



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	922 493 626
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	REACH SUBSEA ASA
Forretningsadresse:	Garpeskjærvegen 2 5527 HAUGESUND

### Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
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### Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

### Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Birgitte W. Johansen
Dato for fastsettelse av årsregnskapet:	25.03.2021

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 21.07.2022



### Resultatregnskap

Beløp i: NOK	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Revenue	10,13	72 046 000	8 239 000
<b>Sum inntekter</b>		<b>72 046 000</b>	<b>8 239 000</b>
<b>Kostnader</b>			
Payroll expenses	7,9	9 242 000	7 745 000
Other operating expenses	9,10,1 3	67 778 000	2 702 000
<b>Sum kostnader</b>		<b>77 020 000</b>	<b>10 447 000</b>
<b>Driftsresultat</b>		<b>-4 974 000</b>	<b>-2 208 000</b>
<b>Finansinntekter og finanskostnader</b>			
Renteinntekt fra foretak i samme konsern		7 768 000	10 596 000
Annen renteinntekt			4 000
Other financial income		25 691 000	
<b>Sum finansinntekter</b>		<b>33 459 000</b>	<b>10 600 000</b>
Other financial expenses		448 000	
<b>Sum finanskostnader</b>		<b>448 000</b>	
<b>Netto finans</b>		<b>33 011 000</b>	<b>10 600 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>28 037 000</b>	<b>8 392 000</b>
Taxes	8	0	0
<b>Ordinært resultat etter skattekostnad</b>		<b>28 037 000</b>	<b>8 392 000</b>
<b>Årsresultat</b>		<b>28 037 000</b>	<b>8 392 000</b>
<b>Overføringer og disponeringer</b>			
Ordinært utbytte		21 541 000	
To other equity		6 496 000	8 392 000
<b>Sum overføringer og disponeringer</b>		<b>28 037 000</b>	<b>8 392 000</b>



### Balanse

Beløp i: NOK	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	8	3 923 000	3 923 000
<b>Sum immaterielle eiendeler</b>		<b>3 923 000</b>	<b>3 923 000</b>
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	1	196 040 000	23 855 000
<b>Sum finansielle anleggsmidler</b>		<b>196 040 000</b>	<b>23 855 000</b>
<b>Sum anleggsmidler</b>		<b>199 963 000</b>	<b>27 778 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Accounts receivables		11 823 000	
Other receivables	12	188 000	157 000
Konsernfordringer	2,3	39 003 000	185 585 000
<b>Sum fordringer</b>		<b>51 014 000</b>	<b>185 742 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and bank deposits	4	4 636 000	1 614 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>4 636 000</b>	<b>1 614 000</b>
<b>Sum omløpsmidler</b>		<b>55 650 000</b>	<b>187 356 000</b>
<b>SUM EIENDELER</b>		<b>255 613 000</b>	<b>215 134 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital	5,6	143 606 000	143 546 000
Overkurs	5	61 581 000	61 538 000



### Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Sum innskutt egenkapital</b>		<b>205 187 000</b>	<b>205 084 000</b>
<b>Opptjent egenkapital</b>			
Other equity	5	15 048 000	8 552 000
<b>Sum opptjent egenkapital</b>		<b>15 048 000</b>	<b>8 552 000</b>
<b>Sum egenkapital</b>		<b>220 235 000</b>	<b>213 636 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		12 043 000	158 000
Public duties payable		859 000	750 000
Utbytte		21 541 000	
Other short term liabilities		935 000	593 000
<b>Sum kortsiktig gjeld</b>		<b>35 378 000</b>	<b>1 501 000</b>
<b>Sum gjeld</b>		<b>35 378 000</b>	<b>1 501 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>255 613 000</b>	<b>215 137 000</b>



### Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Revenues	5,25	618 870 000	508 337 000
Other income/losses		9 160 000	194 000
<b>Sum inntekter</b>		<b>628 030 000</b>	<b>508 531 000</b>
<b>Kostnader</b>			
Procurement expenses		169 972 000	184 140 000
Personnel expenses	7	111 422 000	90 552 000
Depreciation	13,24	208 386 000	187 728 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	13	7 505 000	
Other operating expenses	6,7	79 429 000	62 433 000
<b>Sum kostnader</b>		<b>576 714 000</b>	<b>524 853 000</b>
<b>Driftsresultat</b>		<b>51 316 000</b>	<b>-16 322 000</b>
<b>Finansinntekter og finanskostnader</b>			
Share of profit of investments accounted for using the equity method	12	1 487 000	-3 391 000
Annen renteinntekt	8	149 000	680 000
<b>Sum finansinntekter</b>		<b>1 636 000</b>	<b>-2 711 000</b>
Annen rentekostnad	8	6 576 000	11 452 000
Other financial items		3 274 000	5 200 000
<b>Sum finanskostnader</b>		<b>9 850 000</b>	<b>16 652 000</b>
<b>Netto finans</b>		<b>-8 214 000</b>	<b>-19 363 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>43 102 000</b>	<b>-35 685 000</b>
Taxes	9		24 000
<b>Ordinært resultat etter skattekostnad</b>		<b>43 102 000</b>	<b>-35 709 000</b>
<b>Årsresultat</b>		<b>43 102 000</b>	<b>-35 709 000</b>
Translation differences		684 000	-699 000
Sum resultatkomponenter for IFRS-foretak		684 000	-699 000



## Konsernets resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Totalresultat		43 786 000	-36 408 000



### Konsernets balanse

Beløp i: NOK	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	9	8 161 000	8 161 000
<b>Sum immaterielle eiendeler</b>		<b>8 161 000</b>	<b>8 161 000</b>
<b>Varige driftsmidler</b>			
Property, plant and equipment	13	90 103 000	247 802 000
<b>Sum varige driftsmidler</b>		<b>90 103 000</b>	<b>247 802 000</b>
<b>Finansielle anleggsmidler</b>			
Investeringer i tilknyttet selskap	12	22 772 000	21 285 000
<b>Sum finansielle anleggsmidler</b>		<b>22 772 000</b>	<b>21 285 000</b>
<b>Sum anleggsmidler</b>		<b>121 036 000</b>	<b>277 248 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Bunkers		1 376 000	6 696 000
<b>Sum varer</b>		<b>1 376 000</b>	<b>6 696 000</b>
<b>Fordringer</b>			
Trade receivables	14,19	90 783 000	59 154 000
Other current receivables	14	44 422 000	63 625 000
<b>Sum fordringer</b>		<b>135 205 000</b>	<b>122 779 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents	15	105 396 000	38 657 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>105 396 000</b>	<b>38 657 000</b>
<b>Sum omløpsmidler</b>		<b>241 977 000</b>	<b>168 132 000</b>
<b>SUM EIENDELER</b>		<b>363 013 000</b>	<b>445 380 000</b>

### BALANSE - EGENKAPITAL OG GJELD



### Konsernets balanse

Beløp i: NOK	Note	2020	2019
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital	16	143 606 000	143 546 000
Overkurs		83 529 000	105 025 000
<b>Sum innskutt egenkapital</b>		<b>227 135 000</b>	<b>248 571 000</b>
<b>Opptjent egenkapital</b>			
Avsatt utbytte		21 541 000	
Other equity		-38 522 000	-82 740 000
<b>Sum opptjent egenkapital</b>		<b>-16 981 000</b>	<b>-82 740 000</b>
<b>Sum egenkapital</b>		<b>210 154 000</b>	<b>165 831 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	19,20	12 731 000	25 216 000
Interest-bearing debt, other (related to IFRS 16)	24		58 784 000
<b>Sum annen langsiktig gjeld</b>		<b>12 731 000</b>	<b>84 000 000</b>
<b>Sum langsiktig gjeld</b>		<b>12 731 000</b>	<b>84 000 000</b>
<b>Kortsiktig gjeld</b>			
Interest bearing debt to credit institutions	19,20	12 859 000	16 023 000
Leverandørgjeld	18,19	65 055 000	53 984 000
Public duties a.o.	18	7 237 000	5 231 000
Interest-bearing debt, other (related to IFRS 16)	24	15 766 000	82 497 000
Other current liabilities	18,20, 22	39 212 000	37 814 000
<b>Sum kortsiktig gjeld</b>		<b>140 129 000</b>	<b>195 549 000</b>
<b>Sum gjeld</b>		<b>152 860 000</b>	<b>279 549 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>363 014 000</b>	<b>445 380 000</b>



2020

Everything is within Reach

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

Find out more at

**-REACH**  
SUBSEA



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# The turnaround



Who would have thought at this point last year we would be faced with a pandemic, one so severe that every part of our everyday lives would be challenged to this day? Who has procedures & plans prepared for such events? Nobody.

How did we adapt to proceed with the challenges ahead, while meeting our contractual obligations in several continents and simultaneously mitigating safe operation for our personnel and subcontractors and the company's cost base?

Well, we did our job.

Initially we monitored what relevant authorities put in place, identified the risks to our business and created strategies to overcome the challenges surrounding crew changes and quarantines, while ensuring we safely maintained operations. The measures we put in place, with such little information, not only protected our position, but proved that our teams excelled when the business needed it most.

A new everyday life was quickly established with everyone being required to adapt.

Our clients, business partners and suppliers were faced with the same challenges, which in turn created uncertainty towards already awarded and potential contracts. Our resolve oriented and robust management of the situation provided much needed stability for our clients. Confident in our knowledge and procedures they proceeded with campaigns and remarkably awarded us new work during the most uncertain of times.

The uncertainty that dominated the industry during the spring of 2020 is now felt to be unfounded. The industry quickly adjusted with more elaborate crew changes, testing regimes and stringent hygiene measures on board vessels.

Onshore, we found ourselves working remotely, separated from our colleagues, our homes becoming our place of work. This created challenges managing the balance between work and leisure.

So, onto the positives. It appears that we are very adaptable, overcoming the restrictions placed upon us. We embraced technology, structured our days, polished our webcam's and overcame the embarrassment of speaking while on mute! Communication has actually improved, with meetings being held both regularly and spontaneously. Planning and operations were also required to be carried out remotely, with success. Each and every one of our team members displayed our core values, passionately proving that we have the right attitude, all working towards a common goal. Together we quickly adapted, then prospered, despite this "100 Year Event".

Despite the additional operational burdens and restrictions placed upon our business, 2020 has been a fantastic year for us. Increased sales and utilization of crew and equipment have given us the highest profit in the company's history. The numbers speak for themselves. Our financial position is now very solid which provides us with opportunities to look ahead.

Reach Remote is the next step in our technical evolution, where in the future we will deliver the same services, but from new sustainable platforms. Instead of hiring large, manned ships to transport both equipment, sensors, and crew to the work location, in the future there will be smaller unmanned vessels that place tools and sensors correctly and precisely on location. The experts stay ashore. This transition will for sure not happen overnight, so we still have many good years with traditional offshore operations ahead.

We will continue to deliver quality and cost-effective solutions for our existing and new clients. Our inspection department is delivering industry leading solutions, optimizations & reporting to our clients. By developing pioneering solutions, such as combined aerial & subsea photogrammetry and delivering our first remote inspection campaign in Trinidad, carried out by our onshore teams in the UK & Norway some 7,000kms away. Next generation inspection is being developed to support our traditional, hybrid & remote solutions ensuring that we transition from standard expectations to technology leading service, feeding into the advanced operations performed by our clients today and in the future.

The offshore wind market is accelerating with ever larger fields, notably transitioning from "near shore" to "far from shore", playing directly into our area of expertise. As a survey and IMR supplier to every offshore asset owner, we are involved in the entire life cycle from preparation surveying to building application and planning, operational phase and finally the end of life "removal" phase.

In summary, one can safely say that 2020 has provided us with unique lessons, we have proven both to ourselves and our clients that we are able to deliver when faced with huge challenges. A great value to take with us into the post pandemic times ahead.

It is with pride that I can say that the REACH TEAM has displayed their very best side to the world.

**Jostein Alendal**  
CEO, Reach Subsea ASA



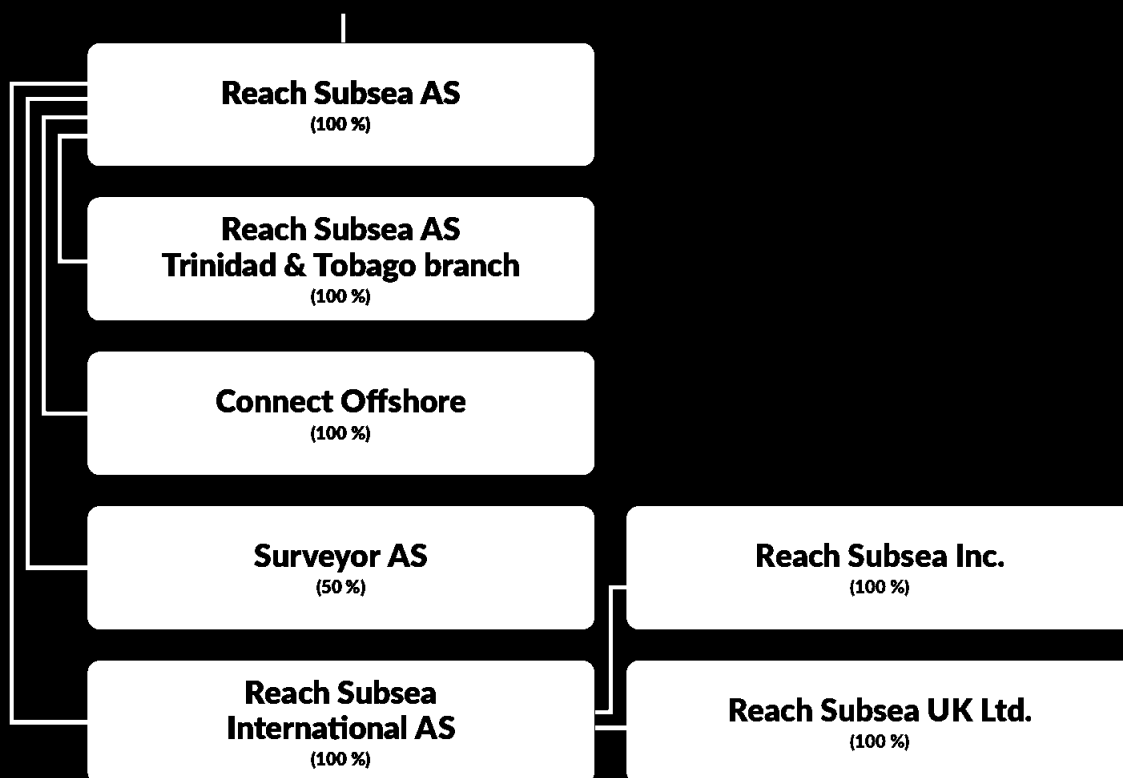
# reliable effective adaptable committed honest

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



# Corporate Structure





# 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.

30+ years in subsea



## Inge Grutle

Chief Operations Officer

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

15+ years in subsea



## Birgitte W. Johansen

Chief Financial Officer / HR Manager

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

20+ years in finance



## Bård Thuen Høgheim

Chief Commercial Officer

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

15+ years in offshore



## Directors Report

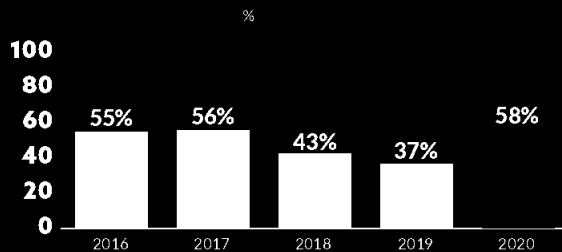
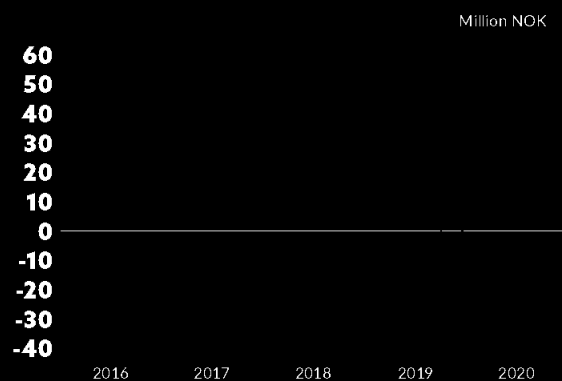
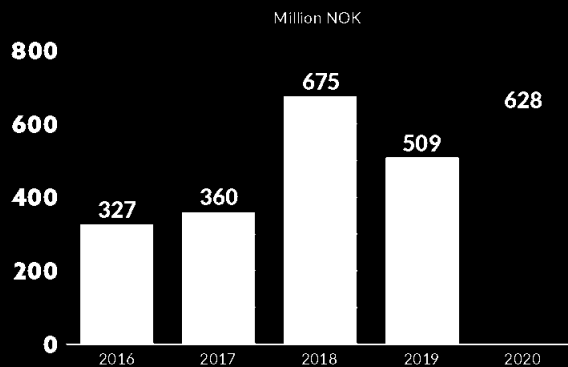
The Reach Subsea Group's business concept is to offer high quality services and solutions to any client in need of installing, inspecting, maintaining or removing assets and equipment from the seabed.



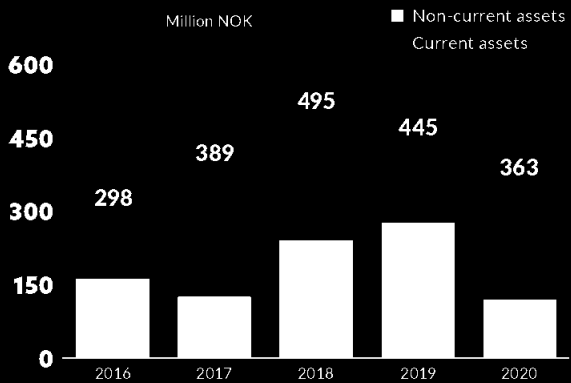
## Directors Report

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.

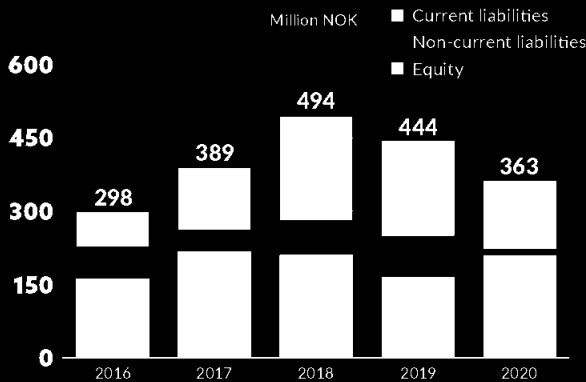
The Group's objective is to be a preferred subsea partner and full-service provider of subsea operations for clients, among others by having high focus on safety, environment, financial solidity and profitability. Contracts in the oil & gas, renewables, and utilities sectors are being targeted, securing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



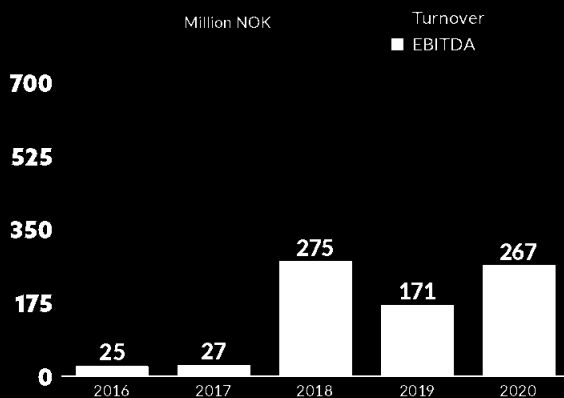
## Directors Report



- Best annual result in Reach Subsea's history despite challenging market and operating conditions, driven by high utilization and successful project execution.
- Operating result for the year was NOK 51.3 million compared to NOK -16.3 million in 2019. Pre-tax result ended at NOK 43.1 million (NOK - 35.7 million in 2019).
- Strong balance sheet with 58 % equity share (37.1 % in 2019).
- The Board proposes a dividend of NOK 0.15 per share, in accordance with the company's dividend policy, to be resolved at the AGM on 26 May 2021.
- Net cash flow for the year was NOK 66.4 million compared to NOK -25.1 million in 2019



- Despite high activity Reach Subsea has maintained its perfect reputation through 2020.
- No serious accidents or incidents.
- No major spills since commencement of offshore operations in 2013.

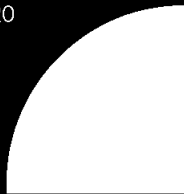


- High client satisfaction (based on post-job surveys)
- High growth in renewables segment during 2020 with 25 % (7 % in 2019) of revenue generated from non-oil & gas clients, driven by major survey projects in the offshore wind sector.
- New innovative subsea service solution, Reach Remote, is under development. The solution will significantly reduce cost and virtually eliminate carbon footprint when brought to market in 2022.



## Directors Report

2020



25 %

● Renewable & Other

2019



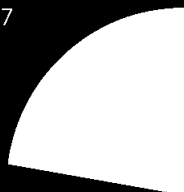
7 %

2018



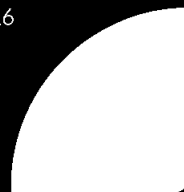
11 %

2017



22 %

2016



38 %



# Directors Report

## 2020 Market Highlights

### General

Reach Subsea is now an established subsea service provider. Busy tendering activity through the year for projects in 2020 and 2021.

### Oil & Gas Norway

Secured several call-offs under the frame agreements awarded.

### Renewables

Awarded several contracts within survey in the renewables market together with cooperation partner MMT Sweden AB. The two in-house developed Surveyor Interceptor ROVs had high utilization with high satisfaction score from clients.

### Other business

First offshore fish farm project executed in 2020 in addition to subsea mining and decommissioning projects

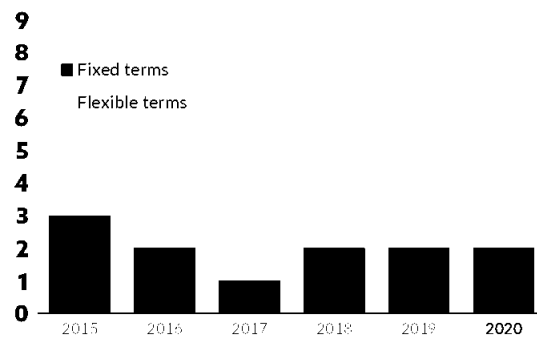
### International activity

High activity in Trinidad & Tobago early 2020. International expansion somewhat limited by the COVID 19 pandemic.

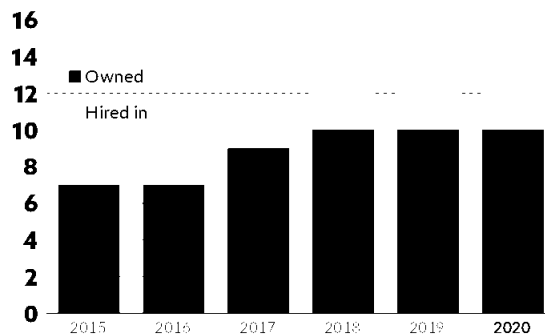


## Balancing growth & flexibility

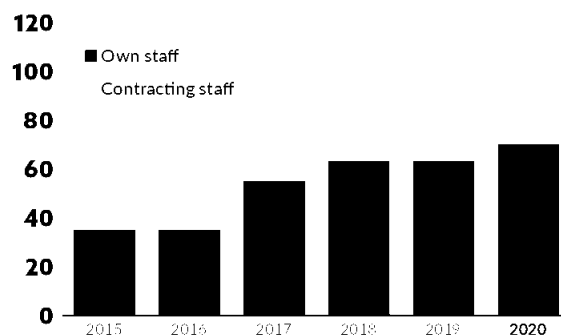
### Vessels marketed



### ROV Systems



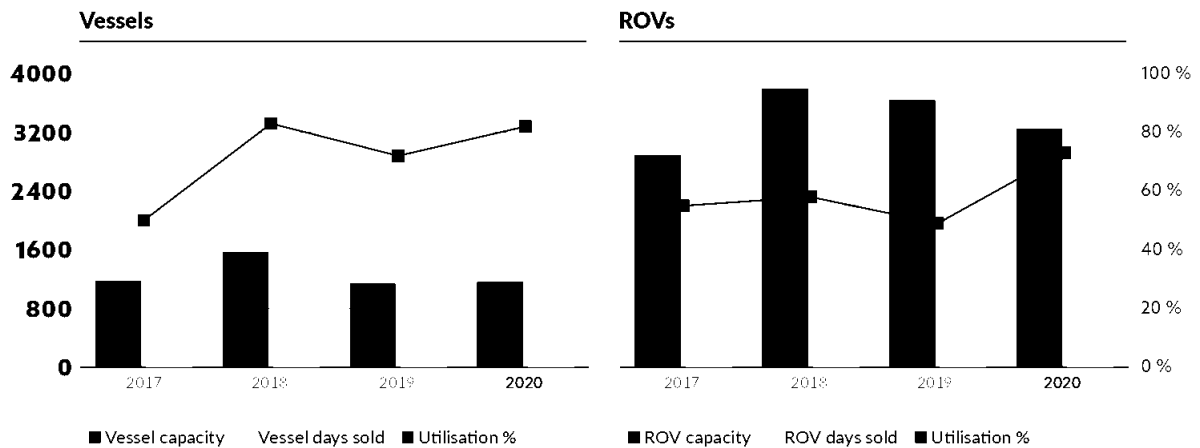
### Offshore personnel





# Directors Report

## Performance = Utilisation = Profits

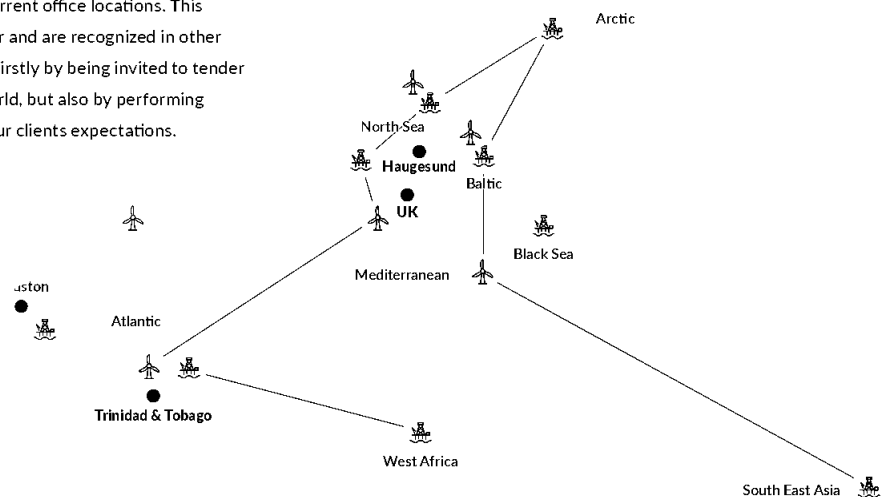


## Global operations

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

Examples of areas of operation in 2020:  
North Sea, Baltic, Atlantic Ocean, Arctic area, Mediterranean, US Gulf of Mexico and Caribbean.

- Oil & Gas
- Renewables
- Offices





## Directors Report

### 2020 Review

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

REACH had 3,250 available ROV-days in 2020 (3,638 in 2019) with a utilization of 73 % (49 % in 2019). Furthermore, number of vessel days that passed through our P&L was 956 (818). The increase compared to last year is largely explained by higher operational activity and an increased number of project days. A flexible cost base secured strong project results and a positive cash flow.

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

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

REACH had 105 full-time equivalent employees in 2020, of which 11.2 % were female. The sick leave was 5 %, whereof 2.4 % short term.

There was no work-related injuries leading to absence from work registered during the year. Women represent 43 % of the Board of Directors and 25 % of the Management.

REACH has per 26th March 2021 a firm order book of NOK 170 million for 1Q2021 and beyond, with the vast majority related to work in 2021. Approximately 800 project days are secured for 2021 execution. The order book figures do not include expected volumes from the frame agreements.

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

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

Offshore operations performed by the Reach Subsea spreads received high client scores in all segments and on all sectors. Our high attention to HSEQ is illustrated by the fact that we have had no serious accidents or incidents since commencement of offshore operations in 2013.

	Q1		Q2		Q3		Q4		Year	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Number of ROV days sold	246	254	610	734	589	822	345	578	1 790	2 388
Number of ROV days available	831	770	965	875	1 004	838	838	767	3 638	3 250
Technical uptime on ROV	99 %	99 %	100 %	99 %	100 %	99 %	100 %	99 %	100 %	99 %
Number of offshore personnel days sold	2 236	2 522	3 512	5 549	3 421	5 166	1 823	2 543	10 992	15 780
LTI's	0	0	1	0	0	0	0	0	1	0
Number of Vesel days sold	110	96	279	268	265	340	164	252	818	956

## Directors Report



### Olympic Challenger

REACH mobilized the Light construction vessel *Olympic Challenger* with two chartered-in WROVs and offshore personnel from Reach Subsea's offshore pool in March 2018. The vessel is on a time charter agreement between Reach Subsea and owner Olympic Shipping. *Olympic Challenger* has the IMR (inspection, maintenance and repair) market in the North Sea region as main area of operation. The projects have international clients with high satisfaction score, mainly in the oil and gas sector. In 2020 the vessel worked on projects for clients such as Havfram, Equinor, Subsea Partner and Kalyon. *Olympic Challenger* is currently working on a project in US Gulf of Mexico lasting into 2Q2021, covering the fixed charter period for the vessel. The vessel is thereafter expected to exit Reach Subsea's marketed fleet.



### Stril Explorer

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* in 2020. Further, our innovative survey ROV jointly owned by Reach Subsea and our cooperation partner MMT, the Surveyor Interceptor, is mobilized onboard. *Stril Explorer* is a survey vessel on a charter contract from Simon Møkster Shipping to MMT. Projects performed by the *Stril Explorer* spread are to a large extent ROV/ Survey work handled as a cooperation between Reach Subsea and MMT, where Reach Subsea is responsible for ROV operations. The vessel was in the first half of 2020 working on projects in the Baltic area and the North Sea. Since early August, the vessel spread has been working for Equinor on the planned Beacon wind farm outside Massachusetts, US. The Surveyor Interceptor had high utilization in 2020, proving its excellent quality survey data and cost efficiency.



### Havila Subsea

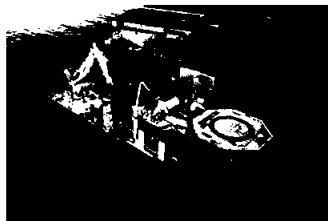
REACH has *Havila Subsea* on a time charter agreement from owners Havila Shipping. The vessel is equipped with two owned Schilling WROVs and offshore personnel from Reach Subsea's offshore pool and is scheduled for projects by Reach Subsea and the cooperation between Reach Subsea and MMT. Surveyor II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

## Directors Report



### Viking Neptun

REACH has two WROVs and delivers all ROV-services onboard *Viking Neptun*, a construction vessel owned by Eidesvik Offshore. The vessel has performed very well with excellent feedback reports from end clients. In 2020 the vessel was equipped with a battery pack, supporting our strategy towards reducing our carbon footprint. The vessel spread is signed for a contract between Eidesvik and Havfram covering the peak seasons 2020 and 2021. In 4Q2020 the vessel worked on a project for DEME in the offshore wind sector, lasting into March 2021, and will thereafter commence this year's scope for Havfram in April 2021.



### Topaz Tiamat

REACH mobilized the IMR vessel *Topaz Tiamat* in March 2019. The vessel is equipped with two owned supporter WROVs and offshore personnel. Early 2020 the vessel was equipped with a battery pack, supporting our strategy towards reducing our carbon footprint. The *Topaz Tiamat* project crew onshore and offshore executed complex projects to a high satisfaction score from clients such as Equinor, Wintershall and Saipem. The vessel spread had high activity on oil & gas- and renewables-projects on various European locations.

The charterparty contract with owners P&O was early terminated in September, however the vessel continued working on various projects on a "pay as you go"- basis until demobilization in December 2020. *Topaz Tiamat* will not be part of Reach Subsea's marketed fleet thereafter.



### Olympic Artemis

REACH mobilized one Supporter WROV on the vessel *Olympic Artemis* in 2020. The spread is set up for projects in survey and light construction within the renewables and oil and gas sector. *Olympic Artemis* has primarily worked in the European spot market in 2020. In the fourth quarter the vessel did Reach Subsea's first project in the offshore fish farm segment that included ROV, subsea and mooring activities.

Reach Subsea announced in November 2020 that new charter contracts have been signed for *Olympic Artemis*, along with another vessel from the same ship owner, *Olympic Delta*. Both vessels are mobilized with WROV spreads and the firm contract period is 1 year commencing in February 2021. The vessels are set up to work on projects in all our segments.



## Directors 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.

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

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

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

The HSEQ results for 2020 have been positive, with no major incidents or injuries. There has been a positive trend in the reporting level of safety observations, both negative and positive.

2020 has been extraordinary, with all time high utilization and mitigating the spread of the Corona virus. This has been challenging for the whole world and has been the main focus for the HSEQ department throughout the year. Still, Reach Subsea started a process in Q4 2020 to get both ISO 14001 and ISO 45001 certified. This was achieved with a delayed audit (due to Covid-19) in January 2021.

Reach Subsea launched a set of core values - decided by our employees:



Our goal of achieving at least 95 % customer satisfaction has been met.



Sickness absence has been higher than normal due to a combination of long-term absence and short time CV-19 absence .

**Short-term offshore 1.90 %**



## Directors Report

Improvement reports 141 185 280 231 213

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

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

Lost-Time Injuries 1 0

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.





## Directors Report

### Share information

REACH Subsea ASA is listed on Oslo Stock Exchange (Euronext). The Company had per 31.12.2020 issued 143 546 008 shares, of which the majority is owned by Norwegian shareholders.

A participant in the Company's share option program exercised a total of 60 000 options on 31 December 2020. Following the share option exercise, the Board of Directors, pursuant to authorization granted by the company's Annual General Meeting, resolved to increase the Company's share capital by NOK 60 000 by issuing 60 000 new shares, of par value NOK 1. Following the increase the Company's share capital is NOK 143 606 008 divided into 143 606 008 shares. The option program for employees ended 31 December 2020 and all unexercised options have now expired. The share capital increase was effectuated 01.03.2021.

The Board proposes a dividend of NOK 0.15 per share, to be resolved at the AGM on 26 May 2021. In 2018 the Board of Directors adopted a dividend policy stating that the company aim to distribute a dividend of around 50 % of adjusted net profit. Adjusted net profit was defined as reported net profit, adjusted for amortization of termination fee.

The Group consists of six companies; Reach Subsea ASA and the fully owned subsidiaries Reach Subsea AS, Connect Offshore AS, Reach Subsea International AS, Reach Subsea UK Ltd and Reach Subsea Inc. The main activity of the Group is conducted in Reach Subsea AS. Reach Subsea AS has a branch in Trinidad & Tobago. Connect Offshore AS provides hired offshore personnel to Reach Subsea and other clients. Reach Subsea International is an owning entity for Reach Subsea UK Ltd and Reach Subsea Inc.

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

### Investor relations

Reach Subsea essentially follows the recommendation for reporting of IR-information issued by the Oslo Stock Exchange's and publish all the news releases on [www.newsweb.no](http://www.newsweb.no), a service provided by Oslo Stock Exchange.

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.

Reach Subsea aims to have a high level on content and frequency of information to its investors. Our quarterly financial reports include financial details to increase the transparency of our business. Monthly operating statistics are released within 15 days after month end and are also enclosed in the quarterly reports. In addition, presentations are made to partners, lenders, analysts and investors regularly and upon request. 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](http://www.reachsubsea.com/investors/shareinfo).

Financial reports, General Meeting Minutes, Share price information, Corporate Governance, Operational figures and presentation of the Board and Management can be found on the company's web page [www.reachsubsea.no](http://www.reachsubsea.no) as well as the full Sustainability Report covering initiatives and measures on Corporate Social Responsibility.

### 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.



## Directors Report

### Corporate, Social Responsibility

The Group has established a CSR policy based on Human Resources, Environment, Financial and Society, further described under "Sustainability" in this report.

A broader presentation of CSR activities performed by the Group can be found in "Reach Subsea Sustainability Report".

People, our employees, is the cornerstone of our business. We are committed to performing safe operations, with the health and safety of our people as our utmost priority. All employees are provided with training, adjusted to their respective work tasks and adjacent risk exposure in our educational programme REACHED, to ensure safe operations and that all employees return home safely.

We are committed to treating our employees with respect and have a zero tolerance for all forms of discrimination. All employees are given the same rights and possibilities, regardless of gender, background, religion, nationality or disability, and recruitment processes do not exclude any applicant based on these factors. REACH is proud to have employees with different backgrounds. The nationality of our employees includes Norwegian, British, Danish, Polish, Algerian, Trinidadian and American. The age range is 18-73 with education levels from trainee to master's degree. We have employees with different disabilities and religions and intend to facilitate to avoid any challenges. Notification routines have been established, where employees can choose whether they want to remain anonymous if they wish to notify of an unwanted incident.

The offshore industry has historically been dominated by male workers. We aim for a more gender-balanced offshore workforce and work continuously to recruit women through our trainee programme, one of our Sustainability KPIs. Reach Subsea has performed an in-depth review of salary differences by employment categories and found that when adjusting for seniority, education levels and level of responsibility there are no major difference in female to male salaries. The salary of offshore personnel is fully based on an agreed matrix with the trade union SAFE, taking into account seniority and employment category. As such, all offshore workers have equal salary terms regardless of gender and nationality.

To monitor the working environment, surveys and annual appraisals are being conducted for all employees. A Working Environment Committee is established with representatives from offshore and onshore positions, and the Management holds meetings with the SAFE club on a quarterly basis. Managers encourage employees to seek opportunities internally by participating in projects, trainee programs and act in higher positions.

Read more about our work towards equal possibilities in our Sustainability Report.

### Sustainability in REACH

"Reach Subsea Sustainability Report" can be found in full on the company's web page.

Reach Subsea strives to be an industry-leading subsea operator within sustainability based on a long-term goal to have zero harm to personnel, environment and equipment. The management and Board believe that sustainability and long-term profitability go hand in hand. By continuing to focus on sustainable solutions risk will be reduced, transparency increased, and the use of our resources will be more efficient. In turn, profitability and financial solidity strengthens Reach Subsea as a reliable employer and service provider. Reach Subsea takes a proactive stance to safeguard and integrate the consideration of human rights, labor rights and social and environmental conditions.

Reach Subsea's priorities within sustainability are defined based on an evaluation of stakeholders' expectations and interests. Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by our activities and services, such as employees, customers, suppliers, business partners and society at large.

The report includes the Group's Key Performance Indicators and goals defined by the Board and Management as well as an overview of certifications, such as ISO 9001, ISO 45001 and ISO 14001, and activities done to reduce the footprint of operations.



## Directors Report

### Climate risk

Reach Subsea's goal is to have zero impact to the environment. As with most companies within the offshore industry, CO<sub>2</sub> emissions from fuel oil consumption is the most significant environmental impact.

Reach Subsea works actively to mitigate this risk by choosing fuel efficient tonnage and develop new technology that will reduce the Group's footprint. Examples of this work, including statistics of fuel emission, energy consumption and spills can be found in the Sustainability Report.

### Physical risks

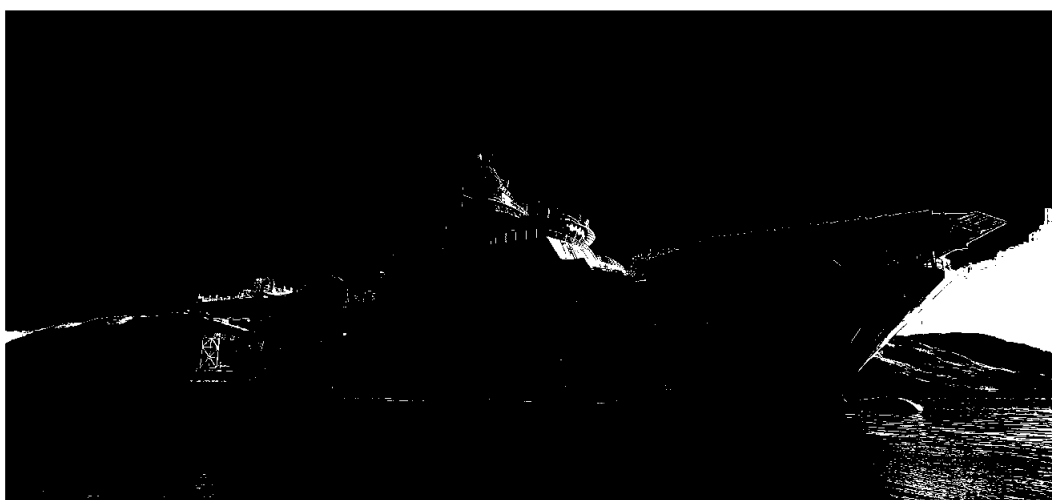
Reach Subsea is exposed to the expected changes in weather conditions. More extreme weather could result in challenging offshore working conditions. In turn, this may impact the project cycle, shortening the seasons where subsea services can be performed, resulting in possible adverse financial impact. An increase in sea level may also have adverse impacts, such as less availability of docking locations and may make crew changes and vessel and project mobilizations more difficult to perform.

### Regulatory risks

In the effort to drive society towards lower emissions there is a risk of regulatory changes that may have financial impacts for Reach Subsea. Such changes may include scenarios with increased fees and taxes related to CO<sub>2</sub> emissions or other changes in framework that may have negative economic impacts on the industry.

### Changes in demand

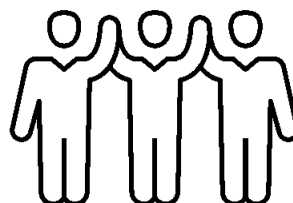
Targeted implementation of regulatory frameworks to reduce CO<sub>2</sub> emission may create shifts in demand for hydrocarbons, which in turn may affect future investment levels for the petroleum sector and increase competition between subsea suppliers.



## Directors Report

### Employees

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



### Environment

- Transition to renewable energy production
- Risk related to climate change
- Reducing our emissions
- Reducing our impact on the sea



## Directors Report

### UN Sustainability Goals

In 2015, the UN General Assembly adopted the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs). The 17 SDGs provide a blueprint to achieve a better and more sustainable future for all. These are equally important in meeting the broad range of targets set by the UN. The most material SDGs for Reach Subsea are selected based on the global challenges the world is facing and how the Group can provide impact on these. The four selected SDGs are closely linked to Reach Subsea's vision and values.



#### 4. Quality education

**Obtaining a quality education is the foundation to improving people's lives and sustainable development.**

The competence of each individual working for us represents the backbone for performing safe subsea operations and providing quality in everything we do. We have implemented training procedures for our employees as well as local training programs in communities where we have a long-term local presence. Reach Subsea hires 2-4 trainees each year, of which 95 % have been offered a full-time position and 2 have worked as Supervisors as per March 2021.



#### 8. Decent work and economic growth

**Sustainable economic growth requires societies to create the conditions that allow people to have quality jobs.**

We believe that sustainability and long-term profitability go hand in hand. By continuing to focus on sustainable solutions we minimize risk, increase transparency, and facilitate more efficient use of our resources – increasing our value and competitiveness. In turn, profitability and financial strength helps to secure Reach Subsea as a reliable employer by providing workers with a secure and meaningful place to work. Our Quality Assurance system, including the personnel handbook, covers employees worldwide.

Reach Subsea has a strong focus on HSEQ and risk management, ensuring the safety of the people who work for us. We believe that a good HSEQ culture arises from a respectful and positive dialogue between people and by giving support to our people in search for the safest and most optimal solutions.



#### 13. Climate action

**Climate change is a global challenge that affects everyone, everywhere.** Our goal is zero harm to the environment. We work towards reducing emissions and

climate impact by chartering fuel-efficient vessels, promoting environmentally friendly ways of travel, extending use of video conferencing and waste management on both onshore and offshore sites. Any impact on the environment is reported and followed up to prevent re-occurrence. Our suppliers are encouraged to reduce their environmental footprint and improve energy efficiency. A positive effect of the COVID 19 pandemic is the increased possibilities to participate digitally in meetings and conferences, reducing travel and emissions.



#### 14. Life below water

**Careful management of this essential global resource is a key feature for a sustainable future.**

The sea is our workplace, and we understand the importance of preserving the sea as a shared resource. We aim to minimize our environmental impact by using environmental-friendly degradable hydraulic oil in our subsea operations and strive to leave the seabed unharmed in the same condition as we found it. We cooperate closely with vessel owners on waste management and water discharge plans. One of our Key Performance Indicators is "No major spills".



## Directors Report

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. Also, the Board monitors risk by identifying the key overall risk factors to the business, evaluates the probability and impact of adverse negative changes to these risk factors, and ensures that risk mitigating actions are in place.

Technological innovation occurs as an important factor, which the Group mitigates by holding a strong focus on the matter by participating in various fora and 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. The Group is further exposed to tax risk, when working on projects in various countries, hereunder sales tax, withholding tax, environmental tax and corporate tax. The tax risk is partly mitigated by establishing a branch or reporting on a Permanent Establishment basis. Risk assessments are being performed on each tender and before start-up of projects. Larger tenders are being reviewed by a Tender Board consisting of members from the Board of Directors and Management before submitted.

The Group has no major loan instalments to financial institutions or maturities the next five years. No uncovered need for financing has been recognized in the near future, however the challenging market situation may change this radically on relatively short notice.

Reach Subsea has the intention to invest in a series of remotely operated vessels ("Reach Remote"). Per March 26th the committed investment is limited to a Feed study and internal project management and engineering with a total cost below NOK 10 million. To be able to present the investment to the market in 2022 an investment decision must be made before May 2021.

Upon a decision to invest there will be a thorough evaluation of the need for external financing and other risk factors, hereunder governmental regulations, market risk, technical risk and financial risk. The project is planned together with renowned partners with relevant experience and knowledge such as Kongsberg and Massterly.

The Group's liquidity situation as per today (March 2021) is satisfactory based on the current project schedule for the next 3-4 months. Vessel commitment is limited to two vessels on a full time charterparty contract of 360 days each starting in 1Q2021. The vessels have a market adjusted cost level and certain project days scheduled for the 2021-season.

The Board emphasizes that there is considerable uncertainty about future events, especially concerning the development in the COVID 19 pandemic and the subsea market in general. Market- and operational risk is related to changes in demand for and prices of services provided by the Group, and potential adverse effects of the provision of such services.

The Group continually evaluates measures to reduce risk exposure as mentioned above. The oil price- and market volatility has increased the last four years. This has resulted in increased uncertainty in the oil and gas sector, which affects the Group and counterparties. Handling of such risks has become increasingly important. Risk factors are further described in the notes. Reference is also made to the Outlook statement in this report.



## Directors Report

### 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 2021 including the Business Plan, the cash flow forecast and the contract backlog. Reference is also made to the Outlook statement in this report. Figures for 2019 are presented in brackets.

Reach Subsea ASA serves as parent company for the Group. In 2020 the parent company turnover was NOK 72.0 million (NOK 8.2 million in 2019). The increase is related to an operational project flowthrough of turnover and expenses in 2020, whilst in 2019 activity was limited to consultancy services to the Group companies. The increased profit for the year of NOK 28.0 million (NOK 8.4 million) is related to financial income including contribution from Group companies. The parent company has an equity of NOK 220.2 million (NOK 213.6 million, representing 86.2 % (99.3 % of the total balance sheet).

For Reach Subsea (Group revenue for the full year 2020 was NOK 628.0 million (NOK 508.5 million). The increased revenue is primarily explained by a higher project activity level. We had revenue from 956 vessel days through our P&L in 2020 (818 days in 2019) and the total number of ROV days sold in 2020 was 2 388 (1 790 in 2019).

Operating expense for 2020 was NOK 576.7 million (NOK 524.9 million). Project-related expense represents the majority of the operating expense for the group. As already mentioned, activity levels were higher, explaining the year-over-year increase in operating expense. Also, COVID-19 has had a cost effect in 2020 of around NOK 15-17 million on our operations (increased medic, quarantining of offshore personnel of which our clients have compensated us NOK 7.7 million).

Depreciation for the full year 2020 was NOK 208.4 million (NOK 187.7 million). The year-on-year increase is primarily a result of higher project activity levels, giving rise to increased charter hires under our pay-as-use charter agreements as expenses under IFRS 16 rules are classified as depreciation of right of use assets.

Impairment of NOK 7.5 million for 2020 is related to expected lower utilization of one of our chartered vessels. There was no impairment in 2019. See further evaluation of impairment sensitivity in the Notes.

Operating result, EBIT, for the full year 2020 was NOK 51.3 million (NOK -16.3 million). Improved project results and higher utilization are the primary explanations for the improved EBIT.

Included in EBIT are also accounting gains from early termination of two charter-in agreements (*Havila Harmony* and *Topaz Tiamat*), which amounted to NOK 8.7 million for the full year. These gains are classified as other income in our P&L.

The time charterparty with P&O for the vessel *Topaz Tiamat* was terminated early September 2020. The vessel was further hired on a pay per use charter contract until December 2020. No termination fee has been recognized in the accounts. Special effects related to *Topaz Tiamat*, *Havila Harmony*, impairments, and net COVID-19 costs impacted the operating result by NOK -7.1 million for the full year 2020.

EBITDA is a financial alternative performance measure (APM) to illustrate earnings before interest, tax, depreciation and amortization. EBITDA for the full year 2020 was NOK 267.2 million (NOK 171.4 million). The increase is primarily a result of improved utilization of assets in 2020 compared to 2019.

Net financial items was NOK -9.7 million (NOK -16.0 million). Currency effects amounted to NOK -3.3 million (NOK -5.2 million) for the full year. The main reason for the fluctuating currency effects in our accounts this year is that some of our charter hire was in USD (classified as debt/lease liability with quarterly revaluations according to IFRS 16) impacted by this year's massive movements in the foreign exchange markets. The Group had limited R&D activity in 2020.

Total comprehensive income for 2020 was NOK 43.8 million compared to NOK -36.4 million in 2019.



## Directors Report

### The Annual Results

Special effects related to *Topaz Tiamat*, *Havila Harmony*, impairments, COVID-19 costs, and currency effects have impacted 2020 comprehensive income by NOK -10.5 million.

The Group presents revenues, operating result and EBITDA 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 2020, Oil & Gas revenues constituted 75 % while Renewable/Other constituted 25 % of total revenues. By comparison, in 2019 Oil & Gas revenues were 93 % while Renewable/Other constituted 7 % of total revenues.

### Capital structure

Total current assets at the end of the year were NOK 242.0 million (NOK 168.1 million per 31.12.2019, of which cash and cash equivalents amounted to NOK 105.4 million (NOK 38.7 million. Including the unutilized revolving credit facility, available liquidity was NOK 125.4 million. Receivables and inventories were NOK 136.6 million (NOK 129.5 million. Total non-interest-bearing current liabilities were NOK 111.5 million (NOK 97.0 million, leaving a net working capital of NOK 25.1 million (NOK 32.4 million. The working capital level is in line with the seasonal activity.

Total non-current assets at the end of the quarter were NOK 121.0 million (NOK 277.2 million. Property, plant and equipment includes NOK 13.5 million of leases capitalized under IFRS 16 (NOK 170.5 million. The reduction is explained by reduced remaining period of charter commitment for all vessels and the early termination of charterparties for the vessels *Topaz Tiamat* and *Havila Harmony*.

Property, plant and equipment also includes Launch and Recovery Systems ("LARS") booked at NOK 25 million that will be purchased by P&O Maritime Logistics, with settlement before the end of 3Q 2021. P&O will rent the LARS under a bareboat hire agreement until settlement takes place.

Net interest-bearing debt (total interest-bearing debt, including capitalized leases under IFRS 16, less cash) stood at NOK -64.0 million (NOK 143.9 million), with the reduction mainly explained by cash flow during the year, combined with reduced charter commitment as described above. Net financial interest-bearing debt to credit institutions (i.e. excluding IFRS 16 leases) was NOK -79.8 million (NOK 2.6 million). Given the definition of the APM, a negative figure entails a cash positive position.

The Group's equity as of 31 December 2020 was NOK 210.2 million (165.8 million), which represents 57.9 % of the total balance sheet (37.2 % 31 December 2019).

Net cash flow from operating activities for 2020 was NOK 268.7 million (NOK 191.0 million). Net cash from Investments was NOK -2.1 million, compared to NOK -27.1 million and is related to investments on fixed assets. Net cash flow from financing activities was NOK -200.2 million (NOK -189.0 million) and includes vessel charter hire classified as "Repayment of borrowings and leases" according to IFRS 16. Details about cash outflow from leases can be found in the Notes. Net change in cash was NOK 66.4 million compared to NOK -25.1 million in 2019.

REACH has no major debt maturities or capital expenditure (investment) commitments for 2021 and onwards.



## Directors Report

### News after year end

REACH has been awarded short term contracts and call-offs under frame agreements, involving inspection, survey and construction support projects across Europe and the Americas. Clients represent major operators and tier 1 contractors in both the oil & gas and renewable sectors.

REACH announced in January that new and future-proof, sustainable solutions for subsea services are under development. The project, named Reach Remote, is carried out in cooperation with renowned industrial partners Kongsberg Maritime and Massterly, and is also supported by a grant from Innovation Norway.

The first stage of Reach Remote is to introduce Unmanned Surface Vehicles (USVs) dedicated to survey, inspection, and light repair projects. These USVs will serve as mobile power banks, data centers and communication modules for underwater ROVs (Remotely Operated Vehicles), with both the USVs and ROVs operated from an onshore control center. Features for both real time operator control and autonomous operations will be incorporated, as well as hybrid modes blending remote and semi-autonomous control.

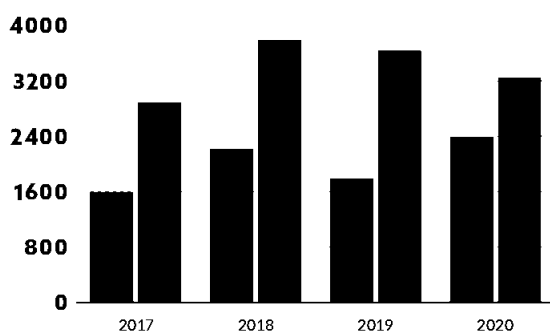
The goal is to be in the market with the first two USVs in 2022, with the ambition of providing a full portfolio of subsea services from a low-emission, cost-effective remote and autonomous fleet by 2025. For the sake of order, no substantial investments have yet been made or committed in the project that require external financing.

Reach Subsea has approximately 800 project days for execution in 2021. The order book figure of NOK 170 million take these contracts into account. See further details under «Vessel Update» and «Outlook». Year to date Operation figures are presented in the table below.

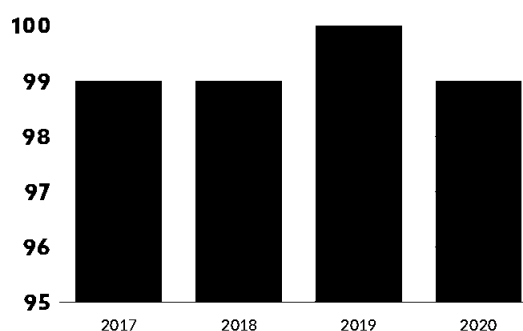
	January		February		Year to date	
	2021	2020	2021	2020	2021	2020
Number of ROV days sold	109	39	114	53	223	92
Number of ROV days available	248	279	224	210	472	489
Technical uptime on ROV	100 %	99 %	99 %	100 %	100%	100 %
Number of offshore personnel days sold	663	437	700	756	1 363	1 193
LTI's	0	0	0	0	0	0
Number of Vesel days sold	42	11	51	13	93	24

## Directors Report

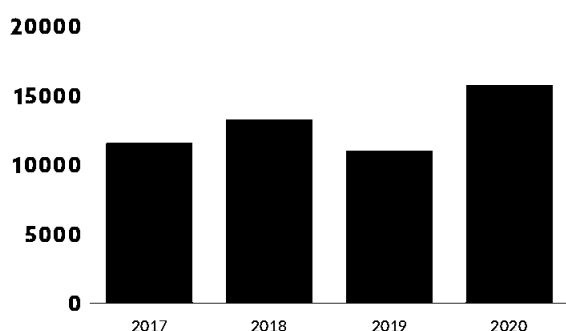
Number of ROV days – sold vs available



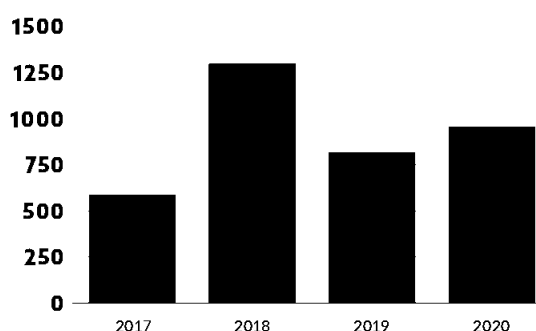
Technical uptime on ROVs



Offshore personnel days sold



Vessel days sold



## Definitions

EBITDA: earnings before interest, taxes, depreciation and amortization. Liquidity: Cash and cash equivalents. Net working capital: Receivables less non-interest-bearing current liabilities. Net interest-bearing debt: Interest bearing debt less cash and cash equivalents. Number of ROV days sold: Total number of ROV days sold in Reach Subsea AS (ex Surveyor AS). Number of ROV days available: Total number of ROVs owned by Reach Subsea AS (ex Surveyor) multiplied with number of days in the month, plus total number of ROVs hired in (pay as use) by Reach Subsea AS multiplied with actual number of operational days in the month. Technical uptime on ROVs: Percentage of hours in operation compared with technical breakdown. Number of offshore personnel days sold: Total offshore man hours (offshore pool), including own and hired in resources. LTI's: Number of loss time incidents (number of incidents resulting in absence from work). Number of vessel days sold: Vessel days sold by Reach Subsea AS (excl. JV/Cooperation partners).



## Directors Report

### Outlook

REACH currently markets and operates six subsea spreads (vessel, ROVs and personnel, alone or together with partners), which have an attractive cost structure. These subsea spreads are tailored to our target markets and are well suited to the scope of services that are at the core of our business. We are monitoring the market for opportunistic asset additions to complement and strengthen our portfolio, while at the same time progressing Reach Remote towards market launch in 2022.

The combination of a lean and agile organization, and the attractive cost structure of our subsea spreads, gives Reach Subsea a flexible and competitive cost base tailored to cope with weak markets. These features of our business model were put to the test in 2020, with impressive results.

Looking into 2021 and beyond we see that the dramatic changes in global energy markets creates a business environment with both challenges and opportunities. The challenges are evident as subsea services provided to the oil & gas sector, our historical core market, will have lower activity levels than in the past. The opportunities are that our core subsea service competence can be utilized in the growing offshore wind sector as well as new emerging sectors such as offshore fish farming and subsea mining. We have together with our partner MMT a very competitive survey offering, which had a major breakthrough in 2020 through the Massachusetts wind survey for Equinor in USA. Our ambition is to build on this success, and also increase our footprint within IMR services to the offshore wind sector.

Our response to both the challenges and opportunities we face is twofold. First, in the near term we will maintain a competitive cost structure and remain agile and flexible in order to generate good returns in a market we expect to be characterized by short- and medium-term projects. It is, however, encouraging to observe that we currently have approximately 800 project days secured for 2021.

Second, we will introduce Reach Remote to the market in 2022 and aim to provide our subsea services from a remote and autonomous platform from 2025. With Reach Remote fully deployed, we will virtually eliminate the carbon footprint and personnel risk associated with our offshore operations, while also achieving a game changing reduction to the cost of providing subsea services.

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

## Directors Report

### Statement by the Board of Directors and Managing Director

We hereby confirm that, to the best of our knowledge, the Annual Accounts for the period 01.01 to 31.12.2020 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 25th March 2021

**Rachid Bendriss**  
Chairperson of the Board

**Kåre Johannes Lie**  
Deputy Chairperson of the Board

**Ingunn Øiveland**  
Board Member

**Sverre B. Mikkelsen**  
Board member

**Martha Kold Bakkevig**  
Board member

**Kristine Skeie**  
Board member

**Anders Onarheim**  
Board member

**Jostein Alendal**  
Managing Director

## The Board of Directors



### Rachid Bendriss

Chairperson of the Board

Rachid Bendriss holds a Master of Management degree from BI – Norwegian Business School. He has more than 25 years of extensive capital markets and transaction experience through employment at firms like Morgan Stanley, Danske Bank and Carnegie, and as an independent strategic and financial advisors to various companies in the energy sector.



### Kåre Johannes Lie

Deputy Chairperson of the Board

Kåre Johannes Lie holds a Master of Science degree. He has broad experience from the subsea industry, both as founder of successful companies and as managing director and advisor.



### Ingunn Ø Iveland

Board member

Ingunn Øvereng Iveland holds a Master of Science degree from NTNU – Norwegian University of Science and Technology in physics and mathematics and a Master of Management degree from BI- Norwegian Business School. She has broad experience from positions in the subsea service and aquaculture industry. She is currently holding the position as Managing Partner in I Øvereng AS.



### Sverre B. Mikkelsen

Board member

Mr. Mikkelsen has a bachelor degree in Business Administration. He has more than 30 years 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 retired. Prior to his retirement he worked as consultant for a major oil company.



### Martha K. Bakkevig

Board member

Martha Kold Bakkevig is the founder and managing partner of MKOLD AS and a non-executive director of public listed companies as Kongsberg Group, Hexagon Purus ASA and BW LPG. Prior to that Ms. Bakkevig served two years as Chief Executive Officer of Steinsvik Group, an equipment and service provider for fish farming industry worldwide and ten years as Chief Executive Officer of DeepWell, an oil service company operating in the North Sea. Ms Bakkevig has extensive experience in management, strategy and business development, and a broad academic background with a doctor's degree in both technical and business strategical subjects. She holds a master's degree and PhD from the Norwegian University of Science and Technology (NTNU) and a Doctorate in Economics from BI Norwegian Business School.



### 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.



### 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. Onarheim is currently CEO of BW LPG Ltd, Chairman of the Board of North Energy ASA and Chairman of the Board of Ocean GeoLoop AS.



# Corporate Governance & Management

Corporate Governance (CG) in Reach Subsea ASA shall increase trust towards the company and contribute to optimal value creation over time.

The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

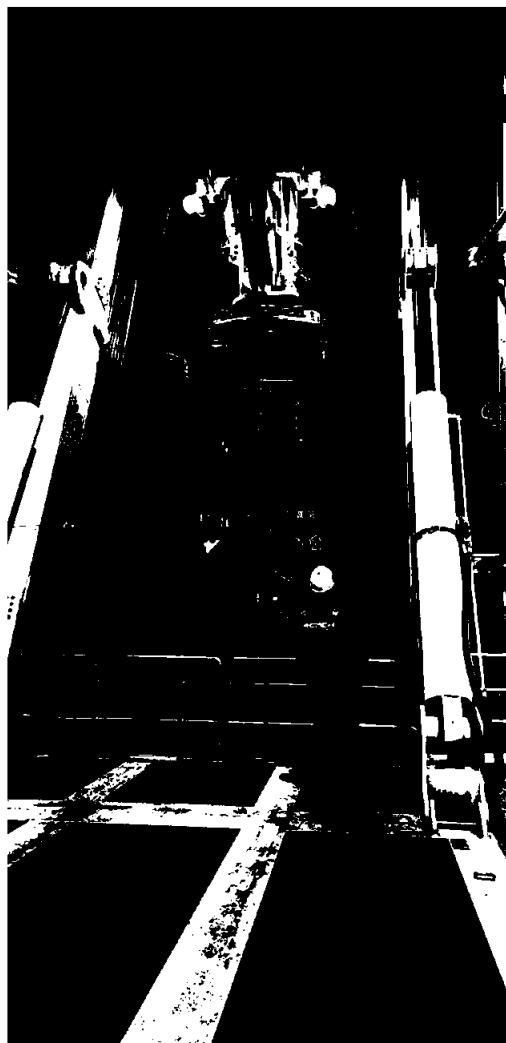
## Corporate Governance & Management

### Implementation & Reporting on Corporate Governance

#### Implementation & Regulations

Reach Subsea ASA's ("Reach Subsea" or "the company") Board of Directors (the "Board") has the ultimate responsibility for ensuring that the company practices good corporate governance and has thus prepared and approved the company's policy for corporate governance. The company, through its Board and executive management, carries out an annual review of its principles for corporate governance. Reach Subsea is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The Norwegian Accounting Act includes provisions on corporate governance which impose a duty on the company to issue an annual statement on its principles and practice for corporate governance. These provisions also stipulate minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the "Code"). Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations. The Code was last revised 17th October 2018. The Oslo Stock Exchange's Continuous Obligations for listed companies requires publicly listed companies to publish an annual statement of their policy on corporate governance in accordance with the Code in force at the time. The Continuing Obligations of listed companies are available on [www.oslobors.no](http://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](http://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. 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 has a dividend policy stating that the company aim to distribute a dividend of around 50 % of adjusted net profit. Adjusted net profit is defined as reported net profit, adjusted for special effects.

#### 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 2020, the Board had authorization to increase the share capital with NOK 2 721 932. The authorization is limited to defined purposes and expires 30th June 2021. The Board does not hold any rights to purchase own shares.

## Corporate Governance & Management

### Equal treatment of shareholders & transactions with close associates

#### Rights

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

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

#### Transactions with related parties

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





## 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 Shares.

### The General Meeting

#### The annual general meeting of Reach Subsea ASA

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

#### Preparations for the AGM

The Annual General Meeting is normally held before 31st May every year and at least by 30 June, which is the latest date permitted by company law.

The notice calling the AGM is made available on the Company's website, [www.reachsubsea.no](http://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.

## Corporate Governance & Management

### The General Meeting - cont.

#### Agenda and conduct of the AGM

The Board decides the agenda for the AGM and the agenda shall be described in the notice. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act § 5-6 and Article 5 of the articles of association of Reach Subsea ASA. The Board may propose a person independent of the Company and the Board to chair the General Meetings, ensuring that the AGM has an independent chairperson in accordance with the recommendations of the Code.

Members of the Board Nomination Committee and Auditors are present at the Annual General Meeting, but normally the full Board has not participated. Matters on the agenda have so far not created a need for this. The chairman of the Board and the Managing Director are always present to answer questions. The AGM minutes are published by issuing a stock exchange announcement, and are also made available on the Company's website at [www.reachsubsea.no](http://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)
- Sverre Meling
- Didrik Leikvang

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 7 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](http://www.reachsubsea.no)

The Board does not include any members from the Company's executive Management team and all the members are considered independent of the Company's material business contacts. 70 % of the members of the Board are considered independent of the Company's main shareholder.



## 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-to-day operations of the Company. Further details on the duties of the Board are included in the instructions to the Board. All members of the Board receive information about the Company's operational and financial development on a monthly basis. The Company's strategies shall regularly be subject to review and evaluation by the Board. The Board evaluates its work on an annual basis. The Board of the Company has appointed an audit committee consisting of three Board members. The Board may from time 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.

## 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.
- Monitoring services provided by the auditors other than audit.
- Establishing and evaluating procedures for the correct handling and registering of complaints relating to financial reporting, accounting, internal control and statutory audit.



## 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.



## 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](http://www.newsweb.no) as well as the company's website, [www.reachsubsea.no](http://www.reachsubsea.no)

Reach Subsea publishes its preliminary annual results 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 capital 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.

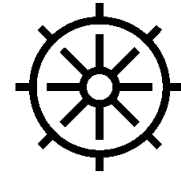
The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines etc. At least one time per year, the Board and 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 Board's Audit Committee shall have the authority to enter into agreements in respect of such counselling assignments. The Audit Committee has delegated a limited authority to the company's CFO, where use of such limited authority is monitored by the Audit Committee. 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.

## Featured Project #1



# Metrology

### Vessel

Topaz Tiamat

### Client

Saipem

### Location

UK

### Period

4Q 2020

### Water Depth

50 m



### Metrology measurement with WROV

From November to December 2020, Reach Subsea was contracted by Saipem Ltd to perform Metrology measurement of the planned tie in spool route of the 20" Gas Export and 3" Methanol Pipeline to the Tolmount Main Platform.

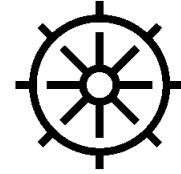
The vessel Topaz Tiamat, equipped with 2 x Kystdesign WROV was mobilised for the project, which included Cleaning of risers and lay down head, MBES Survey, Digiquartz Survey, Metrology Frame installation and Photogrammetry.



The North Sea



## Featured Project #2



# IMR support

### Vessel

Topaz Tiamat

### Client

Wintershall DEA

### Location

The North Sea

### Period

2Q 2020

### Water depth

140 - 380 m



### Survey, Inspection and Installation

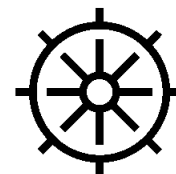
The objective was to perform a variety of subsea tasks at Maria, Vega and Brage. The work involved use of two Supporter WROV's, one in construction mode and one in survey mode.

Reach Subsea was supported with a MMT Sweden offline survey processing team. The crew celebrated Norway's National Day (17th of May) onboard during this project.



The North Sea

## Featured Project #3



# Node Recovery

### Vessel

Havila Subsea

### Client

Multiclient Geophysical

### Location

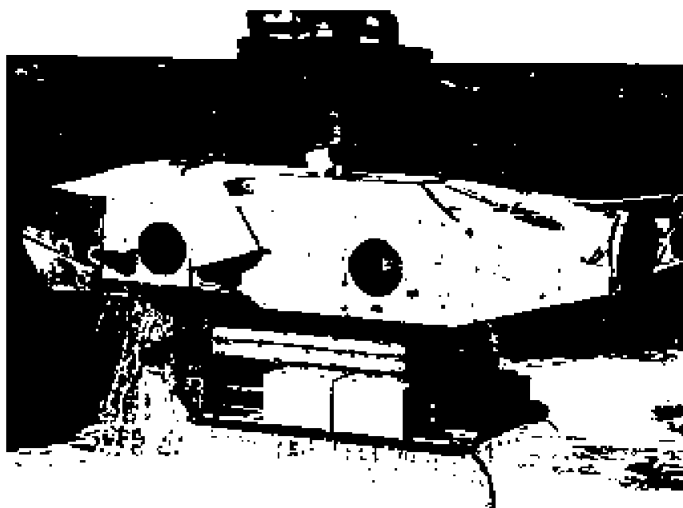
North Sea, Q35

### Period

3Q 2020

### Water depth

350 - 400 m



### Seismic Ocean Bottom Node (OBN)

Reach Subsea was chartered by MCG in September 2020 to perform seismic Ocean Bottom Node (OBN) recovery at Q35 Grosbeak south-west of the Gjøa field in the North Sea, Norwegian Sector. Magseis Fairfield was hired in by MCG to provide nodes, installation/recovery equipment and personnel for the campaign. A total of 982 OBN's installed by Olympic Artemis in July 2020 was recovered using skid interfaced WROV and skid interfaced SROV.

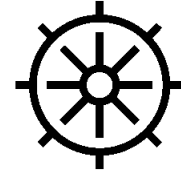
Project mobilization for the recovery phase took place in Bergen on *Havila Subsea*. 1 x HD Schilling WROV and 1 x Kystdesign Surveyor SROV was utilised together with node skids purpose-built for the task of installing and recovering nodes from the seabed.

The OBN recovery campaign was performed with great efficiency, no downtime, no HSEQ incidents and a satisfied client. The photo illustrates SROV with Node skid.



The North Sea, Q35

## Featured Project #4



# Offshore Decommissioning

### Vessel

Havila Subsea

### Client

AF Offshore Decom / Chryssator

### Location

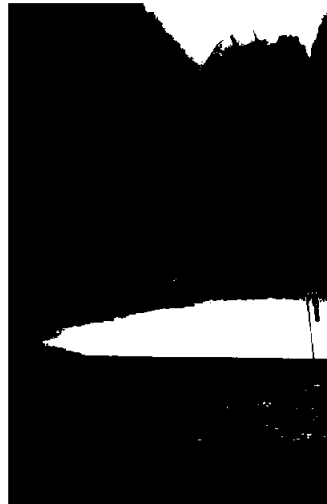
UK, L.O.G.G.S field

### Period

2Q 2020

### Water depth

30 m



### Preparation campaign with Project Management

On behalf of Client AF Offshore Decom, Reach subsea performed a preparation campaign prior to AF Offshore Decom's future decommissioning of platforms at the L.O.G.G.S. field. Reach Subsea provided Project Management and Engineering services, construction crew, ROV services and tooling.

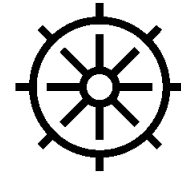
The work consisted of:

- GVI of jackets risers and mudmats
- CVI incl. cleaning of cut locations
- Dredging inside piles with purpose built internal dredging tool
- Pile securing (pinning)



The North Sea, L.O.G.G.S field

## Featured Project #5



# Hywind Offshore Wind Farm

### Vessel

Topaz Tiamat

### Client

Equinor

### Location

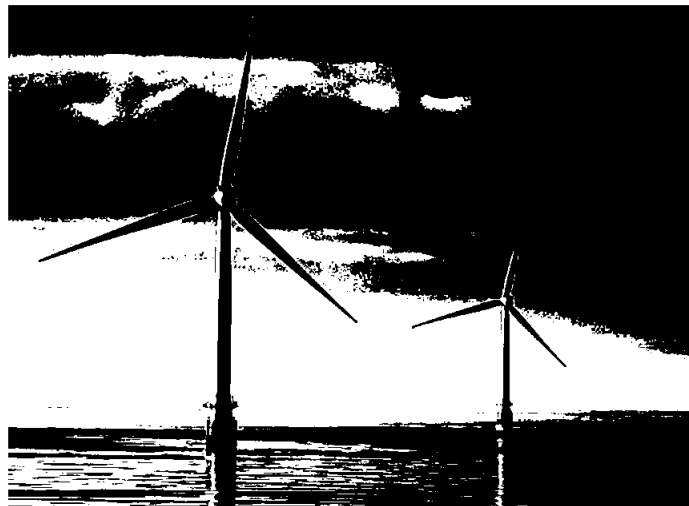
UK

### Period

2Q 2020

### Water Depth

120 m



### Inspection and survey

Inspection and survey campaign executed by our project organization in Norway in close cooperation with our cooperation partners MMT Sweden and our inspection team in UK.

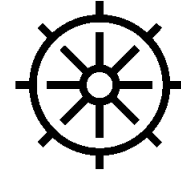
The project had strong focus on mitigating risk related to crew change and transportation of equipment despite the early phase of the COVID-19 pandemic with all its uncertainties.



UK



## Featured Project #6



# Survey of planned route for seabed cable

### Vessel

Havila Subsea

### Client

MMT Sweden/REE

### Location

Spain

### Period

4Q 2020

### Water Depth

0 - 1500 m



### Metrology measurement with SROV

From October to December 2020, Reach Subsea and MMT Sweden was contracted by REE Spain for a cable route survey of a planned interconnector between the Spanish Mainland and the island of Mallorca, aimed to link up the two electricity grids.

The project consisted of a geophysical survey using the Surveyor Interceptor ROV equipped with Multibeam, Sidescan and Sub Bottom Profiler sensors.

The campaign was performed well with high efficiency, low downtime, no HSEQ incidents and a satisfied client.



Balearic Sea, Spain



# Financial Statements

Reach Subsea ASA Group



## Profit & Loss

### Consolidated statement of comprehensive income

(NOK 1000)	2020	2019	NOTES
Continuing operations			
Revenues	618 870	508 337	5, 25
Other income/losses	9 160	194	
<b>Operating income, in total</b>	<b>628 030</b>	<b>508 531</b>	
OPERATING EXPENSES			
Procurement expenses	(169 972)	(184 140)	
Depreciation	(208 386)	(187 728)	13, 24
Impairment	(7 505)	-	13
Personnel expenses	(111 422)	(90 552)	7
Other operating expenses	(79 429)	(62 433)	6, 7
<b>Operating cost, in total</b>	<b>(576 714)</b>	<b>(524 853)</b>	5
<b>Operating result</b>	<b>51 317</b>	<b>(16 322)</b>	
Financial income and Financial expenses			
Interest income	149	680	8
Interest expense	(6 576)	(11 452)	8
Other financial items	(3 274)	(5 200)	
<b>Finance income - net</b>	<b>(9 701)</b>	<b>(15 972)</b>	
Share of profit of investments accounted for using the equity method	1 487	(3 391)	12
<b>Profit (loss) before taxes</b>	<b>43 103</b>	<b>(35 685)</b>	
Taxes	-	(24)	9
<b>Profit (loss) for the year</b>	<b>43 103</b>	<b>(35 709)</b>	
OTHER COMPREHENSIVE INCOME:			
Items that may be subsequently reclassified to profit or loss			
Translation differences	684	(699)	
Cash flow hedges - net of tax	-	-	
<b>Total comprehensive income for the year</b>	<b>43 787</b>	<b>(36 408)</b>	
Profit attributable to:			
Owners of the Company	43 787	(36 408)	16
Earnings (loss) per share	0.31	(0.25)	10
Diluted result (loss) per share	0.31	(0.25)	10

The notes on page 52 to 90 are an integral part of these financial statements.



## Financial Position

### Consolidated statement of financial position

(NOK 1000)	2020	2019	NOTES
Assets			
Non-current assets			
Property, plant and equipment	90 103	247 802	13
Investments in joint ventures	22 772	21 285	12
Deferred tax asset	8 161	8 161	9
Non-current assets, in total	121 036	277 247	
Current assets			
Bunkers	1 376	6 696	
Trade receivables	90 783	59 154	14, 19
Other current receivables	44 422	63 625	14
Cash and cash equivalents	105 396	38 657	15
Current assets, in total	241 978	168 131	
Total assets	363 014	445 378	
Equity and liabilities			
Equity			
Share capital	143 606	143 546	16
Share premium	83 529	105 025	
Proposed dividends	21 541	-	
Other equity	(38 522)	(82 740)	
Equity, in total	210 154	165 831	
Non-current liabilities			
Interest-bearing debt to credit institutions	12 731	25 216	19, 20
Interest-bearing debt, other (related to IFRS 16)	-	58 784	24
Non-current liabilities, in total	12 731	83 999	
Current liabilities			
Trade payables	65 055	53 984	18, 19
Taxes, payables	-	-	9
Public duties a.o.	7 237	5 231	18
Interest-bearing debt to credit institutions	12 859	16 023	19, 20
Interest-bearing debt, other (related to IFRS 16)	15 766	82 497	24
Other current liabilities	39 212	37 814	18, 20, 22
Current liabilities, in total	140 128	195 548	
Total equity and liabilities	363 014	445 378	

The notes on page 52 to 90 are an integral part of these financial statements.



## Cash Flow

### Consolidated statement of cash flow

(NOK 1000)	2020	2019	NOTES
Operations			
Operating result	51 317	(16 322)	
Paid taxes	-	(524)	9
Gain sold assets	(9 160)	(194)	13
Depreciation and amortization	208 386	187 728	13, 24
Impairment	7 505	-	13, 24
Change in trade debtors	(31 629)	113 917	
Change in trade creditors	11 071	(31 268)	
Change in other provision	30 770	(63 345)	
Share option cost employees	432	1 035	
<b>Net cash flow from operating activities (1)</b>	<b>268 691</b>	<b>191 026</b>	
Investments			
Sale of fixed assets	-	6 794	13
Purchase of fixed assets	(2 118)	(33 908)	13
<b>Net cash flow from investment activities (2)</b>	<b>(2 118)</b>	<b>(27 114)</b>	
Financing			
Net financial items paid	(2 176)	(1 726)	
Payment of dividends	-	(10 048)	
Repayment of borrowings and leases, including IFRS 16	(197 996)	(177 231)	19, 24
<b>Net cash flow from financing activities (3)</b>	<b>(200 172)</b>	<b>(189 005)</b>	
<b>Net cash flow for the year (1+2+3)</b>	<b>66 401</b>	<b>(25 093)</b>	
Cash and cash equivalents 1/1	38 657	63 277	
Translation differences	339	473	
Cash and cash equivalents 31/12	105 396	38 657	

The notes on page 52 to 90 are an integral part of these financial statements.



## Equity

### Consolidated statement of changes in equity

(NOK 1000)	Other Equity					
	Share capital	Share premium	Proposed dividends	Other reserves	Retained earnings	Total
Equity 1 January 2020	143 546	105 025	-	6 225	(88 966)	165 831
Profit for the year	-	-	-	-	43 103	43 103
Other comprehensive income for the year	-	-	-	-	684	684
Total comprehensive income for the year	-	-	-	-	43 787	43 787
Proceeds from shares issued, not registered	60	45	-	-	-	105
Proposed dividends	-	(21 541)	21 541	-	-	-
Employee share options	-	-	-	432	-	432
Equity 31 December 2020	143 606	83 529	21 541	6 657	(45 180)	210 154
Equity 1 January 2019	143 546	105 025	10 048	5 190	(52 558)	211 249
Profit for the year	-	-	-	-	(35 709)	(35 709)
Other comprehensive income for the year	-	-	-	-	(699)	(699)
Total comprehensive income for the year	-	-	-	-	(36 408)	(36 408)
Proceeds from shares issued	-	-	-	-	-	-
Dividends paid	-	-	(10 048)	-	-	(10 048)
Employee share options	-	-	-	1 035	-	1 035
Equity 31 December 2019	143 546	105 025	-	6 225	(88 966)	165 831

Haugesund, 25th March 2021

**Rachid Bendriss**  
Chairperson of the Board

**Kåre Johannes Lie**  
Deputy Chairperson of the Board

**Martha Kold Bakkevig**  
Board member

**Kristine Skeie**  
Board member

**Ingunn Øiveland**  
Board Member

**Sverre B. Mikkelsen**  
Board member

**Anders Onarheim**  
Board member

**Jostein Alendal**  
Managing Director

The notes on page 52 to 90 are an integral part of these financial statements.



# Notes

## Note 1 General Information

Reach Subsea ASA is the parent company in the Group and is domiciled in Norway, with office address Garpeskjærvegen 2, 5527 Haugesund. The Group has a Branch in Trinidad & Tobago. The company's consolidated financial statements for the 2020 financial year covers Reach Subsea ASA and its subsidiaries Reach Subsea AS, Connect Offshore AS, Reach International AS, Reach Subsea Inc and Reach Subsea UK Ltd.

## Note 2 Summary of significant accounting policies

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

### Basis of preparation

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

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

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

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



## Notes

### New & amended standards adopted by the Group

#### A. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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

- Annual Improvements to IFRS Standards 2018-2020 Cycle

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### New standards & interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### Basis of consolidation

#### SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of Reach Subsea ASA, and entities controlled by Reach Subsea ASA. Control is achieved where Reach Subsea ASA is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

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

#### NON-CONTROLLING INTERESTS

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

#### ASSOCIATES

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

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

## Notes



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

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

### JOINT ARRANGEMENTS

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

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which

includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The group has two segments, Oil & Gas and Renewable/Other.

### Foreign currency translation

#### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Group presents its financial statements in NOK. The functional currency of the consolidated entities in the Group is the currency of the primary economic environment in which the entity operates. All Norwegian companies have NOK as functional currency. The branch and Reach Subsea Inc have USD as functional currency, and Reach Subsea UK Ltd has GBP 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



## Notes

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

- Furniture, fittings and equipment 3-8 years
- ROVs 3-8 years

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

### Impairment of non-financial assets

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

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

### Onerous contracts

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

### Leases

#### ACCOUNTING AS LESSEE

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

Short term leases (lease term 12 month or less) and assets that are leased for more than 12 months, but where the lease terms do not contain any commitments ("pay-as-you-go"), are also capitalized as right-of-use assets and depreciated. The impact is that, all cost in relation to leases of vessels and ROVs are classified as depreciation and interest expense. Vessels and ROVs with a "pay-as-you-go" lease structure are treated as short term leases, where the lease expenses are classified as depreciation, and where the lease is capitalized at the balance sheet date only to the extent a commitment is incurred at the reporting date.

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

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

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

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

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

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.



## Notes

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

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

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

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

### ACCOUNTING AS LESSOR

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Finance lease income is allocated to accounting periods

so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

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

### Bunkers

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

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

### Financial assets

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

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

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

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.



## Notes

### FINANCIAL ASSETS AT FVTPL

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

### FINANCIAL ASSETS AT AMORTIZED COST

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

### FINANCIAL ASSETS AT FVOCI

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

### DERECOGNITION

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### IMPAIRMENT

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

### DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

The Group has currently not applied hedge accounting for any hedging activities.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### Trade receivables

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

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

### Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. 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.



## Notes

### Trade payables

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

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

### Taxes

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

### Borrowings

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

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

### Borrowing costs

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

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

### 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



## Notes

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution.

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

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

### Provisions, contingent liabilities and contingent assets

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

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

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

### Recognition of revenue

#### GENERAL

Revenue from sale of services is recognized in accordance with IFRS 15. Revenues are shown net of value added tax and discounts.

#### SALES OF SERVICES

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

For sales of services under fixed rate contracts, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. For other services, revenue is recognized based on the agreed rate as the services are rendered. The transaction price for day-rate contracts is determined by the expected value approach being the number of scheduled days multiplied with dayrate. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. For contracts with pricing elements that need to be estimated, revenue is recognised at best estimate only



## Notes

when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

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

Incremental costs of obtaining a contract is recognized as an asset if we expect to recover these costs. However, incremental costs are limited to the costs that would not have incurred if the contract had not been successfully obtained. No such cost has been recognized in 2020.

### REVENUE FROM LEASES

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

### Cash flow statement

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

### Going concern

The annual accounts are prepared on the assumption of a going concern. This assumption is based on the Group's budget for the year 2021 including the Business Plan, the cash flow forecast and the contract log. Refer to further information on going concern in Note 4.

## Note 3 - Financial Risk Management

### 3.1 Financial Risk Factors

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

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

### 3.1.1 Market Risk

#### FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NOK, USD, GBP and EUR. Foreign exchange risk arises from future commercial transactions and recognized assets or liabilities. Potential currency fluctuations are taken into account during the tendering phase. Long term contracts in a foreign currency will be considered hedged to be consistent with the currency of costs. All debt is in NOK, except from the calculated liability in 2019 related to committed days on Topaz Tiamat, in accordance with IFRS 16, which was in USD.

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

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



## Notes

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

	Increase / decrease in USD	Effect on profit before tax
2020	5 %	1 703 073
2019	5 %	5 435 426

	Increase / decrease in EUR	Effect on profit before tax
2020	5 %	306 022
2019	5 %	984 559

	Increase / decrease in GBP	Effect on profit before tax
2020	5 %	1 484 104
2019	5 %	315 492

### PRICE RISK

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

- The demand for ROV units is sensitive to changes in the offshore energy industry, for example oil price developments, fluctuation in production levels, exploration results and general activity levels. Market fluctuations may affect asset utilization and earnings.
- The cost of construction of future units is sensitive to changes in market prices of the input factors.

### 3.1.2 Credit Risk

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

### 3.1.3 Liquidity Risk

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

The Group entered into a one year bank overdraft agreement in February 2020, securing access to NOK 20 million in excess funds. The agreement was extended for six months from February 2021.

Further extensions will be considered based on liquidity position and needs at expiry date.

As the Group's business is capital intensive, the Group may need to raise additional funds in the future to execute the Group's strategies. The Group's loan agreement, and bank overdraft agreement include terms, conditions and covenants.

The Group monitors its future liquidity positions on an ongoing basis, with monthly reports on cash flow forecasts and covenants.

### 3.1.4 Cash Flow and Fair Value Interest Rate Risk

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

### 3.1.5 Capital Management

The Group's objectives when managing capital are to:

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



## Notes

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.

#### Going concern

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

#### Impairment of property, plant and equipment

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



## Notes

### 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 extend 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.



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## Notes

### Note 5 - Segment information

(NOK 1000)	2020	2019
Revenue		
Oil & Gas	473 389	472 943
Renewable / other	154 641	35 589
<b>Total</b>	<b>628 030</b>	<b>508 531</b>
Operating expense		
Oil & Gas	(434 708)	(488 122)
Renewable / other	(142 005)	(36 731)
<b>Total</b>	<b>(576 714)</b>	<b>(524 853)</b>
Operating result		
Oil & Gas	38 681	(15 180)
Renewable / other	12 636	(1 142)
<b>Total</b>	<b>51 317</b>	<b>(16 322)</b>
EBITDA Earnings before Interest, Taxes, Depreciation & Amortization		
Oil & Gas	201 412	159 410
Renewable / other	65 795	11 996
<b>Total</b>	<b>267 207</b>	<b>171 406</b>

All assets and liabilities are used jointly in all segments.

### Note 6 - Other operating costs specified

(NOK 1000)	2020	2019	NOTES
Rental cost	3 046	1 857	22
Consultant cost	42 272	22 796	
Operating equipment and maintenance	14 560	6 992	
Administration costs	19 550	30 789	
<b>Other operating costs, in total</b>	<b>79 429</b>	<b>62 433</b>	



## Notes

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

#### Wages and social costs

(NOK 1000)	2020	2019
Salaries	91 263	72 416
Social security tax	12 368	11 777
Pensions	6 078	5 187
Other benefits	1 278	139
Option cost	436	1 035
<b>Wages and social costs, in total</b>	<b>111 422</b>	<b>90 552</b>
Number of man-year	105	95

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

### Compensation and benefits to management

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

Compensation to CEO, CFO, CCO and COO is specified below:

(NOK 1000)	Salary	Pension costs	Other comp	Share options /granted
<b>2020</b>				
Jostein Alendal, Managing Director CEO	1 531	87	100	-
Birgitte W. Johansen, CFO	1 327	85	100	-
Bård Thuen Høgheim, CCO	1 327	80	100	-
Inge Grutle, COO	1 327	80	100	-
<b>Total</b>	<b>5 512</b>	<b>331</b>	<b>400</b>	<b>-</b>
<b>2019</b>				
Jostein Alendal, Managing Director CEO	1 518	84	10	300
Birgitte W. Johansen, CFO	1 290	83	10	240
Bård Thuen Høgheim, CCO	1 290	77	-	240
Inge Grutle, COO	1 290	78	10	240
<b>Total</b>	<b>5 389</b>	<b>322</b>	<b>30</b>	<b>1 020</b>

Managing director has no agreement regarding early retirement. Managing director will receive 1 500 000 NOK in payment if employment is terminated. CFO has no agreement regarding early retirement and no agreement on payment in case of termination of employment.



## Notes

### Note 7 - Continued The Board's remuneration

(NOK 1000)	Position	2020	2019
Rachid Bendriss	Chairman of the Board *	180	-
Kåre Johannes Lie	Vice-Chairman of the Board	423	310
Anders Onarheim	Board member	263	150
Martha K. Bakkevig	Board member (from May 2020)	100	-
Merete Haugli	Board member (until May 2020)	-	150
Sverre B. Mikkelsen	Board member	338	185
Kristine Skeie	Board member	263	150
Ingunn Ø. Iveland	Board member (from May 2020)	280	-

\*Rachid Bendriss was elected as Chairman of the Board in May 2020.

### The Auditors remuneration

(NOK 1000)	2020	2019
Auditing	1 384	1 352
Attestation services	-	-
Tax advice*	332	504
Other assistance*	836	316
<b>Total</b>	<b>2 552</b>	<b>2 171</b>

All amounts are exclusive of value added tax. \*Included in tax advice and other assistance are services from Advokatfirmaet PricewaterhouseCoopers AS with the amount of NOK 73 046 (2019: 496 482).



## Notes

### Note 7 - continued Shares owned by the board of directors and others

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

		2020	
		Shares	Stake
NORTH ENERGY ASA	Partly owned by Rachid Bendriss (COB) and Anders Onarheim (Board member)	46 126 567	32.1 %
JOSO INVEST AS	Owned by Kåre Johannes Lie (Board member)	7 564 589	5.3 %
JT INVEST AS	Partly owned by Jostein Alendal (CEO)	5 529 539	3.9 %
A-Å INVEST AS	Owned by Åge Nilsen (management)	1 938 725	1.4 %
SMS INVESTERING AS	Owned by Svein Magne Storesund (management)	1 652 366	1.2 %
INVICTA INVEST AS	Partly owned by Inge Grutle (management)	909 179	0.6 %
KOLD INVEST AS	Owned by Martha Kold Bakkevig (Board member)	867 181	0.6 %
TYRIHANS MANAGEMENT	Owned by Sverre B Mikkelsen (Board member)	376 250	0.3 %
BIRGITTE WENDELBO JOHANSEN	Management	139 050	0.1 %
BÅRD THUEN HØGHEIM	Management	450 625	0.3 %
SVERRE B. MIKKELSEN	Board Member	85 925	0.1 %
JOSTEIN ALENDAL	CEO	50 000	0.0 %
INGUNN ØVERENG IVELAND	Board Member	30 000	0.0 %
<b>Total</b>		<b>65 689 996</b>	<b>45.7 %</b>



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## Notes

### Note 8 - Finance income and expenses

(NOK 1000)	2020	2019
Interest income on short term bank deposits	149	680
<b>Total interest income</b>	<b>149</b>	<b>680</b>
Interest expense on bank borrowings	(1 410)	(1 960)
IFRS 16 interest expense	(4 252)	(9 046)
Other interest expense	(915)	(446)
<b>Total interest expense</b>	<b>(6 576)</b>	<b>(11 452)</b>
Foreign exchange income	12 464	7 733
Foreign exchange expense	(14 532)	(12 545)
Other finance costs	(1 205)	(388)
<b>Total Other finance items</b>	<b>(3 274)</b>	<b>(5 200)</b>
<b>Net finance items</b>	<b>(9 701)</b>	<b>(15 972)</b>



## Notes

### Note 9 - Taxes

(NOK 1000)	2020	2019
Taxes		
Taxes payable	-	24
Changes in deferred taxes	-	-
<b>Taxes, in total</b>	<b>-</b>	<b>24</b>

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

Deferred taxes / (deferred tax assets)

Temporary differences:

Other fixed assets	(9 288)	8 389
Financial leases	13 268	13 568
Fixed-price contracts	-	-
Accruals	(3 761)	(3 160)
Tax loss carried forward	(167 180)	(226 114)
<b>Temporary differences, in total</b>	<b>(166 961)</b>	<b>(207 317)</b>
Deferred tax assets	(36 731)	(45 610)
Not recognized deferred tax assets	(28 570)	(37 448)
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	43 103	(35 685)
Nominal tax rate	22 %	22 %
<b>Anticipated income tax due to nominal tax rate</b>	<b>9 483</b>	<b>(7 851)</b>
Actual tax cost	-	25
Deviation	(9 483)	7 876
Tax effects of:		
Permanent differences	(604)	2 147
Carry forward tax loss not recognized	(8 878)	5 729
Explanation	(9 483)	7 876
<b>Effective tax rate</b>	<b>0 %</b>	<b>0 %</b>



## Notes

### Note 10 - Earnings per share

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

(NOK 1000)	2020	2019
Profit (loss) - attributable to the owners (NOK 1000)	43 787	(36 408)
Basic profit (loss) per share (NOK)	0.31	(0.25)
Diluted profit (loss) per share (NOK)	0.31	(0.25)
Average numbers of shares	143 546 172	143 546 008
Average diluted number of shares for EPS	143 546 172	145 291 828
Number of shares 1/1	143 546 008	143 546 008
Number of shares 31/12	143 606 008	143 546 008

### Note 11 - Shares in subsidiaries

Company	Business office	Voting rights and ownership
Reach Subsea AS	Haugesund, NO	100 %
Connect Offshore AS (100 % owned by Reach Subsea AS)	Haugesund, NO	100 %
Reach Subsea International AS (100 % owned by Reach Subsea AS)	Haugesund, NO	100 %
Reach Subsea Inc (100 % owned by Reach Subsea International AS)	Delaware, USA	100 %
Reach Subsea UK Ltd (100 % owned by Reach Subsea International AS)	Scotland, UK	100 %

### Note 12 - Investments in joint ventures

Nature of investment in joint ventures

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

Surveyor AS owns two "Surveyor Interceptors" and leases the ROVs to 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 (continued)

Summarised balance sheet (NOK 1000)	2020	2019
Cash and cash equivalents	9 946	5 572
Other current assets	20 279	18 092
<b>Total current assets</b>	<b>30 224</b>	<b>23 664</b>
Non-current assets	46 814	53 111
Other current liabilities	6 479	3 015
<b>Total current liabilities</b>	<b>6 479</b>	<b>3 015</b>
Financial liabilities	24 607	31 191
<b>Total non-current liabilities</b>	<b>24 607</b>	<b>31 191</b>
<b>Net assets</b>	<b>45 952</b>	<b>42 569</b>
Reconciliation to carrying amounts (NOK 1000)	2020	2019
Opening assets 1 January	42 569	49 352
Foundation	-	-
Capital increase	-	-
Profit/(loss) for the period	3 383	(6 783)
<b>Closing net assets</b>	<b>45 952</b>	<b>42 569</b>
Group's share in %	50 %	50 %
Group's share in NOK	22 976	21 285
Eliminated profit on transactions with joint venture	(204)	-
<b>Carrying amount</b>	<b>22 772</b>	<b>21 285</b>
Summarised statement of comprehensive income (NOK 1000)	2020	2019
Revenue	21 890	8 473
Interest income	547	537
Depreciation and amortisation	(12 331)	(11 430)
Other operating expenses	(5 107)	(2 966)
Interest expense	(1 616)	(1 396)
Income tax expense	-	-
<b>Profit for the period</b>	<b>3 383</b>	<b>(6 783)</b>
The amounts recognised in the income statement are as follows:		
Share of profit of investments accounted for using the equity method	1 691	(3 391)
Eliminated profit on transactions with joint venture	(204)	-
<b>At 31 December</b>	<b>1 487</b>	<b>(3 391)</b>



## Notes

### Note 13 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	ROV leased from financial institutions	Right of use asset Vessels and other equipments*	Equipment & office machinery	Total
<b>Year ended 31 December 2020</b>					
Opening net book amount	71 421	37 306	133 203	5 976	247 802
Additions	2 118	-	133 666	-	135 785
Disposals	(3 781)	(138)	(71 028)	(2 750)	(77 694)
Depreciation	(18 211)	(13 193)	(174 802)	(2 180)	(208 386)
Impairment	-	-	(7 505)	-	(7 505)
Closing net book value	51 547	23 976	13 533	1 046	90 103
<b>At 31 december 2020</b>					
Cost 1.1.20	141 086	115 884	328 578	18 884	604 432
Additions	2 118	-	133 666	-	135 785
Other reclassification	-	-	-	-	-
Disposals at cost	(9 951)	(138)	(328 214)	(6 800)	(345 103)
Cost 31.12.20	133 253	115 746	134 029	12 084	395 111
Accumulated depreciation 1.1.20	(69 665)	(78 577)	(195 375)	(12 908)	(356 525)
Depreciation	(18 211)	(13 193)	(174 802)	(2 180)	(208 386)
Depreciation disposed assets	6 170	-	257 186	4 050	267 406
Accumulated depreciation 31.12.20	(81 706)	(91 770)	(112 991)	(11 038)	(297 505)
Accumulated impairment 1.1.20	-	-	-	-	-
Impairment	-	-	(7 505)	-	(7 505)
Accumulated depreciation 31.12.20	-	-	(7 505)	-	(7 505)
Book value	51 547	23 976	13 533	1 046	90 103
Depreciation plan/useful life	3 - 8 years	3 - 8 years	1-3 years	3 years	
Depreciation method	linear	linear	linear	linear	

\* See note 24 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 (continued)

(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
<b>Year ended 31 December 2019</b>					
Opening net book amount	60 512	51 579	88 970	7 925	208 986
Additions	33 088	-	204 463	820	238 371
Disposals at cost	(2 897)	(3 702)	-	-	(6 600)
Adjustment of commitment	-	-	(5 238)	-	(5 238)
Other reclassification	-	-	-	-	-
Depreciation	(19 278)	(10 570)	(155 110)	(2 769)	(187 728)
<b>Closing net book value</b>	<b>71 421</b>	<b>37 306</b>	<b>133 203</b>	<b>5 976</b>	<b>247 802</b>
<b>At 31 december 2019</b>					
Cost	141 086	115 884	328 578	18 884	604 431
Accumulated depreciation	(69 665)	(78 577)	(195 375)	(12 908)	(356 525)
<b>Book value</b>	<b>71 421</b>	<b>37 306</b>	<b>133 203</b>	<b>5 976</b>	<b>247 802</b>
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 76.6 million (2019: 114.7 million). See also note 20 Borrowings.

#### Impairment

During 2020 the world has been significantly affected by the COVID-19 virus outbreak. There has also been a decline in oil price. Both of these events are considered to be impairment indicators. The Group has also identified internal indicators related to utilization of certain assets. Impairment testing in Q2 2020 resulted in an impairment charge of NOK 7.5 million. An updated impairment testing at year end did not result in any additional impairment or reversals.

**Discount rate:** The discount rate is based on the Weighted Cost of Capital (WACC) pre tax for the Group. The discount rate is 9.0 %.

**Revenue assumptions:** The revenue assumption in the cash flow forecast is based on a combination of utilisation for assets and selling price. Utilisation is based on firm contractual days on a short to medium term and estimated future selling on a medium to longer term. Forecasted utilisation on a longer term is based on historical data, as well as managements expectations of market development. Forecasted selling rates are based on historical data. No inflation adjustments have been made to revenue assumptions.



## Notes

### Note 13 - Property, plant and equipment (continued)

**Right-of use-assets - vessels:** The right-of-use assets at 31 December 2020 represents the remaining committed vessel days on charter agreement for Olympic Challenger, expiring Q1 2021. The impairment testing resulted in an impairment of NOK 7.5 million. The recoverable amount for the asset was based on estimated future cash flows for the vessel. Sensitivity analysis show that a 20% drop in estimated future revenue would result in an additional impairment of NOK 1.5 million. An increase in WACC of 2 percentage points will not result in any additional impairment due to the short remaining lifetime of the asset.

See note 24 for further information on Right-of-use assets.

**ROV and ROV equipment:** Impairment testing has been performed on each ROVs CGU, i.e. both owned and leased ROVs. Other assets, such as activated mobilisation costs and other ROV equipment is not included in the impairment

test as these assets do not have impairment indicators.

The recoverable amount is based on estimated future cash flows, which is based on estimated selling price, budgeted maintenance cost and utilisation. The impairment testing demonstrated that the assets recoverable amount is larger than book value, and as such no impairment charge is required. The recoverable amount is sensitive to utilisation and selling rate assumptions. Sensitivity analysis show that a 20% drop in revenue for all ROV CGU's would result in an impairment charge of NOK 8.2 million. An increase in WACC of 2 percentage points will not result in any impairment.

**Sensitivity on total fixed assets**

Drop in estimated utilisation	Recoverable amount:
10%	1 789
20%	9 735
30%	20 434

### Note 14 - Trade and other receivables

(NOK 1000)	2020	2019
Trade receivables	90 783	59 154
Less: provision for impairment of trade receivables	-	-
Trade receivable net	90 783	59 154
Prepayments	3 780	4 713
Revenue recognised, not billed	40 529	58 912
Other receivable	114	-
Current portion	135 206	122 779
Non-current positions	-	-

All non-current receivables are due within five years from the end of the reporting period.

The fair values of trade and other receivables are as follows:

Trade receivable	90 167	58 376
Receivables from related parties	616	778
Loans to related parties	-	-
<b>Total trade receivables</b>	<b>90 783</b>	<b>59 154</b>



## Notes

### Note 14 - Trade and other receivables

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	2020	2019
Balance 1/1	-	-
The years allocation of losses	-	-
The years stated losses	-	-
Reversal of earlier allocations	-	-
Balance 31/12	-	-

As of 31.12., the Group had the following trade receivables which was due, but not been paid:

Trade receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 360 d
2020	90 783	48 537	16 961	25 710	145	(570)
2019	59 154	27 828	14 415	17 590	(1 056)	377

Based on previous experience with customers and assessment of initial credit risk and expected credit losses as at 31 December 2020, there is no allowance for receivables in 2020. The main portion of overdue receivables has been paid after balance sheet date.

Trade receivables COUNTER PARTY WITHOUT EXTERNAL CREDIT RATING	2020	2019
Group 1	10 944	4 330
Group 2	79 839	54 824
Group 3	-	-
Total trade receivables	90 783	59 154

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)	2020	2019
NOK	64 827	20 241
EUR	564	14 076
USD	12 840	22 427
GBP	12 552	2 411
Total	90 783	59 154



## Notes

### Note 15 - Cash and cash equivalents

(NOK 1000)	2020	2019
Cash and cash equivalents in NOK	61 990	26 129
Cash and cash equivalents in USD	33 133	3 985
Cash and cash equivalents in EUR	233	8 464
Cash and cash equivalents in GBP	10 041	78
Restricted cash equivalence hereof	-	-
Cash and cash equivalents, in total	105 396	38 657

The company also has restricted cash related to withheld tax of NOK 4 438 in 2020 (2019: NOK 3 073).

The Group entered into a bank overdraft agreement in 2019. As at 31.12.20 the Group had NOK 20 million in unused drawing rights. The agreement expires in August 2021.

Rating on banks for cash

A-	105 348	38 657
BBB-	48	-
Total cash and cash equivalents	105 396	38 657



## Notes

### Note 16 - Share capital and information about shareholders

The 20 largest shareholders as of 31.12.2020	Shares	Stake
1. NORTH ENERGY ASA	46 126 567	32 %
2. VERDIPAPIRFONDET EIKA NORGE	10 285 650	7 %
3. JOSO INVEST AS	7 564 589	5 %
4. HOLME HOLDING AS	5 910 000	4 %
5. JT INVEST AS	5 529 539	4 %
6. NORMAND DRIFT AS	5 000 000	3 %
7. Danske Invest Norge Vekst	2 820 462	2 %
8. STAVA INVEST AS	2 300 000	2 %
9. CORUNA AS	2 250 000	2 %
10. RMS INVEST AS	2 000 000	1 %
11. LION INVEST AS	2 000 000	1 %
12. TEOMAR AS	2 000 000	1 %
13. A-Å INVEST AS	1 938 725	1 %
14. ENGELSTAD	1 873 426	1 %
15. FREEMAN SHIPPING & OFFSHORE AS	1 700 000	1 %
16. SMS INVESTERING AS	1 652 366	1 %
17. NÆRINGSLIVETS HOVEDORGANISASJON	1 635 991	1 %
18. BARRUS CAPITAL AS	1 510 090	1 %
19. TEM INVEST AS	1 250 000	1 %
20. CASTEL AS	1 248 517	1 %
20 largest	106 595 922	74 %
The rest of shareholders	37 010 086	26 %
<b>Total number of shares</b>	<b>143 606 008</b>	<b>100 %</b>

Reach Subsea's share capital amounts to NOK 143 606 008 divided into 143 606 008 shares, each with a nominal value of NOK 1. This includes 60 000 shares not yet registered.



## Notes

### Note 16 - Share capital and information about shareholders (continued)

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



## Notes

### Note 17 - Share based payments

In 2018 the Board of directors of Reach Subsea ASA approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group was 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 was 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 could be exercised over a period of three years until 31.12.2020. The options were non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. The stock option plan constituted a maximum of 3 886 875 options equivalent to a similar number of Reach Subsea ASA shares. During 2020, 60 000 options were exercised. The remaining options expired 31.12.2020. During the year the Company has recognised kNOK 436 in cost related to the options. Movements in the number of share options and their related weighted average exercise prices were as follows:

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
At 1 January	1.88	1 164 944	1.88	2 329 888
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	1.75	60 000	-	-
Expired	-	1 104 944	-	1 164 944
At 31 December	-	-	1.88	1 164 944

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.



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## Notes

### Note 18 - Other current liabilities

(NOK 1000)	2020	2019
Trade payables	65 055	53 984
Liabilities to shareholders and employees	-	-
Social security and other taxes	7 237	5 231
Other current liabilities	39 212	37 814
Taxes payable	-	-
Interest-bearing debt to credit institutions	12 859	16 023
Interest-bearing debt, other (related to IFRS 16)	15 766	82 497
Current liabilities, in total	140 128	195 548



## Notes

### Note 19 - Classification of financial assets and liabilities

2020 (NOK 1000):	Financial instruments measured at amortised cost:	Financial instruments at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Fair value
Financial assets				
Trade receivables	90 783	-	-	90 783
Other receivables	44 422	-	-	44 422
Cash and cash equivalents	105 396	-	-	105 396
<b>Assets, in total</b>	<b>240 602</b>	<b>-</b>	<b>-</b>	<b>240 602</b>
Financial liabilities				
Borrowings (long & short term interest bearing debt)	41 356	-	-	41 356
Trade payables	65 055	-	-	65 055
Public duties	7 237	-	-	7 237
Other current liabilities	39 212	-	-	39 212
<b>Liabilities, in total</b>	<b>152 859</b>	<b>-</b>	<b>-</b>	<b>152 859</b>
2019 (NOK 1000):	Financial instruments measured at amortised cost:	Financial instruments at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Fair value
Financial assets				
Trade receivables	59 154	-	-	59 154
Other receivables	63 625	-	-	63 625
Cash and cash equivalents	38 657	-	-	38 657
<b>Assets, in total</b>	<b>161 436</b>	<b>-</b>	<b>-</b>	<b>161 436</b>
Financial liabilities				
Borrowings(long & short term interest bearing debt)	182 519	-	-	182 519
Trade payables	53 984	-	-	53 984
Public duties	5 231	-	-	5 231
Other current liabilities	37 814	-	-	37 814
<b>Liabilities, in total</b>	<b>279 548</b>	<b>-</b>	<b>-</b>	<b>279 548</b>



## Notes

### Note 19 - Classification of financial assets and liabilities (continued)

The following of the Group's financial instruments are measured at amortised cost: cash and cash equivalents, trade receivables, other current receivables, trade payables, other current liabilities and all interest bearing debt. The carrying amount of cash and cash 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.

Financial liabilities 2020	Remaining contractual maturities				Total
	0-180 days	180 d-1 year	1-3 years	> 3 years	
Trade payables	65 055	-	-	-	65 055
Other financial liabilities	46 448	-	-	-	46 448
Borrowings	22 626	5 999	12 731	-	41 356
Interest on borrowing	445	311	453	-	1 209
<b>Financial liabilities, in total</b>	<b>134 574</b>	<b>6 310</b>	<b>13 184</b>	<b>-</b>	<b>154 068</b>
Financial liabilities 2019	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Trade payables	53 984	-	-	-	53 984
Other financial liabilities	43 045	-	-	-	43 045
Borrowings	51 072	47 448	83 999	-	182 519
Interest on borrowing	3 408	2 265	1 875	-	7 548
<b>Financial liabilities, in total</b>	<b>151 509</b>	<b>49 713</b>	<b>85 874</b>	<b>-</b>	<b>287 096</b>

Changes in interest-bearing debt	2020	2019
Opening balance	182 519	148 745
Drawdowns	-	-
Repayment incl interest	(197 996)	(126 855)
Addition IFRS 16 lease liability opening balance	-	-
Addition IFRS 16 lease liability throughout the year	133 748	154 205
Non-cash changes:	-	-
Adjustment IFRS 16 lease liability	(86 892)	(5 238)
Currency adjustment	5 725	2 616
Accrued interest	4 252	9 046
<b>Closing balance</b>	<b>41 356</b>	<b>182 519</b>



## Notes

### Note 20 - Borrowings

(NOK 1000)	2020	2019
Non current		
Bank borrowings	7 500	12 500
Lease liabilities to credit institutions (IFRS 16)	5 231	12 716
Other lease liabilities (IFRS 16)	-	58 783
<b>Total</b>	<b>12 731</b>	<b>83 999</b>
Current		
Bank borrowings	5 000	5 000
Lease liabilities to credit institutions (IFRS 16)	7 859	11 023
Other lease liabilities (IFRS 16)	15 766	82 497
<b>Total</b>	<b>28 625</b>	<b>98 520</b>
<b>Total borrowings</b>	<b>41 356</b>	<b>182 519</b>

#### Bank borrowings

Bank borrowings mature until 2023 and bear average coupons of 4.5 % annually. The bank borrowings are subject to industry relevant covenants. At year end the Group is in compliance with all covenants. Total borrowings to bank and financial institutions includes secured liabilities (bank and collateralised borrowings) of NOK 25.6 million (2019: NOK 41.2 million). Bank borrowings are secured by equipment and receivables of the group (note 13). The carrying amounts and fair value of the borrowings are as follows:

(NOK 1000)	Carrying amount		Fair value	
	2020	2019	2020	2019
Bank borrowings	12 500	17 500	12 500	17 500
Lease liabilities to credit institutions (IFRS 16)	13 090	23 739	13 090	23 739
Other lease liabilities (IFRS 16)	15 766	141 280	15 766	141 280
<b>Total</b>	<b>41 356</b>	<b>182 519</b>	<b>41 356</b>	<b>182 519</b>

## Notes



### Note 20 - Borrowings (continued)

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)	2020	2019
Gross lease liabilities - minimum lease payments		
No later than 1 year	7 859	11 023
Later than 1 year and no later than 5 years	5 231	12 715
Later than 5 years	-	-
<b>Total instalments on lease liabilities</b>	<b>13 090</b>	<b>23 738</b>
Future finance charges on finance lease liabilities	334	1 347
<b>Total instalments and finance charges on lease liabilities</b>	<b>13 424</b>	<b>25 085</b>

There are new covenants in 2020 related to bank overdraft agreement. Refer to note 13 Property, plant and equipment for secured assets. For other lease liabilities under IFRS 16 please see note 24.

### Note 21 - Related parties

The following transactions were carried out with related parties:

(NOK 1000)	2020	2019
Revenue		
To MMT	233 262	138 737
To Surveyor AS (see note 12 for more information)	800	1 869
Cost		
To MMT	(37 935)	(25 479)
To other related parties	(720)	-
<b>Total</b>	<b>195 407</b>	<b>115 128</b>

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



## Notes

### Note 22 - Commitments

#### Operational leasing:

Costs relating to operational leases recognized in the income statement for 2020 is NOK 3.1 million, whereof NOK 1.3 million in real estate rental. The real estate rental is short term with 3 months termination notice. The Company has implemented IFRS 16 as of 1.1.2018. Please see Note 20 for Lease liabilities to credit institutions and note 24 for other lease liabilities.

The time charterparty with P&O for the vessel Topaz Tiamat was terminated early September 2020. The vessel was further hired on a pay per use charter contract until December 2020. Termination fee is under dispute, no termination fee has been recognized in the accounts.

### Note 23 - Fixed-price contracts

No fixed-price contracts was entered into in 2020.

(NOK 1000)	2020	2019
Revenue recognised from fixed-price contract	-	-
Cost recognised for fixed-price contract	-	-
Net	-	-



## Notes

### Note 24 - Leases (Group as a lessee)

Long and short term leases (committed lease term 12 months or less) of vessels and ROV's are capitalized as right-of use assets and depreciated under IFRS 16. The impact is that all cost in relation to leases of vessels/ROV's are presented as depreciation and interest expenses. No other short term leases, except for vessels and ROV's, are capitalized as right-of use assets and depreciated. As of 31.12.20, Right of use assets in the balance sheet consist of contractual commitments for vessels and estimated use in the contract period. Pay as you go contracts at the balance sheet date, with no contractual commitment, are not capitalized. The right-of use assets are calculated based on a discounted estimated commitment. Short term hired in vessels and ROV's are treated as short term leases under IFRS 16 and are also recognized as depreciations. The calculated lease liability is calculated with a discount rate of 5 %. For leases towards credit institutions please see note 20. The following tables are related to leases, except for leases towards credit institutions.

Movement schedule for right of use assets and lease liabilities (NOK 1000)	Right-of use assets	Lease liability, non-current	Lease liability, current
Opening balance 01.01.2020	133 203	58 783	82 497
Additions	62 721	-	62 721
Disposals	-	-	-
Adjusted commitment	(71 027)	-	(86 892)
Depreciation	(103 857)	-	-
Impairment	(7 505)	-	-
Interests	-	-	4 252
Reclassified from long to short term	-	(58 783)	58 783
Currency adjustments	-	-	5 725
Payments	-	-	(111 320)
<b>Ending balance 31.12.2020</b>	<b>13 533</b>	<b>-</b>	<b>15 766</b>

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



## Notes

### Note 24 - Leases (continued)

Lease liabilities (NOK 1000)	2020	2019
Amounts due for settlement within 12 months (shown under current liabilities)	15 766	82 497
Amounts due for settlement after 12 months (present value)	-	58 783
<b>Total</b>	<b>15 766</b>	<b>141 280</b>

Maturity analysis (NOK 1000)	2020	2019
Not later than 1 year	15 766	82 497
Later than 1 year and not later than 5 years	-	62 764
Later than 5 years	-	-
<b>Total</b>	<b>15 766</b>	<b>145 261</b>

Reconciliation of depreciation (NOK 1000)	2020	2019
Depreciation of long term right- of use assets	103 857	104 734
Depreciation of short term right- of use assets	70 945	50 377
Depreciation of other assets (Note 13)	33 584	32 617
<b>Total depreciations</b>	<b>208 386</b>	<b>187 728</b>

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



## Notes

### Note 25 - Contract with customers

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

2020 (NOK 1000)	Oil and gas	Renewable/Other	Total
Revenue from contracts with customers	330 013	64 755	394 768
Revenue from other contracts*	143 376	89 886	233 262
<b>Segment revenue</b>	<b>473 389</b>	<b>154 641</b>	<b>628 030</b>
Timing of revenue recognition	Oil and gas	Renewable/Other	Total
At a point in time	9 160	-	9 160
Over time	464 229	154 641	618 870
<b>Sum</b>	<b>473 389</b>	<b>154 641</b>	<b>628 030</b>
2019 (NOK 1000)	Oil and gas	Renewable/Other	Total
Revenue from contracts with customers	343 013	26 781	369 794
Revenue from other contracts*	129 930	8 808	138 737
<b>Segment revenue</b>	<b>472 943</b>	<b>35 589</b>	<b>508 531</b>
Timing of revenue recognition	Oil and gas	Renewable/Other	Total
At a point in time	194	-	194
Over time	472 749	35 589	508 337
<b>Sum</b>	<b>472 943</b>	<b>35 589</b>	<b>508 531</b>

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



## Notes

### Note 25 - Contract with customers

#### Revenue by region

(NOK 1000)	2020	2019
Sweden	221 469	135 289
Norway	160 306	122 546
UK	101 915	44 775
Trinidad & Tobago	80 178	135 959
USA	30 773	-
Turkey	25 892	-
Other	7 497	7 950
Netherlands	-	62 013
<b>Total</b>	<b>628 030</b>	<b>508 531</b>

#### Assets and liabilities related to contracts with customers

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

(NOK 1000)	2020	2019
Current contract assets	40 529	58 912
Loss allowance	-	-
<b>Total contract assets</b>	<b>40 529</b>	<b>58 912</b>
Contract liabilities	-	-
<b>Total current contract liabilities</b>	<b>-</b>	<b>-</b>
Revenue recognized that was included in contract liability balance at beginning of period	-	-
Revenue recognized from performance obligations satisfied in previous periods	502	646

The group has not recognized any assets from costs incurred to fulfil a contract at 31 December 2020 (2019: 0). The groups customer contracts are for periods of less than a year, and therefore transaction price for any unfulfilled performance obligations will be recognised as revenue in 2021.



## Notes

### Note 26 - Subsequent events

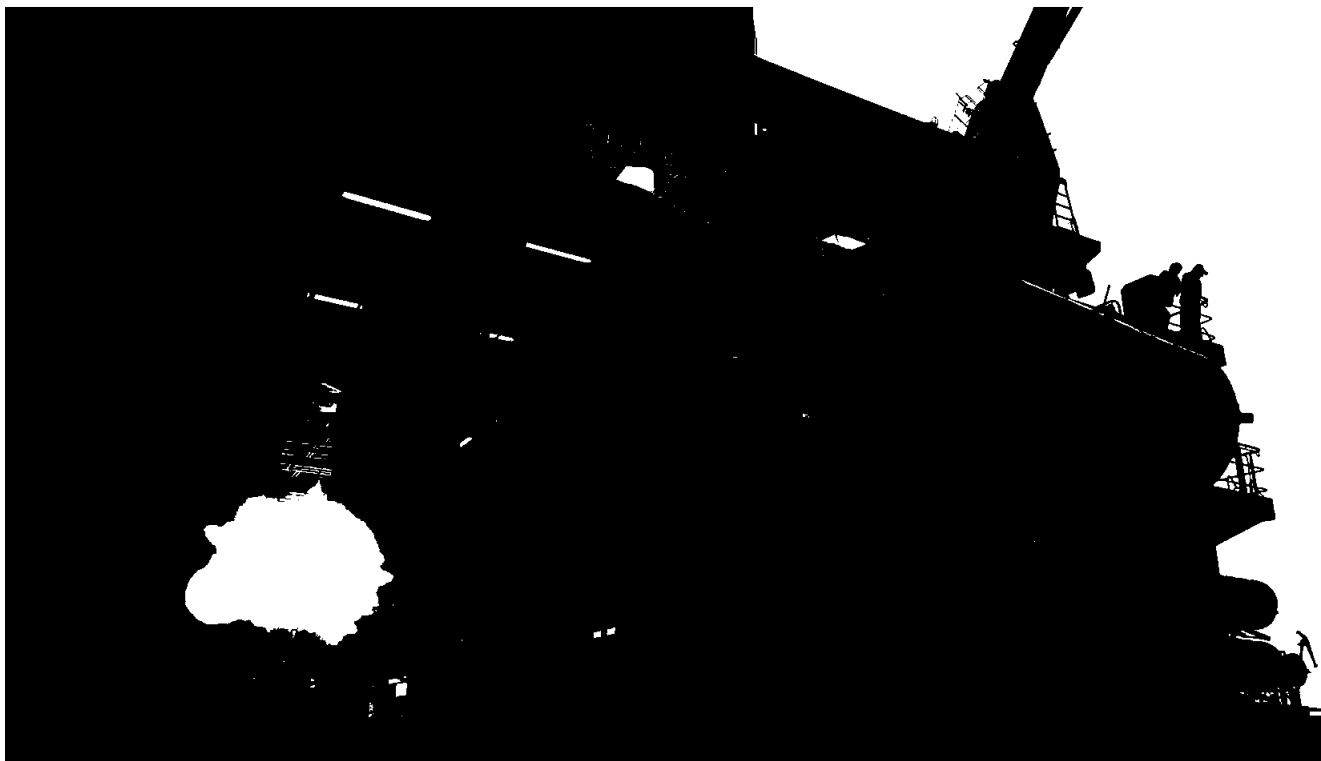
**New commitments:** The Group has entered into new agreements valid from Q1 2021. Based on contractual commitments, NOK 110 million will be capitalised as additions to Right-of-use assets in Q1 2021.

**Proposed dividends:** The Board proposed a dividend of NOK 0.15 per share, in accordance with the company's dividend policy, to be resolved on the AGM on 26 May 2021.

**Cooperation update:** Reach Subsea's cooperation partner, MMT Sweden AB ("MMT"), was acquired by Ocean Infinity in March 2021. The successful pool cooperation between Reach and MMT will continue unchanged, with the only difference being that MMT is now owned by an industrial shareholder with strong ambitions.



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# Financial Statements

Reach Subsea ASA Parent Company



## Profit & Loss Reach Subsea ASA

### Operating income and expenses

(NOK 1000)	2020	2019	NOTES
Revenue	72 046	8 239	10, 13
Total operating income	72 046	8 239	
Payroll expenses	9 242	7 745	7, 9
Other operating expenses	67 778	2 702	9, 10, 13
Operating expenses	77 020	10 447	
Operating profit	(4 974)	(2 208)	
Financial income and expenses			
Other interest income	-	4	
Interest income from group companies	7 768	10 596	
Other financial income	25 691	-	
Financial income	33 459	10 600	
Other interest expenses	-	-	
Other financial expenses	448	-	
Financial cost	448	-	
Profit (loss) before tax	28 037	8 392	
Taxes	-	-	8
Profit (loss) for the year	28 037	8 392	
Brought forward			
Proposed dividend	21 541	-	
To other equity	6 496	8 392	
Total brought forward	28 037	8 392	



## Balance Reach Subsea ASA

Non-current assets (NOK 1000):	2020	2019	NOTES
Deferred tax asset	3 923	3 923	8
	3 923	3 923	
<b>Financial fixed assets</b>			
Investments in subsidiaries	196 040	23 855	1
Other long term assets	-	-	2, 12
<b>Total financial fixed assets</b>	<b>196 040</b>	<b>23 855</b>	
<b>Total non-current assets</b>	<b>199 964</b>	<b>27 778</b>	
<b>Current assets</b>			
Accounts receivables	11 823	-	
Receivables from group companies	39 003	185 585	2, 3
Other receivables	188	157	12
<b>Total debtors</b>	<b>51 014</b>	<b>185 742</b>	
Cash and bank deposits	4 636	1 614	4
<b>Total current assets</b>	<b>55 650</b>	<b>187 356</b>	
<b>Total assets</b>	<b>255 614</b>	<b>215 135</b>	
<b>Equity (NOK 1000):</b>	<b>2020</b>	<b>2019</b>	<b>NOTES</b>
<b>Restricted equity</b>			
Share capital	143 606	143 546	5, 6
Share premium	61 581	61 538	5
<b>Total restricted equity</b>	<b>205 187</b>	<b>205 083</b>	
Other equity	15 048	8 552	5
<b>Total retained earnings</b>	<b>15 048</b>	<b>8 552</b>	
<b>Total equity</b>	<b>220 235</b>	<b>213 635</b>	
<b>Short term liabilities</b>			
Accounts payable	12 043	158	
Public duties payable	859	750	
Proposed dividend	21 541	-	
Other short term liabilities	935	593	
<b>Total short term liabilities</b>	<b>35 378</b>	<b>1 501</b>	
<b>Total liabilities</b>	<b>35 378</b>	<b>1 501</b>	
<b>Total equity and liabilities</b>	<b>255 614</b>	<b>215 135</b>	



## Cashflow Reach Subsea ASA

(NOK 1000)	2020	2019
Cash flow from operating activities		
Profit (loss) before taxes	28 037	8 392
Paid taxes	-	-
Change in trade creditors	(11 823)	(297)
Change in trade debtors	11 885	(5 120)
Change in other provisions	(25 077)	(5)
Net cash flow from operations	3 022	2 970
Cash flow from investments		
Investment in shares and loans to subsidiaries	-	-
Net cash flow from investments	-	-
Financing		
Paid dividend	-	(10 048)
Net cash flow from financing activities	-	(10 048)
Net cash flow for the year	3 022	(7 078)
Profit (loss) due to exchange rate fluctuations on cash		
Cash and cash equivalent 1/1	1 614	8 692
Cash and cash equivalent 31/12	4 636	1 614

Haugesund, 25th March 2021

Rachid Bendriss  
Chairperson of the Board

Kåre Johannes Lie  
Deputy Chairperson of the  
Board

Martha Kold Bakkevig  
Board member

Kristine Skeie  
Board member

Ingunn Øiveland  
Board member

Sverre B. Mikkelsen  
Board member

Anders Onarheim  
Board member

Jostein Alendal  
Managing Director

## Notes Reach Subsea ASA



### Accounting principles

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

#### Use of estimates

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

#### Revenues

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

### Classification of balance sheet items

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

#### Purchase costs

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

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

### Investments in other companies

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

#### Asset impairments

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

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

## Notes Reach Subsea ASA



### Debtors

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

### Foreign currencies

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

### Liabilities

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

### Pensions

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

### Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any 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 a option program. The option cost are based on a Black & Scholes model, and the cost are amortized over the vesting periode.

## Notes

### Reach Subsea ASA



#### Note 1 - Subsidiaries, associated companies and joint venture

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

Subsidiaries	Location	Ownership/ voting right	Equity (100 %)	Result (100 %)	Balance sheet value
Reach Subsea AS	Haugesund	100 %	164 971	28 583	196 040

The book value of the investment in Reach Subsea AS was increased in 2020 due to a debt conversion of NOK 172 million.

#### Note 2 - Debtors and liabilities

	2020	2019
Trade debtors		
Trade debtors at nominal value from external parties	11 823	-
Receivables at nominal value from group companies	39 003	185 585
Bad debts provision	-	-
<b>Trade debtors in the balance sheet</b>	<b>50 826</b>	<b>185 585</b>
Debtors which fall due later than one year	2020	2019
Loans to employees	-	-
Other non current assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Long term liabilities which fall due later than 5 years	2020	2019
Liabilities to credit institution	-	-
Other long term liabilities (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Guarantees	2020	2019
Mortgage loan guarantees	-	-

## Notes

### Reach Subsea ASA



#### Note 3 - Balance with group companies, etc.

(NOK 1000)	Current assets		Non-current assets	
	2020	2019	2020	2019
Group companies	39 003	185 585	-	-
Associated companies	-	-	-	-
Joint ventures	-	-	-	-
Total	39 003	185 585	-	-

The balances as of 31.12.20 includes group contributions of NOK 23.7 million.

(NOK 1000)	Current liabilities		Non-current liabilities	
	2020	2019	2020	2019
Group companies	11 972	-	-	-
Associated companies	-	-	-	-
Joint ventures	-	-	-	-
Total	11 972	-	-	-

#### Note 4 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2020	2019
Withheld employee taxes	662	429

#### Note 5 - Shareholder's equity

Equity changes in the year	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.	143 546	61 538	8 552	213 636
Profit for the year	-	-	28 037	28 037
Share issue, not registered	60	45	-	105
Proposed dividend	-	-	(21 541)	(21 541)
Equity 31.12.	143 606	61 581	15 048	220 235

# Notes

## Reach Subsea ASA



### Note 6 - Share capital and shareholder information

A participant of the Company's share option program exercised a total of 60 000 options on 31 December 2020. Following the increase, the Company's share capital is NOK 143 606 008 divided into 143 606 008 shares with nominal value of NOK 1.00.

List of (20) major shareholders at 31.12.	Number of shares	Ownership
1. NORTH ENERGY ASA	46 126 567	32 %
2. VERDIPAPIRFONDET EIKA NORGE	10 285 650	7 %
3. JOSO INVEST AS	7 564 589	5 %
4. HOLME HOLDING AS	5 910 000	4 %
5. JT INVEST AS	5 529 539	4 %
6. NORMAND DRIFT AS	5 000 000	3 %
7. Danske Invest Norge Vekst	2 820 462	2 %
8. STAVA INVEST AS	2 300 000	2 %
9. CORUNA AS	2 250 000	2 %
10. RMS INVEST AS	2 000 000	1 %
11. LION INVEST AS	2 000 000	1 %
12. TEOMAR AS	2 000 000	1 %
13. A-Å INVEST AS	1 938 725	1 %
14. ENGELSTAD	1 873 426	1 %
15. FREEMAN SHIPPING & OFFSHORE AS	1 700 000	1 %
16. SMS INVESTERING AS	1 652 366	1 %
17. NÆRINGSLIVETS HOVEDORGANISASJON	1 635 991	1 %
18. BARRUS CAPITAL AS	1 510 090	1 %
19. TEM INVEST AS	1 250 000	1 %
20. CASTEL AS	1 248 517	1 %
20 largest	106 595 922	74 %
The rest of shareholders	37 010 086	26 %
<b>Total number of shares</b>	<b>143 606 008</b>	<b>100 %</b>

# Notes

## Reach Subsea ASA



### Note 7 - Options

In 2018 the Board of directors of Reach Subsea ASA approved a stock option scheme to further align the interests of the participating employees in Reach Subsea with those of the shareholders. The stock option scheme was finalised with a signed agreement between the company and Management and certain key employees 23.03.2018. Management and certain key employees of the Reach Subsea-group was 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 was 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 could be exercised over a period of three years until 31.12.2020. The options were non-tradable and conditional upon the participant being employed by the Reach Subsea-group at the vesting date. The stock option plan constituted a maximum of 3 886 875 options equivalent to a similar number of Reach Subsea ASA shares. During 2020, 60 000 options were exercised. The remaining options expired 31.12.2020. During the year the Company has recognised kNOK 436 in cost related to the options.

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

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
At 1 January	1.88	1 164 944	1.88	2 329 888.00
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	1.75	60 000	-	-
Expired	-	1 104 944	-	1 164 944
At 31 December	-	-	1.88	1 164 944

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

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 0.897 per option. The significant inputs into the model were share price of NOK 2.53 at the grant date, exercise price shown above, volatility of 42 %, and an annual risk-free interest rate of 1.3 %. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 9 for share options granted to directors and employees.

# Notes

## Reach Subsea ASA



### Note 8 - Taxes

Calculation of deferred tax/deferred tax benefit	2020	2019
Temporary differences		
Non-current assets	(73)	(114)
Other temporary differences	-	-
Net temporary differences	(73)	(114)
Tax losses carried forward	(167 049)	(195 067)
Basis for deferred tax	(167 122)	(195 181)
Deferred tax asset	(36 767)	(42 940)
Deferred tax asset not shown in the balance sheet	32 844	39 017
Deferred tax in the balance sheet	(3 923)	(3 923)

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.

# Notes

## Reach Subsea ASA



### Note 8 - Taxes (continued)

Basis for income tax expense, changes in deferred tax and tax payable	2020	2019
Result before taxes	28 037	8 392
Group contribution recognised	(23 716)	-
<b>Basis for the tax expense for the year</b>	<b>4 321</b>	<b>8 392</b>
Change in temporary differences	(18)	(23)
<b>Basis for payable taxes in the income statement</b>	<b>4 303</b>	<b>8 369</b>
+/- Group contributions received/given	23 716	-
Use of tax losses carried forward	(28 018)	(8 369)
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>-</b>	<b>-</b>
Components of the income tax expense	2020	2019
Payable tax on this year's result	-	-
Adjustment in respect of priors	-	-
<b>Total payable tax</b>	<b>-</b>	<b>-</b>
Change in deferred tax	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>
Payable taxes in the balance sheet	2020	2019
Payable tax in the tax charge	-	-
Tax effect of group contribution	-	-
<b>Payable tax in the balance sheet</b>	<b>-</b>	<b>-</b>

## Notes

### Reach Subsea ASA



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

Payroll expenses	2020	2019
Salaries/wages	7 383	6 449
Social security fees	1 115	963
Pension expenses	344	334
Other remuneration	400	-
<b>Total</b>	<b>9 242</b>	<b>7 745</b>
Number of man-year	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	1 531	1 845
Pension expenses	87	-
Other remuneration	100	-
Share options granted	-	-
Expensed audit fee	2020	2019
Statutory audit (incl. technical assistance with financial statements)	605	821
Other assurance services	-	-
Tax advisory fee (incl. technical assistance with tax return)	75	37
Other assistance	199	89
Advisory fee booked to equity	-	-
<b>Total audit fees</b>	<b>879</b>	<b>947</b>

VAT is not included in the audit fee.

# Notes

## Reach Subsea ASA

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### 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.

	2020	2019
Profit (loss)	28 037	8 392
Profit (loss) per share (NOK)	0.20	0.06
Diluted profit (loss) per share (NOK)	0.20	0.06
Average number of shares	143 546 172	143 546 008
Average diluted number of shares	143 546 172	144 710 008
Number of shares 1/1	143 546 008	143 546 008
Number of shares 31/12	143 606 008	143 546 008

### Note 12 - Other financial income

	2020	2019
Payroll expenses		
Foreign exchange income	1 976	-
Group contribution from Reach Subsea AS	21 588	-
Group contribution from Connect Offshore AS	2 127	-
Other financial income	25 691	-



## Notes Reach Subsea ASA



### Note 13 - Revenue and operating expenses

In 2020 the Company's turnover was NOK 72.0 million (NOK 8.2 million in 2019). The increase is related to an operational project flow through of turnover and expenses in 2020, whilst in 2019 activity was limited to consultancy services to the Group companies.

### Note 14 - Subsequent events

The Board proposed a dividend of NOK 0.15 per share, in accordance with the company's dividend policy, to be resolved on the AGM on 26 May 2021.



2020



To the General Meeting of Reach Subsea ASA

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Reach Subsea ASA, which comprise:

- The financial statements of the parent company Reach Subsea ASA (the Company), which comprise the balance sheet as at 31 December 2020, the statement of profit & loss and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Reach Subsea ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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 2020, 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.

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#### *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.

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PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger

T: 02316, org. no.: 987 009 713 VAT, www.pwc.no

State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



## 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.

We focused on COVID 19 and going concern as a basis for preparation during our 2019 audit. As these risks have lessened during 2020, they required less focus during our 2020 audit. There has been an increase in the Company's business activities in 2020 which has increased the need for leased vessels and ROVs. As a result of the increased inherent risk of errors related to the accounting for leases, we focused on the *Accounting for leases and impairment of right of use assets*.

Key Audit Matter	How our audit addressed the Key Audit Matter
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*Accounting for leases and impairment of right of use assets*

The increase in the Company's business activities in 2020 has resulted in an increased need for vessels and ROVs, which management has secured through leasing. Management uses both short- and long-term leases, depending on the current needs of the operations. In line with Reach's accounting policies for leases, long and short-term leases of vessels and ROV's are capitalized as right- of use assets and depreciated under IFRS 16.

The increased level of leasing requires management to prepare accurate and, to a degree, complex calculations to recognize assets and liabilities. These activities imply, in itself, an inherent risk of material errors in the financial statements. Further, the use of IFRS 16, requires management to perform impairment tests where judgement is necessary.

We focused on this area due to the importance the resulting figures have on several line items in the financial statements, and the level of complexity and use of judgement necessary to arrive at reasonable numbers.

In 2020, the effects on the profit and loss statement is a total of NOK 174,8 million in depreciation of right of use assets, NOK 10 million in interest and foreign exchange losses. Further, an impairment charge of NOK 7,5 million in impairment

Accounting for leases

We assessed management's accounting policy for leases and found them to be in line with IFRS requirements.

We inquired with management about how they identify which lease contracts should be capitalized and which lease contracts should be expensed. We obtained management's schedule and reconciliation of expenses related to leases of vessels and ROVs. We tested the details in the schedule and the reconciliation towards supporting documentation to inspect whether contracts were correctly identified and classified as either short- or long-term leases.

Next, we obtained management's lease calculation models. We assessed whether the models contained the elements we expect from such models. To check whether all contracts were correctly identified and recorded in the model we reconciled the model against the above-mentioned schedule. We assessed the key inputs in the lease calculation by testing the details towards the individual contracts and actual lease payments. Further we tested the logic and mathematical accuracy of the model itself, and whether it performed calculations of asset values, lease liabilities, depreciation and interest cost as expected.

Impairment of Right of use assets

Management assessed if there were impairment indicators, which they found, and therefore prepared an impairment calculation.

(2)



losses was recognized in 2020. The balance sheet showed a total carrying value of right of use assets of NOK 13,5 million and a total lease liability of NOK 15,8 million at 31 December 2020.

We assessed management's identification of impairment indicators, mainly by comparing utilization of assets towards job schedules and the periods the different vessels were leased over and agreed that impairment indicators were present.

We obtained management's impairment calculation. We found that each vessel was considered a cash generating unit. For each cash generating unit, we assessed the key inputs into the calculation of recoverable amounts by comparing utilization of assets towards job schedules, and by comparing forecasted day rates towards individual contracts. Further, we assessed the mathematical and methodological integrity of management's impairment models, and whether it performed calculations as expected.

We evaluated the appropriateness of the related disclosures in notes 13 and 24 and found that they satisfied IFRS requirements.

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### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

---

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view 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 true and fair view 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.

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#### *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.
- 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 a true and fair view.



- 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*

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#### *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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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#### *Opinion on Registration and Documentation*

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

Stavanger, 25 March 2021  
**PricewaterhouseCoopers AS**

**Arne Birkeland**  
State Authorised Public Accountant



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Reach Subsea | Annual Report



## Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 24.03.2015	Vår dato 09.04.2015
Telefon 22 07 73 25/22 66 11 14	Deres referanse Birgitte Wendelbo Johansen	Vår referanse 2015/297944

REACH SUBSEA ASA  
Postboks 1393 Gard  
5507 HAUGESUND

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 24. mars 2015, samt tilleggsopplysninger gitt per telefon og per e-post, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk fra og med regnskapsåret 2014 for følgende selskaper;

Reach Subsea ASA, org.nr. 922 493 626  
Reach Subsea AS, org.nr. 993 252 263  
Suveyor AS, org.nr. 913 497 112

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de ovennevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk fra og med regnskapsåret 2014, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Reach Subsea ASA er notert på Oslo Børs med norske og internasjonale aksjonærer. Over halvparten av aksjene eies av norske aksjeselskaper, som i hovedsak er profesjonelle investorer. Selskapet er innvilget dispensasjon fra Oslo Børs i forhold til språkravene i verdipapirhandelloven § 5-13. Selskapet har to datterselskaper; Reach Subsea AS og Suveyor AS. Selskapenes styremedlemmer og ledelse har svært gode engelskkunnskaper. Selskapenes arbeidsspråk er i stor grad engelsk. Selskapene opererer innen oljebransjen, der engelsk er det klart dominerende språket. Internett-siden til Reach Subsea er kun på engelsk. Årsregnskap og årsberetning blir derfor hvert år utarbeidet på engelsk og gjennomgått i engelsk språk av selskapenes styre da dette brukes i tilbudsarbeid og prosesser mot leverandører og kunder. Selskapene har i tillegg oversatt årsregnskapet og årsberetningen til norsk for å tilfredsstille kravet i regnskapslovens § 3-4. I lys av selskapenes situasjon, fremstår kravet i regnskapslovens § 3-4 om utarbeidelse av årsregnskap og årsberetning på norsk som unødvendig. I tillegg til at det er ressurskrevende, fører av og til tvil om oversettelse og uoverensstemmelser mellom engelsk og norsk versjon til unødvendige misforståelser. Ettersom selskapenes arbeidsspråk til dels er engelsk vil alle ansatte forstå regnskapet og årsberetningen selv om disse dokumentene i fremtiden blir utarbeidet i sin endelige form på engelsk. Selskapene mener derfor at alle brukere av regnskapet vil være tjent med at regnskapet kun utarbeides på engelsk. Med brukere av regnskapet menes her også vesentlige kreditorer da disse også i stor grad opererer innenfor oljeindustrien.

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse: Sentralbord  
Se [www.skatteetaten.no](http://www.skatteetaten.no) 800 80 000  
Org.nr. 996250318 Telefaks  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost) 22 17 08 60



### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal ”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “informative regnskaper for ulike grupper av regnskapsbrukere”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene driver virksomhet innen en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk, og at selskapene bruker engelsk som arbeidsspråk. Videre er det vektlagt at morselskapets største aksjonærer er profesjonelle investorer og at flere av de øvrige aksjonærene er utenlandske.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
Seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Geir Johannessen

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*