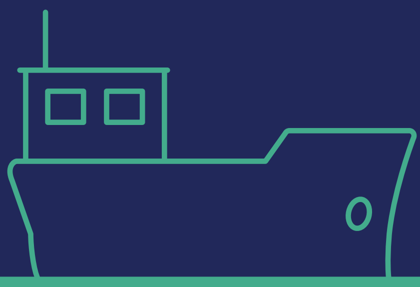
2019

Everything is within Reach

Annual Report

Reflecting the impacts our operations have on economic, environmental and social factors.



Find out more at reachsubsea.no

REACH SUBSEA

Contents

Reach Subsea presents a 2019 characterised by a combination of stronger rates and lower utilisation.

A base of experienced employees with a spotless track record has given us the possibilities to take advantages of the poor market.

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ADAPT TO THE MARKET

The challenge of timing

Despite having been through challenging years with low visibility, low prices and reduced activity following the downturn within the oil & gas segment in 2014, 2019 turned out to be the hardest to manoeuvre in so far.
In particular, the last two quarters of the year did not give us the anticipated activity level, with 3 ROV systems with very low utilisation, less vessel days sold, reduced revenue and a disappointing bottom line for the year as a whole.

Our long term investment in mobilising the modern and fuel efficient Topaz Tiamat also made it hard to respond quickly enough to mitigate the decline in activity levels.
Overall, we delivered quality and spotless operations to our clients at rates that remained relatively good In summary, the jobs we performed were good and profitable, but we should have had more jobs.

Timing is hard, and last year was not a pleasant setback.
That said, tender and contracting activity started off stronger and earlier for the 2020 season with signs of a market in recovery.
Our strong operational track record as well as our investments in the right assets and vessel spreads positioned us well for both more call-offs under the current frame agreements with all the majors as well as with new clients, both in the North Sea and Americas.

Historical event

Everything well and under control up to early March 2020 The shock due to the Covid-19 virus and the tough measures implemented by Governments around the world in order to stop the spread has forced us all to look at the future in a different way.
The reduction in worldwide oil and gas consumption and activity is dramatic and it is uncertain for how long this situation will last. It is anticipated that the price of oil will stay low for a long time which in turn will reduce the investment climate in all on- and offshore sectors.
Already an increasing number of current and future O&G exploration, drilling and capex projects have been cancelled or postponed globally.
The sudden total lockdowns and quarantine regulations introduced an immediate challenge for all marine operations. Over the past month a tremendous work has been initiated over the entire maritime and offshore industry to maintain regular operations and crew-changes.
Our organisation has shown a remarkable ability and flexibility to adapt almost overnight. I am proud and humble that we have managed to continue smooth operations given this extreme situation. We are committed to perform safe operations, with thehealth and safety of our people as our utmost priority and routines and procedures are in place to meet actual sickness offshore and onshore going forward.

We have to date not experienced any cancellations, though some postponements of projects related to work we have in the orderbook for this season have been notified by our clients. These postponements will have minor effect on our overall performance for this year. On the contrary we have strong signals that the majority of work in hand within inspection, maintenance and repair will be executed as planned. This impression is further confirmed by recently awarded IMR work for the season. So far it looks like this season will go as planned.

Looking forward

How the industry and market will look like post Covid-19 is almost impossible to predict, but no doubt there will be changes to our clients future opex and IMR spending. We have to adapt and organise the company to meet this new future.

The subsea industry was already characterised by oversupply of tonnage and equipment, resulting in a market with tough competition and pressured rate levels in all sectors.
Some good signs though. With our joint venture partner MMT we have been awarded a significant contract within the renewable market where our cutting edge Surveyor technology will be displayed to its fullest. Last year we introduced USV (Unmanned Surface Vessel) services in the Caribbean by successfully completing multiple nearshore geophysical surveys. USV's offer significant benefits including reduced risk associated with less personnel offshore, efficient operations and environmental improvements with ultra-low emissions.

Remote operations and autonomy might come faster as a result of the anticipated changes to our business environment. In that case our ongoing commitment to be at the technical forefront of our industry puts us in the right spot.

Key words in this context is our willingness to adopt innovation and digitalisation, where cost efficient and safe project performance with a low carbon footprint are our priorities.

Nevertheless, uncertain times ahead!

Jostein Alendal
CEO, Reach Subsea ASA

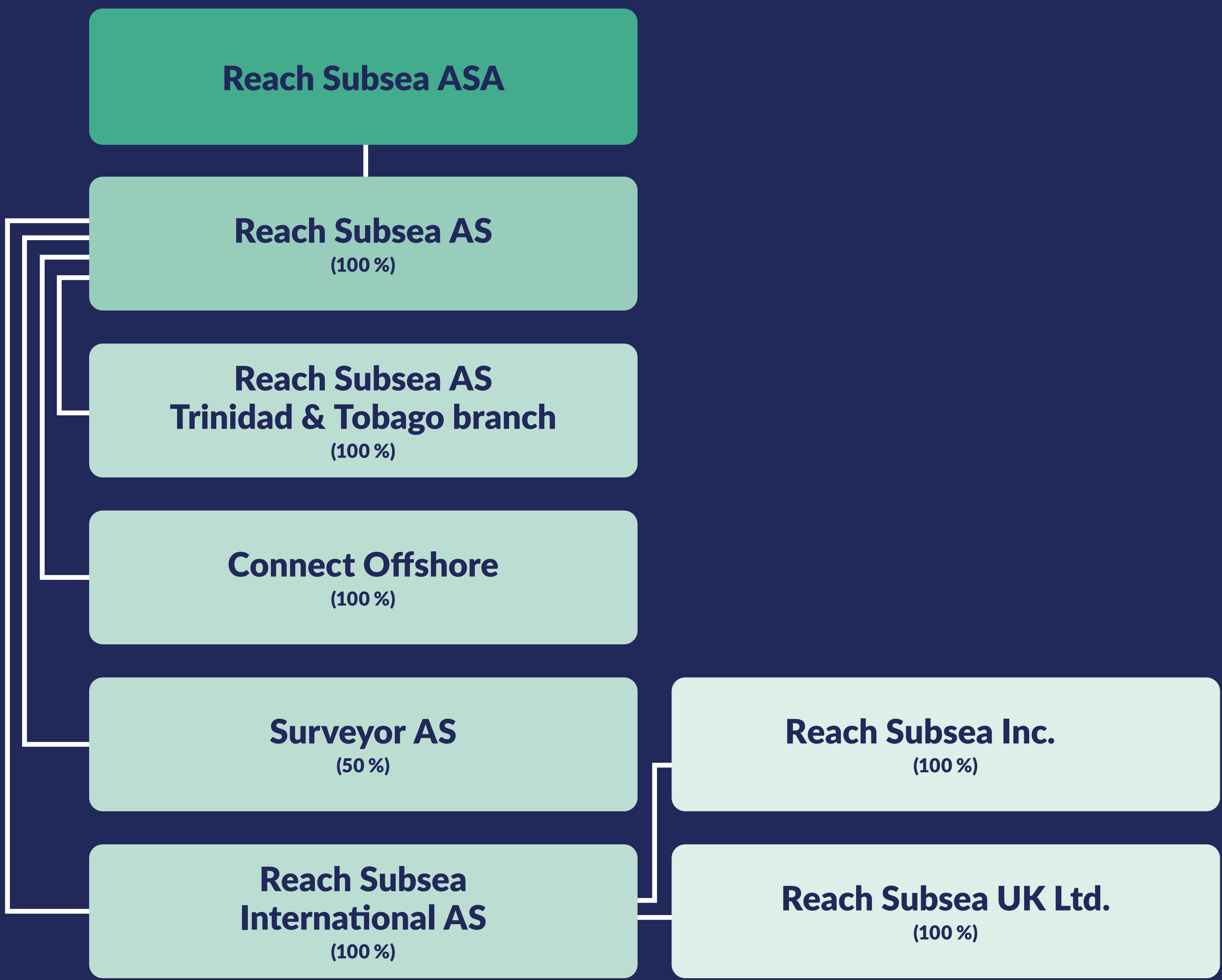
We are
Reliable
Effective
Adaptable
Committed
Honest

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 as per 20.04.20

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



Meet 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.

25+ years in subsea

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.

15+ 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.

20+ years in finance

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.

15+ years in offshore

The Vessel Fleet

Viking Neptun

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

400 Te AHC Main Crane and 100 Te AHC Auxiliary Crane
DP3, ICE 1B and DEICE notation
4.400 Te below deck Carousel
Helideck for Sikorsky S92
Optimized stability and capacity for VLS (SWL 600 Te)
2600 m² steel deck
1x Kystdesign supporter WROV and 1x constructor WROV
Battery pack installed Q1 2020

Havila Harmony

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

150 t AHC Main Crane
Permanent full survey suite
Large office facilities
Helideck
816m2 deck
1x Schilling WROV

Havila Subsea

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

150T AHC Main Crane
Moonpool in hangar for module handling
650 m2 deck
Permanent full survey suite
Large office facilities
Helideck 26 m diameter
2x Schilling WROVs in ROV hangar

The Vessel Fleet

Topaz Tiamat

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

120 t AHC Crane
Helideck
1000m2 deck
Construction moonpool
2x Kystdesign supporter WROVs in ROV hangar
Battery pack installed in 2020
Optimized for low fuel consumption

Stril Explorer

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

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

Olympic Challenger

Light Construction / ROV Support Vessel designed with focus on good sea keeping abilities and excellent station keeping performances.

250 Te AHC Main Crane
Construction moonpool
1000 m2 deck
Permanent full survey suite
Large office facilities
2* WROV in ROV hangar

Directors Report

The Reach Subsea Group ("Reach Subsea", "REACH" or "the Group")'s business concept is to offer high quality services and solutions to any client in need of installing, inspecting, maintaining or removing assets and equipment from the seabed.

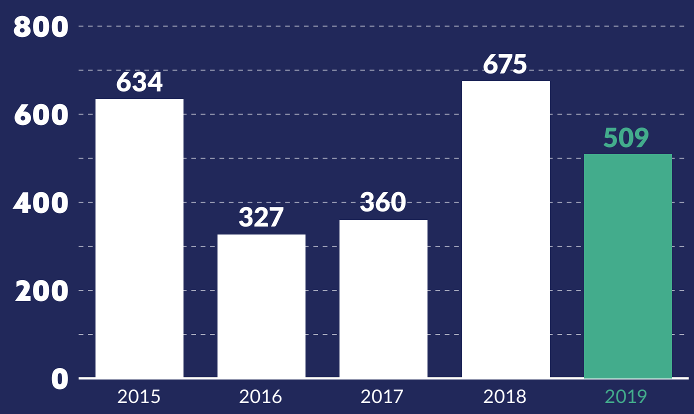
Business concept

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 project management and engineering resources.

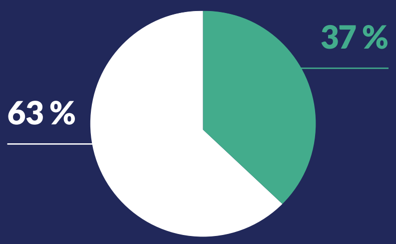
As a platform for performing the subsea services, Reach Subsea aims to utilize modern high specification subsea vessels, which is reflected in the vessels chartered in from various ship owners.

The Group's objective is to be a preferred subsea partner and full-service provider of subsea operations for clients, among others by having high focus on safety, environment, financial solidity and profitability. Contracts in the oil & gas, renewables, and utilities sectors are being targeted, securing cash flow and laying the foundation for prudently growing the fleet, asset base and organisation.

Total turnover Million NOK

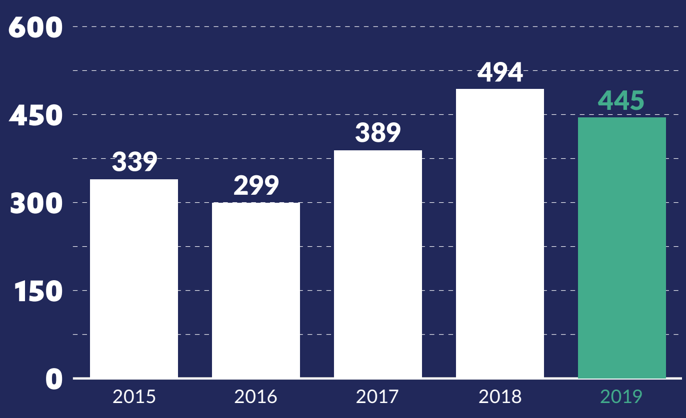


Equity share 2019

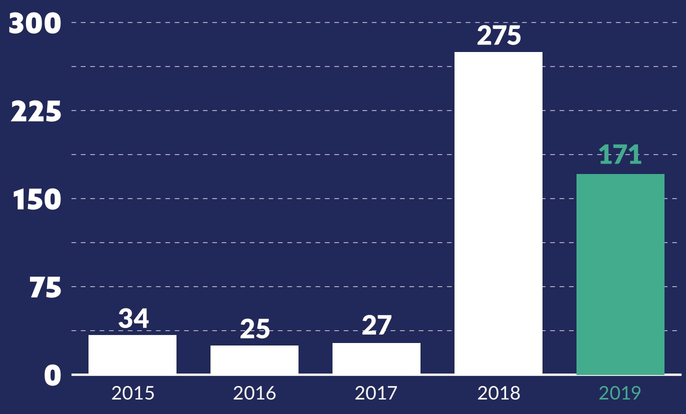


Directors Report

Total balance sheet Million NOK



EBITDA* for the year Million NOK



*) Before amortised termination fee

2019 Highlights

Financial

- Operating revenues in 2019 were NOK 509 million (NOK 675 million in 2018). Pre-tax result ended at NOK -36 million compared to NOK -9 million in 2018. The decrease in turnover and net result is mainly explained by reduced utilisation of assets in 2019 compared to 2018.
- High focus on reducing cost and profitable project execution has mitigated some of the negative effects of reduced utilisation in challenging market conditions
- Satisfactory cash position, overdraft facility established
- High working capital level at the end of 2019, which has partly been released during 1Q2020.

HSEQ

Despite the high activity level over recent years Reach maintained its perfect reputation through 2019 with no serious accidents or incidents since commencement of offshore operations in 2013.

Operation

- High client satisfaction (based on post-job surveys)
- Increased international presence with higher activity in Trinidad & Tobago and out of our offices in Houston and UK.
- Modernized fleet with a greener profile. *Topaz Tiamat* was mobilized in March 2019 and three older vessels exited our marketed subsea vessel fleet.
- The ROV formerly on *Edda Fonn* has now been mobilized on *Olympic Artemis*, a perfect fit for a purpose built modern subsea vessel

Directors Report

2019 Highlights

Market

From "up and coming" to an established IMR player

Market Oil & Gas

Secured several call-offs under the frame agreements awarded last year, and our main focus has been to leverage our position with the existing clients.

Wintershall IMR frame contract
- Covered all IMR call-offs for Wintershall since last year's award.

Ocean Installer
- Secured two new contracts with Ocean Installer in 2019.

Oil & Gas Norway, held by MMT

Equinor Survey & Light construction
- Increased number of days each year.

Oil & Gas Trinidad, International

BP Construction & IMR services
- Performed a very successful autonomous survey operation for BP in Trinidad during 2019.

BHP Billiton
- Secured several call-offs from BHP during 2019, ranging from light to heavy IMR operations. Reach Subsea/MMT also performed a successful autonomous operation for BHP.

Offshore Wind

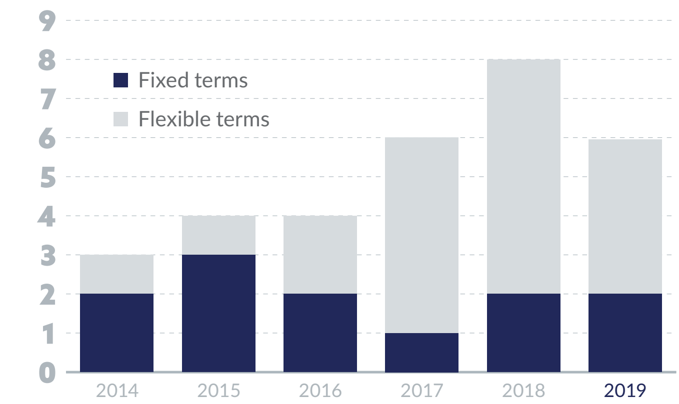
Equinor Wind
- Performed one campaign in 2018 and are planning a new campaign for the summer of 2020.

Increased focus on IMR contracts in the renewables sector as wind farms go further offshore and our vessel and equipment are becoming more and more relevant.

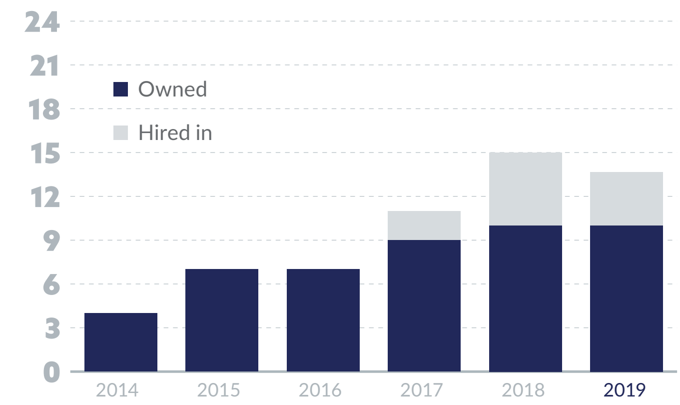
No major new awards yet, but are in close dialog with several of the major developers.

Balancing growth & flexibility

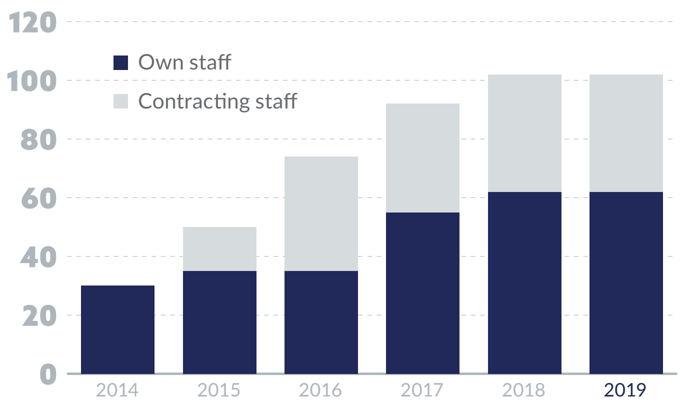
Vessels marketed



ROV Systems



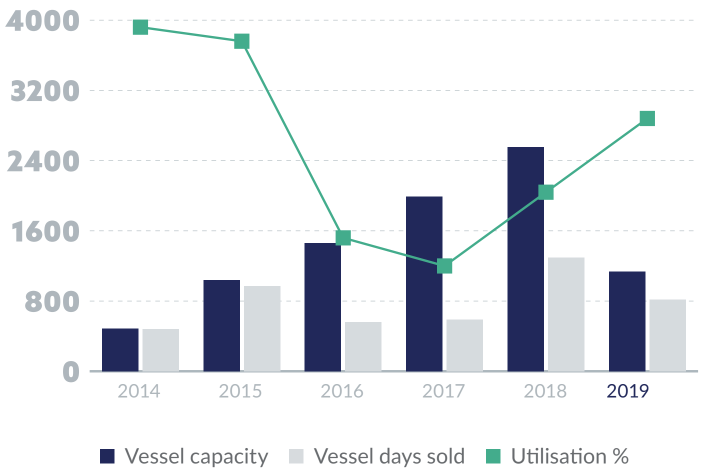
Offshore personnel



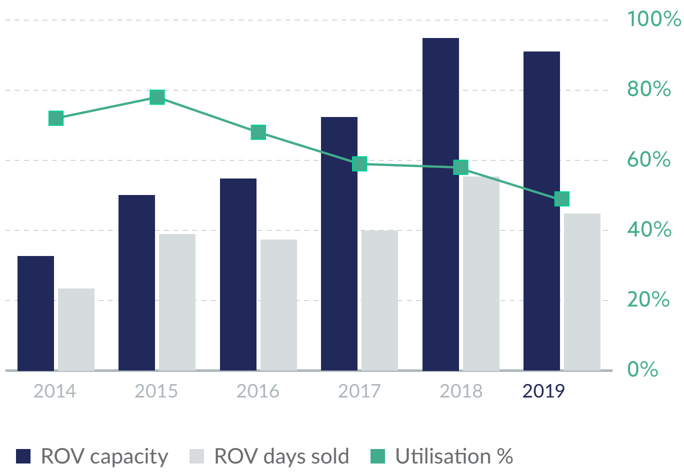
Directors Report

Performance = Utilisation = Profits

Vessels



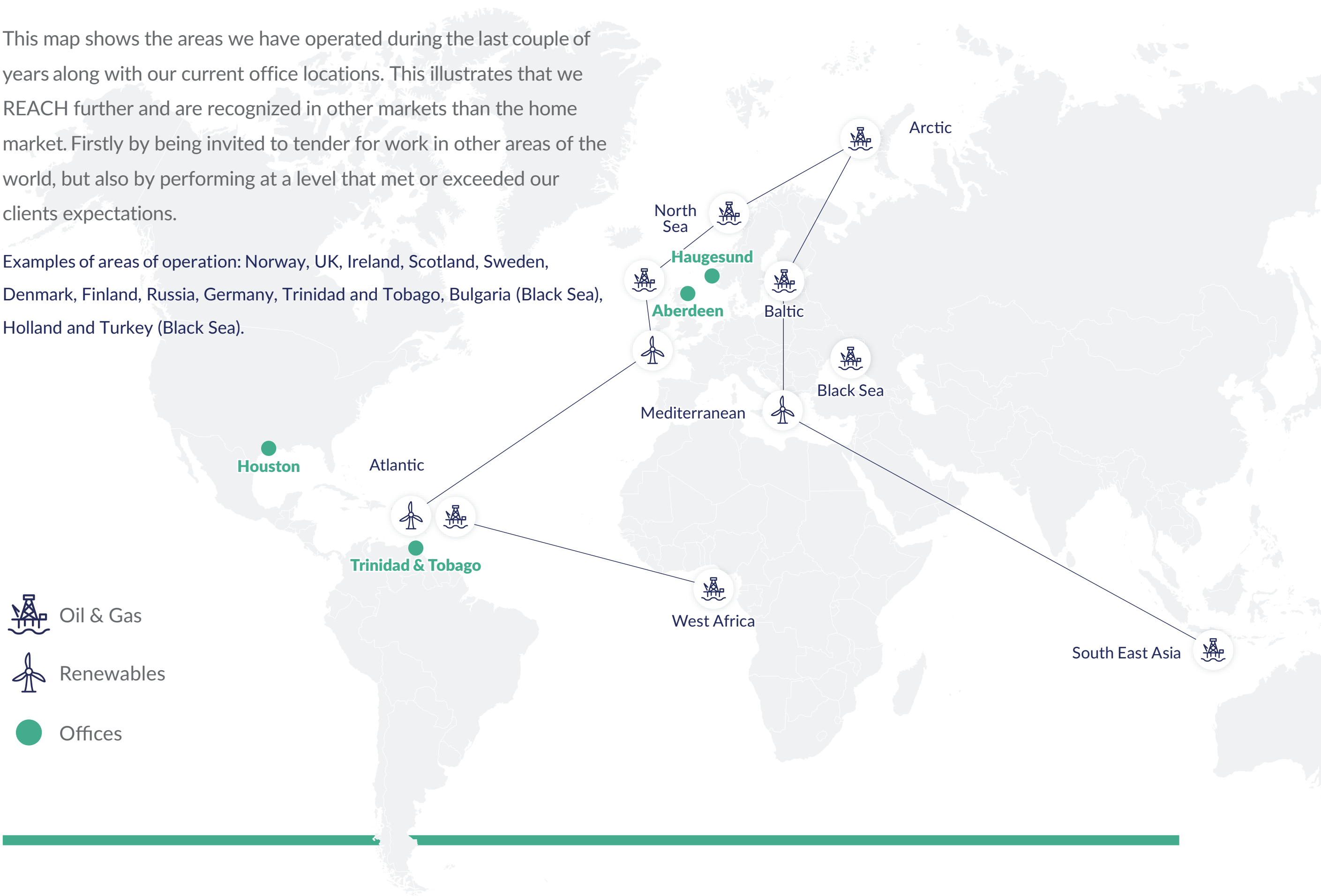
ROVs



Global operations

This map shows the areas we have operated during the last couple of years along with our current office locations. This illustrates that we REACH further and are recognized in other markets than the home market. Firstly by being invited to tender for work in other areas of the world, but also by performing at a level that met or exceeded our clients expectations.

Examples of areas of operation: Norway, UK, Ireland, Scotland, Sweden, Denmark, Finland, Russia, Germany, Trinidad and Tobago, Bulgaria (Black Sea), Holland and Turkey (Black Sea).



Directors Report

2019 Review

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

REACH had 3,638 available ROV-days in 2019 (3,795 in 2018) with a utilisation of 49% (58% in 2018). Furthermore, number of vessel days that passed through our P&L was 818 (1,298). The reduction compared to last year is largely explained by the *Viking Neptun* spread having less ROV projects, as well as the ROV formerly on *Edda Fonn* remaining idle.

REACH offshore personnel contracting business, Connect Offshore, continued sourcing highly skilled offshore personnel during the year. This personnel base is highly important in peak seasons, when the number of man hours in operation normally doubles compared to Reach Subsea's own staff.

REACH has not had any serious incidents during the year, which support our objective that the right procedures, well trained personnel and high-quality equipment generate operational success.

REACH has per 27th April 2020 a firm order book of NOK 250 million for 1Q2020 and beyond, with the vast majority related to work in 2020. The order book figure does not include expected volumes from the frame agreements. The contract visibility and order backlog were continuous low in 2019 due to a market characterized by oversupply and low rates in most segments and regions, much similar to the previous three years.

Our close cooperation with MMT Sweden AB ("MMT") was an important factor in securing business, as the two companies together have built a strong track record in the survey, light construction and IMR (inspection, maintenance and repair) market.

Included in the cooperation agreement are joint projects related to the subsea spreads (vessel/WROV/survey equipment) *Stril Explorer*, *Havila Subsea* and *Topaz Tiamat*. In addition, *Havila Harmony* has been used for certain joint projects.

Offshore operations performed by the Reach Subsea spreads received 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 since commencement of offshore operations in 2013.

	Q1		Q2		Q3		Q4		Year	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of ROV days sold	246	407	610	793	589	579	345	436	1 790	2 215
Number of ROV days available	831	900	965	1 120	1 004	933	838	842	3 638	3 795
Technical uptime on ROV	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Number of offshore personnel days sold	2 236	2 719	3 512	3 942	3 421	3 569	1 823	3 039	10 992	13 269
LTI's	0	0	1	0	0	0	0	0	1	0
Number of Vessel days sold	110	206	279	386	265	379	164	327	818	1 298

Directors Report

Olympic Challenger

REACH mobilized the Light construction vessel *Olympic Challenger* with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool in March 2018. The vessel is on a time charter agreement between Reach Subsea and owner Olympic Shipping. *Olympic Challenger* has the IMR (inspection, maintenance and repair) market in the North Sea region as main area of operation. The projects have international clients with high satisfaction score, mainly in the oil and gas sector. In 2019 the vessel had a few contracts in the renewables market, such as installing a tidal turbine.

Stril Explorer

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* in 2019. Further, our innovative survey ROV jointly owned by Reach Subsea and our cooperation partner MMT, the Surveyor Interceptor, is currently mobilised onboard. *Stril Explorer* is a survey vessel on a charter contract from Simon Møkster Shipping to MMT. 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. The vessel was in 2019 mostly located in the Baltic area working for clients in both the Oil & Gas and the Renewables market. The Surveyor Interceptor was utilised for various projects, including pipeline survey for Nord Stream's gas line projects and a project in the Mediterranean. The survey data was of excellent quality.

Havila Subsea

REACH has *Havila Subsea* on a time charter agreement from owners Havila Shipping. The vessel is equipped with two owned Schilling WROVs and offshore personnel from Reach Subsea's offshore pool and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT. The Surveyor II was mobilized onboard *Havila Subsea* most of the year 2019. *Havila Subsea* had high utilization 2019 and performance proved to meet our clients' high expectations. In 2019 projects performed by the subsea spread included light construction, IMR and survey services to end clients such as Equinor, BP and Wintershall. In the winter season 2019/2020 *Havila Subsea* worked on projects for major oil companies in Trinidad and Tobago whereafter she returned to the North Sea.

Directors Report

Viking Neptun

REACH has two WROVs and delivers all ROV-services onboard *Viking Neptun*, a construction vessel owned by Eidesvik Offshore. The vessel has performed very well with excellent feedback reports from end clients. In 2020 the vessel will be equipped with a battery pack, supporting our strategy towards a greener profile. *Viking Neptun* started a walk to work (W2W) contract between Eidesvik and a client in the wind market in October 2018 lasting until June 2019. The contract did not include WROV services, leaving the WROVs onboard idle the first half of the year. The vessel had some WROV projects in the high season for clients such as Ocean Installer, however utilisation for the mobilized WROVs was not satisfying. The vessel spread is signed for a contract between Eidesvik and Ocean Installer covering the peak season 2020 and 2021.

Havila Harmony

REACH mobilized the subsea vessel *Havila Harmony* in August 2018 with a hired- in WROV for work in the Trinidad region. Operations are executed by Reach Subsea personnel onshore and offshore. Reach Subsea has established a branch in Trinidad with two local employees to serve local clients and suppliers. *Havila Harmony* had high activity the first three quarters of 2019, working for oil and gas clients in the Caribbean region, where after she was idle at owners' cost for technical repairs.

Topaz Tiamat

REACH mobilised the IMR vessel *Topaz Tiamat* in March 2019. The vessel is equipped with two owned supporter WROVs and offshore personnel and was ready for subsea projects in cooperation with MMT as from March 2019. From 2020 the vessel will be equipped with a battery pack, supporting our strategy towards a greener profile. *Topaz Tiamat* went straight to work after mobilisation and has during the year worked on various projects for Equinor and other clients in the oil and gas sector, mainly in the North Sea region. The crew onshore and offshore has executed complex projects to a high client satisfaction score on this new vessel.

Directors Report

Annual HSEQ Report

Reach Subsea consider HSEQ as a core value in our day-to-day operations. Our goal is zero harm to personnel, environment and equipment. We benchmark our HSEQ performance towards ISO 9001:2015, ISO 45001:2018, ISO 31000:2018 and ISO 14001:2015.

Risk Management

For us, Risk Management is a key tool for monitoring and controlling the rapid changes which our business is exposed to. On a corporate level, formal risk and opportunity reviews are performed every month, to identify any major changes and the associated risk reducing actions. All projects require a risk/opportunity evaluation of both operational, commercial and HSE, whereas the associated risk reducing actions are monitored by the HSEQ Department.

Employee Involvement & Competence

As well as participating in risk assessments, employees are involved in HSEQ meetings, audits, inspections and the Working Environment Committee meetings. All employees are provided with HSEQ training, adjusted to their respective work tasks and adjacent risk exposure. Managing personnel onshore and offshore are gathered once a year for sharing lessons learned, discuss and agree on strategies for the upcoming year.

Reach Subsea has invested in an own E-learning system – REACHED. This gives us a brilliant opportunity to provide internal courses specially made for our industry, and also provide training to our suppliers.

HSEQ Results

The HSEQ results for 2019 has been positive, with no major incidents or injuries. There has been a positive trend in the reporting level of safety observations, both negative and positive. Reach Subsea had one LTI in 2019 – hand injury. This resulted in updated procedures, engineering of a new tool and Safety flashes issued both internally and to all our partners. Reach launched a set of core values, decided by its employees:

- **R- Reliable**
- **E – Effective**
- **A – Adaptable**
- **C – Committed**
- **H - Honest**

91 % Customer Satisfaction

This figure is obtained from gathering feedback from 10 of our clients. We are measured on our quality, understanding of the scope, ability to inform, technical ability, response and HSEQ performance. We are always working hard towards collecting as much feedback as possible and to achieve over 95 % customer satisfaction.

1.2 %

Sickness absence has yet again been low and continued to be relatively stable, finishing at 1.2% for 2019.

Directors Report

HSEQ Trends

	2015	2016	2017	2018	2019
Man hours	200,000	248,688	315,660	361,405	303,680
Improvement reports	206	141	185	280	231
Recordable cases	0	2	1	2	1
Sick leave	2.3	1.2	1	0.85	1.2

Environmental Management

Reach Subsea continuously work to have a sustainable business strategy. Our target is 0 spill to the environment. We emphasize the use of environmentally friendly solutions, both technically and operationally, choosing modern assets and technology. We also work constantly on reducing the amount of chemicals onboard.

Suppliers are encouraged to reduce the environmental footprint and are committed to achieve energy efficiency. Two Vessels in the Reach Subsea fleet are installing battery packs to reduce fuel emissions and be more energy efficient. Any impact on the environment is reported and followed up to prevent reoccurrence.

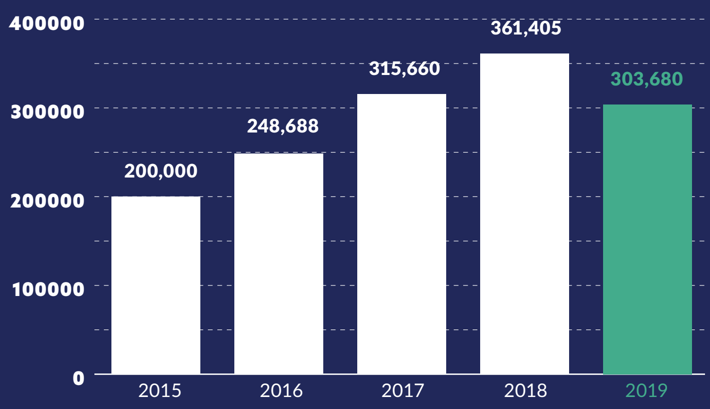
IOGPs 9 Life Saving Rules

2019 has been a year with focus on adopting and implementing IOGPs 9 life saving rules, this to contribute to a similar focus in the whole industry.

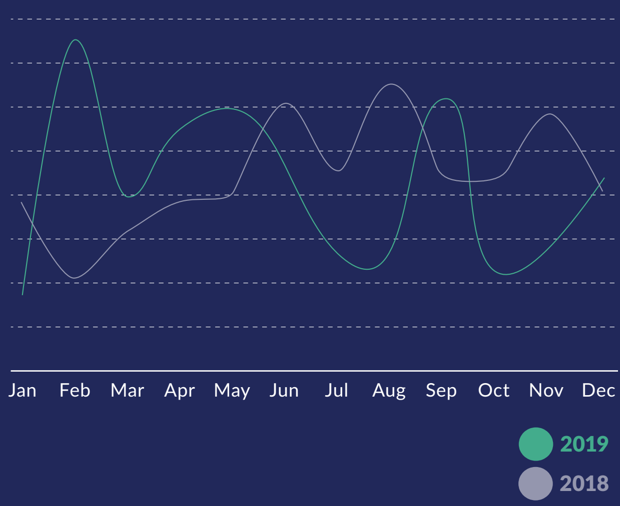
Security

Our operations are constantly expanding geographically and because of this we are exposed to changes in the global risk situation. At the time of publication, Reach Subsea has no operations in areas with high risk.

Total Man Hours



HSEQ Reporting Trend 2019

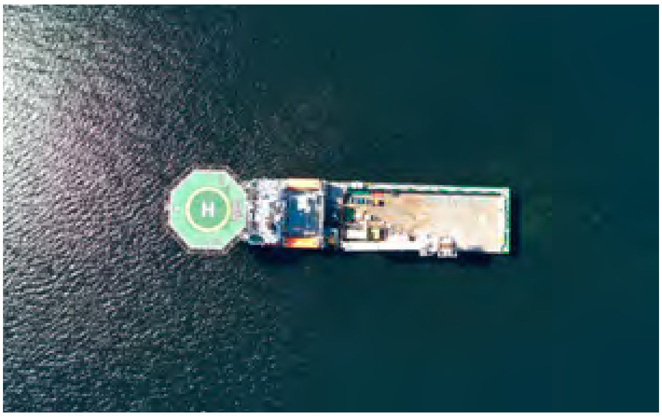


Directors Report

Reach Subsea ASA share information

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company had per 31.12.2019 issued 143 546 008 shares, of which the majority is owned by Norwegian shareholders.

A dividend of NOK 0,07 per share was paid in June 2019 based on the financial year 2018 in line with the dividend policy. The Board of Directors will not, based on our above mentioned dividend policy, propose a dividend payment based on the financial year 2019.



The Group consists of six companies; Reach Subsea ASA and the fully owned subsidiaries Reach Subsea AS, Connect Offshore AS, Reach Subsea International AS, Reach Subsea UK Ltd (established in 1Q2020) and Reach Subsea Inc. 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 2018 Reach Subsea AS established a branch in Trinidad & Tobago. Reach Subsea International is an owning entity for Reach Subsea UK Ltd and Reach Subsea Inc, established in 1Q2020 and early 2019, respectively.

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" and "Surveyor II" as well as holding the rights for the first five Surveyor Interceptor deliveries from Kystdesign AS (main manufacturer based in Haugesund).

Directors Report

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.

Investor relations

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

It is in Reach Subsea's own interest that financial analysis of the highest possible quality is published by the analyst community. All analysts are treated equally regardless of their recommendations and views on the Reach Subsea share. An overview of analysts covering the share can be found at www.reachsubsea.com/investors/shareinfo.

REACH 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 is taking measures to improve the content and frequency of information to its investors. Our quarterly financial reports include financial and operational details, aiming at improving the transparency of our business.

Operating statistics are being released monthly and are also enclosed in the quarterly reports.

IFRS 16 Leases is a new accounting standard that was mandatory from 01.01.2019. However, Reach Subsea early implemented the standard with effect from 01.01.2018, which means that the 2018 figures are also based on the new standard.

The new standard has a positive effect on EBITDA, but a fairly neutral effect on profit before tax for the full year. The key assumptions used in calculating the capitalised value of assets subject to IFRS 16 includes a 5% discount rate, management's assumptions for utilisation of the assets, and a period corresponding to the firm lease period (i.e., not including optional periods).

Vessels and ROVs with a "pay-as-you- go" lease structure are treated as short term leases, where the lease expenses are classified as depreciation, and where the lease is capitalised at the balance sheet date only to the extent a commitment is incurred at the reporting date. More details about the effect of IFRS 16, including the split between depreciation of capitalised (long term) leases and short term leases, can be found in the Notes.

Corporate, Social Responsibility

The Group has established a CSR policy based on Human Resources, Environment, Financial and Society.

Reach Subsea strives to be an industry-leading subsea operator within sustainability and our goal is to have zero harm to personnel, environment and equipment. We believe that sustainability and long-term profitability go hand in hand. By continuing to focus on sustainable solutions we minimize risk, increase transparency and facilitate more efficient use of our resources – increasing our value and competitiveness. In turn, profitability and financial strength helps to secure Reach Subsea as a reliable employer, providing workers with a secure and meaningful place to work. Reach Subsea therefore takes a proactive stance to safeguard and integrate the consideration of human rights, labour rights, social and environmental conditions.

Directors Report

Sustainability in REACH

The Group has prepared a Sustainability Report that can be found in full on the company's web page. An extract is also included in this report as a separate chapter in addition to the highlights below.

Human Resources, organization and work environment

Reach Subsea believes our employees are the cornerstone of our business. We are committed to performing safe operations, with the health and safety of our people as our utmost priority. Reach Subsea have implemented a Quality Management System, including a set of rules and procedures to secure the safety of the people who work for us. We operate within industry HSEQ standards and are certified according to ISO 9001:2015. All employees are provided with HSEQ training, adjusted to their respective work tasks and adjacent risk exposure. Incident statistics are reported in the HSEQ section.

In 2019 the Group employed 122 people which amounted to 95 full time equivalents for the year. We are committed to treating our employees with respect and have a zero tolerance for all forms of discrimination. **All employees are given the same rights and possibilities, regardless of gender, background, religion, nationality or disability, and recruitment processes do not exclude any applicant based on these factors.** REACH is proud to have employees with different backgrounds. The nationality of our employees includes Norwegian, British, Danish, Polish, Algerian, Trinidadian and American. The age range is 19-73 with education levels from trainee to master's degree. We have employees with different disabilities and religions and intend to facilitate to avoid any challenges.

In 2019, women accounted for 10% of the employees. The offshore industry has historically been dominated by male workers. We aim for a more gender-balanced offshore workforce and work continuously to recruit women through our trainee programme.

Reach Subsea has performed an in-depth review of salary differences by employment categories and found that when adjusting for seniority, education levels and level of responsibility there are no major difference in female to male salaries. The salary of offshore personnel is fully based on an agreed matrix with the trade union SAFE, taking into account seniority and employment category. As such, all offshore workers have equal salary terms regardless of gender.

The competence and capabilities within our workforce are key in ensuring our future sustainability. We work constantly to secure Reach Subsea as an attractive workplace to be able to attract and retain the right people. In order to retain and develop employee skills we focus on giving employees opportunities to grow both professionally and personally. All employees are provided with training to improve their skills within risk management, HSEQ and performing safe offshore operations.

Directors Report

(cont. from prev. page)

To monitor the working environment surveys and annual appraisals are being conducted. A Working Envirnment Commitee is established and in addition, the Management holds meetings with the SAFE club on a quarterly basis. Managers encourage employees to seek opportunities internally by participating in projects, trainee programs and act in higher positions. In 2019 one of our first trainees became Supervisor, a great milestone!

All employees are beeing trained in our educational programme REACHED to ensure safe operations and that all employees return home safely.

Reach Subsea has established a GDPR policy in our Quality Management System according to the international Data Protection Regulation, to strengthen and harmonize the privacy of personal data processing. All employees should protect and ensure that information is treated with confidentiality.

Environment

Reducing emissions and maintaining growing and reliable energy production levels is a global challenge and will require a future transition to renewable energy sources. The transition to renewable energy sources poses both risks and opportunities for Reach Subsea. Although 93 % of our revenue was derived from the Oil & Gas segment in 2019, the Group's business concept as subsea operator is not dependent or linked to any specific segment and we see potential in other segments in the future.

In order for Reach Subsea to maintain its position as an attractive business partner, we need to meet stakeholders expectations when it comes to our environmental impact. Our goal is to have zero impact to the environment. We acknowledge that the environmental impacts caused by vessels are not only the shipowner's responsibility, but also that of the vessel charterers. As with all companies within the offshore industry, CO_2 emissions from fuel oil consumption is our most significant environmental impact. By 2030 we aim on only having vessel spreads consisting of zero-emission vessels. We will thus contribute to driving investments towards newer, cleaner vessels and technological advances to reduce fuel consumption and emissions. We also focus on performing offshore activities as effective and efficient as possible to minimize fuel consumption. The less time spent in completing offshore projects, the less fuel is consumed.

Responsible Business and anti-corruption

We aim to be an attractive and professional subsea operator by maintaining high ethical standards, defined by our Code of Conduct. We promote transparency by following international legislations and requirements and contribute to anti-corruption and fraud-prevention by implementation of routines for selecting suppliers.

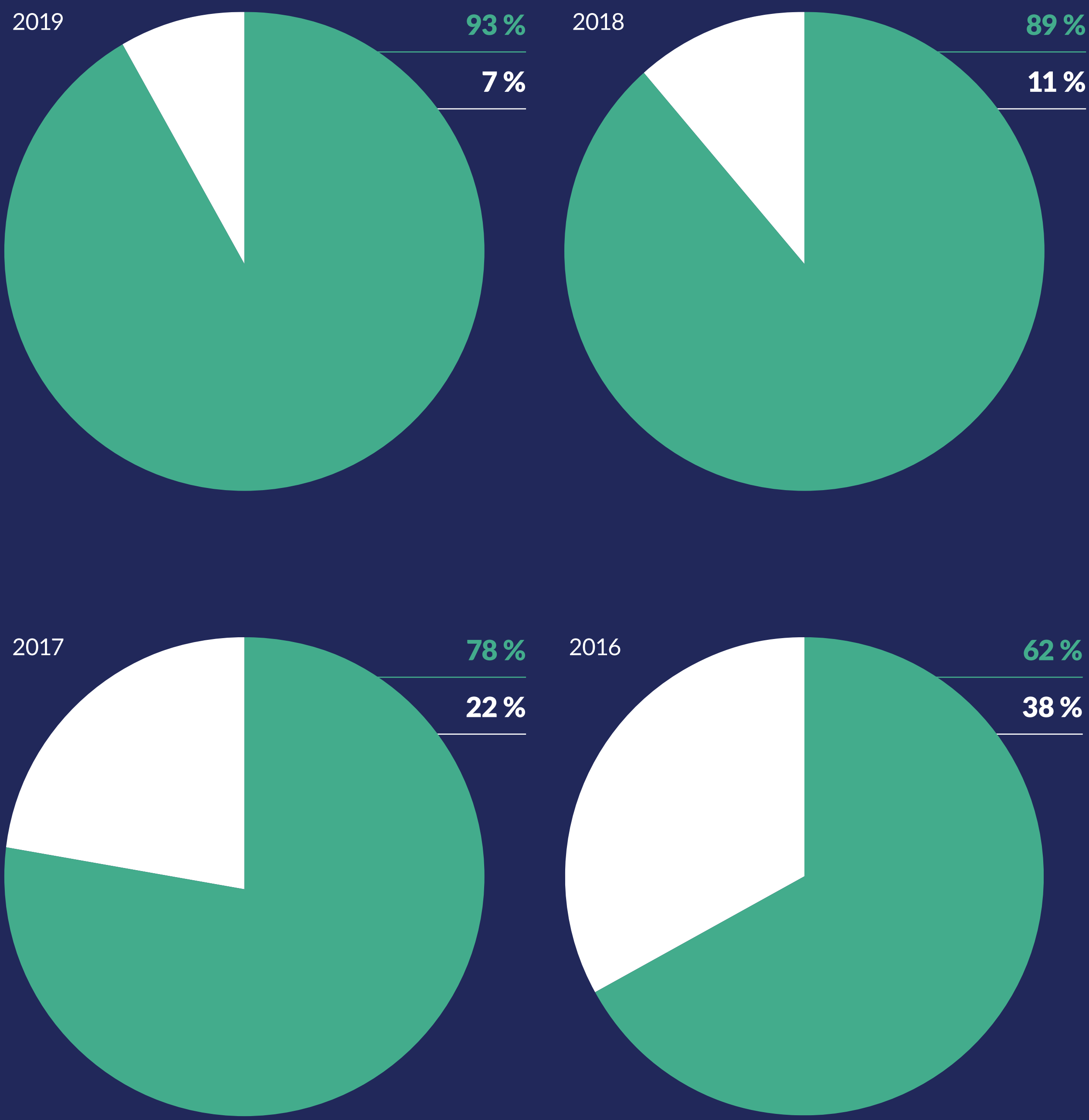
As our operations expand geographically and in volume, we are increasingly exposed to risk of corruption and bribery. Reach Subsea shall conduct all business in an honest and ethical manner, and we have a zero-tolerance policy for bribery and corruption, which includes Reach Subsea officers, employees, temporary workers and all third parties acting on our behalf. The Anti-bribery policy is a part of our Code of Conduct and summarizes the procedures implemented to comply with applicable laws and regulations. Whoever we may deal with, and wherever we may operate, we are committed to doing so lawfully, ethically and with integrity. The Anti-Corruption and Anti-Bribery measures are regularly evaluated by Management and Board of Directors.

Reach Subsea shall 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. Invoices and payments are always confirmed by at least two persons and the use of agents is limited. Suppliers are monitored and audited based on our QMS. Reach Subsea, a relatively small organisation with a simple legal structure, is quite transparent when it comes to the flow of money.

Directors Report

Oil & Gas
Renewable & Other

Revenue Sector



Directors Report

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 Board conducts a SWOT (strengths, weaknesses, opportunities and threats) analysis as part of their yearly strategy meeting in order to be prepared for current and future risk factors.
Technological innovation occurs as an important factor, which the Group mitigates by holding a strong focus on the matter by participating on conferences and discussing with suppliers and clients.
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. Risk assessments are being performed on each tender and before start-up of projects.
The Group has no major loan instalments to financial institutions or maturities the next five years. No uncovered need for financing has been recognised in the near future, however the challenging market situation may change this radically on relatively short notice. The Group's liquidity situation as per today (April 2020) is satisfactory based on the current project schedule for the next 3-4 months. 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 concerning 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.
The Group continually evaluates measures to reduce risk exposure as mentioned above. The oil price has declined significantly into 2020 and market volatility has increased the last four years. This has resulted in increased uncertainty in the oil and gas sector, which affects the Group and counterparties. Handling of such risks has become increasingly important. Risk factors are further described in the notes. Reference is also made to the Outlook statement in this report (page 26).

The Annual Results

In accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on the Group's budget for the year 2020 including the Business Plan, the cash flow forecast and the contract backlog. Reference is also made to the Outlook statement in this report (page 26).

Revenue for the full year 2019 was NOK 508.5 million (NOK 675.3 million in 2018). The decrease in revenue is explained by a lower number of vessel spreads and reduced utilisation of own assets compared to last year. We had revenue from 818 vessel days through our P&L in 2019 (1,298 days in 2018) and the total number of ROV days sold in 2019 was 1 790 (2 215 in 2018).

Operating result (EBIT) for 2019 was NOK -16.3 million (NOK -4.0 million in 2018). Operating expense for 2019 was NOK 524.9 million (NOK 679.3 million). Project-related expense represents the majority of the operating expense for the group.

Activity level (including vessel cost) was lower in 2019 than 2018, explaining the decreased operating expense. Depreciations were NOK 187.7 million in 2019 compared to NOK 245.9 million in 2018 with the decrease explained as above.
The Group had limited R&D activity in 2019.

Reach Subsea ASA serves as parent company for the Group. In 2019 the parent company turnover was NOK 8.2 million (NOK 8.2 million in 2018). Profit for the year was NOK 8.4 million, an improvement from NOK -6.1 million in 2018. The parent company turnover is mainly related to consultancy services to the Group companies. The parent company has an equity of NOK 213.6 million (NOK 205.1 million in 2018), 99.3% (94.5%) of the total balance sheet.

Directors Report

The Annual Results

EBITDA before amortization of termination fee is a financial alternative performance measure (APM) to illustrate earnings before interest, tax, depreciation, general amortization and amortization of the termination fee. EBITDA after amortization of termination fee recognizes the effect of renegotiated vessel charter rates for *Edda Fonn* and *Normand Reach*. As part of the restructuring of charter commitments in June 2016 a termination fee of NOK 76 million was paid to Østensjø and Solstad. The termination fee was capitalized and amortized over the rest of the charter party periods. EBITDA was during the amortization period be split in two; before and after amortization of termination fee. The amortisation fee was fully expensed in the 2018 accounts. EBITDA before amortized termination fee was NOK 171.4 million in 2019 compared to NOK 274.9 million in 2018. EBITDA after amortized termination fee was NOK 171.4 million in 2019 compared to NOK 241.9 million in 2018. The decrease is a result of reduced utilisation of assets in 2019 compared to 2018.

The Group presents 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 the full year 2019, Oil & Gas revenues constituted 93 % while Renewable/Other constituted 7 % of total revenues. By comparison, in 2018 Oil & Gas revenues were 89 % while Renewable/Other constituted 11 % of total revenues.

Total current assets at 31.12.2019 were NOK 168.1 million (NOK 252.5 million in 2018), of which cash and cash equivalents amounted to NOK 38.7 million (NOK 63.3 million). Receivables were NOK 122.8 million (NOK 184.1 million) ex bunkers. Total non-interest bearing current liabilities were NOK 97.0 million (NOK 134.3 million), leaving a net working capital of NOK 32.4 million (NOK 54.9million in 2018).

Total non-current assets at the end of the year were NOK 277.2 million (NOK 241.8 million). Property, plant and equipment includes NOK 133.2 million of leases capitalised under IFRS 16 (NOK 89.0 million). The increase is explained mainly by the charter commitment related to the vessel *Topaz Tiamat*.

Net interest bearing debt (total interest bearing debt, including capitalised leases under IFRS 16, less cash) stood at NOK 143.9 million (NOK 85.5 million). Net financial interest bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK 2.6 million (NOK 2.2 million).

The Group's equity as of 31 December 2019 was NOK 165.8 million (NOK 211.2 million in 2018), which represents 37 % of the total balance sheet.

Net cash flow from operating activities for 2019 was NOK 191.0 million (NOK 249.0 million), with the decrease largely explained by lower utilisation. Net cash flow for 2019 was NOK -25.1 million (NOK -35.7 million).

Net cash flow from investing activities was for NOK -27.1 million for the year, strongly influenced by the mobilization of the vessel *Topaz Tiamat*. Reach Subsea has a sales option towards the ship owner on a major part of this investment at the end of the charter party. Cash flow from financing activities includes charter hire for vessels and ROV, according to IFRS 16. Net cash flow from financing activities was NOK -189.0 million for 2019, an improvement from NOK -226.5 million in 2018. The reduction is mainly explained by the reduced activity level.

REACH has no major debt maturities or capital expenditure (investment) commitments for 2020 and onwards. The liquidity reserve is lower than in previous years, which requires an active follow-up and management of our working capital.

Directors Report

Outlook & expectation for 2020

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.

News after year end

Reach Subsea has during the first four months of 2020 announced the award of several short- and medium-term contracts for 2020 execution, with a combined firm value of approximately NOK 250 million. Most of these contracts also contain optional periods, which, if called upon, would increase the firm contract value considerably.

Reach Subsea also announced monthly operating figures for January-March 2020:

	January		February		March		Year	
	2019	2020	2019	2020	2019	2020	2019	2020
Number of ROV days sold	63	39	54	53	129	162	246	254
Number of ROV days available	279	279	248	210	304	281	831	770
Technical uptime on ROV	100%	99%	100%	100%	100%	99%	100%	99%
Number of offshore personnel days sold	540	437	931	756	765	1 329	2 236	2 522
LTI's	0	0	0	0	0	0	0	0
Number of Vessel days sold	28	11	27	13	55	72	110	96

Directors Report

Outlook for 2020

REACH currently markets and operates seven subsea spreads (vessel, ROVs, and personnel), alone or together with partners, which have an attractive cost structure. These subsea spreads are tailored to our target markets and are well suited to the scope of services that are at the core of our business. We have been monitoring the market for opportunistic asset additions to complement and strengthen our portfolio and have in 2020 mobilised the former *Edda Fonn* ROV on the *Olympic Artemis* at attractive and flexible terms.

The combination of a lean and agile organization, and the attractive cost structure of our subsea spreads, gives Reach Subsea a flexible and competitive cost base tailored to cope with weak markets. With the impact of the COVID-19 outbreak and oil price collapse, these features of our business model look set to be put to the test.

Prior to the COVID-19 outbreak and the collapse in the oil price, tendering and contracting activity had started off stronger than in previous years and we now have about 750 project days of work in place for 2020 and 250 days for 2021. The preliminary effects of COVID-19 are that offshore crew changes have become, and will increasingly become, more challenging to execute. So far, we have not had any operating disruptions due to crew changes, nor have we had any infections onboard the vessels we operate from.

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

The Board and Management are not pleased with last year's setback in utilization and profits. Having three (two on *Viking Neptun*, one formerly on *Edda Fonn*) of our ten ROVs idle and unavailable to the market in 2019 goes a long way in explaining the lower utilization and negative impact on our profitability. This will be addressed going forward as *Viking Neptun* has secured 150-200 days of ROV relevant work in both 2020 and 2021, and we have now mobilised the former *Edda Fonn* ROV on the *Olympic Artemis.*

However, the recent dramatic change in our business and operating environment has increased the uncertainty in our outlook. The Board and the management is of the opinion that currently there is not sufficient and reliable information to provide clear and measurable assumptions for calculating the financial exposure related to the future oil price and the duration of the COVID-19 situation Up until mid-3Q we have good visibility, barring any cancellations, while we beyond this point are dependent on winning new work in order to protect our financial position. Short visibility is something we are used to as our position has been built in a market for short to medium term projects, but the project opportunities might be fewer and far between in the second half of 2020.

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

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

Reach Subsea ASA serves as a holding company for the Group. The Board proposes the following distribution of the parent company results: Transferred to retained earnings: NOK 8 .4 million, ref "Parent Company economy".

Directors Report

Statement by the Board of Directors and Managing Director

We hereby confirm that, to the best of our knowledge, the Annual Accounts for the period 01.01 to 31.1 2.2019 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 27th April 2020

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Kristine Skeie
Board member

Ingunn Iveland
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 is currently the CEO of BW LPG, and has broad experience from Capital Markets, both in Norway and internationally. He holds a wide range of board positions, most recently as Chairman of North Energy.

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.

Kristine Skeie

Board member

Kristine Skeie is Managing Director of HK Shipping Group AS which is a Shipping company trading in the shortsea bulk segment. Skeie has been the chairperson of the board in Karmsund Havn IKS since 2012 and is also a board member in Eidesvik Offshore ASA. She is a College graduate in Business administration from the Norwegian Business School and has attended a Maritime Executive Program directed by Norwegian Shipowners Association.

Ingunn Ø Iveland

Board member

Ingunn Øvereng holds a Master of Science degree from NTNU - in Physics and Mathematics and a Master of Management degree from BI- Norwegian Business School. She has broad experience from positions in the SubSea Service and Aquaculture Industry. She is currently holding the position as Managing Partner in I Øvereng AS.

Corporate Governance & 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.

Corporate Governance & Management

Implementation & Reporting on Corporate Governance

Implementation & 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 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 17th October 2018. The Oslo Stock Exchange's Continuous Obligations for listed companies 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

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Corporate Governance & Management

Business activity

Objective

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 be a full service provider within the subsea sector. The company's vision is to be the preferred operator by those who need the best possible subsea partner, one that will always perform above expectations.

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 established their own guidelines for Corporate Social Responsibility (CSR) as recommended in the Code. The Board of directors evaluates objectives, strategies and risk profiles yearly.

Equity and dividend

Equity

The Board aims to maintain a satisfactory equity ratio and capital structure in the company in light of the company's goals, objective, 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. Board has a dividend policy stating that the company aim to distribute a dividend of around 50% of adjusted net profit. Adjusted net profit is defined as reported net profit, adjusted for amortized termination fee.

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 purpose will be treated as a matter for the Annual General Meeting. As per 31 December 2019, the Board had authorization to increase the share capital with NOK 2.721.932. The authorization is limited to defined purposes and expires 30th June 2020. The Board does not hold any rights to purchase own shares.

Corporate Governance & Management

Equal treatment of shareholders & transactions with close associates

Rights

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.

Transactions with related parties

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 arm's 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.

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Corporate Governance & Management

Shares & negotiability

Transfer of shares

The Shares are freely transferable and there is no limit to own, trade or vote for shares in the company. 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 .

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 31st 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. 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 stipulate 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.

Featured Project #1

Havila Subsea & Topaz Tiamat

Vessel

Havila Subsea & Topaz Tiamat

Client

Wintershall Dea

End Client

Wintershall Dea

Period

Spring/Autumn 2019

Water Depth

300 - 370 m

Suction anchor installation in the North Sea and Norwegian Sea

Havila Subsea and Topaz Tiamat successfully performed installation of 14 suction anchors in sizes ranging from 5-18T. Reach Subsea's engineering department also performed OrcaFlex analyses which ensured increased environmental limits as well as safe operations.

The North Sea & Norwegian Sea

Corporate Governance & Management

The General Meeting - cont.

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

Nomination committee

Reach Subsea has a board 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)
- Martha Kold Bakkevig
- 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 of directors - composition and independence

The composition of the Board of directors ensures that the Board can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity. 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. 80 % of the members of the Board are considered independent of the Company's main shareholders.

Featured Project #2

Olympic Challenger

Vessel
Olympic Challenger

Client
Vår Energi

End Client
Vår Energi

Period
Spring 2019

Water depth
0 - 50 m

Thruster changeout on the Balder FPSO in the North Sea

Olympic Challenger successfully performed recovery of the 65Te old thruster and then re-installed the new thruster on the Balder FPSO.

The North Sea

Corporate Governance & Management

The work of the board of directors

Responsibilities and duties

The Board plans for its work with special emphasis on the Company's objectives, strategies and risk profiles. The Board's primary responsibilities are:

- 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-today 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 has appointed an audit committee consisting of two Board members. The Board may from to time also appoint other sub-committees, as deemed necessary or appropriate.

Related parties

The Board of directors ensures that members of the Board and executive personnel make the Company aware of any material interest that may have in items to be considered by the Board of directors.

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 value creation 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 reaching 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.

Featured Project #3

Topaz Tiamat

Vessel
Topaz Tiamat

Client
Equinor

End Client
Equinor

Period
2019

Water depth
350 m

Boulder removal, UXO clearance and dredging w/scanmachine

During summer season UXO clearance were performed with good results. Dredging with ScanMachine at 350 m water depth on Troll B field, was a major part of the project

The North Sea

Corporate Governance & Management

Risk management and internal control - cont.

Routines

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.

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.

Featured Project #4

Autonomous Survey

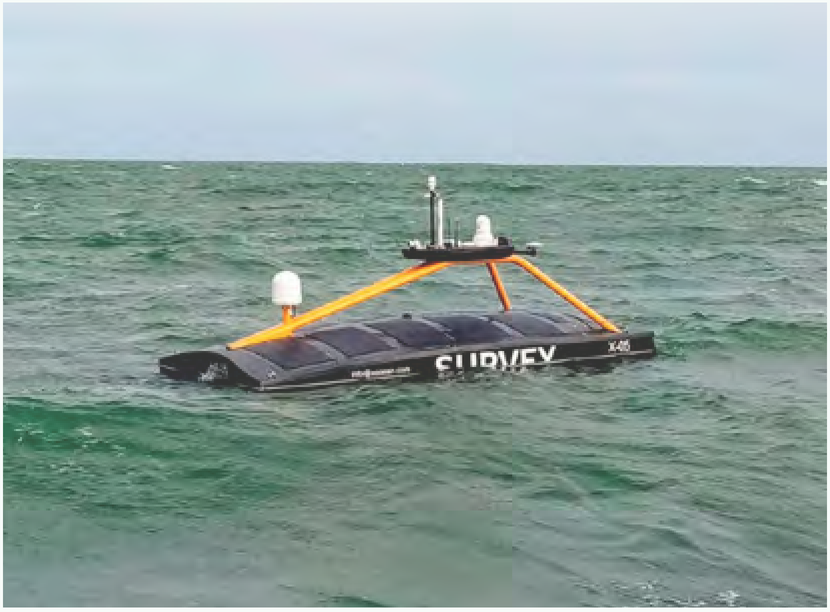
Vessel
Unmanned Surface Vessel

Client
BP

End Client
BP

Period
Winter 2019

Water depth
0 - 50m



USV services in the Caribbean

In a pioneering move, Reach Subsea introduced USV services in the Caribbean. Expanding IMR services in Trinidad & Tobago, Reach Subsea completes geophysical and geotechnical survey's for multiple clients in the region. With joint venture partner MMT and XOCEAN, Reach Subsea successfully completed multiple nearshore geophysical surveys with XOCEAN's X-05 Unmanned Surface Vessel (USV). USV's offer significant benefits including reduced risk associated with less personnel offshore, efficient operations and environmental improvements with ultra-low emissions.

Trinidad and Tobago

Corporate Governance & Management

Remuneration of the Board of directors

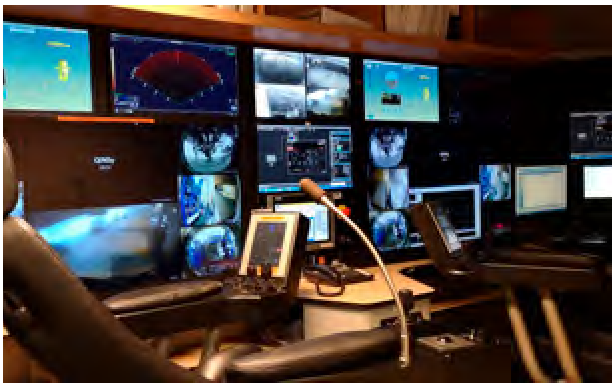
The General Meeting annually determines the Board's remuneration, based on proposal by the nomination committee. Remuneration of Board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The compensation shall be a fixed annual 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 subcommittees 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.

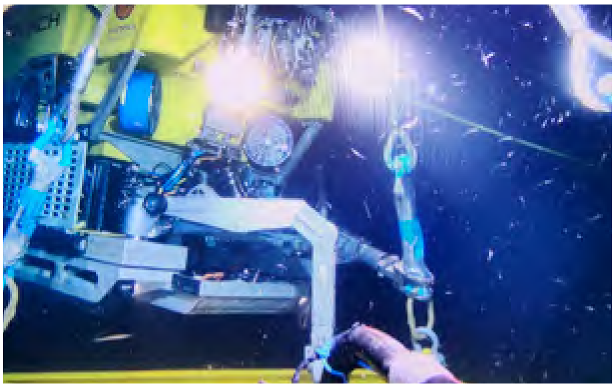
Remuneration of executive personnel

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.





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Featured Project #5

Havila Subsea

Vessel

Havila Subsea

Client

BHP

End Client

BHP

Period

Winter 2019

Water Depth

300 – 370 m

Diver-less riser flange replacement

Reach Subsea successfully completed a diver-less riser flange replacement project in December 2019 for a Caribbean client. The project was performed using 2xWROV systems working in parallel on board the Havila Subsea. The successful project completed 40 % ahead of scheduled, with a high safety participation amongst the onboard crew leading to zero incidents during the offshore execution.

Trinidad and Tobago

Corporate Governance & Management

Information & 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

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. Reach Subsea ASA intends to hold open presentations in connection with the publication of the company's results. 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.

Sustainability

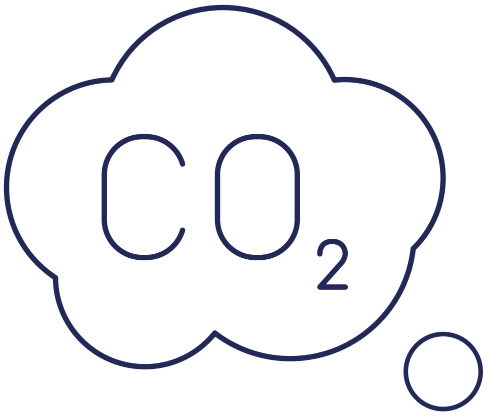
Reach Subsea continuously focus on health and safety, environment, financial solidity and profitability, balancing the elements to meet the increased demand for sustainable solutions by our stakeholders.

This is embedded in our values: Reliable, Effective, Adaptable, Committed and Honest. Our values provide guidance on how we interact with each other and our environment, and we believe that our values will make us more competitive in a long-term perspective.

Our full Sustainability report for 2019 is available on our website, ***www.reachsubsea.no***

Sustainability

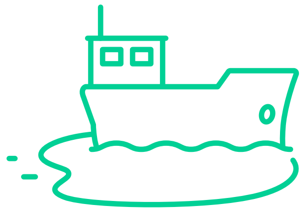
Highlights



We strive to be an industry-leading operator within sustainability and our goal is to have zero harm to personnel, environment and equipment.

30.60 total tonnes
CO_2 emissions per available vessel day

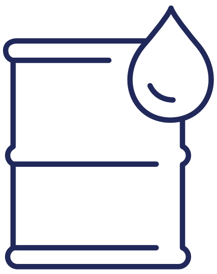
34,203 total tonnes
CO_2 emissions

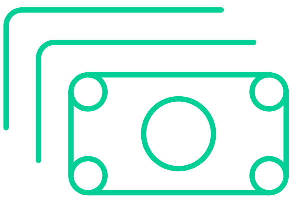


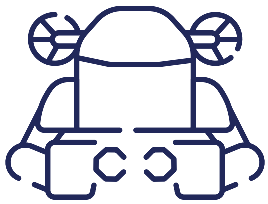
94.6 FTE employees
Of which 10% are women

3.3 LTI per million hours
Lost-time frequency was 3.3 per million work hours with 1 Lost-Time Incident during 2019

818 vessel days sold
From a total of 1.138 available







0 major spills

509 mNOK
Revenue for 2019

1,790 ROV days sold
From a total of 3,638 available

Sustainability

How we interpret our values in a sustainability perspective:

R **Reliable:** We aim to be a reliable employer by maintaining an organization with high ethical standards and values set into practice. All employees shall have the same rights and possibilities regardless of gender, background, religion, nationality or disability.

E **Effective:** Effectiveness is about doing the right thing at the right time. We have a strong belief in the systematical implementation of HSEQ measures throughout the organization and work actively to ensure that we always follow international rules and regulations.

A **Adaptable:** Reach Subsea intends to leave a green footprint from our operations. In order to achieve this, we are adaptable to new solutions and focus on minimizing adverse impacts on human health and the environment.

C **Committed:** We believe our employees are the cornerstone of our business. We are committed to performing safe operations, with the health and safety of our people as our utmost priority

H **Honest:** We aim to be an attractive and professional subsea operator by maintaining high ethical standards, defined by our Code of Conduct. We promote transparency by following international legislations and requirements and contribute to anti-corruption and fraud-prevention by implementation of routines for selecting suppliers.

Sustainability Governance

The Board of Directors have the overall responsibility for sustainability.

The work of the Board of Directors is governed by the Norwegian Companies act, the Code of Conduct as well as the Norwegian Code of Practice for Corporate Governance. The Board holds meetings regularly throughout the year, discussing business and market items, as well as any sustainability-related topics of material significance.

The Board has delegated responsibility for day-to-day management to the CEO.

Sustainability has been incorporated in the management system, and the Group Management team continuously collaborate with the organization to identify needs and issues and implement improvements in order to achieve our overall vision. To ensure compliance, Reach Subsea has established a Health, Safety, Environment and Quality Assurance department. The HSEQ Manager reports to Group Management. The Group Management team perofrms quarterly management reviews, and the Board reviews HSEQ results monthly

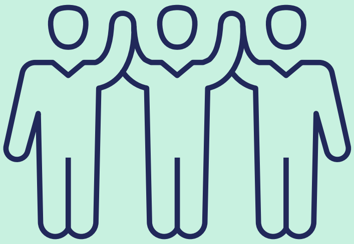
Sustainability

Material topics for sustainability

Based on the dialogue with stakeholder groups, Reach Subsea has identified the following material topics for sustainability reporting:

Employees

- The safety and well-being of our people
- Development of skills and competences
- Equal opportunities



Environment

- Transition to renewable energy segments
- Preparing for climate change
- Reducing our emissions
- Reducing our impact on the sea

Responsible business

- Profitability and financial solidity
- Quality services
- Anti-corruption and business ethics
- Sustainability in the supply chain

Information on our stakeholders and dialogue with stakeholder groups, see our Sustainability report on our website: www.reachsubsea.no

Environment

The world is facing a global energy revolution. Achieving the ambitions in the Paris Agreement requires a 45 % reduction of greenhouse gas emissions within 2030. At the same time, the world population and demand for energy is growing each year.

Reducing emissions and maintaining growing and reliable energy production levels is a global challenge and will require transition to renewable energy sources.

We already see signs of the green shift with increased demand for sustainable and environmental-friendly solutions in the market. In order to maintain our position as an attractive business partner, we need to meet stakeholder's expectations when it comes to our environmental impacts.

Our goal is to have zero impact to the environment.

The Board of Directors and Group Management frequently discuss climate-related issues, such as risks and opportunities that may arise from climate change and our strategic response to these. Risks and opportunities are identified by assessing changes in regulations, technological advances as well as trends in market and customer demands.

Sustainability

Environment

Transition to renewable energy production

The expected energy transition poses both risks and opportunities for Reach Subsea. In 2019 most of our activities stemmed from the Oil & Gas sector, with 93 % of our revenue derived from the Oil & Gas segment.Our business concept as subsea operator is not dependent on or specifically linked to any specific segment and we believe our services will still be relevant in the future.

Our aim is to increase our share within the renewables segment in line with growth in the segment, to 50 % of our revenues within 2030. We see opportunities within offshore wind, but also within other areas, such as subsea power cabling, tidal turbines and offshore aquaculture.

We recognize the risk of employees transitioning to other emerging industries and lower access to competent employees, and the importance of investing in and developing the competence within our organization in order to be ready for the transition and the necessary technological advances to come. The Board of Directors and Group Management continuously monitor the competence within the organization and work to secure the right mix of capabilities.

On a longer term, a transition away from Oil & Gas production will induce a larger demand for decommission work, and there is a large amount of Oil & Gas installations on the seabed at present that will require subsea operations in order to be removed.

Environment

Climate change

Reach Subsea perform offshore subsea operations and are dependent on weather conditions. As such, we are exposed to the expected changes in weather conditions, with increased wind and rain resulting in more challenging working conditions offshore. In turn, this may impact the project cycle, shortening the seasons where subsea services can be performed, resulting in possible adverse financial impact.

Reducing our impact on the sea

Reach Subsea intends to leave a green footprint from our operations. This includes our impact on the sea. We perform subsea operations with modern, high spec ROVs. All our ROVs are operated with degradable hydraulic oil and we continuously screen the market to improvethe environmental profile of our chemicals list.

The aim is to have zero spills of any hazardous materials to the external environment. Significant spills are defined as spills over 10 litres. In 2019, REACH had zero significant spills. There were recorded 10 incidents of minor spills (less than 2 litre) during 2019 consisting of spills from our ROVs hydraulic oil. Leaving a green footprint on the seabed also means not leaving behind any non-degradable waste, such as plastic items. During 2019 we've implemented use of degradable strips rather than plastic strips and will continue to explore degradable options for subsea equipment. All our vessels are ISO 14001 certified and we cooperate with ship owners on waste management. No non-compliance with environmental laws and regulations were noted in 2019. Our suppliers are encouraged to also be in compliance with ISO 14001.

Sustainability

Environment

Reducing our emissions

Our goal is to have zero impact to the environment. As with all companies within the offshore industry, CO2 emissions from fuel oil consumption is our most significant environmental impact.

Reach Subsea charters all vessels from various shipowners on various agreement terms, varying from fulltime charter, to time charters with firm days and pay-as-you-go agreements. We also provide ROV services on vessels operated by other parties.

We acknowledge that the environmental impacts caused by vessels are not only the shipowner's responsibility, but also that of the vessel charterers. By 2030 we aim on only having vessel spreads consisting of zero-emission vessels. We will thus contribute to driving investments towards newer, cleaner vessels and technological advances to reduce fuel consumption and emissions. We continuously cooperate with the vessel owners on fuel reduction measures in line with 'the Precautionary principle'. In 2020, battery packs will be installed on two of our available vessel spreads (Topaz Tiamat and Viking Neptun) and will enable reduction of fuel consumption and CO2 emissions. It will also enable us in using renewable onshore energy sources when at quayside.

We also focus on performing offshore activities as effective and efficient as possible to minimize fuel consumption. The less time spent in completing offshore projects, the less fuel is consumed. We also encourage our customers to reduce fuel consumption in the projects by monitoring transit speeds in order to secure the most efficient fuel consumption.

Over 99,9% of our energy consumption in 2019 came from non-renewable fuel oil consumption by our hired-in vessels.

Energy Consumption (in GJ)	2019
Non-renewable fuel consumed (fuel oil)	342 410
Renewable fuel consumed	-
Electricity, heating, cooling, steam purchased for consumption	351
Self-generated electricity, heating, cooling and steam	-
Electricity, heating, cooling and steam sold	-
Total energy consumption within the organization	342 761

Electricity consumption per region	2019
Norway	88 147
Americas	9 444

Sustainability

Environment

Conversion factors: Marine fuel oil = 3 596 kg CO_2/m^3

CO_2 emissions	Unit of measure	2018	2019
Scope 1*	Tonnes CO_2 equivalent	39 992	34 203

*Scope 1 is based on fuel consumption on vessels hired in by Reach Subsea. There is an inherent uncertainty to the scope 1 emissions due to minor inaccuracies in the way fuel consumption is recorded onboard the vessels and subsequently converted from m^3 to CO_2

CO_2 emission per vessel day	2018	2019	Change
Tonnes CO_2 emission per available vessel day	25,47	30,06	18 %

Reducing our emissions

In 2019 our total CO2 emissions (Scope 1) were 34 203 tonnes CO2e, compared to 39 992 in 2018. The reduction is mainly due to fewer vessel days and lower activity during the year. CO2 emission per available vessel day was 30,06 tCO2e in 2019, compared to 25,47 in 2018.

The increase is explained by use of more complex vessels as a result of more complex projects. As Reach Subsea strive to perform offshore operations as time efficient as possible, the relative CO2 emission per vessel day may increase, but overall emission is lower. We aim to reduce our CO2 emissions per vessel day by chartering fuel efficient vessels and continue focus on transit speeds. The instalment of battery packs on two of our vessel spreads is expected to give a fuel reduction of 11 % per vessel. We focus on selecting environmentally friendly ways of transport on crew changes, extended use of video conferencing to reduce travels and we encourage our suppliers to do the same. All key suppliers are evaluated based on environmental criteria, and all suppliers perform a self-evaluation on their compliance with laws and regulations, hereunder also environmental compliance.

Key targets 2020

Increase activity within renewables to 25% of revenue.

Reduce fuel emissions of CO_2 per available vessel day.

Zero major spills of hazardous materials to the sea.

Sustainability

Employees

We believe our employees are the cornerstone of our business. We are committed to performing safe operations, with the health and safety of our people as our utmost priority. Reach Subsea have implemented a Quality Management System, including a set of rules and procedures to secure the safety of the people who work for us.

We operate within industry HSEQ standards and are certified according to ISO 9001:2015*. The Work Environmental Manual describes the Work Environmental Management System within the framework of our Quality Management System. Everyone involved in our operations is responsible for carrying out their work in accordance with the Manual in a manner that will not harm health or safety. The CEO is responsible for ensuring implementation of the overall HSE policy.

The safety of our people

Our aim is to be an incident-free workplace, regardless of where we work.

Our offshore workers have a workplace that is potentially hazardous. The safe delivery of subsea services starts with the active involvement of the offshore workforce in the planning process.

The competence of those approved to work for us, represents integrity we need in order to operate safely. We use a competence matrix to ensure that all personnel have the competence required for their job. To increase competence, employees are involved in risk assessments, HSEQ meetings, audits, inspections and represented in the Working Environment Committee meetings. All employees are provided with HSEQ training, adjusted to their respective work tasks and adjacent risk exposure. All personnel involved in REACH offshore operations shall have completed a safety training course, and all new personnel onboard a vessel shall be introduced to the vessel's safety equipment, fire-fighting equipment and all routines and regulations applicable onboard.

In 2019 we implemented e-learning programs for our employees and in 2020 we aim on implementing e-learnings to include hired-in personnel.

Reach Subsea provides Personal Protective Equipment to all offshore personnel.

To mitigate safety risk, the HSEQ department quarterly releases HSE campaigns focusing on important aspects of employee health and safety. In 2019, HSE campaigns have focused on use of knives and sharp objects, employee health and life-saving rules. Reach Subsea has fully endorsed the IOGP 9 Life Saving rules, which are made to provide workers with the actions they can take to protect themselves and their colleagues from fatalities. The rules are intended as support to the existing Quality Management System, and include rules on safety controls, working in confined space, work permits, driving, hot work, working at height, fire handling and lifting procedures.

Reach Subsea have implemented procedures to ensure that risks and hazards are identified, assessed and mitigated. All projects require an initial risk evaluation of both operational and HSE risks, and a risk assessment of likelihood, potential consequence and existing controls set in place to mitigate the risk. Associated risk reducing actions are monitored by the HSEQ Department in alignment with ISO 31000 Risk Management. The risk assessment is communicated to the offshore team through 'Toolbox Talks'.

Sustainability

Employees

We believe a good HSEQ culture arises from a respectful and positive dialogue between people. In order to safeguard our people, we give them the necessary support in their search for the safest and most optimal solutions.

A 'Stop the Job' policy has been implemented, giving all members of the workforce the right to stop work that they believe may represent an unsafe working condition.

The policy applies to employees, contractors, visitors and clients. Work that has been stopped shall not be resumed until a 'Time Out for Safety' has been held, and all issues and concerns have been addressed in accordance with procedures.

Reach Subsea work systematically and follow the PDCA (plan, do, check and act) method to ensure that we continuously improve our performance. HSEQ performance is benchmarked against ISO 9001, ISO 45001, ISO 31000 and ISO 14001. HSEQ results are monitored on an ongoing basis, and incidents are recorded in our Improvement reporting system and addressed by project management.

Incidents that have or could have potential for compromising health and safety of personnel, safety of operations, security of personnel or assets are investigated by an appointed investigation team and reported to the CEO. We work continuously to improve our HSEQ procedures, and HSEQ results are monitored by Group Management and Board of Directors on a monthly and quarterly basis.

The well-being of our people

We acknowledge the importance of a healthy working environment to promote the health of our employees, and to increase performance and secure safe and efficient operations. In 2019, an HSE Campaign addressing workers physical and mental health was released, giving tips on how to stay healthy.

All employees have access to non-occupational medical and healthcare services through agreements with health insurance companies. Further, all employees have access to healthy food and exercise facilities on all vessels and the office. We also conducted several team-building sessions during 2019 to promote interpersonal relationships throughout the organization.

Sustainability

Employees

Development of employee skills and competences

The competence and capabilities within our workforce are key in ensuring our future sustainability. We work constantly to secure Reach Subsea as an attractive workplace to be able to attract and retain the right people.

In order to retain and develop employee skills we focus on giving employees opportunities to grow both professionally and personally. All employees are provided with training to improve their skills within risk management, HSEQ and performing safe offshore operations. We believe that well-managed and diverse teams is key in providing good solutions for our customers and solving complex problems, and we focus on having a work environment that promotes participation and collaboration between team members. We also believe in trusting our employees and providing them with the experience and learning curve they need to reach their potential and to advance within the organization. All employees receive regular performance reviews from their manager through an annual personnel appraisal meeting.

We strive to develop competence in our local community and offer trainee programs in communities where we have long-term presence. In 2019 we have carried out local trainee programs in Haugesund, Norway and Port of Spain, Trinidad & Tobago. All trainees have been assigned a dedicated experienced senior colleague to support them in their training programme. In total the trainee programme covered 12 trainees in 2019.

Trainees	Norway	Americas
Onshore / Office	1	-
ROV	7	2
Inspection	2	-

Equal opportunities

We are committed to treating our employees with respect and have a zero tolerance for all forms of discrimination.

All employees are given the same rights and possibilities, regardless of gender, background, religion, nationality or disability, and recruitment processes do not exclude any applicant based on these factors. REACH is proud to have employees with different backgrounds. The nationality of our employees includes Norwegian, British, Danish, Polish, Algerian, Trinidadian and American. The age range is 19-73 with education levels from trainee to master's degree. We have employees with different disabilities and religions and intend to facilitate to avoid any challenges. All offshore employees are covered by a collective bargaining agreement.
The offshore industry has historically been dominated by male workers. We aim for a more gender-balanced offshore workforce and work continuously to recruit women through our trainee programme. In 2019 we had one female ROV Apprentice.

Sustainability

Employees

Employment and workforce diversity

Employment type	2018	2019
Permanent employees FTE	78,6	88,6
Whereof male %	90,3	88,6
Whereof female %	9,7	11,4
Temporary employees FTE	11	6
Whereof male %	100	100
Whereof female %	0	0
Full-time employees FTE	88,6	94,6
Whereof male %	89,1	88,6
Whereof female %	10,9	11,4
Part-time employees FTE	1	0
Whereof male %	100	0
Whereof female %	0	0

All employees in the Group are employed in Haugesund, Norway. In addition to employees, Reach Subsea also hire in a significant portion of workers from subcontractors, such as marine- and subsea crew.

Percentage of employees* by gender and age

Employee Category	Male	Female	< 30 years	30-50 years	50 years >
Board of directors	60%	40%	0%	40%	60%
Group Management	75%	25%	0%	75%	25%
Administration (HR, Finance, Sales)	25%	75%	0%	75%	25%
Project Management	75%	25%	0%	100%	0%
Engineering/technical	79%	21%	7%	79%	14%
Offshore Managers	100%	0%	0%	80%	20%
ROV Supervisors	100%	0%	12%	76%	12%
ROV Pilots	100%	0%	43%	52%	5%
ROV Apprentices	88%	12%	88%	12%	0%
Deck Foremen/Riggers	100%	0%	18%	36%	46%

Sustainability

Employees

Ratio of basic salary of women to men

Employee Category	Female:male salary ratio
Group Management	95%
Administration (HR, Finance, Sales)	72%
Engineering/technical/ project management	94%
ROV Apprentices	100%

As there are no female employees in the categories Offshore Manager, ROV Supervisors, ROV Pilots or Deck Foremen/Riggers, no female:male salary ratios have been calculated. The salary of offshore personnel is fully based on an agreed matrix with the trade union SAFE, taking into account seniority and employment category. As such, all offshore workers have equal salary terms regardless of gender. The female:male ratio in the tables above is calculated based on average basic salary in each employee category, not adjusted for differences in positions, education or experience. As Reach Subseas onshore organization is relatively small, only consisting of 25 employees, the average salary in each category will be greatly impacted by any variances. Reach Subsea has performed an in-depth review of salary differences by employment categories and found that when adjusting for seniority, education levels and level of responsibility there are no major difference in female to male salaries.

All key suppliers are evaluated based on social criteria, and all suppliers perform a self-evaluation and sign a declaration on their compliance with laws and regulations, hereunder also social compliance. This includes giving employees equal opportunities, fair pay and not promoting any unlawful human rights practices, such as human trafficing, child labour or any other forced labour practices. As our operations expand geographically and in volume, we are increasingly exposed to risk of incidents in our supply chain. As part of our supplier audit process in 2019, we have identified one incident related to a supplier of personnel abroad. In that specific case, it was identified that a person hired in for offshore operation was not given a fair pay from his employer.

Reach Subsea gave warning to the employer at once, demanding that the hired in personnel was paid in line with market terms. We continue to monitor the social impact we have through our supply chain.

Our HSEQ results

HSEQ Trends	2018	2019
Man-hours	361 405	303 680
Improvement reporting	280	231
Recordable incidents	2	1
Sick leave (%)	2,2	1,2

Reportable incidents	2018	2019
Fatalities	0	0
Lost-Time Injuries	0	1
Medical Treatment Injuries	2	0
Restricted Work Injuries	0	0

Key targets 2020

- Maintain sick leave at low level (less than 2,5 %)
- Implement internal safety delegate training course
- Zero work related injuries
- Implement e-learning course on Code of Conduct for all employees
- Increase percentage of women in offshore employee categories

Sustainability

Responsible business

We believe that sustainability and long-term profitability go hand in hand. By continuing to focus on sustainable solutions we minimize risk, increase transparency and facilitate more efficient use of our resources – increasing our value and competitiveness.

In turn, profitability and financial strength helps to secure Reach Subsea as a reliable employer, providing workers with a secure and meaningful place to work. We aim to be an attractive and professional subsea operator by maintaining high ethical standards, defined by our Code of Conduct. We promote transparency by following international legislations and requirements and contribute to anti-corruption and fraud-prevention by implementation of routines for selecting suppliers.

Quality services

We acknowledge the importance of providing quality in all that we do. Providing quality services helps us to build our reputation as a trustworthy and preferred subsea partner and build grounds for long-term sustainability.

The subsea industry is a competitive industry, and quality is an important factor when being assessed by clients for current and future projects. We believe that our values, combined with our competent and highly motivated workforce gives us an excellent starting point in securing quality in all that we do.

We strive to carry out lessons learned meetings between project teams and clients and encourage all clients to provide feedback on completed projects. Lessons learned and feedbacks are assessed for improvement indicators, and any indicators are discussed with the project team in order to find the best possible way to perform the activity in the future.

Our improvement reporting system is continuously followed up by our HSEQ department and project management and a newsletter containing highlights from the system is distributed to the organization on a monthly basis. We also subscribe to IMCA safety flashes, which helps us to keep track on general improvement indicators in the industry.

Quality indicator	2018	2019
Technical uptime	99%	100%

Anti-corruption and business ethics

One of our values is Honest, and we strive to act with honesty and to carry out our business in an ethical manner and in compliance with laws and regulations. By doing so, we earn the trust of our stakeholders.

As our operations expand geographically and in volume, we are increasingly exposed to risk of corruption and bribery. Reach Subsea shall conduct all business in an honest and ethical manner, and we have a zero-tolerance policy for bribery and corruption, which includes Reach Subsea officers, employees, temporary workers and all third parties acting on our behalf. The Anti-bribery policy is a part of our Code of Conduct and summarizes the procedures implemented to comply with applicable laws and regulations. The Code of Conduct is available to all employees through our intranet. Whoever we may deal with, and wherever we may operate, we are committed to doing so lawfully, ethically and with integrity. The Anti-Corruption and Anti-Bribery measures are regularly evaluated by Management and Board of Directors.

Sustainability

Responsible business

Reach Subsea is committed to ensuring that anyone who works for us can speak up in confidence if they have any concerns relating to corruption or bribery. Any concerns should be raised to the CEO in first instance and will be treated confidentially. We also have a whistle-blower function in our Improvement reporting system, which allows employees to anonymously register any concerns. Reach Subsea will not tolerate retaliation in any form against anyone raising concerns or reporting what they genuinely believe to be improper, unethical or inappropriate behaviour. There have not been any incidents of corruption noted in 2019.

Responsible business

We require our leaders to take responsibility for preventing, detecting and responding to issues relating to unethical behaviour and corruption risk. In 2019, we updated our Anti-Corruption training programme for Management to increase awareness and understanding on the topic. All management personnel were required to complete an IMCA based e-learning training programme related to anti-corruption. In 2020 we plan on implementing a mandatory e-learning programme on our Code of Conduct to all employees and hired in contractors to build awareness throughout the organization.

Sustainability in our supply chain

We continuously work with our suppliers to reduce risk of corruption in our supply chain and to ensure ethical business relationships. Our supply chain is centred around offshore operations and subsea services, and includes:

- VESSEL CHARTER
- ROV SERVICES
- BUNKERING
- CREW SERVICES
- SUBSEA EQUIPMENT HIRES

To be accepted to provide services to Reach Subsea, all suppliers must perform a mandatory self-declaration, which also includes compliance with our policies relating to Anti-Corruption and Anti-Bribery. Reach Subsea continuously reviews the supplier list to identify critical vendors. We also perform supplier audits to ensure compliance.

We aim to provide value to the local communities where we operate. In 2019, we established a trainee programme in Trinidad which contributes in building the competences of the local workforce. We've also implemented a local content plan for Trinidad operations, focusing on using local personnel and suppliers wherever possible and developing local vendor partners through audits and continual improvement feedback. In 2019, 61 % of procurement in our Trinidad branch was from locally registered suppliers.

Key targets 2020

- **Perform 10 supplier audits.**
- **Implement mandatory anti-bribery training for all employees.**
- **Maintain technical uptime above 95 %**

Financial Statements

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Profit & Loss

Consolidated statement of comprehensive income

(NOK 1000)	2019	2018	NOTES
Revenues	508 337	675 265	5, 26
Other income/losses	194	-	
Operating income, in total	508 531	675 265	
OPERATING EXPENSES			
Procurement expenses	(184 140)	(243 109)	
Depreciation	(187 728)	(245 855)	13,25
Personnel expenses	(90 552)	(98 417)	7
Amortized termination fee	-	(33 000)	
Other operating expenses	(62 433)	(58 869)	6,7
Operating cost, in total	(524 853)	(679 250)	5
Operating result	(16 322)	(3 985)	
Financial income and Financial expenses			
Interest income	680	224	8
Interest expense	(11 452)	(9 543)	8
Other financial items	(5 200)	2 806	
Finance items - net	(15 972)	(6 513)	
Share of profit of investments accounted for using the equity method	(3 391)	1 343	12
Profit (loss) before taxes	(35 685)	(9 155)	
Taxes	(24)	(500)	9
Profit (loss) for the year	(35 709)	(9 655)	
OTHER COMPREHENSIVE INCOME:			
Items that may be subsequently reclassified to profit or loss			
Translation differences	(699)	593	
Total comprehensive income for the year	(36 408)	(9 062)	
Profit attributable to:			
Owners of the Company	(36 408)	(9 062)	16
Earnings (loss) per share	(0,25)	(0,07)	10
Diluted result (loss) per share	(0,25)	(0,07)	10

The notes on page 64 to 100 are an integral part of these financial statements.

Financial Position

Consolidated statement of financial position

(NOK 1000)	2019	2018	NOTES
Assets			
Non-current assets			
Property, plant and equipment	247 802	208 878	13
Investments in joint ventures	21 285	24 771	12
Deferred tax asset	8 161	8 161	9
Non-current assets, in total	277 247	241 810	
Current assets			
Bunkers	6 696	5 130	
Trade receivables	59 154	173 071	14, 19
Other current receivables	63 625	11 053	14
Cash and cash equivalents	38 657	63 277	15
Current assets, in total	168 131	252 532	
Total assets	445 378	494 342	
Equity and liabilities			
Equity			
Share capital	143 546	143 546	16
Share premium	105 025	105 025	
Proposed dividends	-	10 048	
Other equity	(82 740)	(47 370)	
Equity, in total	165 831	211 249	
Non-current liabilities			
Interest-bearing debt to credit institutions	25 216	43 703	19, 20
Interest-bearing debt, other (related to IFRS 16)	58 784	26 244	19, 20
Non-current liabilities, in total	83 999	69 947	
Current liabilities			
Trade payables	53 984	85 252	18, 19
Taxes, payables	-	500	9
Public duties a.o.	5 231	13 581	18
Interest-bearing debt to credit institutions, short-term	16 023	21 750	19, 20
Interest-bearing debt, other (related to IFRS 16), short-term	82 497	57 048	19, 20
Other current liabilities	37 814	35 015	18, 20, 22
Current liabilities, in total	195 548	213 146	
Total equity and liabilities	445 378	494 342	

The notes on page 64 to 100 are an integral part of these financial statements.

Cashflow

Consolidated statement of cash flow

(NOK 1000)	2019	2018	NOTES
Operations			
Operating result	(16 322)	(3 985)	
Paid taxes	(524)	-	9
Gain sold assets	(194)	-	
Depreciation and amortisation	187 728	278 855	
Change in trade debtors	113 917	(58 603)	
Change in trade creditors	(31 268)	9 780	
Change in other provision	(63 345)	21 252	
Share option cost employees	1 035	1 667	
Net cash flow from operating activities (1)	191 026	248 966	
Investments			
Sale of fixed assets	6 794	-	
Purchase of fixed assets	(33 908)	(47 968)	13
Investment in associated companies	-	(10 183)	12
Net cash flow from investment activitites (2)	(27 114)	(58 150)	
Financing			
Net financial items paid	(1 726)	(2 643)	
Proceeds from borrowings and leases	-	25 000	19
Payment of dividends	(10 048)	-	
Repayment of borrowings and leases, including IFRS 16	(177 231)	(248 850)	19
Net cash flow from financing activities (3)	(189 005)	(226 493)	
Net cash flow for the year (1+2+3)	(25 093)	(35 677)	
Cash and cash equivalents 1/1	63 277	98 954	
Translation differences	473	-	
Cash and cash equivalents 31/12	38 657	63 277	

The notes on page 64 to 100 are an integral part of these financial statements.

Equity

Consolidated statement of changes in equity

(NOK 1000)	Share capital	Share premium	Proposed dividends	Other Equity Other reserves	Other Equity Retained earnings	Total
Equity 1 January 2019	143 546	105 025	10 048	5 190	(52 558)	211 249
Profit for the year	-	-	-	-	(35 709)	(35 709)
Other comprehensive income for the year	-	-	-	-	(699)	(699)
Total comprehensive income for the year	-	-	-	-	(36 408)	(36 408)
Proceeds from shares issued	-	-	-	-	-	-
Dividends paid		-	(10 048)			(10 048)
Employee share options	-	-	-	1 035	-	1 035
Equity 31 December 2019	143 546	105 025	-	6 225	(88 966)	165 831
Equity 1 January 2018	143 240	114 813	-	3 523	(43 497)	218 079
Profit for the year	-	-	-	-	(9 655)	(9 655)
Other comprehensive income for the year	-	-	-	-	593	593
Total comprehensive income for the year	-	-	-	-	(9 062)	(9 062)
Proceeds from shares issued	306	261	-	-	-	567
Proposed dividends		(10 048)	10 048			
Employee share options	-	-	-	1 667	-	1 667
Equity 31 December 2018	143 546	105 025	10 048	5 190	(52 558)	211 249

Haugesund 27th April 2020

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Kristine Skeie
Board member

Ingunn Iveland
Board member

Jostein Alendal
Managing Director

The notes on page 64 to 100 are an integral part of these financial statements.

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 Group has a Branch in Trinidad & Tobago. The company's consolidated financial statements for the 2019 financial year covers Reach Subsea ASA and its subsidiaries Reach Subsea AS, Connect Offshore AS. Reach International AS and Reach Subsea Inc.

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.

Notes

New & 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, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- Prepayment features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The group also elected to adopt the following standards and amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8

The Group elected to early adopt IFRS 16 Leases as of 01.01.2018. Refer to section on Leases for further information on IFRS 16.

New standards & interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 deconsolidated 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 unless the transaction provides evidence of an impairment of the transferred asset. 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.

Notes

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.

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/Other.

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, except of the branch, have NOK as functional currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the 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.

Other financial items in the income statement have been adjusted to concur with change in presentation of translation difference. Effects previously included in translation difference under Other comprehensive income have been moved to Other financial items for 2019 and 2018.

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.

Notes

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:

- Furniture, fittings and equipment 3-8 years
- 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

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract includes the right to control the use of an identified asset for a period of time in exchange for consideration.

Short term leases (lease term 12 month or less) and assets that are leased for more than 12 months, but where the lease terms do not contain any commitments ("pay-as-you-go"), are also capitalized as right-of-use assets and depreciated. The impact is that, all cost in relation to leases of vessels and ROVs are classified as depreciation and interest expense.

Vessels and ROVs with a "pay-as-you-go" lease structure are treated as short term leases, where the lease expenses are classified as depreciation, and where the lease is capitalized at the balance sheet date only to the extent a commitment is incurred at the reporting date.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of:

- Fixed lease payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying value to reflect the lease payments made.

Notes

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- the lease term has changed.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value.
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right of use asset are included in the line Property, plant and equipment in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right of use asset is impaired, and accounts for any identified impairment loss as described in the "Impairment of non-financial asset" section.

ACCOUNTING AS LESSOR

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. 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. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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.

Bunkers

Bunkers comprise fuel and lube oil inventory and are valued at the lower of cost and net realisable value.

Fuel and lube are expensed to the income statement based on FIFO principle (First in, first out) as they are consumed.

Financial assets

The Group classifies its financial assets in the following categories: fair value through other comprehensive income (FVOCI), fair value through profit and loss (FVTPL), and amortized cost. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. Classification of financial assets is determined at initial recognition, and is not reclassified subsequently unless the Group changes its business model for managing financial assets.

A financial asset shall be measured at amortized cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets, in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

FINANCIAL ASSETS AT FVTPL

The assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

FINANCIAL ASSETS AT FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss.

DERECOGNITION

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.

IMPAIRMENT

The Group assesses at the end of each reporting period the expected credit losses for a financial asset or a group of financial assets.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss. The Group has currently not applied hedge accounting for any 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 through profit or loss. 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 has currently not applied hedge accounting for any hedging activities.

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.

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.

Notes

Government grants relating to property, plant and equipment are included in non-current 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.

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 utilised.

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.

Notes

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 in accordance with IFRS 15. Revenues are shown net of value added tax and discounts.

SALES OF SERVICES

The Group revenue comprises revenue recognized from contracts with customers for the provision of subsea services. Although scope of work varies from project to project, there are similarities in all projects, such as mobilisation and demobilisation of vessel, vessel hire, ROV crewing etc. These elements are highly related and comprise an integrated service negotiated as a whole with the customer. As such, all elements within a contract is normally considered to be one single performance obligation. Reach Subsea reviews all customer contracts to assess if there are elements that may indicate several performance obligations within one contract. Such elements may be use of several vessel spreads or project phases requiring separate mobilisation of vessels.

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.

Notes

For other services, revenue is recognized based on the agreed rate as the services are rendered. The transaction price for day-rate contracts is determined by the expected value approach being the number of scheduled days multiplied with dayrate. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. For contracts with pricing elements that need to be estimated, revenue is recognised at best estimate only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

Revenue is recognized as control is passed, either over time or at a point in time. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. This includes the ability to prevent others from directing the use of and obtaining the benefits from the asset. The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly. Reach Subsea has concluded that customers receive benefits from the subsea services as they are performed, and therefore recognize revenue over the time the subsea service is provided.

Incremental costs of obtaining a contract is recognized as an asset if we expect to recover these costs. However, incremental costs are limited to the costs that would not have incurred if the contract had not been successfully obtained. No such cost has been recognized in 2019.

REVENUE FROM LEASES

Revenue from time-charter leases is recognized 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.

Going concern

The annual accounts are prepared on the assumption of a going concern. This assumption is based on the Group's budget for the year 2020 including the Business Plan, the cash flow forecast and the contract log. Refer to further information on going concern in Note 4 and Note 27.

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, GBP 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, except from the calculated liability related to committed days on Topaz Tiamat, in accordance with IFRS 16, which is in USD.

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.

Notes

The following table demonstrates the sensitivity to a reasonably possible change in USD, GBP 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.

Inc/dec USD	Effect on profit before tax	
2019	5 %	-5 435 426
2018	5 %	467 634
2017	5 %	236 000
Inc/dec EUR	Effect on profit before tax	
2019	5 %	984 559
2018	5 %	685 695
2017	5 %	5 044 000
Inc/dec GBP	Effect on profit before tax	
2019	5 %	315 492
2018	5 %	441 806
2017	5 %	1 191 431

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.

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.

The Group has entered into a bank overdraft agreement in February 2020, securing access to NOK 20 million in new funds. As the Group's business is capital intensive, the Group may need to raise additional funds in the future to execute the Group's strategies. The Group monitors its future liquidity positions on an ongoing basis, with monthly reports on cash flow forecasts and covenants.

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

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.

Notes

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.

Going concern

Estimates to support the use of the going concern assumption are dependent upon projections of results of future operations. If assumptions regarding market conditions, affecting the utilisation and selling price of assets, do not develop as expected, conclusions drawn based upon these estimates may not be valid.

Impairment of property, plant and equipment

A review for indicators of impairment is performed at each reporting date. If there are indicators of impairment, a review for impairment is carried out by management. In order to determine an assets recoverable amount, a value-in-use method is used, where management uses judgement in estimating future asset utilisation, cash flow and discount rate. For the purpose of assessing impairment of property, plant and equipment, management also use judgement to group assets at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units, "CGU's"). Management has determined that each ROV and associated ROV equipment is considered as separate GCU's. For right-of-use assets under IFRS 16, each vessel is considered as a separate CGU.

Assessment of leases under IFRS 16

The application of IFRS 16 requires significant judgements and certain key estimations. Critical judgements required in application of IFRS 16 may include, among others, the following:

- Identifying whether a contract includes a lease
- Determination of whether variable payments are in substance fixed
- Determining whether there are multiple leases in an arrangement.

Key sources of estimation uncertainty in the application of IFRS 16 may include, among others, the following:

- Estimation of lease term
- Estimation of lease payments when the contract includes options to extent the lease period
- Determination of the appropriate rate to discount the lease payments
- Assessment of whether a right of use asset is impaired.

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.

Notes

Note 5 - Segment information

(NOK 1000)	2019	2018
Revenue		
Oil & Gas	472 943	598 718
Renewable / other	35 589	76 547
Total	508 531	675 265
Operating expense		
Oil & Gas	(488 122)	(602 251)
Renewable / other	(36 731)	(76 999)
Total	(524 853)	(679 250)
Operating result		
Oil & Gas	(15 180)	(3 533)
Renewable / other	(1 142)	(452)
Total	(16 322)	(3 985)
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization		
Oil & Gas	159 410	243 712
Renewable / other	11 996	31 159
Total	171 406	274 871

All assets and liabilities are used jointly in all segments.

Note 6 - Operating costs specified

(NOK 1000)	2019	2018	NOTES
Rental cost	1 857	1 704	22
Consultant cost	22 796	30 120	
Operating equipment and maintenance	6 992	7 503	
Administration costs	30 789	19 542	
Other operating costs, in total	62 433	58 869	

Notes

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

Wages and social costs

(NOK 1000)	2019	2018
Salaries	72 416	79 949
Social security tax	11 777	11 517
Pensions	5 187	4 580
Other benefits	139	703
Option cost	1 035	1 667
Wages and social costs, in total	90 552	98 417
Number of man-year (including hired personnel)	95	119

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.

Compensation and benefits to management

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 Subseas shall offer benefits as for comparable Norwegian companies.

Compensation to CEO, CFO and COO is specified below.

(NOK 1000)	Salary	Pension costs	Other comp	Share options
2019				
Jostein Alendal, Managing Director, CEO	1 518	84	10	300
Birgitte W. Johansen, CFO	1 290	83	10	240
Inge Grutle, COO	1 290	78	10	240
Total	4 099	245	30	780
2018				
Jostein Alendal, Managing Director, CEO	1 500	82	10	450
Birgitte W. Johansen, CFO	1 061	73	10	360
Inge Grutle, COO	1 061	69	10	360
Total	3 621	224	30	1 170

Managing director has no agreement regarding early retirement. Managing director will receive 1 500 000 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.

Notes

Note 7 - The Board's remuneration

(NOK 1000)	Position	2019	2018
Kåre Johannes Lie	Chairman of the Board	310	275
Anders Onarheim	Board member	150	185
Martha K. Bakkevig	Board member	-	185
Merete Haugli	Board member	150	150
Sverre B. Mikkelsen	Board member	185	185
Kristine Skeie	Board member	150	-

Martha K. Bakkevig resigned as board member and Kristine Skeie started as board member in 2018.

The Auditors remuneration

(NOK 1000)	2019	2018
Auditing	1 352	1 120
Attestation services	-	-
Tax advice*	504	87
Other assistance*	316	908
Total	2 171	2 115

All amounts are exclusive of value added tax. *Included in tax advice and other assistance are services from Advokatfirmaet PricewaterhouseCoopers AS with the amount of NOK 496 482 (2018: 574 267).

Notes

Note 7 - 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:

		2019	
		Shares	Stake
North Energy ASA	Partly owned by Anders Onarheim (Board member) and Rachid Bendriss (primary insider)	46 126 567	32.1 %
JOSO INVEST AS	Owned by Kåre Johannes Lie (COB)	7 564 589	5.3 %
JT INVEST AS	Partly owned by Jostein Alendal (CEO)	5 529 539	3.9 %
A-Å INVEST AS	Owned by Åge Nilsen (management)	1 938 725	1.4 %
SMS INVESTERING AS	Owned by Svein Magne Storesund (management)	1 652 366	1.2 %
INVICTA INVEST AS	Partly owned by Inge Grutle (management)	909 179	0.6 %
TYRIHANS MANAGEMENT	Owned by Sverre B Mikkelsen (Board member)	376 250	0.3 %
BIRGITTE WENDELBO JOHANSEN	Management	139 050	0.1 %
BÅRD THUEN HØGHEIM	Management	390 625	0.3 %
SVERRE B. MIKKELSEN	Board Member	85 925	0.1 %
JOSTEIN ALENDAL	CEO	50 000	0.0 %
Total		64 762 815	45.1 %

Notes

Note 8 - Finance income and expenses

(NOK 1000)	2019	2018
Interest income on short term bank deposits	680	224
Total interest income	680	224
Interest expense on bank borrowings	(1 960)	(3 227)
IFRS 16 interest expense	(9 046)	(6 316)
Other interest expense	(446)	-
Total interest expense	(11 452)	(9 543)
Foreign exchange income	7 733	4 095
Foreign exchange expense	(12 545)	(1 138)
Other finance costs	(388)	(148)
Total Other finance items	(5 200)	2 806
Net finance items	(15 972)	(6 513)

Notes

Note 9 - Taxes

(NOK 1000)	2019	2018
Taxes		
Taxes payable	24	500
Changes in deferred taxes	-	-
Taxes, in total	24	500

The taxes payable is related to the Company's activities in Trinidad.

Deferred taxes / (deferred tax assets)		
Temporary differences:		
Other fixed assets	8 389	8 449
Financial leases	13 568	13 877
Fixed-price contracts	-	-
Accruals	(3 160)	(14 400)
Tax loss carried forward	(226 114)	(189 202)
Temporary differences, in total	(207 317)	(181 276)
Deferred tax assets	(45 610)	(39 881)
Not recognized deferred tax assets	(37 448)	(31 719)
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	(35 685)	(9 155)
Nominal tax rate	22%	23%
Anticipated income tax due to nominal tax rate	(7 851)	(2 106)
Actual tax cost	25	500
Deviation	7 876	2 168
Tax effects of:		
Permanent differences	2 147	-
Carry forward tax loss not recognized	5 729	2 106
Explanation	7 876	2 106
Effective tax rate	0%	4%

Notes

Note 10 - Earnings per share

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

	2019	2018
Profit (loss) - attributable to the owners (NOK 1000)	(36 408)	(9 062)
Basic profit (loss) per share (NOK)	(0,25)	(0,07)
Diluted profit (loss) per share (NOK)	(0,25)	(0,07)
Average numbers of shares	143 546 008	143 325 172
Average diluted number of shares for EPS	145 291 828	144 072 540
Number of shares 1/1	143 546 008	143 239 525
Number of shares 31/12	143 546 008	143 546 008

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%
Reach Subsea International AS (100% owned by Reach Subsea AS)	Haugesund	100%
Reach Subsea Inc (100% owned by Reach Subsea International AS)	Delaware, USA	100%

Note 12 - Investments in joint ventures

Nature of investment in associates 2019

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 - Investments in joint ventures

Summarised balance sheet (NOK 1000)	2019	2018
Cash and cash equivalents	5 572	15 534
Other current assets	18 092	15 383
Total current assets	23 664	30 917
Non-current assets	53 111	60 626
Other current liabilities	3 015	845
Total current liabilities	3 015	845
Financial liabilities	31 191	41 348
Total non-current liabilities	31 191	41 348
Net assets	42 569	49 352

Reconciliation to carrying amounts (NOK 1000)	2019	2018
Opening assets 1 January	49 352	10 336
Foundation	-	-
Capital increase	-	36 520
Profit/l(loss) for the period	(6 783)	2 495
Closing net assets	42 569	49 352
Group's share in %	50%	50%
Group's share in NOK	21 285	24 771
Carrying amount	21 285	24 771

Summarised statement of comprehensive income (NOK 1000)	2019	2018
Revenue	8 473	15 843
Interest income	537	0
Depreciation and amortisation	(11 430)	(9 991)
Other operating expenses	(2 966)	(1 930)
Interest expense	(1 396)	(1 427)
Income tax expense	-	-
Profit for the period	(6 783)	2 495
The amounts recognised in the income statement are as follows:		
Share of profit of investments accounted for using the equity method	(3 391)	1 343
At 31 December	(3 391)	1 343

Notes

Note 13 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	Right of use asset ROV, leased from financial institutions	Right of use asset Vessels and other equipments*	Equipment & office machinery	Total
Year ended 31 December 2019					
Opening net book amount	60 512	51 579	88 970	7 925	208 878
Additions	33 088	-	204 463	820	238 371
Disposals at cost	(2 897)	(3 702)	-	-	(6 600)
Adjustment of commitment	-	-	(5 238)	-	(5 238)
Other reclassification	-	-	-	-	-
Depreciation	(19 278)	(10 570)	(155 110)	(2 769)	(187 728)
Closing net book value	71 421	37 306	133 203	5 976	247 802
At 31 december 2019					
Cost 1.1.19	110 895	119 586	129 353	18 064	377 898
Additions	33 088	-	204 463	820	238 371
Other reclassification	-	-	-	-	-
Disposals at cost	(2 897)	(3 702)	(5 238)	-	(11 838)
Adjustment fully depreciated items	-	-	-	-	-
Cost 31.12.19	141 086	115 884	328 578	18 884	604 431
Accumulated depreciation 1.1.19	(50 387)	(68 007)	(40 389)	(10 139)	(168 922)
Depreciation	(19 278)	(10 570)	(155 110)	(2 769)	(187 728)
Disposal full depreciated items					-
Accumulated depreciation 31.12.19	(69 665)	(78 577)	(195 375)	(12 908)	(356 525)
Book value	71 421	37 306	133 203	5 976	247 802

*See note 25 for further information for Right of use asset Vessels and other equipments,
and note 20 for Right of use asset ROV, leased from financial institutions.

Notes

Note 13 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	Right of use asset ROV, leased from financial institutions	Right of use asset Vessels and other equipments*	Equipment & office machinery	Total
Year ended 31 December 2018					
Opening net book amount	28 305	73 407	132 399	84	234 195
Additions	39 461	20	187 799	8 487	235 767
Disposals at cost	0	-	(15 131)	0	(15 131)
Other reclassification	7 604	(7 672)		68	-
Depreciation	(14 862)	(14 176)	(216 104)	(713)	(245 855)
Closing net book value	60 512	51 579	88 970	7 925	208 878
At 31 december 2018					
Cost	110 895	119 586	129 353	18 064	377 898
Accumulated depreciation	(50 387)	(68 007)	(40 389)	(10 139)	(168 922)
Book value	60 512	51 579	88 970	7 925	208 878
Depreciation plan/useful life	3 - 8 years	3 - 8 years	1 - 3 years	3 years	
Depreciation method	Linear	Linear	Linear	Linear	

Bank borrowings are secured on fixed assets for the value of NOK 114,7 million (2018: 120.0 million). See also note 20 Borrowings.

Impairment

Due to a weak market in 2019, the estimated asset utilisation has been lower than previously estimated, resulting in impairment indicators for some assets. The impairment testing is carried out in accordance with the description given in note 2. No impairment charge has been made in 2019.

Discount rate

The discount rate is based on the Weighted Cost of Capital (WACC) pre tax for the group. The discounting rate is 9,0%.

Revenue assumptions

The revenue assumption in the cash flow forecast is based on a combination of utilization for asset and selling price. Utilisation is based on firm contracted days on a short- to medium-term and estimated future selling on a medium to longer term. Reach Subsea has been awarded several short to medium-term contracts for 2020 which is incorporated in the cash flow forecast. Forecasted utilization on a longer term is based on historical data, as well as management expectations of market development. Forecasted selling rates are based on historical data. No inflation adjustments have been made to the revenue assumptions.

Right-of-use assets - Vessels:

Impairment testing has been performed in 2019 on the IFRS 16 asset related to committed days on Olympic Challenger and Topaz Tiamat.

Notes

Note 13 - Property, plant and equipment cont.

Olympic Challenger

The right-of-use asset related to Olympic Challenger represents the remaining committed vessel days on charter agreement with vessel owner, expiring in Q1 2020. The impairment testing demonstrated that the assets recoverable amount was larger than book value, and as such no impairment was required. The recoverable amount is based on estimated future cash flows for the vessel. Sensitivity analysis show that a 20% drop in estimated future revenue due to decrease in estimated utilization and selling rate for Olympic Challenger would bring recoverable amount below book value by 2,9 mNOK per 31 December 2019. An increase in WACC of 2 percentage points will not result in an impairment charge due to the short remaining lifetime of the asset related to Olympic Challenger committed vessel days.

Topaz Tiamat

The right-of-use asset related to Topaz Tiamat represents the remaining committed vessel days on charter agreement with vessel owner, expiring in Q3 2021. The impairment testing demonstrated that the assets recoverable amount was larger than book value, and as such no impairment was required.

The recoverable amount is based on estimated future cash flows for the vessel and is highly sensitive to estimated future revenue for the asset, which in turn is sensitive to utilisation and rate assumptions. A sensitivity analysis for Topaz Tiamat is shown below:

Drop in estimated revenue	Impairment charge (NOK 1000)
10%	638
20%	11 956
30%	23 273

An increase of 2 percentage points to the WACC will not result in any impairment charge, due to the short remaining lifetime of the asset related to Topaz Tiamat committed vessel days.

ROVs:

Impairment testing has been performed on each ROVs CGU, i.e. both owned and leased ROVs. Other assets, such as activated mobilisation cost and other ROV equipment is not included in the impairment test, as these assets do not have impairment indicators. The recoverable amount is based on estimated future cash flows, which is calculated based on estimated selling price, budgeted maintenance cost and utilisation. The impairment testing demonstrated that the assets recoverable amount was larger than book value, and as such no impairment was required. Sensitivity analysis show that a 30% drop in revenue will bring recoverable amount below book value by 3,6 mNOK. An increase of 2 percentage points to the WACC will not result in any impairment.

Notes

Note 14 - Trade and other receivables

(NOK 1000)	2019	2018
Trade receivables	59 154	173 071
Less: provision for impairment of trade receivables	-	-
Trade receivable net	59 154	173 071
Prepayments	4 713	2 502
Revenue recognised, not billed	58 912	4 627
Other receivable	-	9 054
Current portion	122 779	189 255
Non-current positions	-	-

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	58 376	172 496
of which Receivables from related parties	778	576
Loans to related parties	-	-
Total	59 154	173 071

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;	2019	2018
Balance 1/1	-	-
The years allocation of losses	-	-
The years stated losses	-	-
Reversal of earlier allocations	-	-
Balance 31/12	-	-

Receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 361 d
2019	59 154	27 828	14 415	17 590	(1 056)	377
2018	173 071	115 634	50 515	4 404	2 519	-

Based on previous experience with customers and assessment of intial credit risk and expected credit losses as at 31 December 2019, there is no allowance for receivables in 2019.

Notes

Note 14 - Trade and other receivables

Trade receivables COUNTER-PART Y WITHOUT EXTERNAL CREDIT R ATING	2019	2018
Group 1	4 330	-
Group 2	54 824	173 071
Group 3	-	-
Total trade receivables	59 154	173 071

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.

(NOK 1000)	2019	2018
NOK	20 241	84 956
EUR	14 076	5 574
USD	22 427	76 668
GBP	2 411	5 873
Total	59 154	173 071

Note 15 - Cash and cash equivalents

(NOK 1000)	2019	2018
Cash and cash equivalents in NOK	26 129	31 179
Cash and cash equivalents in USD	3 985	10 659
Cash and cash equivalents in EUR	8 464	8 589
Cash and cash equivalents in GBP	78	12 850
Restricted cash equivalence hereof	-	-
Cash and cash equivalents, in total	38 657	63 277

The company also has restricted cash related to withheld tax of NOK 3 073 in 2019 (2018: NOK 3 108).

Unused drawing rights	-	-
Rating on banks for cash		
A-	38 657	63 277
Total cash and cash equivalents	38 657	63 277

Notes

Note 16 - Share capital and information about shareholders

List of (20) major shareholders at 31.12.2019	Number of shares	Ownership
1. NORTH ENERGY ASA	46 126 567	32%
2. VERDIPAPIRFONDET EIKA NORGE	10 285 650	7%
3. JOSO INVEST AS	7 564 589	5%
4. JT INVEST AS	5 529 539	4%
5. NORMAND DRIFT AS	5 000 000	4%
6. HOLME HOLDING AS	4 800 000	3%
7. Danske Invest Norge Vekst	3 254 912	2%
8. CORUNA AS	2 250 000	2%
9. FREEMAN SHIPPING & OFFSHORE AS	2 064 478	1%
10. RMS INVEST AS	2 000 000	1%
10. TEOMAR AS	2 000 000	1%
12. A-Å INVEST AS	1 938 725	1%
13. LION INVEST AS	1 900 000	1%
14. STAVA INVEST	1 878 751	1%
15. Goldman Sachs & Co. LLC	1 688 535	1%
16. NÆRINGSLIVETS HOVEDORGANISASJON	1 675 110	1%
17. SMS INVESTERING AS	1 652 366	1%
18. MACAMA AS	1 578 446	1%
19. BARRUS CAPITAL AS	1 510 090	1%
20. ENGELSTAD, SIMEN FALCK	1 417 210	1%
20 largest	106 114 968	74%
The rest of shareholders	37 431 040	26%
Total number of shares	143 546 008	100%

Reach Subsea's share capital amounts to NOK 143 546 008 divided into 143 546 008 shares, each with a nominal value of NOK 1.

Notes

Note 16 - Continued

The 20 largest shareholders as of 31.12.2018	Shares	Stake
1. ACCELLO PARTNERS I AS	40 600 000	28%
2. EIKA NORGE	10 285 650	7%
3. JOSO INVEST AS	7 564 589	5%
4. JT INVEST AS	5 529 539	4%
5. NORMAND DRIFT AS	5 000 000	3%
6. HOLME HOLDING AS	4 137 000	3%
7. Danske Invest Norge Vekst	3 254 912	2%
8. CORUNA AS	2 250 000	2%
9. RMS INVEST AS	2 000 000	1%
10. TEOMAR AS	2 000 000	1%
11. A-Å INVEST AS	1 938 725	1%
12. FREEMAN SHIPPING & OFFSHORE AS	1 864 478	1%
13. LION INVEST AS	1 780 000	1%
14. Goldman Sachs & Co. LLC	1 776 589	1%
15. AB INVESTMENT AS	1 755 743	1%
16. NORTH ENERGY CAPITAL AS	1 736 411	1%
17. NHO - P667AK	1 675 110	1%
18. SMS INVESTERING AS	1 652 366	1%
19. MACAMA AS	1 578 446	1%
20. BARRUS CAPITAL AS	1 510 090	1%
Sum of 20 largest	99 889 648	70%
Sum of the rest of shareholders	43 656 360	30%
Total number of shares	143 546 008	100%

Notes

Note 17 - Share based payments

In 2018 the Board of directors of Reach Subsea ASA approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group have been granted the right to acquire up to a certain maximum number of shares in the Company at a fixed strike price ("the Option"). The strike price is divided into two levels, equal to the subscription price in the two last private placements conducted by the Company (May 2016 NOK 2.00 and January 2017 1.75). The options can be exercised over a period of three years. The options are non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. Movements in the number of share options and their related weighted average exercise prices were as follows:

	2019		2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
At 1 January	1,88	2 329 888	-	-
Granted	-	-	1,88	3 494 832
Forfeited	-	-		
Exercised	-	-	1,88	306 483
Expired	-	1 164 944	-	858 461
At 31 December	1,88	1 164 944	1,88	2 329 888

The group has no legal or constructive obligation to repurchase or settle the options in cash. The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 0,897 per option. The significant inputs into the model were share price of NOK 2,53at the grant date, exercise price shown above, volatility of 42%, and an annual risk-free interest rate of 1,3%. 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)	2019	2018
Trade payables	53 984	85 252
Liabilities to shareholders and employees	-	-
Social security and other taxes	5 231	13 581
Other current liabilities	37 814	35 015
Other current liabilities, in total	97 028	133 847
Taxes payable	-	500
Interest-bearing debt short-term	98 520	78 798
In total	195 548	213 146

Notes

Note 19 - Classification of financial assets and liabilities

2019 (NOK 1000)	Financial instruments measured at amortised cost	Financial instruments at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Fair value
Financial assets				
Trade receivables	59 154	-	-	59 154
Other receivables	63 625	-	-	63 625
Cash and cash equivalents	38 657	-	-	38 657
Assets, in total	161 436	-	-	161 436
Financial liabilities				
Borrowings (long & short term interest bearing debt)	182 519	-	-	182 519
Trade payables	53 984	-	-	53 984
Other current liabilities	43 045	-	-	43 045
Liabilites, in total	279 548	-	-	279 548

2018 (NOK 1000)	Financial instruments measured at amortised cost	Financial instruments at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Fair value
Financial assets				
Trade receivables	173 071	-	-	173 071
Other receivables	16 184	-	-	16 184
Cash and cash equivalents	63 277	-	-	63 277
Assets, in total	252 532	-	-	252 532
Financial liabilities				
Borrowings (long & short term interest bearing debt)	148 745	-	-	148 745
Trade payables	85 252	-	-	85 252
Other current liabilities	48 596	-	-	48 596
Liabilites, in total	282 593	-	-	282 593

Notes

Note 19 - Continued

The following of the Group's financial instruments are measured at amortised cost: cash and cash equivalents, trade receivables, other current receivables, trade payables, other current liabilities and all interest bearing debt. The carrying amount of cash and cash equivalens is approximately similar to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables, trade payables and other receivables/liabilities is approximately equal to fair value since they are entered into at standard terms and conditions. The fair value of the interest-bearing debt is the disclosed face value of the loans. The tables below provides an analysis of the maturity of financial liabilities.

	Remaining contractual maturities				
Financial liabilities 2019	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Trade payables	53 984				53 984
Other financial liabilities	43 045				43 045
Borrowings	51 072	47 448	83 999	-	182 519
Interest on borrowing	3 408	2 265	1 875	-	7 548
Financial liabilities, in total	151 509	49 713	85 874	-	287 096
Financial liabilities 2018	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Trade payables	85 252				85 252
Other financial liabilities	48 596				48 596
Borrowings	39 174	39 303	63 501	6 817	148 795
Interest on borrowing	2 908	2 779	4 222	133	10 043
Financial liabilities, in total	175 929	42 083	67 724	6 950	292 686

Changes in interest-bearing debt	2019	2018
Opening balance	148 745	64 169
Drawdowns	-	25 000
Repayment incl interest	(126 855)	(251 560)
Addition IFRS 16 lease liability opening balance	-	132 399
Addition IFRS 16 lease liability throughout the year	154 205	172 407
Non-cash changes:	-	-
Adjustment IFRS 16 lease liability	(5 238)	-
Currency adjustment	2 616	
Accrued interest	9 046	6 330
Closing balance	182 519	148 745

Notes

Note 20 - Borrowings

(NOK 1000)	2019	2018
Non current		
Bank borrowings	12 500	17 500
Lease liabilities to credit institutions	12 716	26 203
Other lease liabilities (IFRS 16)	58 783	26 244
Total	83 999	69 947
Current		
Bank borrowings	5 000	10 250
Lease liabilities to credit institutions	11 023	11 500
Other lease liabilities (IFRS 16)	82 497	57 048
Total	98 520	78 798
Total borrowings	182 519	148 745

Bank borrowings

Bank borrowings mature until 2023 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 to bank and financial institutions includes secured liabilities (bank and collateralised borrowings) of NOK 41,2 million (2018: NOK 65,4 million). Bank borrowings are secured by equipment and receivables 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)	2019	2018	2019	2018
Bank borrowings	17 500	27 750	17 500	27 750
Lease liabilities to credit institutions (IFRS 16)	23 739	37 703	23 739	37 703
Other lease liabilities (IFRS 16)	141 280	83 292	141 280	83 292
Total	182 519	148 745	182 519	148 745

Notes

Note 20 - Borrowings

The fair value of Bank 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.

Lease liabilities to credit institutions

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

(NOK 1000)	2019	2018
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	11 023	11 179
Later than 1 year and no later than 5 years	12 715	26 524
Later than 5 years	-	-
Total	23 738	37 703
Future finance charges on finance lease liabilities	1 347	2 710
Present value of Lease liabilities to credit institutions	25 085	40 414

There are no new covenants in 2019. Refer to note 13 Property, plant and equipment for secured assets. For other lease liabilities under IFRS 16 please see note 25.

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)	2019	2018
Revenue		
To MMT	138 737	139 408
To Surveyor AS (see note 12 for more information)	1 869	2 101
Cost		
To MMT	(25 479)	(131 376)
To other related parties	-	-
Total	115 128	10 134

MMT Sweden AB is considered as a related party through joint ownership of Surveyor AS. All transactions were part of the general activity and the agreements have been concluded on marked term principles in accordance with Limited Liabililty Companies Act § 3-8 and § 3-9. Transactions with the management and the Board (salaries) can be found in note 7.

Notes

Note 22 - Commitments

Operational leasing:

The costs relating to operational leases recognized in the income statement related to equipment and real estate for 2019 amounts to NOK 1,5 million. The leasing agreement expired in 2018 (from 2019 there is a 3 months termination notice).

The Company has implemented IFRS 16 as of 1.1.2018. Please see Note 20 for Lease liabilities to credit institutions and note 25 for other lease liabilities.

Note 23 - Fixed-price contracts

The company had one ongoing fixed-price contract in 2018. No such contracts was entered into in 2019. The contract has been valued according to the percentage of completion method.

(NOK 1000)	2019	2018
Revenue recognised from fixed-price contract	-	59 507
Cost recognised for fixed-price contract	-	56 662
Net	-	2 845

Note 24 - Capitalized termination fee

Reach Subsea ASA renegotiated charter agreements during 2016 for the vessels Normand Reach and Edda Fonn with Østensjø and Solstad. Charter guarantees was cancelled against a termination fee combined with a share issue. The total termination fee of NOK 76 million to Østensjø and Solstad was capitalized and was amortized over the remaining charter party periods. The charter agreement with Solstad expired 30 September 2019, and the agreement with Østensjø expired 05 December 2017. On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 had been released. The remaining 33 million in capitalized termination fee was amortized in 2018. As at 31 December 2019 the company has a total of NOK 0 million (2018: NOK 0 million) in capitalized termination fee.

Notes

Note 25 - Leases (Group as a lessee)

The company has early adopted IFRS 16 as of 01.01.2018. Short term leases (commited lease term 12 months or less) of vessels and ROV's are also capitalized as right- of use assets and depreciated. The impact is that all cost in relation to leases of vessels/ROV's are presented as depreciation and interest expenses. No other short term leases, except for vessels and ROV's, are capitalized as right- of use assets and depreciated. As of 31.12.19, Right of use assets in the balance sheet consist of contractual commitments for vessels and estimated use in the contract period. Pay as you go contracts at the balance sheet date, with no contractual commitment, are not capitalized.

The right-of use assets are calculated based on a discounted estimated commitment. Short term hired in vessels and ROV's are treated as short term leases under IFRS 16 and are also recognized as depreciations. The calculated lease liability is calculated with a discount rate of 5%. For leases towards credit institutions please see note 20. The following tables are related to leases, except for leases towards credit institutions.

Movement schedule for right of use assets and lease liabilities (NOK 1000)	Right-of use assets	Lease liability, non-current	Lease liability, current
Opening balance 01.01.2019	88 970	26 244	57 048
Additions	154 205	87 843	66 362
Disposals	-	-	-
Adjusted commitment	(5 238)	(2 180)	(3 058)
Depreciation	(104 734)	-	-
Interests	-	3 764	5 282
Reclassed from long to short term	-	(57 977)	57 977
Currency adjustments	-	1 089	1 527
Payments	-	-	(102 641)
Ending balance 31.12.2019	133 203	58 783	82 497

Movement schedule for right of use assets and lease liabilities (NOK 1000)	Right-of use assets	Lease liability, non-current	Lease liability, current
Opening balance 01.01.2018	132 399	49 715	82 684
Additions	187 799	73 975	113 131
Disposals	(15 131)	-	(15 131)
Depreciation	(216 104)	-	-
Interests	-	2 358	3 921
Reclassed from long to short term	-	(99 826)	99 826
Payments	-	-	(227 843)
Ending balance 31.12.2018	88 970	26 244	57 048

Notes

Note 25 - Leases (Group as a lessee)

Lease liabilities (NOK 1000)	2019	2018
Amounts due for settlement within 12 months (shown under current liabilities)	82 497	57 048
Amounts due for settlement after 12 months (present value)	58 783	26 244
Total	141 280	83 292

Maturity analysis (NOK 1000)	2019	2018
Not later than 1 year	82 497	57 048
Later than 1 year and not later than 5 years	62 764	30 715
Later than 5 years	-	-
Total	145 261	87 763

Reconciliation of depreciation (NOK 1000)	2019	2018
Depreciation of long term right- of use assets	104 734	94 541
Depreciation of short term right- of use assets	50 377	121 563
Depreciation of other assets (Note 13)	32 617	29 751
Total depreciations	187 728	245 855

Other Information related to leases: For information related to leases to credit institutions, see note 20. For information related to cost of short term leases(except for Vessels and ROV's), see note 6. For information related to righ-of-use assets, see note 13.

Notes

Note 26 - Contract with customers

The Groups revenue comprises of revenue recognized from contract with customers for the provision of subsea services. Reach Subsea has assessed its contracts with customers and concluded that these fall under the definition of customer contracts in IFRS 15, with one exeption. Revenue derived from services provided to projects that fall under the cooperation agreement with MMT Sweden AB (MMT) does not constitute as revenue from a customer contract. As such, this revenue is recognised on a monthly basis in line with rendering of services to MMT.

2019 (NOK 1000)	Oil and gas	Renewable/Other	Total
Revenue from contracts with customers	343 013	26 781	369 794
Revenue from other contracts*	129 930	8 808	138 737
Segment revenue	472 943	35 589	508 531
Timing of revenue recognition	Oil and gas	Renewable/Other	Total
At a point in time	194	-	194
Over time	472 749	35 589	508 337
Sum	472 943	35 589	508 531

2018 (NOK 1000)	Oil and gas	Renewable/Other	Total
Revenue from contracts with customers	495 302	15 022	510 324
Revenue from other contracts*	103 416	61 525	164 941
Segment revenue	598 718	76 547	675 265
Timing of revenue recognition	Oil and gas	Renewable/Other	Total
At a point in time	-	-	-
Over time	598 718	76 547	675 265
Sum	598 718	76 547	675 265

*Revenue that fall under cooperation agreement with MMT Sweden AB.

Notes

Note 26 - Revenue by region

(NOK 1000)	2019	2018
Trinidad & Tobago	135 959	98 871
Sverige	135 289	166 414
Norway	122 546	163 373
Netherlands	62 013	-
UK	44 775	135 607
Other	7 950	46 357
Switzerland	-	64 644
Total	508 531	675 265

Note 26 - Assets and liabilities related to contracts with customers

The group has recognized the following assets and liabilities related to contracts with customers:

(NOK 1000)	2019	2018
Current contract assets	58 912	4 627
Loss allowance	-	-
Total contract assets	58 912	4 627
Contract liabilities	-	-
Total current contract liabilities	-	-
Revenue recognised that was included in contract liability balance at beginning of period	-	-
Revenue recognised from performance obligations satisfied in previous periods	646	14 950

The group has not recognised any assets from costs incurred to fulfil a contract at 31 December 2019 (2018: 0). The groups customer contracts are for periods of less that a year, and therefore transaction price for any unfulfilled performance obligations will be recognised as revenue in 2020.

Notes

Note 27 – Subsequent events

In the first quarter of 2020 the world has been significantly affected by the COVID-19 outbreak. There has also been a significant decrease in oil price. Both events have consequences for the markets in which we operate.

Prior to the COVID-19 outbreak and the collapse of the oil price, tendering and contracting activity started off stronger than in previous years, with about 750 days of work in place for 2020 and 250 days for 2021. The preliminary effects of COVID-19 are that offshore crew changes have become, and will increasingly become, more challenging to execute. So far, we have not had any operating disruptions due to crew changes, nor have we had any infections onboard the vessels we operate from.

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

The recent dramatic change in our business and operating environment has increased the uncertainty in our outlook. The Board and the management is of the opinion that currently there is not sufficient and reliable information to provide clear and measurable assumptions for calculating the financial exposure related to the future oil price and the duration of the COVID-19 situation Up until mid-3Q we have good visibility, barring any cancellations, while we beyond this point are dependent on winning new work in order to protect our financial position. Short visibility is something we are used to as our position has been built in a market for short to medium term projects, but the project opportunities might be fewer and far between in the second half of 2020. With the current market conditions and low oil price, there is an increased risk related to operating profit, which later in the year could negatively impact our financial position and key ratios in our loan covenants.

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

Profit & Loss
Reach Subsea ASA

Operating income and expenses

(NOK 1000)	2019	2018	NOTES
Revenue	8 239	8 190	10
Total operating income	8 239	8 190	
Payroll expenses	7 745	6 885	7, 9
Other operating expenses	2 702	36 025	9, 10
Operating expenses	10 447	42 910	
Operating profit	-2 208	-34 720	
Financial income and expenses			
Other interest income	4	8	
Interest income from group companies	10 596	-	
Other financial income	-	28 626	
Financial income	10 600	28 634	
Other Interest expenses	-	-	
Other financial expenses	-	-	
Financial cost	-	-	
Profit (loss) before tax	8 392	-6 086	
Taxes	-	-	8
Profit (loss) for the year	8 392	-6 086	
Brought forward			
To other equity			
Proposed dividend	-	10 048	
From other equity	-	-16 134	
To other equity	8 392	-	
Total brought forward	8 392	-6 086	

Balance
Reach Subsea ASA

Non-current assets (NOK 1000)	2019	2018	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	-	-	2, 12
Total financial fixed assets	23 855	23 855	
Total non-current assets	27 778	27 778	
Current assets			
Accounts receivables	-	-	
Receivables from group companies	185 585	180 465	2,3
Other receivables	157	38	12
Total debtors	185 742	180 503	
Cash and bank deposits	1 614	8 692	4
Total current assets	187 356	189 195	
Total assets	215 135	216 974	

Equity (NOK 1000)	2019	2018	NOTES
Restricted equity			
Share capital	143 546	143 546	5, 6
Share premium	61 538	61 538	5
Total restricted equity	205 083	205 083	
Other equity	8 552	-	5
Total retained earnings	8 552	-	
Total equity	213 635	205 083	
Short term liabilities			
Accounts payable	158	455	
Public duties payable	750	860	
Proposed dividend	-	10 048	
Other short term liabilities	593	527	
Total short term liabilities	1 501	11 891	
Total liabilities	1 501	11 891	
Total equity and liabilities	215 135	216 974	

Cashflow
Reach Subsea ASA

(NOK 1000)	2019	2018
Cash flow from operating activities		
Profit (loss) before taxes	8 392	-6 086
Paid taxes	-	-
Amortised termination fee	-	33 000
Change in trade creditors	-297	-16
Change in trade debtors	-5 120	-38 864
Change in other provisions	-5	675
Net cash flow from operations	2 970	-11 291
Cash flow from investment activities		
Investment in shares and loans to subsidiaries	-	-
Net cash flow from investments	-	-
Cash flow from financing activities		
Repayment of loan	-	-
Paid dividend	-10 048	-
Share issues	-	574
Net cash flow from financing activities	-10 048	574
Net cash flow for the year	-7 078	-10 716
Profit (loss) dues to exchange rate fluctuations on cash		
Cash and cash equivalent 1/1	8 692	19 409
Cash and cash equivalent 31/12	1 614	8 692

Haugesund 27th April 2020

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Kristine Skeie
Board member

Ingunn Iveland
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 cashflows 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 writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Notes
Reach Subsea ASA

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.

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.

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 periode.

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 carryforward 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 carryforward 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.

Notes
Reach Subsea ASA

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 %	-19 320	-22 556	23 855

Based on Reach Subsea AS' underlying operations and assets, no impairment charge has been made to the investment in 2019.

Note 2 - Debtors and liabilities

Trade debtors	2019	2018
Trade debtors at nominal value from group companies	185 585	180 465
Bad debts provision	-	-
Trade debtors in the balance sheet	185 585	180 465
Debtors which fall due later than one year	2019	2018
Loans to employees	-	-
Other non current assets	-	-
Total	-	-

Please see note 12 for further information regarding capitalized termination fee.

Long term liabilities which fall due later than 5 years	2019	2018
Liabilities to credit institution	-	-
Other long term liabilities (specify)	-	-
Total	-	-
Guarantees	2019	2018
Mortgage loan guarantees	-	-

Notes
Reach Subsea ASA

Note 3 - Balance with group companies, etc.

	Current assets		Non-current assets	
(NOK 1000)	2019	2018	2019	2018
Group companies	185 585	180 465	-	-
Associated companies	-	-	-	-
Joint ventures	-	-	-	-
Total	185 585	180 465	-	-

	Current liabilities		Non-current liabilities	
(NOK 1000)	2019	2018	2019	2018
Group companies	-	-	-	-
Associated companies	-	-	-	-
Joint ventures	-	-	-	-
Total	-	-	-	-

Note 4 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2019	2018
Withheld employee taxes	429	386

Note 5 - Shareholder's equity

Equity changes in the year	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.	143 546	61 537	-	205 083
Profit for the year	-	-	8 392	8 392
Group contribution previous year	-	-	160	160
Equity 31.12.	143 546	61 538	8 552	213 635

Notes
Reach Subsea ASA

Note 6 - Share capital and shareholder information

The share capital of NOK 143 546 008 consists of 143 546 008 shares with nominal value of NOK 1,00.

List of (20) major shareholders at 31.12.2019	Number of shares	Ownership
1. NORTH ENERGY ASA	46 126 567	32%
2. VERDIPAPIRFONDET EIKA NORGE	10 285 650	7%
3. JOSO INVEST AS	7 564 589	5%
4. JT INVEST AS	5 529 539	4%
5. NORMAND DRIFT AS	5 000 000	4%
6. HOLME HOLDING AS	4 800 000	3%
7. Danske Invest Norge Vekst	3 254 912	2%
8. CORUNA AS	2 250 000	2%
9. FREEMAN SHIPPING & OFFSHORE AS	2 064 478	1%
10. RMS INVEST AS	2 000 000	1%
10. TEOMAR AS	2 000 000	1%
12. A-Å INVEST AS	1 938 725	1%
13. LION INVEST AS	1 900 000	1%
14. STAVA INVEST	1 878 751	1%
15. Goldman Sachs & Co. LLC	1 688 535	1%
16. NÆRINGSLIVETS HOVEDORGANISASJON	1 675 110	1%
17. SMS INVESTERING AS	1 652 366	1%
18. MACAMA AS	1 578 446	1%
19. BARRUS CAPITAL AS	1 510 090	1%
20. ENGELSTAD, SIMEN FALCK	1 417 210	1%
20 largest	106 114 968	74%
The rest of shareholders	37 431 040	26%
Total number of shares	143 546 008	100%

Notes
Reach Subsea ASA

Note 7 - Options

Board of directors of Reach Subsea ASA has approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group have been granted the right to acquire up to a certain maximum number of shares in the Company at a fixed strike price ("the Option"). The strike price is divided into two levels, equal to the subscription price in the two last private placements conducted by the Company (May 2016 NOK 2.00 and January 2017 1.75). The options can be exercised over a period of three years. The options are non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2019		2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
At 1 January	1,88	2 329 888	-	-
Granted	-	-	1,88	3 494 832
Forfeited	-	-		
Exercised	-	-	1,88	306 483
Expired	-	1 164 944	-	858 461
At 31 December	1,88	1 164 944	1,88	2 329 888

The group has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 0,897 per option. The significant inputs into the model were share price of NOK 2,53 at the grant date, exercise price shown above, volatility of 42%, and an annual risk-free interest rate of 1,3%. 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 9 for share options granted to directors and employees.

Notes
Reach Subsea ASA

Note 8 - Taxes

Calculation of deferred tax/deferred tax benefit	2019	2018
Temporary differences		
Non-current assets	-114	-114
Other temporary differences	-	-
Net temporary differences	-114	-114
Tax losses carried forward	-195 067	-203 436
Basis for deferred tax	-195 181	-203 550
Deferred tax asset	-42 940	-44 781
Deferred tax asset not shown in the balance sheet	39 017	40 858
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	2019	2018
Result before taxes	8 392	-6 086
Group contribution recognised	-	-14 226
Basis for the tax expense for the year	8 392	-20 312
Change in temporary differences	-23	-29
Basis for payable taxes in the income statement	8 369	-20 341
+/- Group contributions received/given	-	28 626
Use of tax losses carried forward	-8 369	-8 285
Taxable income (basis for payable taxes in the balance sheet)	-	-
Components of the income tax expense	2019	2018
Payable tax on this year's result	-	-
Adjustment in respect of priors	-	-
Total payable tax	-	-
Change in deferred tax	-	-
Tax expense	-	-
Payable taxes in the balance sheet	2019	2018
Payable tax in the tax charge	-	-
Tax effect of group contribution	-	-
Payable tax in the balance sheet	-	-

Notes
Reach Subsea ASA

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

Payroll expenses	2019	2018
Salaries/wages	6 449	5 838
Social security fees	963	856
Pension expenses	334	300
Other remuneration	-	-108
Total	7 745	6 885
Number of man-years	4	4

The company has a defined contribution pension scheem 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	1 518	945 000
Pension expenses	84	-
Other remuneration	10	-
Share options granted	300	-

Expensed audit fee	2019	2018
Statutory audit (incl. technical assistance with financial statements)	821	878
Other assurance services	-	-
Tax advisory fee (incl. technical assistance with tax return)	37	37
Other assistance (to be specified) *	89	401
Advisory fee booked to equity	-	-
Total audit fees	947	1 316

VAT is not included in the audit fee.

*Other assistance includes services provided by the Lawfirm PwC in relation in connection with setup of branch.

Notes
Reach Subsea ASA

Note 10 - Related-party transactions

The company has undertaken various transactions with related parties consisting of brokerage of management fee, vessels and leasing av 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.

	2019	2018
Profit (loss)	8 392	-6 086
Profit (loss) per share (NOK)	0,06	-0,04
Diluted profit (loss) per share (NOK)	0,06	-0,04
Average number of shares	143 546 008	143 325 172
Average diluted number of shares	144 710 008	144 072 540
Number of shares 1/1	143 546 008	143 239 525
Number of shares 31/12	143 546 008	143 546 008

Note 12 - Capitalized termination fee

Reach Subsea ASA renegotiated charter agreements during 2016 for the vessels Normand Reach and Edda Fonn with Østensjø and Solstad. Charter guarantees was cancelled against a termination fee combined with a share issue. The total termination fee of NOK 76 million to Østensjø and Solstad was capitalized and was amortized over the remaining charter party periods. The charter agreement with Solstad initially had expiry date 30 September 2019, and the agreement with Østensjø expired 05 December 2017.On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 had been released. The remaining 33 million in capitalized termination fee was amortized in 2018. As at 31 December 2019 the company has a total of NOK 0 million (2018: NOK 0 million) in capitalized termination fee.

Notes Reach Subsea ASA

Note 13 - Subsequent events

In the first quarter of 2020 the world has been significantly affected by the COVID-19 outbreak. There has also been a significant decrease in oil price. Both events have consequences for the markets in which we operate. Prior to the COVID-19 outbreak and the collapse of the oil price, tendering and contracting activity started off stronger than in previous years, with about 750 days of work in place for 2020 and 250 days for 2021. The preliminary effects of COVID-19 are that offshore crew changes have become, and will increasingly become, more challenging to execute. So far, we have not had any operating disruptions due to crew changes, nor have we had any infections onboard the vessels we operate from.

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

The recent dramatic change in our business and operating environment has increased the uncertainty in our outlook. The Board and the management is of the opinion that currently there is not sufficient and reliable information to provide clear and measurable assumptions for calculating the financial exposure related to the future oil price and the duration of the COVID-19 situation Up until mid-3Q we have good visibility, barring any cancellations, while we beyond this point are dependent on winning new work in order to protect our financial position. Short visibility is something we are used to as our position has been built in a market for short to medium term projects, but the project opportunities might be fewer and far between in the second half of 2020. With the current market conditions and low oil price, there is an increased risk related to operating profit, which later in the year could negatively impact our financial position and key ratios in our loan covenants.

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

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, which comprise:

- The financial statements of the parent company Reach Subsea ASA (the Company), which comprise the balance sheet as at 31 December 2019, the statement of profit & loss and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Reach Subsea ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of 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 Company as at 31 December 2019, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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.

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Independent Auditor's Report - Reach Subsea ASA

Key Audit Matter	How our audit addressed the Key Audit Matter
Basis of preparation–impact of COVID-19	
We refer to Outlook for 2020 section in the Annual Director's Report and note 27 in the consolidated financial statements for further information. The Company prepares its financial statement using IFRS, which has a going concern basis of accounting. We focused on the appropriateness of using a going concern basis of accounting given the recent volatility in global oil prices and potential impact on demand of the Company's services as a result of the COVID-19. The ability of the Company to continue as a going concern is dependent on management's ability to maintain liquidity in order to finance its ongoing working capital. Management has developed scenario analysis over their cash flow forecast to factor in the impact of both drop in oil prices and of the effects of the COVID-19 virus on the Company's operation. The loan agreements require the Company to comply with certain financial covenants. A breach of any financial covenant in the Company's loan agreement constitute an event of default, which may require the loan to be repaid immediately. With the current market conditions and low oil price, there is an increased risk related to operating profit, which could impact the compliance with loan covenants and increase the risk related to financing. Management's assessment of the Company's ability to continue as a going concern is based on a scenario analysis which is dependent on significant estimates and judgement which may be influenced by management bias.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we performed the following audit procedures: We checked the mathematical accuracy of Management's cash flow projections and reconciled the opening cash balance. Further, we assessed key assumptions in Management's cash flow projections, including revenue, operating expenses, working capital, capital expenditures and financing activities. We found that management's cash flow projections were reasonable and in line with market expectations in external resources, where this existed, at the time of management's assessment. However, both we, the Management and The Board of Directors was of the opinion that reliable information to provide clear and measurable assumptions for calculating the financial exposure related to the drop in oil prices and the duration of the COVID-19 situation was difficult to access. We checked the mathematical accuracy of Management's sensitivity analyses and assessed the assumptions which related to cash generated from operations, utilization, duration of the COVID-19 restrictions, scheduled investments, and refinancing. The cash flow projections showed compliance with the financial covenants in 2020 if the effects of COVID-19 restrictions and drop in oil prices are lifted substantially during second quarter of 2020. We noted that if the situation is prolonged beyond second quarter of 2020 this could have an impact on the Company's compliance with financial covenants and availability to fund its operations going forward. Based on the Company's current cash position and the procedures performed above, we satisfied ourselves that, even though the impact of COVID-19 and drop in oil prices on the Company is expected to negatively impact the Company's operating results and cash flows, management's best estimate to apply the going concern as the basis of accounting was appropriate. We further evaluated the appropriateness of the related note disclosures in note 27 to the financial statements and found that they satisfied IFRS requirements

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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 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 consolidated 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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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 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

Independent Auditor's Report - Reach Subsea ASA

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 and the Group'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 and the Group 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 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 in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

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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, 27 April 2020

PricewaterhouseCoopers AS

Arne Birkeland

State Authorised Public Accountant

Everything you need is within reach.

Notes

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