Annual Report

Everything you need is within reach.

Contents

Reach Subsea presents a 2018 characterised by a combination of weak rates and growth.

A solid balance sheet combined with a spotless track record has given us the possibilities to take advantages of the poor market.

Reach Subsea exits 2018 with healthy figures, ready to further exploit market opportunities.

The future looks bright for Reach

2018 was a very good year for us in REACH

We doubled the number of sold ROVs and vessel days from the previous year and almost doubled our turnover to MNOK 675 – an all-time high revenue for us. Good utilization of personnel and equipment as well as good control of costs led us achieving a positive result. This gave us the great opportunity to pay dividends to our investors for the first time. We can proudly say we deliver on both growth and capital discipline.

Operationally, we continued to deliver particularly good results for our customers with quality at all levels and safe offshore operations. We have handled the increase in activity well in our organization. All of the offshore resources, both our own employees, hired crew and vessel crews, have made a formidable effort. They have demonstrated the flexibility needed when the market is of a short-horizon character.

"Quality stamps" from major customers

Throughout the year, we received a number of "quality stamps" from major customers such as Equinor, BP, Wintershall and Shell in the form of frame agreements for IMR and Survey within oil and gas, as well as offshore wind installations. This emphasizes that our focus on delivery is appreciated. Assignments to date under these frame agreements already give us signals of better visibility in our activities in the years to come.

Internationally, we have also made success with the establishment of a branch in Trinidad. During the year Havila Harmony operated for all the major oil and gas companies.

We are regarded as an established and trustworthy supplier in the region, and are now a true international operator. Very well worked by everyone involved throughout the organization!

Constantly in renewal

The collaboration with MMT is strong and the services we provide together are world-class quality. We have carried out some of the most demanding survey assignments and are still in the forefront seeking the cutting edge of technology to increase our efficiency. Our cooperation is concentrated around 4 vessels and our fleet is constantly in renewal. The new build and modern Topaz Tiamat entered the fleet in March 2019. It began operations in the Atlantic straight after mobilisation and will return to the North Sea working for Equinor throughout the season.

Increasing demand for our services

We have always had a focus on fuel consumption and our green footprint by increasing our operational efficiency. Going forward we will also be in a position to select the most fuel-efficient vessels.

Although the market is still characterized by fierce competition with pressure on pricing and rates, we see increasing demand for our services. There will certainly be fluctuations in activity between the quarters, but the general picture gives clear indications of increased activity in all segments we operate in.

In other words: The future looks bright for the REACH team.

Jostein Alendal
CEO, Reach Subsea ASA

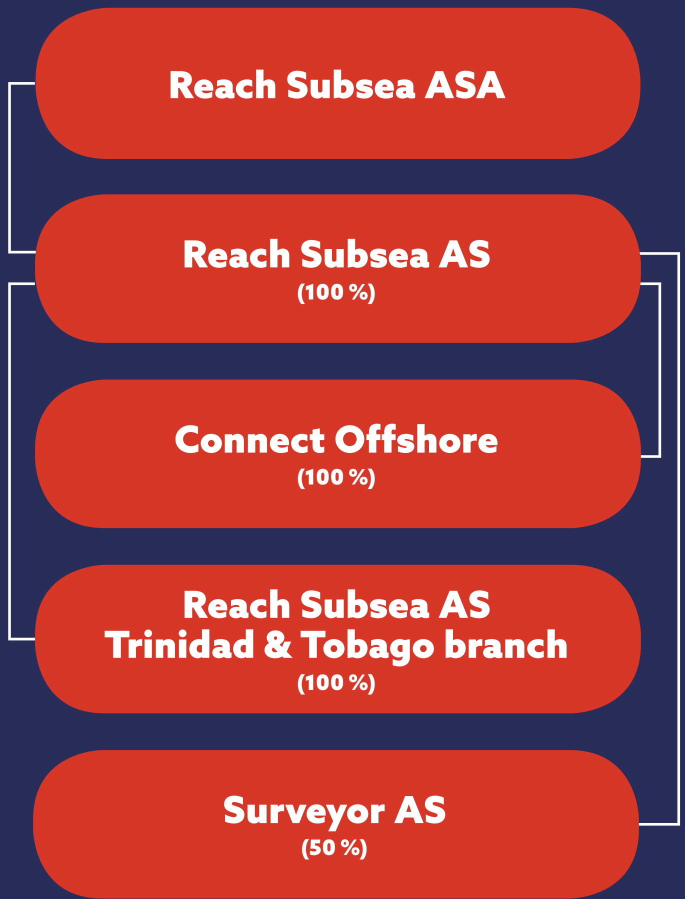
We are **Reliable Effective Adaptable Committed Honest**

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

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

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

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

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 2018 Vessel Fleet

Havila Subsea

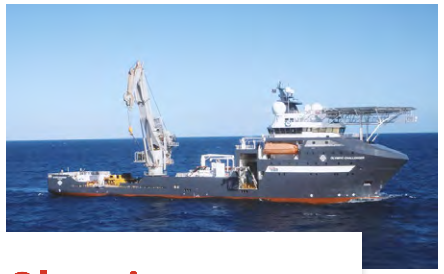
Cost effective IMR, survey and light construction vessel with long track record in the business.

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

Viking Neptun

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

D400 Te AHC Main Crane and
100 Te AHC Auxiliary Crane
Removable bulwark
ICE 1B and DEICE notation
4.400 Te Carousel, 3000
Te Moonpool
Helideck for Sikorsky S92
Optimized stability and capacity
for VLS (SWL 600 Te)
Anti-heeling system (3
pumps each 2.200 m^3/h)
2600 m^2 steel deck
1x Kystdesign supporter WROV
and 1x constructor WROV



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
Moonpool
1000 m2 deck
Dual WROV hangar
Permanent full survey suite
Large office facilities

Stril Explorer

Fully integrated survey vessel with light construction capabilities.

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

Olympic Delta

An Inspection, Maintenance and Repair Vessel with diesel electric frequency controlled propulsion.

80 Te AHC crane
Moonpool
900 m2 deck
Dual ROV hangar
Permanent full survey suite
Large office facilities

Havila Harmony

Cost effective IMR, survey and light construction vessel well suited for international operations.

150T AHC Main Crane
Removable bulwark on each side
ROV hangar
Permanent full survey suite
Office facilities
Helideck 26 m diameter
De-ice
1x Schilling WROV

Normand Reach

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

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

Edda Fonn

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

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

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.

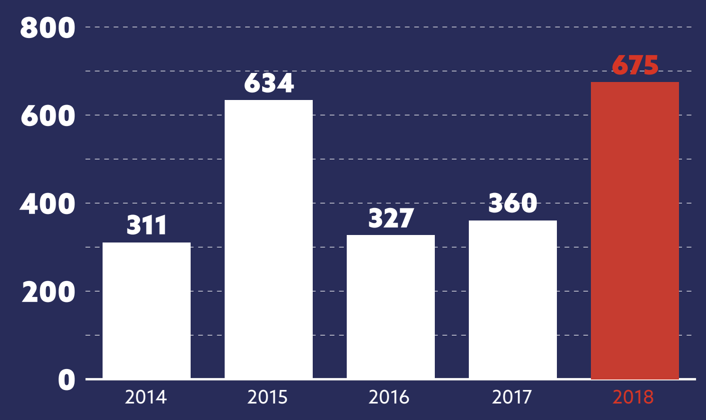
Business concept

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.

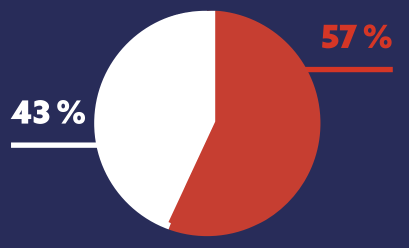
As a platform for performing the subsea services, Reach Subsea aims to utilize modern high specification subsea vessels, which is reflected in the vessels chartered in from various ship owners.

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.

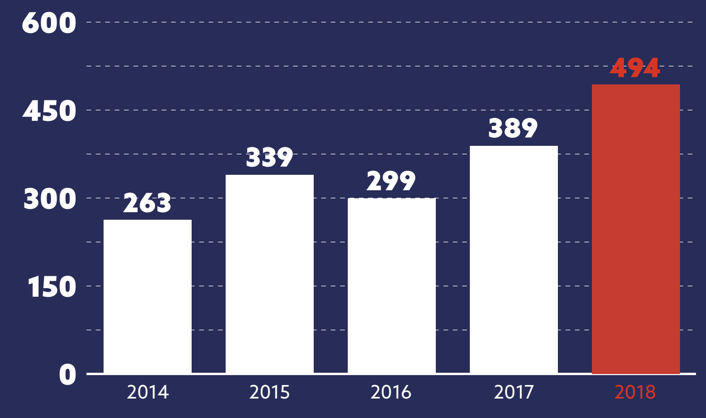
Total turnover Million NOK



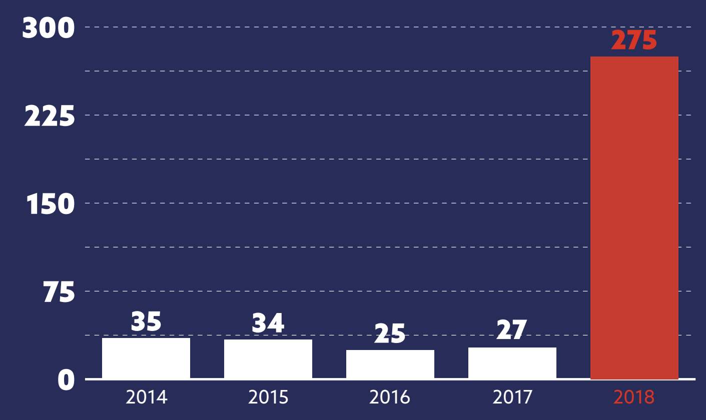
Equity share 2018



Total balance sheet Million NOK



EBITDA for the year Million NOK



Before amortised termination fee

2018 Highlights

Financial

- High growth: Revenue increased by almost 90% in 2018 to NOK 675.3 million, driven by higher activity and increased share of in-house project execution.
- Solid improvement in profits: Net profit excluding amortization of termination fee of NOK 20.9 million, a solid improvement over NOK -2.3 million in 2017.
- Early implementation of IFRS 16 boosts balance sheet and increases EBITDA.
- Dividend, a new milestone: Based on the strong improvement in underlying results, and according to the dividend policy adopted last year, the Board will propose a dividend of NOK 0.07 per share.
- Good tender activity: Outstanding tender value at around NOK 1.9 billion (1.7 billion).

HSEQ

Despite the strong increase in activity level Reach maintained its perfect reputation through 2018 with no serious accidents or incidents since commencement of offshore operations in 2013.

Operation

- High client satisfaction (based on post-job surveys)
- Established offices in Houston and Port of Spain (Trinidad) following award of long-term frame agreements with BP and Shell.
- Secured access to and control of state-of-the-art subsea vessels.

Directors Report

2018 Highlights

Market

Secured long term frame agreements

Oil & Gas Norway

Equinor IMR
5 years + 3 yearly options

Wintershall IMR
3 years + 4 yearly options

Oil & Gas Norway, held by MMT

Equinor Survey & Light construction
3 years + 2 + 2 year options

Oil & Gas Trinidad, International

BP Construction & IMR services
2 years + yearly options

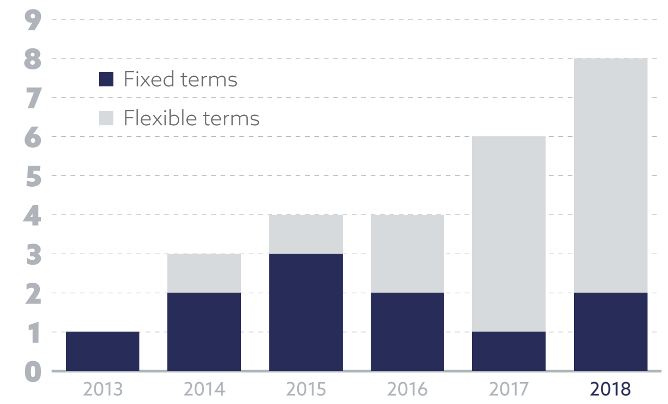
Shell Construction & IMR services
2 years + yearly options

Offshore Wind UK

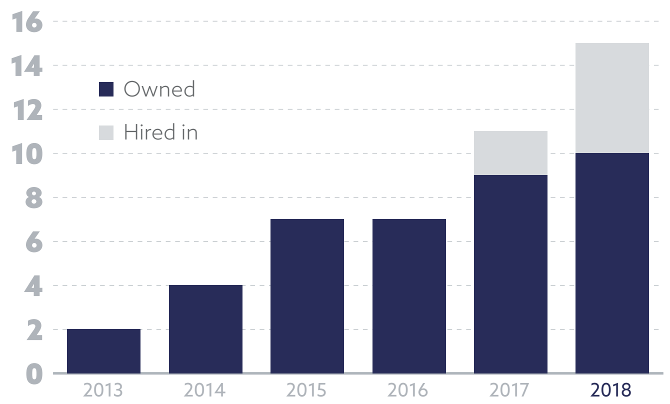
Equinor IMR
5 years + 3 year options

Balancing growth & flexibility

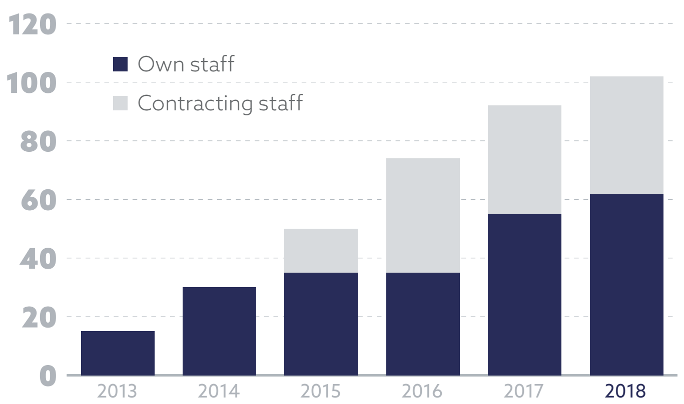
Vessels marketed



ROV Systems

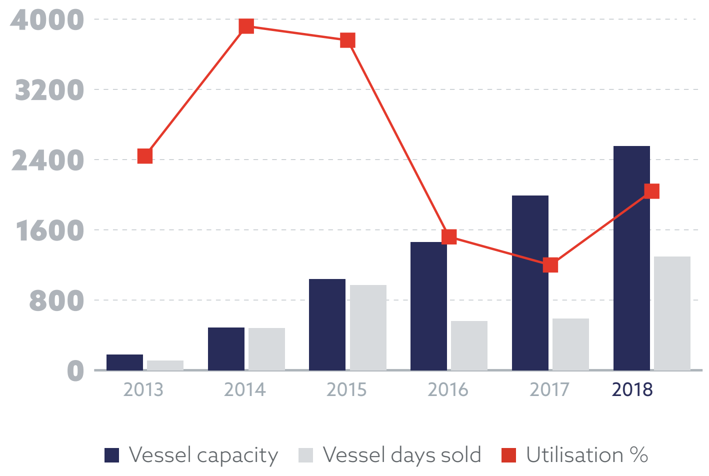


Offshore personnel

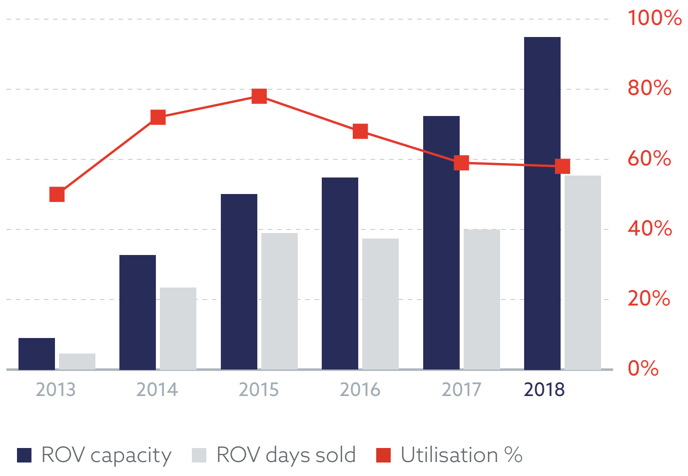


Performance = Utilisation = Profits

Vessels



ROVs



Global operations

This map shows the areas we have operated during the last three 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.

2018 operation areas: Norway, UK, Ireland, Scotland, Sweden, Denmark, Finland, Russia, Germany, Trinidad and Tobago, Bulgaria (Black Sea), Holland and Turkey (Black Sea).

Oil & Gas
Renewables
Offices

Directors Report

2018 Review

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

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 per 25.04.2019 secured contracts for 2019 and beyond for a total amount of NOK 205 million (including 1Q2019 volume),
with the vast majority related to work in 2019. The order book figure does not include expected 2019 volumes from the frame agreements awarded during 2018.

REACH had 3,795 available ROV-days in 2018 (2,892 ROV-days in 2017), of which 2,215 days were sold (1,595 in 2017) leading to a total utilisation of 58.4% (55.2%). Furthermore, number of vessel days that passed through our P&L was 1,298 (588), reflecting an increased number of projects being managed internally compared to 2017. Number of offshore personnel days sold increased by 15% to 13,269 (11,565).

The contract visibility and order backlog were continuous low in 2018 due to a market characterized by oversupply and low rates in most segments and regions, much similar to 2016 and 2017. 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) Edda Fonn, Stril Explorer, Havila Subsea and Olympic Delta. In addition, Olympic Challenger and Havila Harmony have 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	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Number of ROV days sold	215	407	408	793	678	579	295	436	1 595	2 215
Number of ROV days available	540	900	667	1 120	858	933	827	842	2 892	3 795
Technical uptime on ROV	100 %	99 %	99 %	100 %	100 %	100 %	99 %	99 %	99 %	100 %
Number of offshore personnel days sold	2 007	2 719	3 078	3 942	4 276	3 569	2 204	3 039	11 565	13 269
LTI's	0	0	0	0	0	0	0	0	0	0
Number of Vessel days sold	67	206	139	386	242	379	140	327	588	1 298

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. The vessel went directly to the Balder field for the first job and continued having high utilisation throughout the year for various oil and gas clients.

Stril Explorer

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel Stril Explorer in 2018. Further, our innovative survey ROV jointly owned by Reach Subsea and MMT, the Surveyor Interceptor, is currently mobilised onboard. Stril Explorer is a survey vessel on a charter contract from Simon Møkster Shipping to Reach Subsea's cooperation partner 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 2018 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. The survey data were 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 is currently mobilized onboard Havila Subsea. Havila Subsea had high utilization 2018 and performance proved to meet our clients' high expectations. In 2018 projects performed by the subsea spread included light construction, IMR and survey services to end clients such as Equinor, Teekay and Wintershall.

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. The vessel was operated by Eidesvik Offshore most of the year, however, Reach Subsea executed a successful internally managed project in the North Sea in the third quarter. Viking Neptun started a walk to work (W2W) contract between Eidesvik and a client in the wind market in October. The contract does not include WROV services, leaving the WROVs onboard idle until May 2019.

Havila Harmony

REACH mobilized the subsea vessel Havila Harmony in August 2018 with a hired- in WROV for work in the Trinidad region after having utilised Tidewater Enabler and Rem Forland for various projects. Operations are executed by Reach Subsea personnel onshore and offshore. During 2018 a branch was established in Trinidad to serve local clients and suppliers.

Edda Fonn

REACH had Edda Fonn, a purpose built ROV/Survey vessel, on a charter from Østensjø Rederi until January 2019. The vessel has been utilized for Reach Subsea's own offshore operations in close cooperation with MMT. The vessel had satisfactory utilisation, with a majority of the projects within survey as well as light construction mainly for end clients in the oil and gas sector. Edda Fonn received strong scores on client satisfaction reviews from end users of the vessel. This is a result of an experienced marine crew provided by Østensjø Rederi combined with Reach Subsea's own, highly professional ROV crew. In addition, the survey team from MMT has shown excellent performance. End clients for the Edda Fonn projects in 2018 included NDE, Total, PetroFac and James Fisher.

Normand Reach

REACH vessel Normand Reach was until November 2018 equipped with two Reach Subsea WROVs and personnel. The vessel spent the majority of the season on a contract for BP on the Mungo field and also performed various light construction projects for other oil and gas clients before she was demobilised. In June 2016, the charter commitment for the vessel Normand Reach was restructured from a firm 365 days per year ending mid 2019 (plus options) to a flexible model where the firm charter commitment period for 2016 ended in September and Reach Subsea was committed to utilise the vessel for 180 days in 2017, 180 days in 2018 and 100 days in 2019. The charter rate was reduced to current market level, and charter guarantees and option periods were cancelled. Reach Subsea paid a termination fee (cash premium) as well as issued new shares to Solstad as compensation for the new improved rate structure in 2016. In October 2018 Solstad announced that they have released Reach Subsea from the 100 days commitment for the vessel in 2019. The WROV were therefore demobilized and reallocated to our new vessel spread Topaz Tiamat ready for operations in March 2019.

Olympic Delta

REACH mobilised Olympic Delta mid 2017 together with cooperation partner MMT. The vessel was utilised in 2018 on light construction projects during the first three quarters, equipped with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool, where after the vessel has been working for other clients.

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 reviews are performed every month, to identify any major changes and the associated risk reducing actions. All projects require a risk evaluation of both operational, commercial and HSE risks, 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. The HSEQ competence of all personnel are monitored and controlled.

HSEQ Strategy & Objectives

HSEQ strategy, objectives and activities are outlined in the annual HSEQ improvement plan, including the audit program, management activity, training, HSEQ inspections and campaigns. HSEQ results are monitored and reported both weekly, monthly and quarterly.

The Management Team performs management review quarterly, and the Board reviews HSEQ results monthly.

The HSEQ department provides advise and support to all business processes, including safety inspections, inductions and audits.

95 % Customer Satisfaction

Our goal of achieving at least 95 % customer satisfaction has been met, and the general feedback from our clients has been very good.

2.2 %

Sickness absence has remained relatively stable throughout the recent years and was 2.2 % for 2018. Sick leave was 0.9 % in 2017.

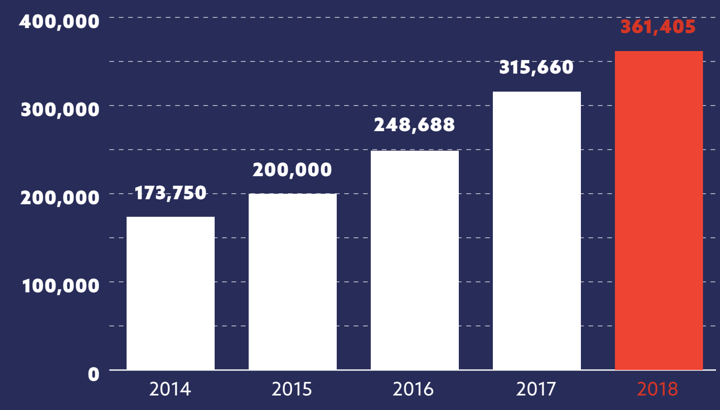
HSEQ Trends

	2014	2015	2016	2017	2018
Man hours	173 750	200 000	248 688	315 660	361 405
Incident reports	84	206	141	185	280
Recordable incidents	1	0	2	1	2
Sick leave	1	2.3	1.2	1	2.2
Female employees	3	4	6	8	10

HSEQ Results

The HSEQ results for 2018 has been positive, with 0 Lost Time Incidents and no major incidents or injuries. There has been a positive trend in the reporting level of safety observations, both negative and positive. Sickness absence has remained relatively stable the recent years, 2.2% for 2018. Our goal of achieving at least 95% customer satisfaction has been met.

Total Man Hours



Environmental Management

Reach Subsea continuously work to avoid undesirable impact on the environment.

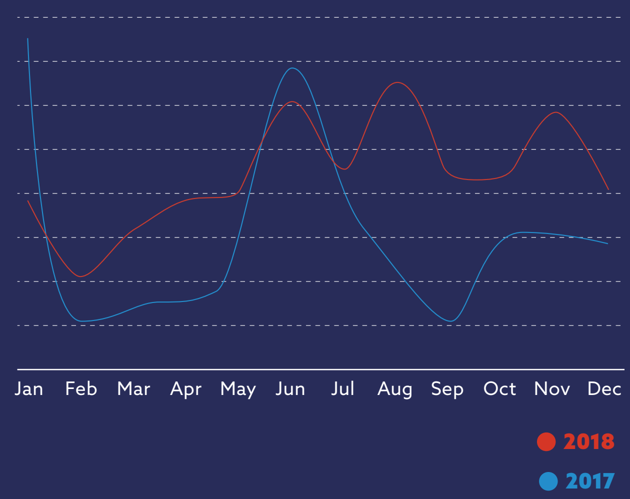
Our target is 0 spill to the environment. We emphasize the use of environmentally friendly solutions, both technically and operationally, choosing modern assets and technology.

Suppliers are encouraged to reduce the environmental footprint and are committed to achieve energy efficiency. Any impact on the environment is reported and followed up to prevent reoccurrence.

Security

Our operations are expanding geographically and by this we are exposed to changes in the global risk situation. At present, Reach Subsea has no operations in areas with high risk. In 2018 we increased our cyber security level.

HSEQ Reporting Trend 2018



Directors Report

Reach Subsea ASA share information

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company had per 31.12.2018 issued 143,546,008 shares, of which the majority is owned by Norwegian shareholders.

The increased number of shares compared to 31.12.2017 is a result of an issue of 306,483 new shares each with a nominal value of NOK 1.00 per share in connection with an option programme for employees in September 2018.

No dividend was paid based on the financial year 2017. In line with the dividend policy introduced last year, The Board of Directors will propose a dividend of NOK 0.07 per share, which represents around 50 % of the adjusted net result for 2018. Adjusted net result is defined as reported net result adjusted for amortised termination fee. EBITDA before 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 has been capitalized and has been amortized over the rest of the charter party periods. This termination fee occurs as an amortized pre-payment in the operating cost, although it has no cash effect.

The charter party with Normand Reach had initially firm period ending in June 2019. With Solstad obtaining alternative work for the vessel in 2019, thereby releasing Reach from the 2019 charter commitment of 100 days, the amortisation fee is fully expensed in the 2018 accounts. Thus, going forward, this delayed accounting effect (non-cash) from the 2016 charter restructuring will no longer impact our financial statements.

The Group consists of three companies; Reach Subsea ASA and the fully owned subsidiaries Reach Subsea AS and Connect Offshore AS. The main activity of the Group is conducted in Reach Subsea AS. Connect Offshore AS provides hired offshore personnel to Reach Subsea and other clients. In 2018 Reach Subsea AS established a branch in Trinidad.

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" (delivered in 2018) as well as holding the rights for the first five Surveyor Interceptor deliveries from Kystdesign AS (main manufacturer based in Haugesund).

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.

Starting in 2018, Reach Subsea is taking measures to improve the content and frequency of information to its investors. Our quarterly financial reports now include further financial details than before, aimed 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 is mandatory from 01.01.2019. However, Reach Subsea has early implemented the standard with effect from 01.01.2018, which means that the 2018 report is using 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 (NOK 5.7 mill in 2018). 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.

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.

Corporate, Social Responsibility

Reach Subsea takes a proactive stance to safeguard and integrate the consideration of human rights, labour rights and social conditions. The Group has not yet fully established routines, principles, procedures and standards for Corporate, Social Responsibility.
Four key areas form basis for our CSR-policy:

Human Resources

Maintain an organisation with high ethical standards and values set into practice and defined via the Code of conduct, HR Manual, Personnel handbook and internal and external training as well as team building activities. All employees in Reach Subsea have the same rights and possibilities regardless of gender, background, religion, nationality or disability. Recruitment processes do not exclude any applicant based on these issues.

Reach Subsea is proud to have employees with different backgrounds. The nationality of our employees includes Norwegian, British, Danish, Polish, Algerian, Trinidadian and American. The team consists of 11 women and 108 men. Board members and management include women and men on same terms. The age range in Reach Subsea is 17-72 years with education level from trainee to Master degree. We have employees with different disabilities and religions and intend to facilitate to avoid any challenges.

Team-building sessions in 2018 included skiing-race, social gatherings, strategy session (Management and Board of Directors, yearly kick-off (onshore employeesand Supervisor seminar.

Reach Subsea has in 2018 included new rules for GDPR in our Quality Management System according to the international Data Protection Regulation, to strengthen and harmonize the privacy of personal data processing.

- Our employees will avoid conflicts of interest between private activities and the conduct of Reach Subsea's business.
- Our employees recognize that all business communication they engage in, reflect the image of Reach Subsea and will therefore be professional at all times.
- Our employees will secure and protect Reach Subsea Assets in order to preserve their value.
- Our employees will protect and ensure that Reach Subsea information is treated with confidentiality.

Environment

Reach Subsea intends to leave a green footprint from our operations. Maintaining focus on HSEQ, extended use of video-conferencing and further develop evaluation criteria for suppliers such as ship owners and transportation are examples of environmentally friendly activities. Reach Subsea works actively to ensure that we always follow international rules and regulations for pollution and environment.

- We will implement measures to minimize adverse impacts on human health and the environment.
- This includes minimizing pollution, promoting an efficient and sustainable use of resources, including energy and water, and minimizing greenhouse gas emissions in production and transport.
- The local environment at the production site shall not be exploited or degraded. National and international environmental legislation and regulations shall be respected, and relevant discharge permits obtained.

Society

Aim to be an attractive and professional employer by following Norwegian legislation and stay updated on rules concerning offshore and onshore employees in an international environment, contribute to anti-corruption and fraud–prevention by having good routines for electing suppliers and agents. Further, Reach Subsea believes in competence sharing and contributes to projects in the region and innovation of subsea assets such as the Surveyor Interceptor. Reach Subsea is from 2018 an active member of the Norwegian Shipowners Association.

- We will aim to be an attractive and professional employer by following Norwegian legislation and stay updated on rules concerning offshore and onshore employees in an international environment.
- We will contribute to anticorruption and fraud –prevention by having good routines for electing suppliers and agents.
- Our activities will comply with all applicable local and international laws and regulations.
- We support fundamental human rights and will ensure that our operations do not breach international standards or conventions.

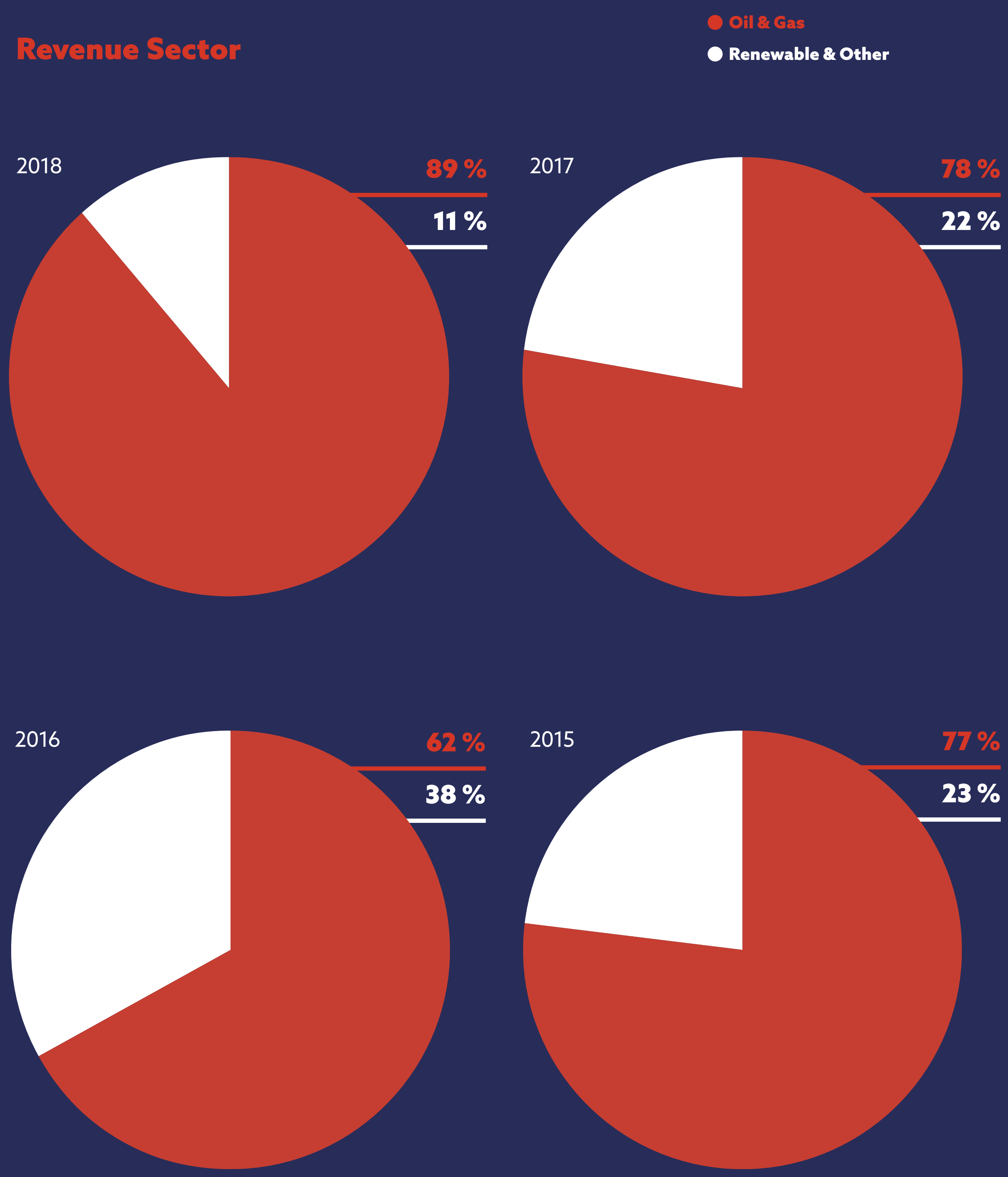
Financial

Live up to the established Corporate Governance policy, reduce risk and secure the Group's financial strength. Reach Subsea endeavours a high level of reporting to shareholders and analysts. Reach Subsea has a zero tolerance for corruption, money laundering and fraud. Invoices and payments are always confirmed by at least two persons and the use of agents is limited, close to nothing. Reach Subsea, a relatively small organisation with a simple legal structure, is quite transparent when it comes to the flow of money.

- We will provide timely, accurate, consistent, complete and fair disclosure of information to enable investors to make informed and orderly decisions.
- All business transactions will be recorded accurately and fairly in the company accounts.
- We are committed to respecting the privacy of any personal information that we possess.
- Our employees will abide by all applicable laws and regulations regarding the buying and selling of our shares and securities.

Directors Report

Revenue Sector



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. The Group's liquidity situation as per today (April 2019) is strong. Long lead time in payments from clients has increased the working capital requirement. The Board emphasizes that there is considerable uncertainty about future events, especially 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. Since 2014, the oil price has significantly reduced and market volatility has increased. This has resulted in increased uncertainty in the oil and gas sector, which affects the Group and counterparties. Handling of such risks has become increasingly important. Risk factors are further described in the notes.

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 2019 including the Business Plan, the cash flow forecast and the contract backlog.

Revenue for the full year 2018 was NOK 675.3 million (NOK 360.2 million in 2017). The increase compared to the same period last year is due to increased activity and a larger number of projects being managed internally by Reach Subsea. We had revenue from 1,298 vessel days through our P&L in 2018 (588 days in 2017) and the total number of ROV days sold in 2018 was 2,215 (1,595 in 2017).

Operating result (EBIT) for 2018 was NOK -4.0 million (NOK -27.5 million in 2017).

Operating expense for 2018 was NOK 400.4 million (NOK 333.5 million). Project-related expense represents the majority of the operating expense for the group. Activity level (including vessel cost) was higher in 2018 than 2017. However the IFRS 16 implementation with re-classification of charter hire from operating expense to depreciation, reduces the (comparable) operating expense in 2018. Depreciations were NOK 245.9 million in 2018 compared took 25.7 million in 2017 with the increase explained by the same IFRS 16 effect.

EBITDA before amortization of termination fee is a quarterly financial alternative performance measure (APM) to illustrate earnings before interest, tax, depreciation, general amortization and amortization of the termination fee. The purpose of this APM is to illustrate and recognize 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 has been capitalized and amortized over the rest of the charter party periods. This termination fee occurs as an amortized pre-payment in the operating cost, although it has no cash effect. EBITDA has during the amortization period been split in two; before and after amortization of termination fee.

Directors Report

The Annual Results (continued)

EBITDA before amortized termination fee was NOK 274.9 million in 2018 compared to NOK 26.7 million in 2017. The higher EBITDA compared with last year is to a large extent explained by the implementation of IFRS 16 as all of our charter-in expenses are removed from EBITDA, with the profit & loss effect now occurring as depreciation and interest expenses. The charter party with Normand Reach had an initial firm period ending in June 2019. With Solstad obtaining alternative work for the vessel in 2019, thereby releasing Reach from the 2019 charter commitment of 100 days,, the amortization fee is fully expensed in the 2018 accounts. Thus, going forward, this delayed accounting effect (non-cashfrom the 2016 charter restructuring will no longer impact our financial statements.

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 2018, Oil & Gas revenues constituted 88.7 % while Renewable/Other constituted 11.3 % of total revenues. By comparison, in 2017 Oil & Gas revenues were 78.0 % while Renewable/Other constituted 22.0 % of total revenues.

Total current assets at the end of the year were NOK 252.5 million (NOK 263.0 million in 2017, of which cash and cash equivalents amounted to NOK 63.3 million (NOK 99.0 million. Receivables were NOK 189.3 million (NOK 142.1 million. Total non-interest-bearing current liabilities were NOK 134.3 million (NOK 106.9 million, leaving a net working capital of NOK 54.9 million (NOK 35.2 million.

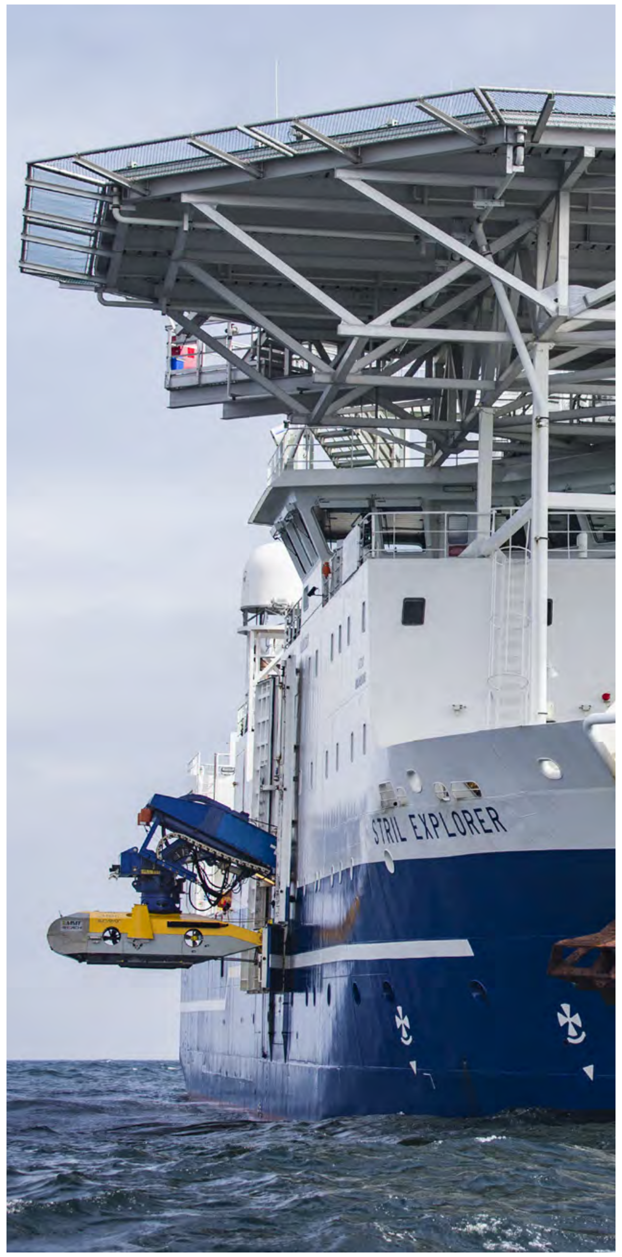
Total non-current assets at the end of the year were NOK 241.8 million (NOK 126.1 million, with the large increase explained partly by the addition of two WROVs to our owned asset base, and partly by implementation of IFRS 16. Property, plant and equipment includes NOK 89.0 million of leases capitalized under IFRS 16 related to hire of vessels and WROVs.

Net interest-bearing debt (total interest-bearing debt, including capitalized leases under IFRS 16, less cash) stood at NOK 85 million (NOK -35 million, with the increase explained by inclusion of NOK 83.3 million in IFRS 16 lease liabilities as per year end 2018. Net debt excluding the IFRS 16 lease liabilities was NOK 1.7 million.

The Group's equity as of 31.12.2018 is NOK 211.2 million, which represents 42.7 % of the total balance sheet.

Net cash flow from operating activities for 2018 was NOK 249.0 million (NOK 19.0 million, positively influenced by the transfer of NOK 225.1 million in charter payments (IFRS 16 to cash flow from financing activities and countered by a NOK 20 million working capital increase in 2018 compared to 2017. The working capital increase in 2018 is a mere coincidence, and a substantial part of the NOK 55 million working capital has been released in January 2019.

REACH has no major debt maturities to financial institutions or capital expenditure commitments for 2019 and onwards. However, Reach Subsea will receive the vessel Topaz Tiamat in March 2019 on a long-term charter agreement, which will result in an addition of right to use assets of approximately NOK 160 million (and a corresponding increase in lease liabilities. The gross commitment of NOK 160 million is shared with MMT Sweden in a cooperation agreement, where non utilization cost will be covered equally between the parties.



Stril Explorer

Outlook & expectation for 2019

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 2019 announced the award of several short- and medium-term contracts for 2019 execution, with a combined firm value of approximately NOK 150 million. Most of these contracts also contain optional periods, which, if called upon, would increase the firm contract value considerably.

The order backlog figure of NOK 205 million includes the above mentioned contracts (including awarded work under the frame contracts achieved in 2018). Further work under these frame contracts is expected, but not included in the order book figure.

Reach Subsea announced monthly operating figures for January-March 2019:

	January		February		March		Q1		Year	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of ROV days sold	63	117	54	117	129	173	246	407	246	407
Number of ROV days available	279	310	248	280	304	310	831	900	831	900
Technical uptime on ROV	100 %	99 %	100 %	100 %	98 %	100 %	99 %	100 %	99 %	100 %
Number of offshore personnel days sold	540	731	931	1 078	765	910	2 236	2 719	2 236	2 719
LTI's	0	0	0	0	0	0	0	0	0	0
Number of Vesel days sold	28	55	27	56	55	95	110	206	110	206

Directors Report

Outlook for 2019

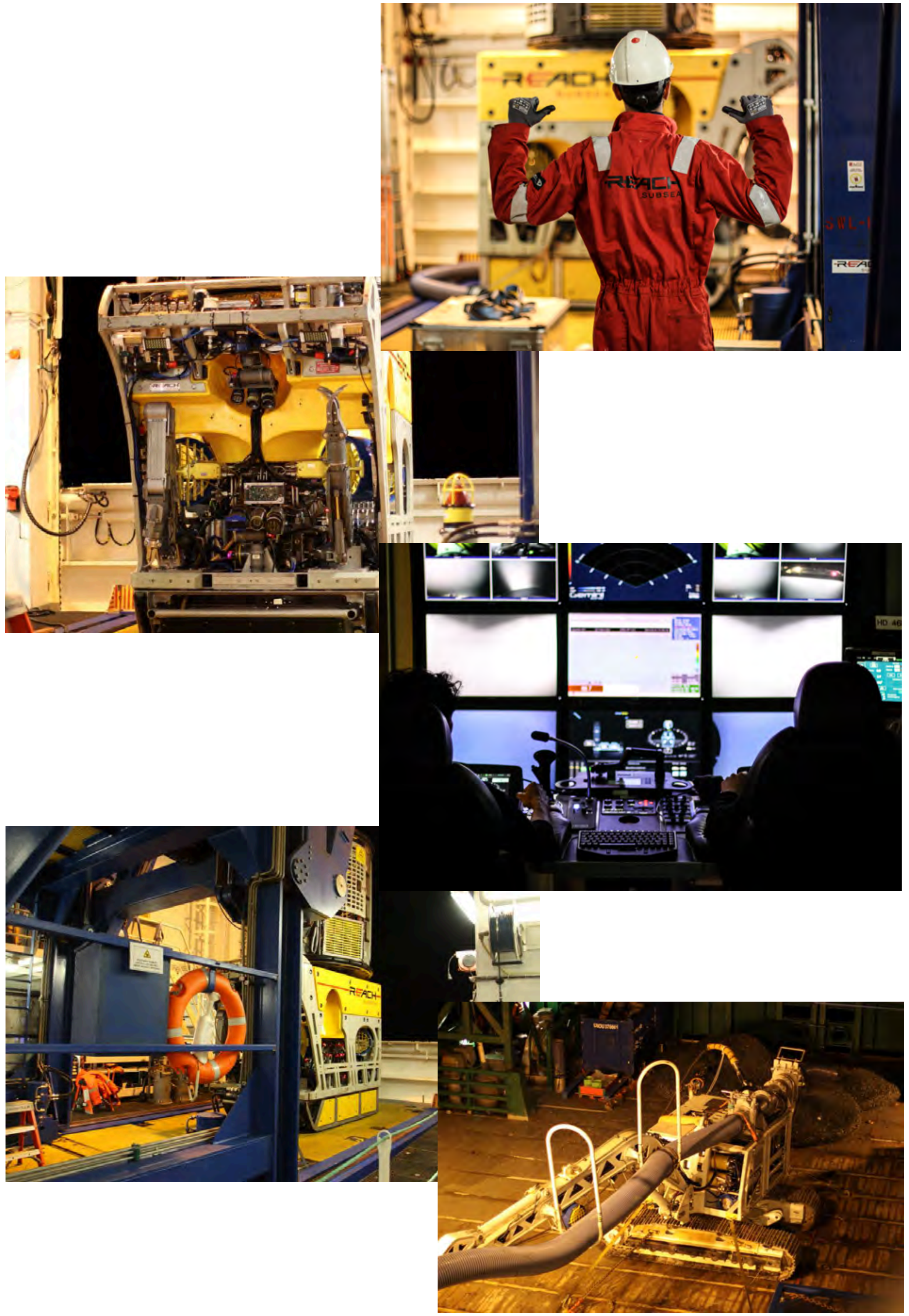
REACH currently markets and operates five subsea spreads (vessel, ROVs, and personnel, alone or together with partners, which have an attractive cost structure suited for current markets. During the year we have negotiated three new attractive long-term agreements for subsea spreads (Olympic Challenger, Havila Harmony, and Topaz Tiamat. These new 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 continue to monitor the market for opportunistic asset additions to complement and strengthen our portfolio for the future.

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 continued weak markets. Given Reach Subsea's strong operational track record and high utilization of vessels and assets compared to our competitors, we remain well positioned for profitable growth.

The subsea industry is still characterised by oversupply of tonnage and equipment, resulting in a market with tough competition and pressured rate levels. There are some signs of improved visibility in terms of a generally higher tender activity, and the gradual occurrence of some longer-term tenders and contract awards. Also, client requirements for this year's season have emerged at an earlier stage than last year.

With the award of several frame agreements during 2018 from clients such as Equinor and Wintershall Norge, Reach Subsea has gained access to new market arenas in which to win projects. Our broadened market reach is supported by the fact that Reach Subsea now controls a versatile and flexible fleet of highly capable and specialized subsea spreads. Thus, we envisage higher utilization of vessels and assets in the years to come.

The Board is pleased that the company managed to deliver an adjusted net profit of NOK 21 million (adjusted net profit is defined as reported net result adjusted for amortised termination fee), which was a solid improvement over 2017. Consequently, and in accordance with the dividend policy introduced a year ago, the Board will propose a dividend of NOK 0.07 per share. Although the level of profit is well below our longer-term ambition, it is encouraging that Reach was able to grow its business and improve profitability in a market that remained challenging in 2018.



Directors Report

Parent Company economy

Reach Subsea ASA serves as a holding company for the Group. The annual result for 2018 was NOK -6.1 million.
The Board proposes the following distribution of the parent company results:

Dividend:	NOK 10.0 million
Transferred from other equity:	NOK -16.1 million

On the Board of Reach Subsea ASA - Haugesund 25.04.2019

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Deputy Chairman of the Board

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Kristine Skeie
Board member

Jostein Alendal
Managing Director

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 31.12.2018 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 25.04.2019

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Deputy Chairman of the Board

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Kristine Skeie
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 Comex Seaway.

Anders Onarheim

Board member

Anders Onarheim holds an MBA from Washington University of St. Louis. He has broad experience from Capital Markets, both in Norway and internationally. He holds a wide range of board positions, most recently as Chairman of North Energy and board member of BW LPG.

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.

Merete Haugli

Board member

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

Corporate Governance & Management

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

Implementation & 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

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, but has not yet fully established routines, principles, procedures and standards. 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. The Board of Directors has decided on a new dividend policy, with effect from the financial year 2018, 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 2018, the Board had authorization to increase the share capital with NOK 3.886.875. The authorization was limited to defined purposes and expires 30th June 2019. The Board does not hold any rights to purchase own shares.

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.

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 31.05 every year and at least by 30.06, 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

Vessel

Havila Subsea

Client

Equinor

End Client

Equinor

Period

Autumn 2018

Water depth

300 msw

Surveyor II

Surveyor II performed its first commercial project for Equinor in October 2018. The innovative survey ROV is developed by MMT Sweden, Kystdesign and Reach Subsea and is unique when it comes to survey data quality and speed.

North Sea

Corporate Governance & Management

The General Meeting - cont.

Agenda and conduct of the AGM

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

Featured Project #2

Edda Fonn

Vessel

Edda Fonn

Client

Equinor

End Client

Equinor - Hywind

Period

Autumn 2018

Water depth

10-130 msw

Scotland, Europe

Hywind Inspection

Complete inspection program for the newly installed HYWIND windpark in Scotland.
Full Inspection reports delivered to the Client from Reach Subsea Inspection Department.
Inspection included:

- Subsea cable inspection from shore to the Hywind area.
- Subsea cabling at the field
- The cable hang-off system.
- The mooring line system from suction anchor to windmill structure.
- Structures and mechanical interfaces.
- Tools utilized: Hydraulic brushes, chain measurement, waterjet, cutters and a variation of measuring devices.

The Inspection campaign were performed in full within the Clients expectations and timeframe.

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

Normand Vision

Vessel

Normand Vision

Client

NOV Seabox

End Client

NOV Seabox

Period

Spring 2018

Water depth

0-240 msw

NOV Seabox TU Installation

Installation of the first SEABOX prototype for seatrials.
Seabed survey and alignment work before landing of the GRP system.
Installation of large GRP constructions stacked together.
Including laying and connection of power umbilical from shore site controlroom to subsea position.

Norway, Europe

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

Havila Harmony

Vessel

Havila Harmony

Client

BP Trinidad & Tobago

End Client

BP Trinidad & Tobago

Period

Autumn 2018

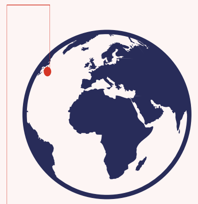
Water depth

30-150 msv

Pipeline Survey in Trinidad & Tobago

General Pipeline Inspections of all of BPTT pipelines, including 29 pipeline sections, altogether 449km of pipeline.
Pipeline inspection used utilizing CATHX camera system, SSS (Sidescan sonar), MBES (Multi beam sonar), TSS440 (Pipetracker)and FIGS CP system
XMAS trees and Umbilical inspection performed utilizing HD cameras.

The project was performed together with cooperation partner MMT Sweden AB.



Trinidad & Tobago, Caribbean

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.

Featured Project #5

Stril Explorer

Vessel

Stril Explorer

Client

MMT Sweden AB

End Client

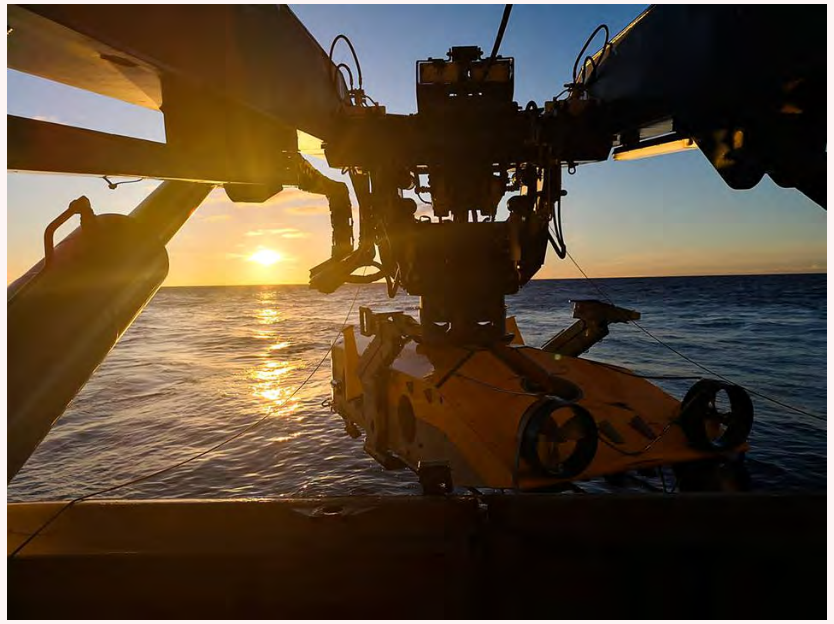
Nord Stream

Period

Autumn 2018

Water Depth

100 m



Survey for Norstream in the Baltic Sea

The two 1224 kilometre offshore pipelines in the Baltic Sea are the most direct connection between the vast gas reserves in Russia and energy markets in the European Union. The annual inspection of the offshore pipes is a demanding task which requires a seamless production from data collection, processing and final reporting. The second major pipeline survey done under our cooperation agreement with MMT and the crews onboard the Stril Explorer delivered both on quality and within the timeframes.

Baltic Sea

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.

Profit & Loss

Consolidated statement of comprehensive income

(NOK 1000)	2018	2017	NOTES
Continuing operations			
Revenues	675 265	360,155	5
Operating income, in total	675 265	360,155	
Operating expenses			
Procurement expenses	(243 109)	(206 676)	
Depreciation	(245 855)	(25 719)	13, 25
Personnel expenses	(98 417)	(81 512)	7
Amortized termination fee	(33 000)	(28 471)	
Other operating expenses	(58 869)	(45 264)	6, 7
Operating cost, in total	(679 250)	(387 642)	5
Operating result	(3 985)	(27 486)	
Financial income and Financial expenses			
Interest income	224	84	8
Interest expense	(9 543)	(3 466)	8
Other financial items	360	1 708	
Finance income - net	(8 959)	(1 674)	
Share of profit of investments accounted for using the equity method	1 343	(1 604)	12
Profit (loss) before taxes	(11 601)	(30 764)	
Taxes	(500)	-	9
Profit (loss) for the year	(12 101)	(30 764)	
OTHER COMPREHENSIVE INCOME:			
Items that may be subsequently reclassified to profit or loss			
Translation differences	3 039		
Cash flow hedges - net of tax	-	-	
Total comprehensive income for the year	(9 062)	(30 764)	
Profit attributable to:			
Owners of the Company	(9 062)	(30 764)	16
Earnings (loss) per share	(0,07)	(0,22)	10
Diluted result (loss) per share	(0,07)	(0,22)	10

The notes on page 51 to 87are an integral part of these financial statements.

Financial Position

Consolidated statement of financial position

(NOK 1000)	2018	2017	NOTES
Assets			
Non-current assets			
Property, plant and equipment	208 878	101 796	13
Investments in joint ventures	24 771	5 168	12
Capitalized termination fee	-	11 000	14
Deferred tax asset	8 161	8 161	9
Non-current assets, in total	241 810	126 125	
Current assets			
Inventories	-	-	
Trade receivables	173 071	114 469	14, 19
Other current receivables	16 184	27 616	14
Capitalised termination fee	-	22 000	14
Cash and cash equivalents	63 277	98 954	15
Current assets, in total	252 532	263 038	
Total assets	494 342	389 164	
Equity and liabilities			
Equity			
Share capital	143 546	143 240	16
Share premium	105 025	114 813	
Proposed dividends	10 048	-	
Other equity	(47 370)	(39 975)	
Equity, in total	211 249	218 077	
Non-current liabilities			
Interest-bearing debt	69 947	42 919	20
Non-current liabilities, in total	69 947	42 919	
Current liabilities			
Trade payables	85 252	75 472	18, 19
Taxes, payables	500	-	9
Public duties	13 581	4 643	18
Interest-bearing debt short-term	78 798	21 250	20
Other current liabilities	35 015	26 804	18, 20, 22
Current liabilities, in total	213 146	128 169	
Total equity and liabilities	494 342	389 164	

The notes on page 51 to 87 are an integral part of these financial statements.

Cashflow

Consolidated statement of cash flow

(NOK 1000)	2018	2017	NOTES
Operations			
Operating result	(3 985)	(27 486)	
Paid taxes	-	-	9
Depreciation and amortization	278 855	54 190	
Change in trade debtors	(58 603)	(47 046)	
Change in trade creditors	9 780	44 518	
Change in other provision	21 252	(5 160)	
Share option cost employees	1 667	-	
Net cash flow from operating activities (1)	248 966	19 015	
Investments			
Purchase of fixed assets	(47 968)	(10 600)	13
Investment in associated companies	(10 183)	(1 500)	12
Net cash flow from investment activitites (2)	(58 150)	(12 100)	
Financing			
Proceeds from issuance of ordinary shares	-	85 892	
Net financial items paid	-2 643	-3 382	
Proceeds from borrowings and leases	25 000		19
Repayment of borrowings and leases	-248 850	-21 058	19
Net cash flow from financing activities (3)	(226 493)	61 452	
Net cash flow for the year (1+2+3)	(35 677)	68 367	
Cash and cash equivalents 01.01	98 954	30 586	
Cash and cash equivalents 31.12	63 277	98 954	

The notes on page 51 to 87 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 01.01.2018	143 240	114 813	-	3 523	(43 497)	218 079
Profit for the year	-	-	-	-	(12 101)	(12 101)
Other comprehensive income for the year	-	-	-	-	3 039	3 039
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 31.12.2018	143 546	105 025	10 048	5 190	(52 558)	211 249
Equity 01.01.2017	91 241	80 919	-	3 523	(12 733)	162 949
Profit for the year	-	-	-	-	(30 764)	(30 764)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(30 764)	(30 764)
Proceeds from shares issued	51 998	38 999	-	-	-	90 997
Share issue cost	-	(5 105)	-	-	-	(5 105)
Equity 31.12.2017	143 240	114 813	-	3 523	(43 497)	218 077

Haugesund 25.04.2019

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Kristine Skeie
Board member

Jostein Alendal
Managing Director

The notes on page 51 to 87 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 company's consolidated financial statements for the 2018 financial year covers Reach Subsea ASA and its subsidiaries Reach Subsea AS and Connect Offshore AS.

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 and amended standards adopted by the Group

A. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 01.01.2018. 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 01.01.2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- IFRS 16 Leases

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9, IFRS 15 and IFRS 16. This is disclosed below. Most of the other amendments listed above did not have any impact on the amounts recognised and are not expected to significantly affect the current or future periods.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 01.01.2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The adoption of IFRS 9 resulted in changes in accounting policies and no adjustments to the amounts recognized in the financial statements of the Company.

A. CLASSIFICATION AND MEASUREMENT

IFRS 9 includes amended guidance for the classification and measurement of financial assets by introducing a new category to classify and measure certain debt instruments: fair value through other comprehensive income. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group has assessed the contractual cash flow characteristics of those instruments in detail and concluded that all those instruments meet the criteria for amortized cost measurement under IFRS 9.

B. HEDGE ACCOUNTING

The Group has no currency forwards or interest rate swaps, as a consequence this will have no impact.

C. IMPAIRMENT

IFRS 9 introduces an impairment model based on "the expected credit losses" (ECL), whereas its predecessor IAS 39 referred to incurred losses. IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis.

The Group has applied the simplified approach and recorded lifetime expected losses on all trade receivables. Based on the assessment of the Group in relation to historical experience and credit worthiness of its customers and financial institutions, no impact is recognized at the time of adoption.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersede all current revenue recognition requirements under IFRS.

The Group opted to apply the modified retrospective implementation as of 01.01.2018. Based on the Company's analysis it is concluded that the retrospective implementation of IFRS 15 as per 01.01.2018 has no impact on the figures reported in the Company's 2017 financial statements. The Company did not analyze nor restate contracts that are completed at the beginning of the earliest period presented.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is mandatory for annual periods beginning on or after 01.01.2019.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

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

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group elected to early adopt IFRS 16 as of 01.01.2018. 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 capitalised at the balance sheet date only to the extent a commitment is incurred at the reporting date. See note 25 for details of implementation effect and other details

B) STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

NON-CONTROLLING INTERESTS

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

ASSOCIATES

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

The Group's share of its associates' income or other comprehensive income is recognized on separate lines in the income statement or the statement of other comprehensive income respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations on behalf of the associate. In the statement of financial position associates are presented as non-current assets.

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

JOINT ARRANGEMENTS

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

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

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 a 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.

Property, plant and equipment

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

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

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

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

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.

Notes

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 now 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.

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.

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.

FINANCIAL ASSETS AT FVTPL

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.

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 derecog-nition 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 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.

Notes

Trade receivables

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

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

Government grants

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

Cash and cash equivalents

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

Share capital

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

Trade payables

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

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

Taxes

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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.

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.

Notes

Provisions, contingent liabilities and contingent assets

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

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

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

Recognition of revenue

GENERAL

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

SALES OF SERVICES

The group sells services to other. For sales of services under fixed rate contracts, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. For other services, revenue is recognized based on the agreed rate as the services are rendered. Distinct service components in a contract are accounted for separately from other promises in the contract. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

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.

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.

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

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

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

		Effect on profit before tax		
	Increase /decrease	USD $	EUR €	GBP £
2018	5 %	467 634	685 695	441 806
2017	5 %	236 000	5 044 000	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.

3.1.4 Cash Flow and Fair Value Interest Rate Risk

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

3.1.5 Capital Management

The Group's objectives when managing capital are to

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

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

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

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

Note 4 - Accounting Estimates and Judgments

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

4.1 Critical Accounting Estimates and Assumptions

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

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.

Note 5 - Segment information

(NOK 1000)	2018	2017
Revenue		
Oil & Gas	598 718	280 749
Renewable / other	76 547	79 406
Total	675 265	360 155
Operating expense		
Oil & Gas	(602 251)	(302 175)
Renewable / other	(76 999)	(85 467)
Total	(679 250)	(387 642)
Operating result		
Oil & Gas	(3 533)	(21 426)
Renewable / other	(452)	(6 060)
Total	(3 985)	(27 486)
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization		
Oil & Gas	243 712	20 816
Renewable / other	31 159	5 888
Total	274 871	26 704

All assets and liabilities are used jointly in all segments.

Note 5 - Revenue by region

(NOK 1000)	2018	2017
Sverige	166 414	123 283
Norway	163 373	96 793
UK	135 607	46 246
Trinidad & Tobago	98 871	-
Sveits	64 644	88 217
Other	46 357	5 616
Total	675 265	360 155

Note 6 - Other operating cost

(NOK 1000)	2018	2017	NOTES
Rental cost	1 704	2 593	22
Consultant cost	30 120	19 574	
Operating equipment and maintenance	7 503	8 007	
Administration costs	19 542	15 090	
Other operating costs, in total	58 869	45 264	

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

Wages and social costs

(NOK 1000)	2018	2017
Salaries	79 949	66 945
Social security tax	11 517	10 001
Pensions	4 580	4 028
Other benefits	2 370	538
Option cost	1667	-
Wages and social costs, in total	98 417	81 512
Number of man-year (including hired personnel)	119	100

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.

Notes

Note 7 - Compensation and benefits to management

Compensation to CEO, CFO and COO is specified below.

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

(NOK 1000)	Salary	Pension costs	Other comp	Share options
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
2017				
Jostein Alendal, Managing Director, CEO	1 250	83	21	-
Birgitte W. Johansen, CFO	951	59	17	-
Inge Grutle, COO	951	59	17	-
Total	3 152	201	55	-

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.

Note 7 - The Board's remuneration

(NOK 1000)	Position	2018	2017
Kåre Johannes Lie	Chairman of the Board	275	275
Anders Onarheim	Board member	185	150
Martha K. Bakkevig	Board member	185	150
Merete Haugli	Board member	150	150
Sverre B. Mikkelsen	Board member	185	150
Kristine Skeie	Board member	-	-

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

Note 7 - Auditor's remuneration

(NOK 1000)	2018	2017
Auditing	1 120	1 050
Attestation services	-	-
Tax advice*	87	62
Other assistance*	908	964
Total	2 115	2 076

All amounts are exclusive of value added tax.

* Included in tax advice and other assistance are services from the lawfirm PricewaterhouseCoopers AS with the amount of NOK 574,267 (2017: NOK 729,734).

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:

		2018	
		Shares	Stake
ACCELLO PARTNERS I AS	Partly owned by Anders Onarheim (Board member) and Rachid Bendriss (primary insider)	40 600 000	28 %
JOSO INVEST AS	Owned by Kåre Johannes Lie (COB)	7 564 589	5 %
JT INVEST AS	Partly owned by Jostein Alendal (CEO)	5 529 539	4 %
A-Å INVEST AS	Owned by Åge Nilsen (management)	1 938 725	1 %
AB INVESTMENT AS	Owned by Anders Onarheim (Board member)	1 755 743	1 %
SMS INVESTERING AS	Owned by Svein Magne Storesund (management)	1 652 366	1 %
NORTH ENERGY CAPITAL AS	Partly owned by Anders Onarheim (Board member) and Rachid Bendriss (primary insider)	1 735 411	1 %
CONSUS AS	Owned by Rune Lande (Board secretary)	960 425	1 %
INVICTA INVEST AS	Partly owned by Inge Grutle (management)	909 179	1 %
KOLD INVEST AS	Partly owned by Martha K. Bakkevig (former Board member)	867 181	1 %
TYRIHANS MANAGEMENT	Owned by Sverre B Mikkelsen (Board member)	376 250	0 %
CELISA CAPITAL AS	Owned by Rachid Bendriss (primary Insider)	817 082	1 %
BIRGITTE WENDELBO JOHANSEN	Management	139 050	0 %
BÅRD THUEN HØGHEIM	Management	390 625	0 %
SVERRE B. MIKKELSEN	Board Member	85 925	0 %
JOSTEIN ALENDAL	CEO	50 000	0 %
Total		65 372 090	46 %

Note 8 - Finance income and expenses

(NOK 1000)	2018	2017
Interest expense:		
Bank borrowings	3 227	3 424
IFRS 16 interest cost	6 316	-
Foreign exchange	3 584	1 992
Other finance costs	148	42
Total finance costs	13 275	5 458
Less: amounts capitalised on qualifying assets (Note 13)	-	-
Finance costs	13 275	5 458
Finance income:		
Interest income on short term bank deposits	(224)	(84)
Foreign exchange	(4 095)	(3 701)
Other finance income	-	-
Finance income:	(4 318)	(3 784)
Net finance costs	8 959	1 674

Notes

Note 9 - Taxes

(NOK 1000)	2018	2017
Taxes		
Taxes payable	500	-
Changes in deferred taxes	-	-
Taxes, in total	500	-

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

Deferred taxes / (deferred tax assets)		
Temporary differences:		
Other fixed assets	8 449	356
Financial leases	13 877	24 989
Fixed-price contracts	-	5 805
Accruals	(14 400)	-
Tax loss carried forward	(189 202)	(204 963)
Temporary differences, in total	(181 276)	(173 813)
Deferred tax assets	(39 881)	(39 977)
Not recognized deferred tax assets	(31 719)	(31 816)
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	(11 601)	(30 764)
Nominal tax rate	23 %	24 %
Anticipated income tax due to nominal tax rate	2 668	7 383

Actual tax cost	500	-
Deviation	2 168	-

Tax effects of:		
Permanent differences	-	-
Carry forward tax loss not recognized	(2 168)	(7 383)
Tax rate	-	-
Effective tax rate	4 %	0 %

Note 10 - Earnings per share

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

(NOK 1000)	2018	2017
Profit (loss) - attributable to the owners (NOK 1000)	(9 062)	(30 764)
Basic profit (loss) per share (NOK)	(0,07)	(0,22)
Diluted profit (loss) per share (NOK)	(0,07)	(0,22)
Average numbers of shares	143 325 172	137 027 253
Average diluted number of shares for EPS	144 072 540	137 027 253
Number of shares 01.01	143 239 525	91 241 065
Number of shares 31.12	143 546 008	143 239 525

Note 11 - Shares in subsidiaries

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

Note 12 - Investments in joint ventures

Nature of investment in associates 2018

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)	2018	2017
Cash and cash equivalents	15 534	877
Other current assets	15 383	15 112
Total current assets	30 917	15 990
Non-current assets	60 626	32 996
Other current liabilities	845	11 976
Total current liabilities	845	11 976
Financial liabilities	41 348	26 673
Total non-current liabilities	41 348	26 673
Net assets	49 352	10 336

Reconciliation to carrying amounts (NOK 1000)	2018	2017
Opening assets 01.01.	10 336	10 545
Foundation	-	-
Capital increase	36 520	3 000
Profit/l(loss) for the period	2 495	(3 209)
Closing net assets	49 352	10 336
Group's share in %	50 %	50 %
Group's share in NOK	24 771	5 168
Carrying amount	24 771	5 168

Summarised statement of comprehensive income (NOK 1000)	2018	2017
Revenue	15 843	5 552
Interest income	0	0
Depreciation and amortisation	(9 991)	(6 235)
Other operating expenses	(1 930)	(1 732)
Interest expense	(1 427)	(793)
Income tax expense	-	-
Profit for the period	2 495	(3 209)
The amounts recognised in the income statement are as follows:		
Share of profit of investments accounted for using the equity method	1 343	(1 604)
At 31.12.	1 343	(1 604)

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 31.12.2018					
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	-	-	(15 131)	-	(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 31.12.2018					
Cost 01.01.2018	63 830	127 238	132 399	9 509	332 976
Additions	39 461	20	187 799	8 487	235 767
Other reclassification	7 604	(7 672)	-	68	-
Disposals at cost			(15 131)		(15 131)
Adjustment fully depreciated items			(175 715)		
Cost 31.12.18	110 895	119 586	129 353	18 064	377 898
Accumulated depreciation 01.01.2018	(35 525)	(53 831)	-	(9 426)	(98 782)
Depreciation	(14 862)	(14 176)	(216 104)	(713)	(245 855)
Disposal full depreciated items			175 715		
Accumulated depreciation 31.12.18	(50 387)	(68 007)	(40 389)	(10 139)	(168 922)
Book value	60 512	51 579	88 970	7 925	208 878

* 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 31.12.2017					
Opening net book amount	30 043	86 488		385	116 916
Additions	9 553	896		151	10 600
Disposals	-	-		-	-
Depreciation	(11 291)	(13 976)		(452)	(25 719)
Closing net book value	28 305	73 407	-	84	101 796
At 31.12.2017					
Cost	63 830	127 238		9 509	200 577
Accumulated depreciation	(35 525)	(53 831)		(9 426)	(98 782)
Book value	28 305	73 407	-	84	101 796
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 120.0 million (2017: 101.8 million). See also note 20 Borrowings.

Note 14 - Trade and other receivables

(NOK 1000)	2018	2017
Trade receivables	173 071	114 469
Less: provision for impairment of trade receivables	-	-
Trade receivable net	173 071	114 469
Prepayments	2 502	1 952
Current portion of capitalised termination fee	-	22 000
Other receivable	13 681	25 664
Current portion	189 255	164 084
Non-current positions	-	11 000

In connection with the restructuring of the charter party with Østensjø and Solstad in 2016, a termination fee of NOK 76 million was capitalised in 2Q2016. The termination fee has been amortised over the rest of the charter party periods. On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 has been released. Thus, the remaining capitalised termination fee has been expensed in 2018. 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	172 496	111 186
of which Receivables from related parties	576	3 282
Loans to related parties	-	-
Total	173 071	114 469

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

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

Balance 01.01.	-	-
The years allocation of losses	-	-
The years stated losses	-	-
Reversal of earlier allocations	-	-
Balance 31.12.	-	-

Notes

Note 14 - Trade and other receivables

Receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 361 d
2018	173 071	115 634	50 515	4 404	2 519	-
2017	114 469	77 758	17 841	16 685	2 185	-

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

Trade receivables COUNTER-PARTY WITHOUT EXTERNAL CREDIT RATING	2018	2017
Group 1		
Group 2	173 071	114 469
Group 3		
Total trade receivables	173 071	114 469

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

(NOK 1000)	2018	2017
NOK	84 956	17 876
EUR	5 574	65 947
USD	76 668	-
AUD	-	7 627
GBP	5 873	23 020
Total	173 071	114 469

Note 15 - Cash and cash equivalents

(NOK 1000)	2018	2017
Cash and cash equivalents in NOK	31 179	83 679
Cash and cash equivalents in USD	10 659	95
Cash and cash equivalents in EUR	8 589	14 240
Cash and cash equivalents in GBP	12 850	940
Restricted cash equivalence hereof	-	-
Cash and cash equivalents, in total	63 277	98 954

The company also has restricted cash related to withheld tax of NOK 3,108 in 2018 (2017: NOK 2,567).

Unused drawing rights	-	-
Rating on banks for cash		
A-	63 277	98 954
AA	-	
Total cash and cash equivalents	63 277	98 954

Notes

Note 16 - Share capital and information about shareholders

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 %

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.

Note 16 - Continued

The 20 largest shareholders as of 31.12.2017	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	3 889 000	3 %
7. NHO - P665AK	2 800 000	2 %
8. DANSKE INVEST NORGE VEKST	2 232 109	2 %
9. CORUNA AS	2 097 877	1 %
10. SKEISVOLL & CO AS	2 000 000	1 %
11. TEOMAR AS	2 000 000	1 %
12. A-Å INVEST AS	1 938 725	1 %
13. GOLDMAN SACHS & CO. LLC	1 776 589	1 %
14. AB INVESTMENT AS	1 705 743	1 %
15. SMS INVESTERING AS	1 652 366	1 %
16. LION INVEST AS	1 610 000	1 %
17. MACAMA AS	1 578 446	1 %
18. SIX SIS AG	1 570 631	1 %
19. BARRUS CAPITAL AS	1 510 090	1 %
20. FREEMAN SHIPPING & OFFSHORE AS	1 400 000	1 %
Sum of 20 largest	98 741 354	69 %
Sum of the rest of shareholders	44 498 171	31 %
Total number of shares	143 239 525	100 %

Notes

Note 17 - Share based payments

Board of directors of Reach Subsea ASA has approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalized with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group have been granted the right to acquire up to a certain maximum number of shares in the Company at a fixed strike price ("the Option"). The strike price is divided into two levels, equal to the subscription price in the two last private placements conducted by the Company (May 2016 NOK 2.00 and January 2017 1.75). The options can be exercised over a period of three years. The options are non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. As there is no stock option program in 2017 no movements in 2017 is shown. Movements in the number of share options outstanding in 2018 and their related weighted average exercise prices were as follows:

2018	Average exercise price per share option	Number of options
At 01.01.	-	-
Granted	1,88	3 494 832
Forfeited	-	-
Exercised	1,88	306 483
Expired	-	858 461
At 31.12	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 7 for share options granted to directors and employees.

Note 18 - Other current liabilities

(NOK 1000)	2018	2017
Trade payables	85 252	75 472
Liabilities to shareholders and employees	-	-
Social security and other taxes	13 581	4 643
Other current liabilities	35 015	26 804
Other current liabilities, in total	133 847	106 919
Taxes payable	500	
Interest-bearing debt short-term	78 798	21 250
In total	213 146	128 169

Note 19 - Classification of financial assets and liabilities

2018 (NOK 1000)	Financial instruments measured at amortized 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
Liabilities, in total	282 593	-	-	282 593

IFRS 9 contains two principal classification categories for financial instruments, amortised cost and fair value. The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. On 01.01.2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial instruments held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial instruments. Financial instruments classified as loans and receivables in 2017 is in 2018 classified as financial instruments measured at amortised cost. There was no effect in measurement resulting from this reclassification.

2017 (NOK 1000)	Financial instruments measured at amortized 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	114 469	-	-	114 469
Other receivables	27 616	-	-	27 616
Cash and cash equivalents	98 954	-	-	98 954
Assets, in total	241 039	-	-	241 039
Financial liabilities				
Borrowings (long & short term interest bearing debt)	64 169	-	-	64 169
Trade payables	75 472	-	-	75 472
Other current liabilities	31 447	-	-	31 447
Liabilities, in total	171 088	-	-	171 088

Notes

Note 19 - Continued

The following of the Group's financial instruments are measured at amortized 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 equivalents 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 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

	Remaining contractual maturities				Total
Financial liabilities 2017	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Trade payables	75 472	-	-	-	75 472
Other financial liabilities	31 447	-	-	-	31 447
Borrowings	10 568	10 682	28 257	14 663	64 169
Interest on borrowing	1 237	991	2 212	451	4 891
Financial liabilities, in total	118 724	11 673	30 469	15 114	175 979

Changes in interest-bearing debt	2018	2017
Opening balance	64 169	85 227
Drawdowns	25 000	-
Repayment including interest	(251 560)	(21 058)
Addition IFRS 16 lease liability opening balance	132 399	-
Addition IFRS 16 lease liability throughout the year	172 407	-
Non-cash changes:	-	-
Accrued interest	6 330	-
Closing balance	148 745	64 169

Note 20 - Borrowings

(NOK 1000)	2018	2017
Non current		
Bank borrowings	17 500	5 250
Lease liabilities to credit institutions (IFRS 16)	26 203	37 669
Other lease liabilities (IFRS 16)	26 244	-
Total	69 947	42 919
Current		
Bank overdraft		
Bank borrowings	10 250	10 500
Lease liabilities to credit institutions (IFRS 16)	11 500	10 750
Other lease liabilities (IFRS 16)	57 048	-
Total	78 798	21 250
Total borrowings	148 745	64 169

Bank borrowings mature until 2019 and bear average coupons of 4.5 % annually. The bank borrowings are subject to industry relevant covenants. At year end the Group is in compliance with all covenants. Total borrowings to bank and financial institutions include secured liabilities (bank and collateralised borrowings) of NOK 65.4 million (2017: NOK 64.2 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)	2018	2017	2018	2017
Bank borrowings	27 750	15 750	27 750	15 750
Lease liabilities to credit institutions (IFRS 16)	37 703	48 419	37 703	48 419
Lease liabilities (IFRS 16)	83 292	-	83 292	-
Total	148 745	64 169	148 745	64 169

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)	2018	2017
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	11 179	10 748
Later than 1 year and no later than 5 years	26 524	36 323
Later than 5 years	-	1 349
Total	37 703	48 419
Future finance charges on finance lease liabilities	2 710	4 155
Present value of Lease liabilities to credit institutions	40 414	52 573

There are no new covenants in 2018. Refer to note 13 Property, plant and equiptment for secured assets. For 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)	2018	2017
Revenue		
To MMT	139 408	121 737
To Surveyor AS (see note 12 for more information)	2 101	
Cost		
To MMT	(131 376)	(86 812)
To other related parties	-	(700)
Total	10 134	34 225

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.

Note 22 - Commitments

Operational leasing:

The costs relating to operational leases recognized in the income statement related to equipment and real estate for 2018 amounts to NOK 2.2 million . Total liability at 31.12.18 is NOK 1.5 million. The leasing agreement expired in 2018 (from 2019 there is a 3 months termination notice).

In connection with the restructuring of the charter party with Østensjø and Solstad in 2016, a termination fee of NOK 76 million was capitalized in 2Q2016. The termination fee has been amortized over the rest of the charter party periods. On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 has been released. Thus, the remaining capitalized termination fee is expensed in 2018.

The Company has implemented IFRS 16 as of 01.01.2018. 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 at 31.12.2017. No such contracts was entered into in 2018. The contract is valued according to the percentage of completion method.

(NOK 1000)	2018	2017
Revenue recognised from fixed-price contract	59 507	97 062
Cost recognised for fixed-price contract	56 662	91 256
Net	2 845	5 805

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 were 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 expires 30.06.2019, and the agreement with Østensjø expired 05.12.2017. On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 has been released. NOK 33 million in capitalized termination fee has been amortized in 2018 (2017: 28.5 million). As at 31.12.2018 the company has a total of NOK 0 million (2017: NOK 33 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. Also short term leases (commited lease term 12 months or less) of vessels and ROV's are capitalized as right- of use assets and depreciated. The impact is that all cost in relation to leases of vessels are presented as depreciation and interest expenses. No other short term leases, except for vessels and ROV's, are capitalized as right- of use assets and depreciated. As of 31.12.18, 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%.

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS for the current period.

Impact on profit or loss (NOK 1000)	2018
Increase in depreciation and amortization expense (1)	215 999
Increase in finance cost (1)	6 316
Decrease in Procurement expenses (1)	(227 992)
Increase (Decrease) in profit for the year	5 677

Impact on assets, liabilities and equity as at 31.12.2017 (NOK 1000)	As previously reported	IFRS 16 adjustments	Adjusted
Property, plant and equipment			
Right of use assets (1)	-	132 399	132 399
Net impact on total assets	-	132 399	132 399
Liabilities			
Lease liabilities (1)	-	132 399	132 399
Net impact on total liabilities	-	132 399	132 399
Impact on retained earnings	-	-	-

(1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right of use assets and lease liabilities. It resulted in a decrease in "Procurement expenses" and an increase in depreciation and interest expense.

Note 25 - Leases (Group as a lessee)

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 01.01.2018	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

Lease liabilities (NOK 1000)	2018
Amounts due for settlement within 12 months (shown under current liabilities)	57 048
Amounts due for settlement after 12 months (present value)	26 244
Total	83 292

Maturity analysis (NOK 1000)	
Not later than 1 year	57 048
Later than 1 year and not later than 5 years	30 715
Later than 5 years	-
Total	87 763

Reconciliation of depreciation (NOK 1000)	2018	2017
Depreciation of long term right- of use assets	94 541	-
Depreciation of short term right- of use assets	121 563	-
Depreciation of other assets (note 13)	29 751	25 719
Total depreciations	245 855	25 719

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 ROVs, see note 6.
For information related to right-of-use assets, see note 13

Note 26 - Subsequent events

Reach Subsea ASA has proposed a dividend of NOK 0.07 per share.

Profit & Loss
Reach Subsea ASA

Operating income and expenses

(NOK 1000)	2018	2017	NOTES
Revenue	8 190	-	10
Total operating income	8 190	-	
Payroll expenses	6 885	6 618	7, 9
Other operating expenses	36 025	31 305	9, 10
Operating expenses	42 910	37 923	
Operating profit	(34 720)	(37 923)	
Financial income and expenses			
Other interest income	8	23	
Other financial income	28 626	1	
Financial income	28 634	24	
Other Interest expenses	-	-	
Other financial expenses	-	7	
Financial cost	-	(7)	
Profit (loss) before tax	(6 086)	(37 907)	
Taxes	-	-	8
Profit (loss) for the year	(6 086)	(37 907)	
Brought forward			
To other equity			
Proposed dividend	10 048		
From other equity	(16 134)	(37 907)	
Total brought forward	(6 086)	(37 907)	

Balance
Reach Subsea ASA

Non-current assets (NOK 1000)	2018	2017	NOTES
Deferred tax asset	3,923	3,923	8
Total tax asset	3,923	3,923	
Financial fixed assets			
Investments in subsidiaries	23 855	23 855	1
Other long term assets	-	11 000	2, 12
Total financial fixed assets	23 855	34 855	
Total non-current assets	27 778	38 778	
Current assets			
Accounts receivables	-	-	
Receivables from group companies	180 465	141 601	2,3
Other receivables	38	22 266	12
Total debtors	180 503	163 867	
Cash and bank deposits	8 692	19 409	4
Total current assets	189 195	183 276	
Total assets	216 974	222 055	

Equity (NOK 1000)	2018	2017	NOTES
Restricted equity			
Share capital	143 546	143 240	5, 6
Share premium reserve	61 538	77 411	5
Total restricted equity	205 083	220 650	
Other equity	-	-	5
Total retained earnings	-	-	
Total equity	205 083	220 650	
Short term liabilities			
Accounts payable	455	471	
Public duties payable	860	434	
Proposed dividend	10 048		
Other short term liabilities	527	500	
Total short term liabilities	11 891	1 405	
Total liabilities	11 891	1 405	
Total equity and liabilities	216 974	222 055	

Cashflow Reach Subsea ASA

(NOK 1000)	2018	2017
Cash flow from operating activities		
Profit (loss) before taxes	(6 086)	(37 907)
Paid taxes	-	-
Amortized termination fee	33 000	28 471
Change in trade creditors	-16	172
Change in trade debtors	(38 864)	(62 988)
Change in other provisions	681	389
Net cash flow from operations	(11 285)	(71 863)
Cash flow from investments		
Investment in shares and loans to subsidiaries	-	-
Net cash flow from investments	-	-
Financing		
Repayment of loan	-	-
Share issues	574	85 892
Net cash flow from financing activities	574	85 892
Net cash flow for the year	(10 711)	14 029
Profit (loss) dues to exchange rate fluctuations on cash		
Cash and cash equivalent 01.01.	19 409	5 381
Cash and cash equivalent 31.12	8 692	19 409

Haugesund 25.04.2019

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Deputy Chairman of the Board

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Kristine Skeie
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 recognized 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 recognized 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 amortized amount is recognized 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 recognized as operating income and cost of goods sold.

Liabilities

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

Pensions

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

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any 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.

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

Note 1 - Subsidiaries, associated companies and joint venture

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

Subsidiaries	Location	Ownership/ voting right	Equity last year (100 %)	Result last year (100 %)	Balance sheet value
Reach Subsea AS	Haugesund	100 %	30 073	17 050	23 855

Note 2 - Debtors and liabilities

Trade debtors	2018	2017
Trade debtors at nominal value	180 465	141 601
Bad debts provision	-	-
Trade debtors in the balance sheet	180 465	141 601
Debtors which fall due later than one year	2018	2017
Loans to employees	-	-
Other non current assets	-	11 000
Total	-	11 000

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

Long term liabilities which fall due later than 5 years	2018	2017
Liabilities to credit institution	-	-
Other long term liabilities (specify)	-	-
Total	-	-
Guarantees	2018	2017
Mortgage loan guarantees	-	-

Notes
Reach Subsea ASA

Note 3 - Balance with group companies, etc.

	Current assets		Non-current assets	
(NOK 1000)	2018	2017	2018	2017
Group companies	180 465	141 601	-	-
Associated companies	-	-	-	-
Joint ventures	-	-	-	-
Total	180 465	141 601	-	-

	Current liabilities		Non-current liabilities	
(NOK 1000)	2018	2017	2018	2017
Group companies	-	-	-	-
Associated companies	-	-	-	-
Joint ventures	-	-	-	-
Total	-	-	-	-

Note 4 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2018	2017
Withheld employee taxes	386	383

Note 5 - Shareholder's equity

Equity changes in the year	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.	143 239	77 411	-	220 650
Capital increase	306	259	-	566
Share issue cost	-	-	-	-
Profit for the year	-	-	(6 086)	(6 086)
Proposed dividend	-	(10 048)	-	(10 048)
Allocation of uncovered loss to share premium	-	(6 086)	6 086	-
Equity 31.12.	143 546	61 537	-	205 083

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.

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
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.

As there is no stock option program in 2017 no movements in 2017 is shown. Movements in the number of share options outstanding in 2018 and their related weighted average exercise prices were as follows:

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

2018	Average exercise price per share option	Number of options
At 01.01.	-	-
Granted	1.88	3 494 832
Forfeited		
Exercised	1.88	306 483
Expired	-	858 461
At 31.12	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.

Note 8 - Taxes

Calculation of deferred tax/deferred tax benefit	2018	2017
Temporary differences		
Non-current assets	(114)	(143)
Other temporary differences	-	-
Net temporary differences	(114)	(143)
Tax losses carried forward	(189 202)	(192 382)
Basis for deferred tax	(189 316)	(192 525)
Deferred tax asset	(41 650)	(44 281)
Deferred tax asset not shown in the balance sheet	37 727	40 357
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 utilize the tax benefit in full.

Basis for income tax expense, changes in deferred tax and tax payable	2018	2017
Result before taxes	(6 086)	(37 907)
Group contributions recognized	(14 226)	-
Basis for the tax expense for the year	(20 312)	(37 907)
Change in temporary differences	(29)	(36)
Basis for payable taxes in the income statement	(20 341)	(37 943)
+/- Group contributions received/given	28 626	-
Use of tax losses carried forward	(8 285)	37 943
Taxable income (basis for payable taxes in the balance sheet)	-	-
Components of the income tax expense	**2018**	**2017**
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	**2018**	**2017**
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	2018	2017
Salaries/wages	5 838	5 501
Social security fees	856	823
Pension expenses	300	294
Other remuneration	(108)	-
Total	6 885	6 618
Number of man-years	4	4

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

Remuneration to executives	General manager	Board
Salaries/board fee	1 500	945
Pension expenses	82	-
Other remuneration	10	-
Share options granted	450	-

Expensed audit fee	2018	2017
Statutory audit (incl. technical assistance with financial statements)	878	601
Other assurance services	-	-
Tax advisory fee (incl. technical assistance with tax return)	37	37
Other assistance (to be specified) *	401	63
Advisory fee booked to equity	-	154
Total audit fees	1 316	855

VAT is not included in the audit fee.

* Other assistance include services provided by the law firm PwC in relation in connection with setup of branch. No fees have been incurred from the law firm PwC in 2017.

Note 10 - Related-party transactions

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

Note 11 - Profit (loss) per share

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

	2018	2017
Profit (loss)	(6 086)	(37 907)
Profit (loss) per share (NOK)	(0,04)	(0,28)
Diluted profit (loss) per share (NOK)	(0,04)	(0,28)
Average number of shares	143 325 172	137 027 253
Average diluted number of shares	144 072 540	137 027 253
Number of shares 01.01.	143 239 525	91 241 065
Number of shares 31.12	143 546 008	143 239 525

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 were 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 expires 30.06.2019, and the agreement with Østensjø expired 05.12.2017. On 05.10.2018 Solstad and Reach Subsea announced that the commitment for 2019 has been released. NOK 33 million in capitalized termination fee has been amortized in 2018 (2017: 28.5 million). As at 31.12.2018 the company has a total of NOK 0 million (2017: NOK 33 million) in capitalized termination fee.

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 at 31 December 2018, the Statement of profit & loss and Statement of cashflow 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 2018, the Statement of comprehensive Income, Statement of changes in equity and Statement of cashflow 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 2018, 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 2018, 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.

The Groups business activity are largely unchanged compared to last year. The risk of impairment have further reduced since last year due to amortization and has as a result been less in our focus during the 2018 audit. The Group has elected to early adopt IFRS 16 Leases. As this had a significant impact on the financial statemetns we have included this as a Key Audit Matter.

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Key Audit Matter	How our audit addressed the Key Audit Matter
IFRS 16 Leases	
The Group have adopted IFRS 16 with effect for the 2018 financial statements. The impact on assets, liabilities profit for the year and equity is significant as cost in relation to leases of vessels are presented as depreciation and interest expenses and right of use assets and contractual commitments for vessels are presented as assets and liabilities. Management calculates the value of right of use assets using a discounted cash flow model. For all right of use assets there is an initial matching liability. The amortization of the right of use assets are based on a straight line amortization plan over the fixed period of use. We focused on this area because implementation of a new accounting standard normally constitute an inherent risk of errors. Further, the calculations made by management is dependent on judgement related to factors such as estimated utilization, disposal values, charter hire rates and discount rates applied to future cash flows. See note 25 where management explains how they implemented IFRS 16 and the financial impact.	Our procedures directed at management's implementation and ongoing assessment of IFRS 16 includes obtaining management's model and evaluating whether the model contains the elements required by accounting regulation. We challenged management on the assumptions used in the model. This includes tracing input data to contracts on all vessels and considering whether estimated charter hire rates and expected utilization of the assets are consistent with internal reports. We have audited the model for internal consistency and mathematical accuracy. Based on available evidence we found management's assumptions in relation to the IFRS 16 calculations to be reasonable. We assessed the discount rate by comparing the assumptions used to build the discount rate with observed external market data. We concluded that the used discount rate was within an appropriate range. We evaluated the appropriateness of the related disclosures in the notes and that they satisfied the requirements in IFRS (note 25)

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 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.

Independent Auditor's Report - Reach Subsea ASA

- 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.

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, 25 April 2019

PricewaterhouseCoopers AS

Henrik Zetlitz Nessler

State Authorised Public Accountant

Everything you need is within reach.

Notes

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