and counter-parties. Handling of such risks has become increasingly important.

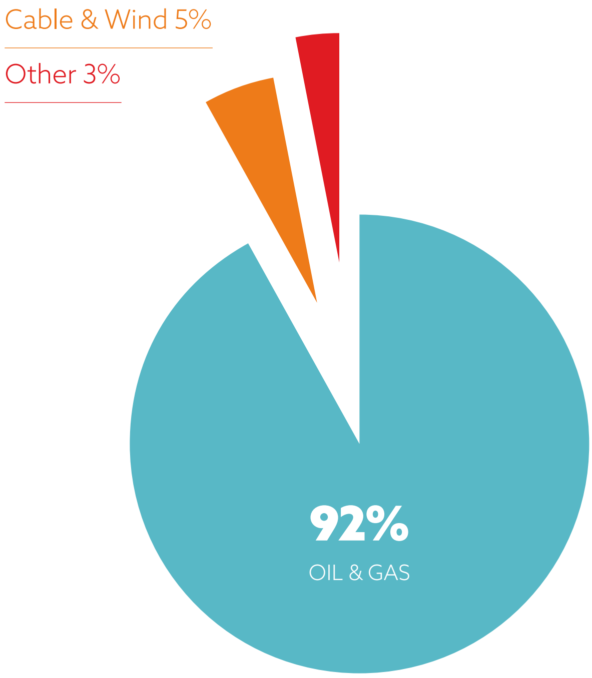
The Annual Results

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board of Directors confirm that the financial statements have been prepared under the assumption of going concern and that this assumption was realistic at the date of signing of the accounts. The assumptions are based on the Groups Business plan and are further described under the "Outlook and expectations for 2017" chapter.

2015



2014



DIRECTORS REPORT

Revenue for the full year 2016 was NOK 327.5 million (NOK 634.4 million in 2015). The reduction compared to last year is mainly related to the change to the *Viking Neptun* contract format (wherein 2015 the full revenue from the vessel was invoiced through Reach Subsea, and in 2016 only the WROV and personnel spread was invoiced through Reach Subsea). Weaker rates is another important factor.

Operating result for 2016 was NOK -14.3 million (NOK 11.4 in 2015). The down turn in the oil service market with lowered spread rates, and the high charter-in rates in the period prior to the *Normand Reach* and *Edda Fonn* charter restructuring in May/June 2016, are the main reasons for the reduction. Amortisation of termination fee of NOK 14.5 million (zero in 2015), was another key reason for the reduction.

EBITDA before amortization of termination fee was as per 3Q2016 established as a quarterly financial reporting measure to illustrate earnings before interest, tax, depreciation, general amortization and amortization of the termination fee (restructuring, no cash effect). EBITDA before amortization of termination fee for 2016 was NOK 25.1 million compared to NOK 34.4 million for 2015.

As part of the restructuring leasing debt was reduced by NOK 26 million and off-balance sheet charter guarantees of NOK 87 million were cancelled using the cash deposits (NOK 53 million), a new bank loan (NOK 20 million) as well as issuing 15 million new shares (5 million shares to each vessel owner Østensjø and Solstad and 5 million shares in a private placement towards existing shareholders, board members and key employees). A termination fee of NOK 76 million to Østensjø and Solstad was paid out in 2Q2016.

The termination fee has been capitalized and will be amortized over the rest of the charter party periods. As per 31 December 2016 remaining capitalized termination fee amounts to NOK 61.5 million of which NOK 33 million is classified as a long-term receivable with the remaining NOK 28.5 million classified as a current receivable

Going forward, the company will in its quarterly reporting present revenues, operating result and EBITDA before amortization of termination fee for its two main segments; Oil & Gas and Renewable/Other. Oil & Gas entails revenues from survey, IMR and light construction projects where the end client is an oil & gas company. Renewable/Other entails revenues from survey, IMR and light construction projects where the end client is a non-oil & gas company (typically a company in the renewable energy sector).

For 2016, Oil & Gas revenues constituted 62% while Renewable/Other constituted 38% of total revenues. By comparison, for 2015 Oil & Gas revenues were 77 % while Renewable/Other constituted 23 % of total revenues.

Total current assets at the end of 2016 were NOK 135.2 million, of which cash and cash equivalents amounted to NOK 30.6 million. Available liquidity, including NOK 10 million in unutilized credit facility, amounted to NOK 40.6 million. The credit facility expired 1 January 2017. Receivables were NOK 104.7 million, which includes NOK 28.5 million in termination fee to Østensjø and Solstad that will be amortized over the next year (non-cash effect). Total non-interest bearing current liabilities were NOK 50.4 million.

Net cash flow from operating activities for the year 2016 was NOK -3.2 million, which includes NOK -10 million in one-off effect from the charter restructuring in May/June 2016.

Thus, the underlying cash flow from operating activities was NOK 6.8 million, compared with NOK 26.4 million for 2015. The decrease in operating cash flow was partly due to an increase in net working capital and partly due to the reduced EBITDA.

In 1Q2017 Reach Subsea conducted a private placement issuing 48,609,900 new shares and a subsequent repair offering of 3,388,560 shares, both at an issue price of NOK 1.75 per share. Net proceeds from the offerings (after payment of transaction related cost) is estimated to be NOK 83 million.

The Group's equity as of 31 December 2016, is NOK 163 million, which represents 55 % of the total balance sheet. Reach Subsea has no committed capital expenditures or major debt maturities for 2017 and onwards.

Outlook and expectations for 2017

Reach's strategy is to be a full-service provider within subsea service. The Group's Management and Board have extensive and long experience in the segment.

Reach currently markets and operates five subsea spreads (vessel, ROVs, and personnel) alone or together with partners, of which three entails spreads where Reach Subsea has little or no vessel commitment (co-operation agreement with ship-owner, or "pay as you earn" charter structures). The remaining two spreads are on vessels where Reach Subsea have fixed charter commitments, but where the commitments have been restructured to a level that gives the company a competitive cost base. The combination of a lean and agile organization, and the attractive cost structure of our five subsea spreads, gives Reach a flexible and competitive cost base tailored to cope with continued weak markets.

DIRECTORS REPORT

In the absence of fixed long-term contracts all our subsea spreads are operated in the short to medium term project market. The company expects a challenging 2017 subsea service market, much like 2016, although there are some signs of improved visibility in terms both of recent contract awards and LOIs, and in terms of a generally higher tender activity. The Board is pleased to note that all operative subsea spreads secured fairly good utilisation for Q1, which traditionally is the weakest quarter for our business.

Beyond Q1 we have covered the entire 2017 vessel commitment for *Normand Reach* through Solstad Offshore's contract with McDermott in Australia, where Reach Subsea will provide the ROV services. The *Edda Fonn* and *Stril Explorer* spreads, marketed through the JV with MMT Sweden, both have LOIs and contract leads that gives hope of good utilisation through Q2 and Q3.

The *Havila Subsea* spread, which will enter service from April 2017, and the *Viking Neptun* spread, has no firm long term work secured from Q2 and onwards. Reach Subsea has historically been successful in achieving high utilisation for subsea spreads exposed to the short-term market. Although no guarantees can be given that history will repeat itself, the Board has confidence in the organisation's ability to find new work. Also, the company is not exposed to vessel costs for any off-hire days on these two particular spreads.

Looking beyond 2017, the remaining charter commitment for Reach is 180 days in 2018 and 100 days in 2019 for *Normand Reach*, which is at competitive charter-in rates with a profit share to the ship-owner.

With NOK 83 million in net proceeds from the equity offerings in 1Q2017, coupled with a flexible business model, the company aim to exploit attractive growth opportunities we currently see in the market.

Parent Company Economy

Reach Subsea ASA serves as a holding company for the Group. The Board proposed the following distribution of the parent company result: Transferred from retained earnings: NOK -21.8 million.

On the Board of Reach Subsea ASA - Haugesund 24th April 2017

Kåre Johannes Lie Chairman of the Board	Anders Onarheim Board member	Sverre B. Mikkelsen Board member
Merete Haugli Board member	Martha Kold Bakkevig Board member	Jostein Alendal Managing Director

Statement by the Board of Directors and Managing Director

We hereby confirm that, to the best understanding, the Annual Accounts for the period 1st January to 31st December 2016 have been prepared in compliance with applicable accounting standards; and that the information in the accounts offers a true and fair view of the Group's and the parent company's assets, liabilities, financial standing and overall performance. We further confirm that the Annual Report provides a true and fair view of the development, earnings and standing of the Group and the parent company; and sets out most important risk factors and uncertainties facing the Group.

On the Board of Reach Subsea ASA - Haugesund 24th April 2017

Kåre Johannes Lie Chairman of the Board	Anders Onarheim Board member	Sverre B. Mikkelsen Board member
Merete Haugli Board member	Martha Kold Bakkevig Board member	Jostein Alendal Managing Director

The board of directors

Kåre Johannes Lie
Chairman of the Board

Kåre Johannes Lie holds a Master of Science in Naval Architecture and Marine Engineering from NTNU. He is the founder of DeepOcean and has held Director positions for Stolt Nielsen Seaway and Acergy Subsea 7.

Anders Onarheim
Board member

Anders Onarheim holds an MBA from Washington University of St. Louis. He has broad experience from Capital Markets, both in Norway and internationally. He holds a wide range of board positions, most recently at North Energy ASA and Solstad Offshore ASA.

Sverre B. Mikkelsen
Board member

Mr. Mikkelsen has a bachelor degree in Business Administration. He has more than 30 year experience in the upstream business. He has, among others, held positions as an ROV and Survey Operation Manager, Finance and Administration Director and Managing Director for Stolt Comex Seaway. These were followed by the position as Managing Director for Subsea Offshore. He is currently working as a consultant for a major oil company.

Martha Kold Bakkevig
Board member

Martha Kold Bakkevig holds a PhD (dr. scient.) from the Norwegian School of Science and Technology and a PhD (dr. oecon.) from The Norwegian Business School BI. Bakkevig has broad experience in management, strategy and business development. Her board experience is wide-ranging and she has held board positions in over 15 different offshore and knowledge based firms from 2000 till today.

Merete Haugli
Board member

Merete Haugli has experience as a board member from a number of companies, most recently at Farstad Shipping ASA, Lorentzen & Stemoco AS and Norwegian Property ASA. She has held several senior positions. She was previously section chief in the Oslo Police, responsible for the economic crime section. She has education from Bankakademiet and Norwegian School of Management (BI).

CORPORATE GOVERNANCE AND MANAGEMENT

Corporate Governance (CG) in Reach Subsea ASA shall increase trust towards the company and contribute to optimal value creation over time. The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

Implementation and reporting on corporate governance

Implementation and regulations

Reach Subsea ASA's ("Reach Subsea" or "the company") Board of Directors (the "Board") has the ultimate responsibility for ensuring that the company practices good corporate governance and has thus prepared and approved the company's policy for corporate governance. The company, through its Board and executive management, carries out an annual review of its principles for corporate governance.

Reach Subsea is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The Norwegian Accounting Act includes provisions on corporate governance at Section 3-3b which impose a duty on the company to issue an annual statement on its principles and practice for corporate governance. These provisions also stipulate minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the "Code"). Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations. The Code was last revised 30th October 2014.

The Oslo Stock Exchange's Continuous Obligations for listed companies pt. 7 requires publicly listed companies to publish an annual statement of their policy on corporate governance in accordance with the Code in force at the time. The Continuing Obligations of listed companies are available on www.oslobors.no

Reach Subsea complies with the Norwegian Accounting Act § 3-3b and the Code, unless otherwise specifically stated. The company provides a statement on its principles for corporate governance in its annual report, and this information is further available on the company website, www.reachsubsea.no

Values, objectives and strategies

Confidence in Reach Subsea as a company and in its business activities as a whole is essential for the company's continuing competitiveness. The company aims to maintain high ethical standards in its business concept and relations with customers, suppliers and employees. The company has not yet fully established their own guidelines for Corporate Social Responsibility as recommended in the Code.

Business activity

The company's business objective is, as set out in its articles of association § 1, to provide engineering, construction and related services to the offshore energy industry, shipping and other transport operations through ownership and / or operation, participation in such activity by other companies, and related activities

The board establishes the Group's overall goals and strategy.

The main goal and strategy for the company is to become a full service provider within the subsea sector.

ADVANCE
PERFORM
ACHIEVE

Equity and dividend

Equity

The Board aims to maintain a satisfactory equity ratio in the company in light of the company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board regularly assesses the company's capital requirements.

Dividend

The company's objective is to generate a return for its shareholders through dividends and increases in the share price that is at least in line with the return available on similar investment opportunities of comparable risk. Due to the young history of the company and the growth plans, Reach Subsea does not intend to pay dividend to shareholders in the short term.

Authorizations to the Board

The Board will in the outset not propose that authorizations to increase the share capital and to buy own shares are granted for periods longer than until the next Annual General Meeting of the company. The Board will only propose authorizations with specific purposes and each proposed purposes will be treated as a matter for the Annual General Meeting.

As per 31 December 2016, the Board had authorization to increase the share capital with NOK 2.100.000. The authorization was limited to defined purposes and expires 30th June 2017.

The Board does not hold any rights to purchase own shares.

Equal treatment of shareholders and transactions with related parties

The company has one class of shares with equal rights.

At capital increases where existing shareholders' preferential rights are waived, this shall be justified. By waiver of rights based on authorizations, the reason for the waiver shall be stated in the press release/announcement in connection with the capital increase.

In the event that the Board is granted authorizations to buy own shares and decides to use this authorization, the transactions will be carried out through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

CORPORATE GOVERNANCE AND MANAGEMENT

Any transactions, agreements or arrangements between the company and its shareholders, members of the Board, members of the executive management team or close associates of any such parties shall only be entered into as part of the ordinary course of business and on arms length market terms. All such transactions shall comply with the procedures set out in the Norwegian Public Limited Liability Companies Act or similar provisions, as applicable. The Board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question must be considered to be immaterial. The company's financial statements shall provide further information about transactions with related parties.

Board members and members of the executive management team shall immediately notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Transfer of shares

The Shares are freely transferable. The Company's Articles of Association do not contain any provisions imposing limitations on the ownership of the Shares and there are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote for the Shares.

The General Meeting

The annual general meeting of Reach Subsea ASA

The annual general meeting ("AGM") is the company's highest authority. The Board strives to ensure that the AGM is an effective forum for communication between the shareholders and the Board, and encourages shareholders to participate in the meeting.

Preparations for the AGM

The Annual General Meeting is normally held before 30 May every year and at least by 30 June, which is the latest date permitted by company law.

The notice calling the AGM is made available on the company's website, www.reachsubsea.no and sent to shareholders no later than 21 days prior to the meeting, as recommended by the Code. The same notice period applies for extraordinary meetings.

The notices calling the general meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. The notice will also set out:

- The procedure for representation at the meeting through a proxy, including a form to appoint a proxy, to allow for shareholders who are unable to attend in person will be able to vote by proxy and
- The right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting.

The Company shall appoint one person that can vote for the shareholders as a proxy.

The company's articles of association stipulates that the supporting documents dealing with matters to be considered by the AGM can be made available on the company's website rather than being sent to shareholders by post. However, shareholders are still entitled to receive the documents by post upon request if they so wish.

The supporting documentation provides all the necessary information for shareholders to form a view on the matters to be considered.

The date of the next AGM is included in the company's financial calendar, as described in "Information and communication" below.

Agenda and conduct of the AGM

The Board decides the agenda for the AGM and the agenda shall be described in the notice. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act § 5-6 and Article 5 of the articles of association of Reach Subsea ASA.

The Board may propose a person independent of the company and the Board to chair the general meetings, ensuring that the AGM has an independent chairperson in accordance with the recommendations of the Code.

Members of the Board Nomination Committee and Auditors are present at the annual general meeting, but normally the full Board has not participated. Matters on the agenda have so far not created a need for this. The chairman of the Board and the Managing Director are always present to answer questions.

The AGM minutes are published by issuing a stock exchange announcement, and are also made available on the company's website at www.reachsubsea.no

TECHNIP

INSTALLATION OF FISHING PROTECTION STRUCTURE (FPS)

Vessel: Viking Neptun
Client: Eidesvik/Technip
End Client: Chevron North Sea Ltd
Site: Alder field, Central North Sea UKCS
Period: September 2016.

ABB / TENNET

CONTROLLED FLOW EXCAVATION (CFE)

Vessel: Normand Reach
Site: DolWin 2 Offshore Wind Farm, North Sea, German sector
Period: November-December 2016
Water depth: 11m LAT

CORPORATE GOVERNANCE AND MANAGEMENT

Nomination committee

Reach Subsea has a nomination committee consisting of three members elected for a period of 2 years, according to section 3 of the company's articles of association.

The following three members form the nomination committee:

- Rune Lande (Chairman)
- Harald Eikesdal
- Rachid Bendriss

Pursuant to section 6 of the articles of associations, the nomination committee shall propose board member candidates to the general meeting in connection with notices thereof. The nomination committee shall also make proposal for the remuneration of the Board.

The board - composition and independence

The company does not have a corporate assembly.

The Board of Reach Subsea is appointed by the general meeting. According to section 3 of the company's articles of association, the Board shall consist of 3 to 9 members.

The Board has the requisite competency to independently evaluate the cases presented by the management as well as the company's operations, and function well as a body of colleagues.

The members of the Board represent varied and broad experience from relevant industries and areas of technical specialty, and the members bring experience from both Norwegian and international companies. More information about the board members expertise and background, as well as their holdings of shares in the company can be found on the company's website www.reachsubsea.no

The Board does not include any members from the company's executive management team and all the members are considered independent of the company's material business contacts. 60 % of the members of the Board are considered independent of the company's main shareholders.

The work of the board of directors

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility is

- Participating in the development and approval of the company's strategy,
- Performing necessary monitoring functions and
- Acting as an advisory body for the Executive Management Team.

Its duties are not static, and the focus will depend on the company's ongoing needs. The Board is also responsible for ensuring that the operation of the company is in compliance with the company's values and ethical guidelines. The chairman of the Board is responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the company has a good management with clear internal distribution of responsibilities and duties. The CEO is responsible for the executive management and day-to-day operations of the company. Further details on the duties of the Board are included in the instructions to the Board.

All members of the Board receive information about the company's operational and financial development on a monthly basis. The company's strategies shall regularly be subject to review and evaluation by the Board.

The Board evaluates its work on an annual basis. The Board of the Company acts as the audit committee. The Board may from to time also appoint other sub-committees, as deemed necessary or appropriate.

CORPORATE GOVERNANCE AND MANAGEMENT

Risk management and internal control

The Board shall seek to ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and systems include the company's values and guidelines for ethics and corporate governance.

The Board shall ensure that the company's internal control comprises guidelines, processes, duties, conduct and other matters that:

- Facilitate targeted and effective operational arrangements for the company and also make it possible to manage commercial risk, operational risk, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the company's commercial objectives;
- Contribute to ensuring the quality of internal and external reporting; and
- Contribute to ensuring that the company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the company's ethical guidelines and corporate values.

The Board shall form its own opinion on the company's internal controls, based on the information presented to the Board. Reporting by executive management to the Board shall be prepared in a format that gives a balanced presentation of all risks of material significance, and of how the internal control system handles these risks.

The Board has approved routines for internal control and risk management. The objective for the company's risk management and internal control is to manage, rather than eliminate, exposure to risks related to the successful conduct of the company's business and to support the quality of its financial reporting. Effective risk management and good internal control contribute to securing shareholders' investment in the company and the company's assets.

The Board shall carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements, and provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the company's financial reporting.

The Board as a whole acts as an audit committee.

Within risk management and internal control, the audit committee's duties and responsibilities include:

- Monitoring the financial reporting process, focusing on the following main areas:
- Changes in accounting principles
- Critical accounting estimates or judgments
- Material adjustments to the accounts requested or suggested by the statutory auditor
- Areas where there is a difference of opinion between the management and the statutory auditor
- Monitoring the effectiveness of the company's financial reporting processes, internal control, and internal audit where applicable, and risk management systems.
- Monitoring the statutory audit of the annual accounts.
- Establishing and evaluating procedures for the correct handling and registering of complaints relating to financial reporting, accounting, internal control and statutory audit.

ADVANCE
PERFORM
ACHIEVE

Board compensation

The general meeting annually determines the Board's remuneration, based on proposal by the nomination committee. Remuneration of board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The compensation shall be a fixed annual amount. The chairman of the Board may receive a higher compensation than the other members. The Board shall be informed if individual board members perform other tasks for the company than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership. This will be specified in the Annual Report.

The company's annual accounts provide information about the Board's compensation.

Compensation to executive management

The Board decides the salary and other compensation to the CEO, however so that any compensation linked to the value of the company's shares shall be approved by the general meeting in accordance with the Norwegian Public Limited Companies Act. The CEO's salary and bonus shall be determined on the basis of an evaluation with emphasis on the following factors: financial results, business development, employee and customer satisfaction. Any fringe benefits shall be in line with market practice, and should not be substantial in relation to the CEO's basic salary.

The Board annually carries out an assessment of the salary and other remuneration to the CEO. The company's annual accounts provide information about salary and other compensation to the CEO and the executive management team.

The CEO determines the remuneration of executive employees based on guidelines for the remuneration prepared by the Board. The guidelines lay down the main principles for the company's management remuneration policy. The salary levels should not be of a size that could harm the company's reputation, or above the norm in comparable companies. The salary levels should, however, ensure that the company can attract and retain executive employees with the desired expertise and experience.

TECHNIP

INSTALLATION OF MANIFOLDS AND GRP COVERS VIKING NEPTUN

Client: Eidesvik/Technip
End Client: EnQuest
Period: March-April 2016
Site: Kraken field UKCS, 400km NE of Aberdeen & 126km East of Shetland. Water depth: 116m

CORPORATE GOVERNANCE AND MANAGEMENT

Information and communication

Reach Subsea maintains a proactive dialogue with analysts, investors and other stakeholders of the company. The company strives to continuously publish relevant information to the market in a timely, effective and non-discriminatory manner, and has a clear goal to attract both Norwegian and foreign investors and to promote higher stock liquidity. Emphasis is placed on ensuring that the shareholders receive identical and simultaneous information.

All stock exchange announcements are made available on the Oslo Stock Exchange website, www.newsweb.no as well as the company's website, www.reachsubsea.no

The announcements are also distributed to news agencies and other online services.

Reach Subsea publishes its preliminary annual accounts by the end of February and the complete annual report, including approved and final annual accounts and the Board of Directors report, is available no later than 30 April each year as required by the Securities Trading Act.

The company's financial calendar for the coming year is published as a stock exchange announcement and made available on the company's website no later than 31 December each year, in accordance with the continuing obligations for companies listed at the Oslo Stock Exchange.

Reach Subsea ASA intends to hold open presentations in connection with the publication of the company's results. The presentations are webcast for the benefit of investors who are not able to attend the presentations. At the presentations, the executive management review and comment on the published results, market conditions and the company's future prospects.

The company's management gives high priority to communication with the investor market. Individual meetings are organized for major investors, investment managers and analysts. The company also attends investor conferences.

The Board has issued guidelines for the investor relations function of the company, including authorized spokespersons of the company.

Take-overs

It is not considered necessary to develop explicit guidelines for how Reach Subsea will act in a takeover bid of the actions described above. The Board supports the recommendation on this issue.

Auditor

Reach Subsea is audited by PricewaterhouseCoopers in Stavanger, Norway.

Each year the auditor present to the Board a plan for the audit work and confirm that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines etc. At least one time per year, the Board and the auditor shall meet without the presence of anyone from the executive management.

The use of the auditor as a financial advisor to the company should be sought limited to cases where such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the company. Only the company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the Annual General Meeting, the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.

The Board shall arrange for the auditor to attend General Meetings as and where appropriate.

BREAKING RECORDS WITH THE SURVEYOR INTERCEPTOR


Surveyor Interceptor being lowered into the Black Sea. © MMT Sweden AB.

The Surveyor Interceptor is a Remotely Operated Vehicle (ROV) armed with multibeam and side-scan sonar, sub-bottom profiler, a laser scanner and powerful lights.

It 'flies' through the water at 4-6 knots, 3-4 times as fast as conventional ROVs, which means it covers a larger area in a shorter amount of time. For these reasons, The Surveyor Interceptor was chosen to be the principal survey tool for the Black Sea Map project in 2016, where it operated at depths of 1,800 meters and helped uncover several hidden treasures.

The unusual chemistry of the Black Sea makes it a highly interesting body of water to researchers and historians alike.

Ships found on the bottom of the Black Sea tend to be remarkably well-preserved, which makes it a perfect location for the Surveyor Interceptor to go diving.

Pictured right, is a photogrammetric model of a shipwreck from the Ottoman period found at a depth of 300 meters. The model is created by the cameras on the Surveyor Interceptor rendered with added light sources.

More than 40 shipwrecks have been discovered from the Ottoman and Byzantine periods, many of which provide the first views of ship types known from historical sources. Pictured is a shipwreck from the Ottoman period. © Black Sea Maritime Archaeology Project.

The researchers used two Remotely Operated Vehicles (ROVs) to survey the sea bed. These have discovered several wrecks, including this one from the Byzantine period (pictured). © Black Sea Maritime Archaeology Project.

This Byzantine wreck was found 95 meters below the surface of the Black Sea.

The photo (left), illustrates the Surveyor Interceptor passing over the wreck gathering 3D data, it is constructed from photographs taken by the cameras on the Surveyor Interceptor ROV.

NTNU

SUBSEA MINING

Client: NTNU/MarMine project
August 2016
Site: Arctic Mid-Ocean Ridge.
Water depth 2700 m

PROFIT & LOSS

Consolidated statement of comprehensive income

(NOK 1000)	2016	2015	NOTES
Continuing operations			
Revenues	327,493	634,369	5
Operating income, in total	327,493	634,369	
Operating expenses			
Cost of materials and goods	(43 951)	(29 089)	
Depreciation	(24 814)	(23 030)	13
Employee expenses	(68 428)	(53 884)	7
Other operating cost	(204,580)	(517,008)	6, 7
Operating cost, in total	(341,772)	(623,011)	5
Operating result	**(14,279)**	**11,358**	
Financial income and Financial expenses			
Interest and other financial income	3,147	15,885	8
Interest and other financial expenses	(10,524)	(18,674)	8
Finance income - net	(7,376)	(2,790)	
Share of profit of investments accounted for using the equity method	(1,557)	(7,173)	12
Profit (loss) before taxes	(23,212)	1,394	
Taxes	-	-	9
Profit (loss) for the year	(23,212)	1,394	
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges - net of tax	-	1,268	
Total comprehensive income	(23,212)	2,663	
Result attributable to:			
Owners of the Company	(23,212)	2,663	16
Profit (loss) per share	(0.28)	0.02	10
Diluted profit (loss) per share	(0.28)	0.02	10

The notes on page 31 to 59 are an integral part of these financial statements.

FINANCIAL POSITION

Consolidated statement of financial position

(NOK 1000)	2016	2015	NOTES
Assets			
Non-current assets			
Property, plant and equipment	116,916	140,415	13
Investments	5,272	6,829	12
Non current receivables	33,000	53,000	14
Deferred tax asset	8,161	8,161	9
Non-current assets, in total	163,349	208,405	
Current assets			
Trade receivables	67,422	66,856	14, 19
Other current receivables	37,231	9,622	14
Cash and cash equivalents	30,586	54,370	15
Current assets, in total	135,240	130,848	
Assets, in total	**298,590**	**339,253**	
Equity and liabilities			
Equity			
Share capital	91,241	76,241	16
Share premium	80,919	67,806	
Other equity	(9,211)	13,397	
Equity, in total	162,949	157,444	
Non-current liabilities			
Interest-bearing debt	64,227	94,601	20
Non-current liabilities, in total	64,227	94,601	
Current liabilities			
Trade payables	30,954	40,263	18. 19
Taxes, payables	-	-	9
Public duties a.o.	4,069	3,401	18
Interest-bearing debt short-term	21,000	18,000	20
Derivative financial instruments	0	0	
Other current liabilities	15,390	25,544	18, 20, 22
Current liabilities, in total	71,414	87,208	
Equity and liabilities in total	**298,590**	**339,253**	

The notes on page 31 to 59 are an integral part of these financial statements.

CASHFLOW

Consolidated cash flow statement

(NOK 1000)	2016	2015	NOTES
Operations			
Profit (loss) before taxes	(23,212)	1,394	
Net result from affiliated companies	1,557	7,173	
Paid tax	-	-	9
Depreciation	24,814	23,030	
Change in debtors	(567)	(40,929)	
Change in creditors	(9,309)	12,166	
Change in other accruals	2,905	22,916	
Share option expense employees	604	604	
Net cash flow from operations (1)	(3,208)	26,356	
Investments			
Investment in equipment	(1,314)	(65,973)	13
Purchase of shares in associated companies	0	(8,642)	12
Guarantees Charter-party	-	-	
Net cash flow used in investments (2)	(1,314)	(74,615)	
Financing			
Proceeds from issuance of ordinary shares	8,113	-	
Proceeds from borrowings			
Repayment of interest bearing debt	-27,374	-	
Net cash flow from financing activities (3)	(19,261)	42,883	
Net cash flow for the year (1+2+3)	(23,783)	(5,375)	
Cash and cash equivalents 1/1	54,370	59,746	
Cash and cash equivalents 31/12	30,586	54,370	

The notes on page 31 to 59 are an integral part of these financial statements.

EQUITY

Equity

(NOK 1000)	Share capital	Share premium	Other Equity: Other reserves	Other Equity: Retained earnings	Total	NOTES
Equity 1 January 2016	76,241	67,806	2,919	10,479	157,444	
Profit for the year				(23,212)	(23,212)	
Other comprehensive income for the year						
Total comprehensive income for the year	-	-	-	(23,212)	(23,212)	
Fair value of share options	-	-	604	-	604	
Proceeds from shares issued	15,000	15,000	-	-	30,000	
Share issue cost		(1,887)			(1,887)	
Equity 31 December 2016	91,241	80,919	3,523	(12,734)	162,949	
Equity 1 January 2015	76,241	67,806	2,315	7,816	154,177	
Profit for the year				1,394	1,394	
Other comprehensive income for the year				1,268	1,268	
Total comprehensive income for the year	-	-	-	2,662	2,662	
Fair value of share options	-	-	604	-	604	
Proceeds from shares issued	-		-	-	-	
Equity 31 December 2015	76,241	67,806	2,919	10,479	157,444	

Haugesund 24th April 2017

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Jostein Alendal
Managing Director

The notes on page 31 to 59 are an integral part of these financial statements.

DONG

WINDFARM UXO SURVEY

Vessel: Edda Fonn

NOTES

Note 1 General Information

Reach Subsea ASA is the parent company in the Group and is domiciled in Norway, with office address Garpeskjærvegen 2, 5527 Haugesund. The company's consolidated financial statements for the 2016 financial year covers Reach Subsea ASA and its subsidiaries.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Reach Subsea ASA have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements have been prepared on a going concern basis.

New and amended standards adopted by the Group

a) New and amended standards adopted by the Group

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. These amendments do not have any impact on the Consolidated Financial Statements of the Group.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

These amendments do not have any impact on the Consolidated Financial Statements of the Group.

b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of the relevant aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its Consolidated Balance Sheet and its equity.

(a) Classification and measurement

NOTES

The Group does not expect a significant impact on its Consolidated Balance Sheet and its equity on applying the classification and measurement requirements of IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The Group is in the business of providing offshore ROV services. The services are provided based on separate identified contracts with customers. The Group are currently in process of evaluating the possible effects of implementing IFRS 15.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. Early application has not been undertaken. The amendments are not expected to have any impact on the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain relief.

It is expected that the implementation of IFRS will have material impact on the balance sheet and presentation of income statement. The Group is currently evaluating this effect of implementing IFRS 16. The Group will not early adopt IFRS 16.

Basis of consolidation

Subsidiaries: The consolidated financial statements incorporate the financial statements of Reach Subsea ASA, and entities controlled by Reach Subsea ASA. Control is achieved where Reach Subsea ASA is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. Companies that are acquired during the year are consolidated from the date control was obtained.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests: Non-controlling interests are included in the Group's equity. Non-controlling interests consist of their share of the carrying value of subsidiaries including the share of identified excess value at the date of acquisition. Transactions with non-controlling interests are treated as transactions with equity owners of the group. There are currently no non-controlling interests.

Associates: Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognized at cost.

The Group's share of its associates' income or other comprehensive income is recognized on separate lines in the income statement or the statement of other comprehensive income respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations on behalf of the associate. In the statement of financial position associates are presented as non-current assets.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When accounting policies of associates are different from those of the group, the figures are amended to ensure consistency.

Joint arrangements: The group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Reach Subsea ASA has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 January 2012. The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the group at 1 January 2012 and 31.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The group has two segments. Oil & Gas and Renewable. As it is a global market the Group has not prepared segments based on geographic location.

Foreign currency translation

Functional currency and presentation currency: The Group presents its financial statements in NOK. The functional currency of the consolidated entities in the Group is the currency of the primary economic environment in which the entity operates. All companies have NOK as functional currency.

Transactions and balances: Foreign currency transactions are translated into the functional currency using the

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exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement within financial income and financial costs.

Property, plant and equipment

Property, plant and other equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes costs related to the purchase of the item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Upon acquisition, property, plant and equipment are decomposed for depreciation purposes if this is material for the determination of the depreciation expense. The components are depreciated on a straight-line basis over expected useful life to estimated residual value at the end of their useful life

Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts less their residual values over their estimated useful lives, as follows:

- Machinery 10-15 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years
- Remotely Operated Vehicles (ROVs) 3-8 years

The assets' residual values and useful lives are reviewed, and the depreciation schedule adjusted, if appropriate, at the end of each reporting period.

Impairment of non-financial assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or where annual testing for impairment is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Onerous contracts

Provisions for onerous contracts are recognized when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leases

Accounting as lessee: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Accounting as lessor: When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases is recognized over the term of the lease on a straight-line basis.

Financial assets

Categories: The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement: Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.

Offsetting financial instruments: Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial instruments:

a) Assets carried at amortised cost

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The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Derivative financial instruments and hedging activities: Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either:

a) Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);

(b) Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) Hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note. Movements on the hedging reserve in other comprehensive income are shown in note. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'Other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'Finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Other gains/(losses) – net'.

Trade receivables: Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

Cash and cash equivalents

Cash equivalents are short-term liquid investments that can be converted instantly into cash of a known amount, and have a maximum maturity of three months.

Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares is shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Taxes

The tax expense in the period comprises current tax and changes in deferred taxes. Tax expense is recognized in the income statement, except to the extent that it relates to items that are recognized in other comprehensive income, or directly in equity. In such cases the relating tax expense is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Share-based payments

The group has an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an economic settlement will take place in consequence of this obligation, and a reliable estimate can be made of the amount. Provisions are based on best estimate.

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognized in the annual financial statements, but is disclosed if it is probable that a benefit will accrue to the Group.

Recognition of revenue

General: Revenue from sale of services is recognized when it is probable that transactions will generate future economic benefits that will flow to the Group, and the amount can be reliably measured. Revenues are shown net of value added tax and discounts.

Sales of services: The group sells design services to other. For sales of services under fixed rate contracts, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. For other services, revenue is recognized based on the agreed rate as the services are rendered.

Revenue from leases: Revenue from time-charter leases is recognized as operational leases using a straight-line basis over the term of the contract.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Finance lease have been reflected as investment in assets and borrowing as proceeds in financing.

Note 3 Financial Risk Management

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management for the Group is carried out by Management. Management identifies, evaluates and hedges financial risks in close co-operation with the operating units within the Group. The Board approves the principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

3.1.1 Market Risk

Foreign exchange risk: The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NOK, USD and EUR. Foreign exchange risk arises from future commercial transactions and recognized assets or liabilities. Potential currency fluctuations are taken into account during the tendering phase. Long term contracts in a foreign currency will be considered hedged to be consistent with the currency of costs. All debt is in NOK.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not an entity's functional currency. The Group aims at achieving a natural hedge between cash inflows and cash outflows and manages remaining foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, by forward contracts and similar instruments as appropriate.

The Group's risk management policy is to hedge anticipated transactions in each major currency.

The following table demonstrates the sensitivity to a reasonable possible change in the USD and EUR, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Increase / decrease in **USD**	Effect on profit before tax
2016	5 %	104
2015	5 %	1,786

	Increase / decrease in **EUR**	Effect on profit before tax
2016	5 %	237
2015	5 %	103

Price risk: The Group is exposed to commodity price risk at two main levels:

The demand for ROV units is sensitive to oil price developments, fluctuations in production levels, exploration results and general activity within the oil industry.

The cost of construction of future units is sensitive to changes in market prices of the input factors.

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3.1.2 Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers. The Group has no significant concentration of credit risk towards single financial institutions and has policies that limit the amount of credit exposure to any single financial institution. Credit exposures to customers arise when entering into medium or short term contracts and are managed by performing a financial risk evaluation in the tendering process. The level of financial risk analysis performed in each case depends on the nature of the contract (including volume). Where the financial risk is substantial, bank guarantees are requested.

3.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Group aims to maintain flexibility in its liquidity by keeping committed credit lines available. The need for working capital is continuously being considered based on payment terms and financial status of clients and the Group's firm expenses (including loan instalments and interest). Please refer to note 19 for maturity analyses.

3.1.4 Cash Flow and Fair Value Interest Rate Risk

The Group's interest rate risk arises from bank deposit held at floating rates, and the possible impact on the financial statement is estimated to be immaterial.

3.1.5 Capital Management

The Group's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

The Group has defined KPI levels for equity, liquidity and earning. The KPIs are consistent with loan covenants, and are being reported on a monthly basis as well as in budgets/forecasts. The development of the KPIs are being monitored closely. Breach of covenants request a waiver from the bank (measured quarterly) to avoid a formal breach of the loan agreement.

If a breach of one or more KPI is discovered in the forecast, the Board will consider taking actions such as provision capital from existing and/or new owners.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 4
Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under current circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Income taxes

Judgment is required in determining the provision for income taxes, and the recognition of deferred tax assets. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting for deferred income tax asset relies upon management's judgment of the Group's ability to generate future positive taxable income in each respective jurisdiction.

Note 5 - Segment information

(NOK 1000)	2016	2015
Revenue		
Oil & Gas	202,461	485,856
Renewable / other	125,032	148,513
Total	327,493	634,369
Operating expense		
Oil & Gas	(212,230)	(487,122)
Renewable / other	(129,542)	(135,889)
Total	(341,772)	(623,011)
Operating result		
Oil & Gas	(9,769)	(1,266)
Renewable / other	(4,510)	12,624
Total	(14,279)	11,358
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization		
Oil & Gas	3,327	3,134
Renewable / other	7,208	31,254
Total	10,535	34,388
EBITDA before amortization of termination fee.		
Oil & Gas	16,550	3,134
Renewable / other	8,514	31,254
Total	25,064	34,388

Note 6 - Operating costs specified

(NOK 1000)	2016	2015
Rental cost	175,115	462,697
Consultant cost	20,240	32,271
Operating equipment and maintenance	4,402	5,866
Administration costs	4,823	16,173
Operating costs, in total	204,580	517,008

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Note 7 - Wages, number of employees, benefits and loans to employees

Wages and social expenses

(NOK 1000)	2016	2015
Salaries	55,435	43,362
Social security tax	8,167	6,898
Pensions	3,530	2,830
Other benefits	692	190
Option cost	604	604
Wages and social expenses, in total	68,428	53,884
Number of man-year (including hired personnel)	88	61

The company has a defined contribution plan that complies with the requirements of the Mandatory Occupational Pension Act. Total cost during the year is as specified above.

Note 7 - Compensation and benefits to management

Compensation to CEO, CFO and COO is specified below.

Guidelines for remuneration: The company's guideline for management compensation and benefits is to offer competitive conditions to secure continuity in the management group. Reach Subsea shall offer benefits as for comparable Norwegian companies.

(NOK 1000)	Salary	Pension expenses	Other comp	Share options
2016				
Managing Director CEO	1,212	66	4	-
CFO	894	51	4	-
COO	901	52	4	-
Total	3,007	169	12	-
2015				
Managing Director CEO	1,210	82	24	73,047
CFO	857	62	19	53,125
COO	956	61	22	59,766
Total	3,023	205	65	185,938

Managing director has no agreement regarding early retirement. Managing director will receive 1 200 000 NOK in payment if employment is terminated. CFO has no agreement regarding early retirement and no agreement on payment in case of termination of employment.

Note 7 - Continued

The Board's remuneration

(NOK 1000)	Position	2016	2015
Kåre Johannes Lie	Chairman of the Board	250	250
Anders Onarheim	Board member	100	100
Martha K. Bakkevig	Board member	100	100
Merete Haugli	Board member	100	100
Sverre B. Mikkelsen	Board member	100	100

The Auditors remuneration

(NOK 1000)	2016	2015
Auditing	961	763
Attestation services	-	-
Tax advice*	61	39
Other assistance*	493	190
Total	1,515	992

All amounts are exclusive of value added tax.

* Included in tax advice and other assistance are services from Adv. PricewaterhouseCoopers AS with the amount of NOK 141 290 (2015: NOK 49 500).

NOK 402 300 has been booked directly to equity as it relates to the share issue in 2016.

NOTES

Note 7 - Continued

Shares owned by the board of directors and others

Shares owned by members of the Board and by the management at year-end, including shares owned by immediate family members and/or controlled companies are as follows:

		2016	
		Shares	Stake
ACCELLO PARTNERS I AS	Partly owned by Anders Onarheim (Board member) and Rachid Bendriss (primary insider)	27,644,254	30.3 %
NORTH ENERGY CAPITAL	Partly owned by Anders Onarheim (Board member) and Rachid Bendriss (primary insider)	8,945,319	9.8 %
JOSO INVEST AS	Owned by Kåre Johannes Lie (COB)	7,214,589	7.9 %
JT INVEST AS	Partly owned by Jostein Alendal (CEO)	5,301,539	5.8 %
A-Å INVEST AS	Owned by Åge Nilsen (management)	1,874,975	2.1 %
SMS INVESTERING AS	Owned by Svein Magne Storesund (management)	1,652,366	1.8 %
INVICTA INVEST AS	Partly owned by Inge Grutle (management)	909,179	1.0 %
CONSUS AS	Owned by Rune Lande (Board secretary)	760,925	0.8 %
KOLD INVEST AS	Partly owned by Martha K. Bakkevig (Board member)	517,175	0.6 %
AB INVEST	Owned by Anders Onarheim (Board member)	398,347	0.4 %
TYRIHANS MANAGEMENT	Owned by Sverre B Mikkelsen (Board member)	306,250	0.3 %
CELISA CAPITAL AS	Owned by Rachid Bendriss (primary Insider)	150,000	0.2 %
BIRGITTE WENDELBO JOHANSEN	Management	139,050	0.2 %
BÅRD THUEN HØGHEIM	Management	270,625	0.3 %
SVERRE B. MIKKELSEN	Board Member	85,925	0.1 %
ÅGE NILSEN JR	Management	63,750	0.1 %
JOSTEIN ALENDAL	CEO	50,000	0.1 %
Total		56,284,268	62%

Note 8 - Finance income and expenses

(NOK 1000)	2016	2015
Interest expense:		
Bank borrowings	4,937	3,043
Net foreign exchange	4,754	14,486
Other financial expenses	833	1,146
Total financial expenses	10,524	18,674
Less: amounts capitalised on qualifying assets (Note 13)	-	-
Finance costs	10,524	18,674
Finance income:		
Interest income on short term bank deposits	(236)	(1,333)
Net foreign exchange	(2,906)	(14,551)
Other financial income	(6)	(0)
Finance income:	(3,147)	(15,885)
Net financial items	7,376	2,790

NOTES

Note 9 - Taxes

(NOK 1000)	2016	2015
Taxes		
Taxes payable	-	-
Changes in deferred taxes	-	-
Taxes, in total	-	-
Deferred taxes / (deferred tax assets)		
Temporary differences:		
Other fixed assets	4,991	9,781
Financial leases	27,512	404
Accruals	-	-
Tax loss carried forward	(176,763)	(134,603)
Temporary differences, in total	(144,260)	(124,418)
Deferred tax assets	(34,622)	(31,105)
Not recognized deferred tax assets	(26,461)	(22,943)
Deferred tax assets in balance sheet	8,161	8,161

Deferred tax assets are recognized in the balance sheet based on expected utilization of tax losses carried forward and temporary differences. Part of the calculated deferred tax asset is not booked in the balance sheet, but will be booked when the group can further justify the possibility to get into tax position again. This has no consequences on the future utilization of the tax benefits in the years to come.

Reconciliation from nominal to actual tax rate:		
Profit and loss before taxes	(23,212)	1,394
Nominal tax rate	25%	27%
Anticipated income tax due to nominal tax rate	5,803	(377)
Tax effects of:		
Permanent differences	-	-
Carry forward tax loss not recognized	(5,803)	377
Tax rate	-	-
Effective tax rate	0 %	0 %

Note 10 - Earnings per share

Profit (loss) per share is calculated on the consolidated profit (loss) divided by the average number of shares outstanding.

(NOK 1000)	2016	2015
Profit (loss) - attributable to the owners (NOK 1000)	(23,212)	1,394
Profit (loss) per share (NOK)	(0.28)	0.02
Diluted profit (loss) per share (NOK)	(0.28)	0.02
Average numbers of shares for EPS	83,864,016	76,241,065
Average diluted number of shares	83,864,016	76,241,065
Number of shares 1/1	76,241,065	76,241,065
Number of shares 31/12	91,241,065	76,241,065

As the option are out of money the outstanding option will not have any dilution effect on the EPS.

Note 11 - Shares in subsidiaries

Company	Business office	Voting rights and ownership
Reach Subsea AS	Haugesund	100 %
Connect Offshore AS (100 % owned by Reach Subsea AS)	Haugesund	100 %

Note 12 - Investments in associates

Nature of investment in associates 2016

Name of entity	Place of business	% Ownership	Nature of relationship	Measurement method
Surveyor AS	Haugesund	50%	JV	Equity method

Surveyor AS owns the ROV "Surveyor" and leases the ROV to the owners Reach Subsea AS and MMT Sweden AB. Surveyor AS is not consolidated due to joint arrangement with MMT Sweden AB.

NOTES

Note 12 - Continued

Summarised balance sheet (NOK 1000)	2016	2015
Cash and cash equivalents	876	1,017
Other current assets	1,455	639
Total current assets	2,331	1,655
Non-current assets	37,184	39,215
Other current liabilities	5,932	5,687
Total current liabilities	5,932	5,687
Financial liabilities	23,039	21,525
Total non-current liabilities	23,039	21,525
Net assets	10,545	13,658

Reconciliation to carrying amounts (NOK 1000)	2016	2015
Opening assets 1 January	13,658	10,721
Foundation	-	-
Capital increase	-	17,284
Profit/l(loss) for the period	(3,113)	(14,347)
Closing net assets	10,545	13,658
Group's share in %	50%	50%
Group's share in NOK	5,272	6,829
Carrying amount	5,272	6,829

Summarised statement of comprehensive income (NOK 1000)	2016	2015
Revenue	5,725	2,099
Interest income	3	8
Depreciation and amortisation	(6,155)	(5,194)
Other operating expenses	(1,738)	(10,097)
Interest expense	(949)	(1,162)
Income tax expense	-	-
Profit for the period	(3,113)	(14,347)
The amounts recognised in the income statement are as follows:		
Share of profit of investments accounted for using the equity method	(1,557)	(7,173)
At 31 December	(1,557)	(7,173)

Note 13 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	ROV & ROV equipment leased	Equipment & office machinery	Total
Year ended 31 December 2016				
Opening net book amount	39,185	100,405	825	140,415
Additions	728	538	49	1,314
Disposals	-	-	-	-
Depreciation	(9,870)	(14,454)	(489)	(24,814)
Closing net book value	30,043	86,488	385	116,916
At 31 December 2016				
Cost	54,277	126,342	9,358	189,977
Accumulated depreciation	(24,234)	(39,855)	(8,974)	(73,062)
Book value	30,043	86,488	384	116,916
Year ended 31 December 2015				
Opening net book amount	40,885	55,447	1,140	97,473
Additions	6,883	58,960	130	65,973
Disposals	-	-	-	-
Depreciation	(8,583)	(14,002)	(445)	(23,030)
Closing net book value	39,185	100,405	825	140,415
At 31 December 2015				
Cost	53,549	125,805	9,309	188,663
Accumulated depreciation	(14,364)	(25,400)	(8,484)	(48,248)
Book value	39,185	100,404	825	140,415
Depreciation plan/useful life	3 - 8 years	3 - 8 years	3 years	
Depreciation method	Linear	Linear	Linear	

During the year, the group has capitalised borrowing costs amounting to NOK 0 (2015: NOK 466 thousand) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6% in 2015. Bank borrowings are secured on fixed assets for the value of NOK 116,5 million (2015: 140,4 million). See also note 20 Borrowings. The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

(NOK 1000)	2016	2015
Cost	180,619	179,354
Accumulated depreciation at 1 January	(39,764)	(17,179)
Depreciation charge for the year	(24,324)	(22,585)
Net book amount	116,531	139,590

NOTES

Note 14 - Trade and other receivables

(NOK 1000)	2016	2015
Trade receivables	67,422	66,856
Less: provision for impairment of trade receivables	-	-
Trade receivable net	67,422	66,856
Repayments	4,931	5,372
Other receivable	32,301	4,250
Current portion	104,654	76,478
Restricted cash deposit	-	53,000
Non-current positions	33,000	53,000

The non-current positions as of 2015 are restricted cash, in 2016 the amount of 33.000 are the termination fee with amortization period beyond 12 month. All non-current receivables are due within five years from the end of the reporting period. The fair values of trade and other receivables are as follows:

Trade receivable	61,382	61,472
Receivables from related parties	6,041	5,384
Loans to related parties	-	-
Total	67,422	66,856

Transactions with subsidiaries have been eliminated in the Group's financial statements and do not represent related party transactions.

Changes in allocation for losses of account receivables are as follows:

Balance 1/1	-	4,928
The years allocation of losses	-	(4,928)
The years stated losses	-	-
Reversal of earlier allocations		-

Receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 360 d
2016	67,422	48,387	17,755	507	773	-
2015	66,856	35,458	17,375	4,121	9,026	876

Based on previous experience there is no allowance for receivables that are not overdue.

Note 14 - Continued

Trade receivables COUNTER-PARTY WITHOUT EXTERNAL CREDIT RATING	2016	2015
Group 1		
Group 2	67,422	66,856
Group 3		
Total trade receivables	67,422	66,856

Group 1 - New customers (less than 6 months). Group 2 - Existing customers (more than 6 months) with no defaults in the past. Group 3 - Existing customers (more than 6 months) with some defaults in the past. The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

(NOK 1000)	2016	2015
NOK	59,521	54,766
EUR	5,518	-
USD	2,256	12,090
GBP	126	-

Note 15 - Cash and cash equivalents

(NOK 1000)	2016	2015
Cash and cash equivalents in NOK	27,794	99,756
Cash and cash equivalents in USD	1,999	7,531
Cash and cash equivalents in EUR	748	45
Cash and cash equivalents in GBP	45	38
Restricted cash equivalence hereof	-	(53,000)
Cash and cash equivalents, in total	30,586	54,370

The company also has restricted cash related to withheld tax of 2 402 in 2016 (2015: 1 949). 53 000 of restricted cash in 2015 was cash deposit in connection with future payments of lease contracts. This has been released in connection with the restructuring in 2016.

Unused drawing rights	-	-
Rating on banks for cash		
A+	30,586	-
AA	-	54,370
Total cash and cash equivalents	30,586	54,370

NOTES

Note 16 - Share capital and information about shareholders

Reach Subsea's share capital amounts to NOK 91 241 065 divided into 91 241 065 shares, each with a nominal value of NOK 1.

The 20 largest shareholders as of 31.12.2016	Shares	Stake
1. ACCELLO PARTNERS I AS	27,644,254	30%
2. NORTH ENERGY CAPITAL AS	8,945,319	10%
3. JOSO INVEST AS	7,214,589	8%
4. JT INVEST AS	5,301,539	6%
5. NORMAND DRIFT AS	5,000,000	5%
6. HOLME HOLDING AS	2,445,111	3%
7. SKEISVOLL & CO AS	2,000,000	2%
8. TEOMAR AS	2,000,000	2%
9. A-Å INVEST AS	1,874,975	2%
10. SMS INVESTERING AS	1,652,366	2%
11. ONWAY AS	1,588,804	2%
12. TEM INVEST AS	1,250,000	1%
13. LION INVEST AS	1,180,000	1%
14. BARRUS CAPITAL AS	1,112,160	1%
15. INVICTA INVEST AS	909,179	1%
16. CONSUS AS	760,925	1%
17. HAAVAAS	650,050	1%
18. THORHEIM	643,750	1%
19. HAGLAND INVEST AS	625,000	1%
20. DØVING INVEST AS	584,008	1%
Sum of 20 largest	73,382,029	80%
Sum of the rest of shareholders	17,859,036	20%
Total number of shares	91,241,065	100%

Note 16 - Continued

The 20 largest shareholders as of 31.12.**2015**	Shares	Stake
1. ACCELLO PARTNERS I AS	23,444,254	31%
2. JOSO INVEST AS	6,964,589	9%
3. JT INVEST AS	5,301,539	7%
4. GSE SANDVIK AS	3,437,500	5%
5. SKEISVOLL & CO AS	2,000,000	3%
6. HOLME HOLDING AS	1,956,408	3%
7. A-Å INVEST AS	1,874,975	2%
8. TEOMAR AS	1,810,000	2%
9. SMS INVESTERING AS	1,652,366	2%
10. TEM INVEST AS	1,250,000	2%
11. ONWAY AS	1,173,804	2%
12. BARRUS CAPITAL AS	1,112,160	1%
13. CAIANO EIENDOM AS	952,584	1%
14. INVICTA INVEST AS	909,179	1%
15. LION INVEST AS	850,000	1%
16. CONSUS AS	710,925	1%
17. HAAVAAS	650,050	1%
18. THORHEIM	643,750	1%
19. HAGLAND INVEST AS	625,000	1%
20. CAIANO SHIP AS	615,292	1%
Sum of 20 largest	57,934,375	76%
Sum of the rest of shareholders	18,306,690	24%
Total number of shares	76,241,065	100%

Note 17 - Share based payments

Share options are granted to executives and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting one year from the grant date. The group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2016	Average exercise price per share option	Number of options
At 1 January	3.2	1,687,863
Granted		
Forfeited		
Exercised		
Expired	3.20	1,687,863
At 31 December		0

Out of the 1.687.863 outstanding options, 1.687.863 options were exercisable. No options were exercised in 2016. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	Expiry date	Exercise price in NOK per options	Share options 2016
Tranch 3	12/09/16	3.20	1,687,863
			1,687,863

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.26 per option. The significant inputs into the model were weighted average share price of NOK 3.35 at the grant date, exercise price shown above, volatility of 67,7%, and an annual risk-free interest rate of 2,13%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 7 for share options granted to directors and employees.

Note 18 - Other current liabilities

(NOK 1000)	2016	2015
Trade payables	30,954	40,263
Liabilities to shareholders and employees	-	50
Social security and other taxes	4,069	3,401
Other current liabilities	15,390	25,494
Other current liabilities, in total	50,414	69,208
Interest-bearing debt short-term	21,000	18,000
In total	71,414	87,208

Note 19 - Classification of financial assets and liabilities

2016 (NOK 1000)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Non-financial assets
Financial assets				
Trade receivables	67,422	-	-	-
Other receivables	8,731	-	-	-
Cash and cash equivalents	30,586	-	-	-
Assets, in total	106,740	-	-	-

2016 (NOK 1000)	Other financial liabilities at amortised expense	Liabilities at fair value through profit and loss	Derivatives used for hedging	Non-financial liabilities
Financial liabilities				
Borrowings	85,227	-	-	-
Trade payables	30,954	-	-	-
Other current liabilities	19,460	-	-	-
Liabilities, in total	135,641	-	-	-

2015 (NOK 1000)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Non-financial assets
Financial assets				
Trade receivables	66,856	-	-	-
Other receivables	9,622	-	-	-
Cash and cash equivalents	54,370	-	-	-
Assets, in total	130,848	-	-	-

2015 (NOK 1000)	Other financial liabilities at amortised expense	Liabilities at fair value through profit and loss	Derivatives used for hedging	Non-financial liabilities
Financial liabilities				
Borrowings	112,601	-	-	-
Suppliers	40,263	-	-	-
Other current liabilities	28,945	-	-	-
Liabilities, in total	181,809	-	-	-

Note 19 - Continued

The tables below provides an analysis of the maturity of financial liabilities.

	Remaining contractual maturities				
Financial liabilities 2016	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Trade payables	30,954				30,954
Other financial liabilities	19,460				19,460
Borrowings	10,522	10,491	37,624	26,590	85,227
Interest on borrowing	1,846	1,588	3,782	1,334	8,549
Financial liabilities, in total	62,782	12,079	41,406	27,924	144,190

	Remaining contractual maturities				Total
Financial liabilities 2015	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Trade payables	40,263				40,263
Other financial liabilities	28,945				28,945
Borrowings	9,335	9,440	55,269	38,557	112,601
Interest on borrowing	3,093	2,841	11,607	3,278	20,819
Financial liabilities, in total	81,636	12,281	66,876	41,835	202,628

Note 20 - Borrowings

(NOK 1000)	2016	2015
Non current		
Bank borrowings	15,750	8,400
Finance lease liabilities	48,477	86,201
Total	64,227	94,601
Current		
Bank borrowings	10,500	4,200
Finance lease liabilities	10,500	13,800
Total	21,000	18,000
Total borrowings	85,227	112,601

Note 20 - Borrowings

Bank borrowings mature until 2019 and bear average coupons of 4,5 % annually. The bank borrowings are subject to industry relevant covenants. At year end the Group is in compliance with all covenants. Total borrowings include secured liabilities (bank and collateralised borrowings) of NOK 85,2 million (2015: NOK 112,6 million). Bank borrowings are secured by equipment and cash deposits of the group (note 13).

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
(NOK 1000)	2016	2015	2016	2015
Bank borrowings	26,250	12,600	26,250	12,600
Finance lease liabilities	58,977	100,001	58,977	100,001
	85,227	112,601	85,227	112,601

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4,5 % and are within level 2 of the fair value hierarchy.

The carrying amounts of the group's borrowings are all denominated in Norwegian kroner.

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

(NOK 1000)	2016	2015
Gross financial lease liabilities - minimum lease payments		
No later than 1 year	10,513	14,576
Later than 1 year and no later than 5 years	42,224	76,880
Later than 5 years	6,240	8,545
Total	58,977	100,001
Future finance charges on finance lease liabilities	6,793	19,987
Present value of finance lease liabilities	65,770	119,988

There are no new covenants in 2016. Refer to note 13 Property, plant and equipment for secured assets.

Note 21 - Related parties

Reach Subsea ASA is the parent company of the group. The following transactions were carried out with related parties:

(NOK 1000)	2016	2015
Revenue		
To Joint Venture	20,185	58,716
Cost		
To Joint Venture	(4,714)	(5,853)
Total	15,472	52,863

All transactions were part of the general activity and the agreements have been concluded on marked terms in accordance with Limited Liability Companies Act § 3-8 and § 3-9. Transactions with the management and the Board (salaries) can be found in note 7.

Note 22 - Commitments

Operational leasing:

The costs relating to operational leases recognized in the income statement related to equipment and real estate for 2016 amounts to NOK 2,2 million (2015: NOK 2,2 million). Total liability at 31.12.16 is NOK 2,0 (2015: NOK 2,0 million). The leasing agreement expires in 2018 (3 months termination notice). Total commitment operational leases in 2017 is NOK 74,3 million (2016: NOK 209 million). Commitments falling due after 2017 is NOK 43 million (2016: NOK 400 million). The information in the table below shows the current year cost and future minimum lease payments due under non-cancellable operating leases at 31 December 2016. Minimum lease payments for operating leases:

(NOK 1000)	2016	2015
No later than 1 year	76,462	209,000
Later than 1 year and no later than 5 years	43,000	397,880
Later than 5 years	-	-

Please see Note 24 for important subsequent events regarding future commitments.

Note 23 - Capitalized termination fee

Reach Subsea ASA renegotiated charter arrangements during 2016 for the vessels Normand Reach And Edda Fonn with Østensjø and Solstad. Charter guarantees have been cancelled against a termination fee combined with a share issue. The total termination fee of NOK 76 million to Østensjø and Solstad has been capitalized and is amortized over the remaining charter party periods. The charter agreement with Solstad expires 30 September 2019, and the agreement with Østensjø expires 05 December 2017. NOK 14,5 million in capitalized termination fee have been amortized in 2016. As at 31 December 2016 the company has a total of NOK 61,5 million in capitalized termination fee, whereof NOK 33 million is classified as a long term asset.

Note 24 - Subsequent events

13th January 2017 Reach Subsea conducted a private placement issuing 48,609,900 new shares at an issue price of NOK 1.75 per share. A subsequent repair offering resulted in 3,388,560 new shares at an issue price of NOK 1,75 per share. Net proceeds (after payment off transaction related cost) is estimated to be NOK 83 million.

PROFIT & LOSS - REACH SUBSEA ASA

Operating income and expenses

(NOK 1000)	2016	2015	NOTES
Payroll expenses	4,401	3,747	7, 9
Other operating expenses	17,370	3,601	9, 10
Operating expenses	21,770	7,349	
Operating profit	-21,770	-7,349	
Financial income and expenses			
Income from subsidiaries and other group entities	-	15,945	
Other interest income	171	1,033	
Other financial income	70	6,868	
Financial income	241	23,845	
Other Interest expenses	2	-	
Other financial expenses	308	10,687	
Financial cost	-309	-10,687	
Profit (loss) before tax	-21,838	5,810	
Taxes	-	-	8
Profit (loss) for the year	-21,838	5,810	
Brought forward			
To other equity		5,810	
From share premium equity	-21,838	-	
Total brought forward	-21,838	5,810	

BALANCE - REACH SUBSEA ASA

(NOK 1000)	2016	2015	NOTES
Deferred tax asset	3,923	3,923	8
	3,923	3,923	
Financial fixed assets			
Investments in subsidiaries	23,855	23,855	1
Other long term assets	33,000	-	2, 13
Total financial fixed assets	56,855	23,855	
Total non-current assets	60,779	27,778	
Current assets			
Accounts receivables	50	4,777	
Receivables from group companies	78,563	47,394	3
Other receivables	28,886	635	13
Total debtors	107,499	52,806	
Cash and bank deposits	5,381	82,859	4
Total current assets	112,880	135,665	
Total assets	173,658	163,443	

(NOK 1000)	2016	2015	NOTES
Equity			
Restricted equity			
Share capital	91,241	76,241	5, 6
Share premium reserve	81,424	80,854	5
Total restricted equity	172,665	157,095	
Other equity		5,803	5
Total retained earnings		5,803	
Total equity	172,665	162,898	12
Short term liabilities			
Accounts payable	299	16	
Public duties payable	352	253	
Other short term liabilities	343	276	
Total short term liabilities	993	545	
Total liabilities	993	545	
Total equity and liabilities	173,658	163,443	

CASHFLOW - REACH SUBSEA ASA

(NOK 1000)	2016	2015
Cash flow from operating activities		
Profit (loss) before taxes	-21,838	5,810
Paid taxes	-	-
Amortised termination fee	14,529	
Change in trade creditors	283	16
Change in trade debtors	-2,950	-52,171
Change in other provisions	-75,615	436
Net cash flow from operations	-85,591	-45,909
Cash flow from investments		
Investment in shares and loans to subsidiaries	-	57,386
Net cash flow from investments	-	57,386
Financing		
Repayment of loan	-	-
Share issues	8,113	-
Net cash flow from financing activities	8,113	-
Net cash flow for the year	-77,478	11,477
Profit (loss) dues to exchange rate fluctuations on cash		
Cash and cash equivalent 1/1	82,859	71,389
Cash and cash equivalent 31/12	5,381	82,859

Haugesund 24th April 2017

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Jostein Alendal
Managing Director

NOTES - REACH SUBSEA ASA

Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues

Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Historical data is applied to estimate and recognise provisions for quantity rebates and returns at the sales date. Provisions for expected guarantee work are recognised as expenses and provisions for liabilities. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Investments in other companies

Except for short term investments in listed shares, the cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash-flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses.

Termination fee

The termination fee is activated in the balance sheet and amortised over remaining charter party periods. The amortised amount is recognised as other operating expense.

NOTES - REACH SUBSEA ASA

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Pensions

The company has defined contribution plans. With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry-forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry-forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Options

The Company has established a option program. The option cost are based on a Black & Scholes model, and the cost are amortized over the vesting period.

Note 1 - Subsidiaries, associated companies and joint venture

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Equity last year (100 %)	Result last year (100 %)	Balance sheet value
Reach Subsea AS	Haugesund	100 %	8,082	7,065	23,855

Note 2 - Debtors and liabilities

Trade debtors	2016	2015
Trade debtors at nominal value	78,613	52,171
Bad debts provision	0	0
Trade debtors in the balance sheet	78,613	52,171
Debtors which fall due later than one year	2016	2015
Loans to employees	0	0
Other non current assets	33,000	0
Total	33,000	0

The company has an asset with Solstad consisting of 55 mill in activated cost, whereof 33 mill is classified as long-term with due date later than 1 year. Refer to note 13 for further information.

Long term liabilities which fall due later than 5 years	2016	2015
Liabilities to credit institution	0	0
Other long term liabilities (specify)	0	0
Total	0	0
Guarantees	2016	2015
Mortgage loan guarantees	0	0

NOTES - REACH SUBSEA ASA

Note 3 - Balance with group companies, etc.

	Current assets		Non-current assets	
(NOK 1000)	2016	2015	2016	2015
Group companies	78,563	47,394	0	0
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	78,563	47,394	0	0

	Current liabilities		Non-current liabilities	
(NOK 1000)	2016	2015	2016	2015
Group companies	0	0	0	0
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	0	0	0	0

Note 4 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2016	2015
Withheld employee taxes	342	287

Note 5 - Shareholder's equity

Equity changes in the year	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.	76,241	80,854	5,803	162,898
Group contribution correction previous years*	-	-	3,492	3,492
Capital increase	15,000	15,000	-	30,000
Share issue cost	-	-1,887	-	-1,887
Profit for the year	-	-	-21,838	-21,838
Equity 31.12.	91,241	93,967	-12.542	172,665

*Refer to note 12 for further information.

Note 6 - Share capital and shareholder information

The share capital of NOK 91 241 065 consists of 91 241 065 shares with nominal value of NOK 1,00.

The 20 largest shareholders as of 31.12.**2016**	Shares	Stake
ACCELLO PARTNERS I AS	27,644,254	30%
NORTH ENERGY CAPITAL AS	8,945,319	10%
JOSO INVEST AS	7,214,589	8%
JT INVEST AS	5,301,539	6%
NORMAND DRIFT AS	5,000,000	5%
HOLME HOLDING AS	2,445,111	3%
SKEISVOLL & CO AS	2,000,000	2%
TEOMAR AS	2,000,000	2%
A-Å INVEST AS	1,874,975	2%
SMS INVESTERING AS	1,652,366	2%
ONWAY AS	1,588,804	2%
TEM INVEST AS	1,250,000	1%
LION INVEST AS	1,180,000	1%
BARRUS CAPITAL AS	1,112,160	1%
INVICTA INVEST AS	909,179	1%
CONSUS AS	760,925	1%
HAAVAAS	650,050	1%
THORHEIM	643,750	1%
HAGLAND INVEST AS	625,000	1%
DØVING INVEST AS	584,008	1%
Sum of 20 largest	73,382,029	80%
Sum of the rest of shareholders	17,859,036	20%
Total number of shares	91,241,065	100%

Note 7 - Options

Share options are granted to executives and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting one year from the grant date. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2016	Average exercise price per share option	Number of options
At 1 January	3.2	1,687,863
Granted		
Forfeited		
Exercised		
Expired	3.20	1,687,863
At 31 December		0

Out of the 1.687.863 outstanding options, 1.687.863 options were exercisable. No options were exercised in 2016. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant/vest	Expiry date	Exercise price in NOK per options	Share options 2016
Tranch 3	12/09/16	3.20	1,687,863
			1,687,863

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.26 per option. The significant inputs into the model were weighted average share price of NOK 3.35 at the grant date, exercise price shown above, volatility of 67.7 %, and an annual risk-free interest rate of 2.13 %. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 7 for share options granted to directors and employees.

Note 8 - Taxes

Calculation of deferred tax/deferred tax benefit	2016	2015
Temporary differences		
Non-current assets	-179	-223
Other temporary differences	0	0
Net temporary differences	-179	-223
Tax losses carried forward	-152,552	-130,670
Basis for deferred tax	-152,731	-130,893
Deferred tax	-36,655	-32,723
Deferred tax benefit not shown in the balance sheet	32,732	28,800
Deferred tax in the balance sheet	-3,923	-3,923

The reason deferred tax asset is not shown with full amount in the balance sheet is that historical results create doubt that future taxable profits will be sufficient to utilise the tax benefit in full.

Basis for income tax expense, changes in deferred tax and tax payable	2016	2015
Result before taxes	-21,838	5,810
Permanent differences	0	-15,945
Basis for the tax expense for the year	-21,838	-10,136
Change in temporary differences	-45	-56
Basis for payable taxes in the income statement	-21,883	-10,191
+/- Group contributions received/given	0	15,945
Use of tax losses carried forward	21,883	-5,754
Taxable income (basis for payable taxes in the balance sheet)	0	0
Components of the income tax expense	**2016**	**2015**
Payable tax on this year's result	0	0
Adjustment in respect of priors	0	0
Total payable tax	0	0
Change in deferred tax	0	0
Tax expense	0	0
Payable taxes in the balance sheet	**2016**	**2015**
Payable tax in the tax charge	0	0
Tax effect of group contribution	0	0
Payable tax in the balance sheet	0	0

NOTES - REACH SUBSEA ASA

Note 9 - Payroll expenses, number of employees, remunerations, loans to employees, etc.

Payroll expenses	2016	2015
Salaries/wages	3,642	3,082
Social security fees	549	471
Pension expenses	214	172
Other remuneration	-5	21
Total	4,401	3,747
Number of man-year	3	2

The company has a defined contribution pension scheme which cover all employees. The company's pension schemes met the requirements of the law on compulsory occupational pension.

Remuneration to executives	General manager	Board
Salaries/board fee	1,212	650
Pension expenses	66	-
Other remuneration	4	-

Expensed audit fee	2016	2015
Statutory audit (incl. technical assistance with financial statements)	812	585
Other assurance services	0	0
Tax advisory fee (incl. technical assistance with tax return)	42	24
Other assistance (to be specified) *	15	189
Advisory fee booked to equity	402	0
Total audit fees	1,272	798

VAT is not included in the audit fee.
* Other assistance include services provided by the statutory auditor PwC related to restructuring.
Other assistance and Advisory fee includes services rendered by the law firm PwC, respectively kNOK 19,7 and kNOK 107,8. In total, kNOK 402,3 in audit fees related to restructuring has been booked directly to equity.

Note 10 - Related-party transactions

The company has undertaken various transactions with related parties consisting of brokerage of vessels and leasing of office premises for the year. All transactions are carried out as part of the normal course of business and carried out on commercial terms in accordance with Companies Act §§ 3-8 and 3-9. Transactions with the management and the Board (salaries) can be found in note 9.

Note 11 - Profit (loss) per share

Profit (loss) per share is calculated on the profit (loss) divided by the average number of shares issued.

	2016	2015
Profit (loss)	-21,838	5,810
Profit (loss) per share (NOK)	-0.26	0.08
Diluted profit (loss) per share (NOK)	-0.26	0.08
Average number of shares	83,864,016	76,241,065
Average diluted number of shares	84,174,841	76,873,076
Number of shares 1/1	76,241,065	76,241,065
Number of shares 31/12	91,241,065	76,241,065

Note 12 - Correction of previous period

The company's equity per 31.12.15 has been corrected due to an error in the financial statements for 2014. The error is due to a received group contribution from the subsidiary Reach Subsea AS after finalising the financial statements for 2014. The group contribution effects receivables towards Reach Subsea AS and other equity.

Note 13 - Capitalized termination fee

Reach Subsea ASA renegotiated charter arrangements during 2016 for the vessels Normand Reach And Edda Fonn with Østensjø and Solstad. Charter guarantees have been cancelled against a termination fee combined with a share issue. The total termination fee of NOK 76 million to Østensjø and Solstad has been capitalized and is amortized over the remaining charter party periods. The charter agreement with Solstad expires 30 September 2019, and the agreement with Østensjø expires 05 December 2017. NOK 14,5 million in capitalized termination fee have been amortized in 2016. As at 31 December 2016 the company has a total of NOK 61,5 million in capitalized termination fee, whereof NOK 33 million is classified as a long term asset.

To the General Meeting of Reach Subsea ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reach Subsea ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment Reach Subsea ASA has ROV's and related assets with a carrying amount of MNOK 122 as at 31st December 2016. Due to the general downturn in the industry and the increased uncertainty, management has assessed the carrying amounts for impairment. Management calculates fair value for all their ROV's using a discounted cash flow model. For all ROV's, management concluded that the recoverable amount was higher than their carrying amounts at the balance sheet date. These conclusions depends on significant management judgement related to factors such as estimated utilization, disposal values, charter hire rates, operating expenses and discount rates applied to future cash flows. The risks connected to valuation of ROV's has increased during 2016 due to the challenging market conditions. This has increased the need for judgement in the valuations. We focused on this area due to the magnitude of the amounts and the significant judgement necessary on part of management. *See also note 11.*	Our procedures directed at management's impairment assessment of ROV's includes obtaining managements valuation model and evaluating whether the model contains the elements required by accounting regulation. We challenged management on the assumptions used in the model. This includes tracing input data to contracts and budgets approved by the board of directors, considering whether charter hire rates and utilization are consistent with our knowledge of the industry. To consider the reliability of estimated operating expense, we compared the estimates to historical performance, and considered whether deviations from the budget had a reasonable explanation. When we considered management's analysis of sensitivity, we noted that the forecasted cash flow is highly sensitive to even minor changes to assumptions. We assessed the discount rate by comparing the assumptions used to build the discount rate with observed external market data. We considered that the used discount rate was within an appropriate range. Based on available evidence we found management's assumptions in relation to the value in use calculations to be reasonable.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 24 April 2017

PricewaterhouseCoopers AS

Henrik Z. Nessler

Henrik Zetlitz Nessler

State Authorised Public Accountant

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