ANNUAL REPORT 2014

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

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OUR BUSINESS

My thanks go especially to the operational crews for their hard work, professional attitude and workmanship.

I am pleased to report that our operational activities in 2014 can be deemed an outstanding success. Not only have we completed major vessel mobilisations and offshore operations without incidents, but we also have been consistently profitable in every quarter. Feedback from customers is also outstanding.

Having only commenced offshore operations in the summer of 2013, we have proven our focus on safety, risk and competence during a period of extensive growth. My thanks go especially to the operational crews for their hard work, professional attitude and workmanship.

The year started early January with ROV operations in the German sector during which time two WROV systems were upgraded in our Haugesund workshop. The WROV systems purchased from Fugro RUE gave us the opportunity and capability to expand the vessel fleet. *Dina Star* from Myklebusthaug and *Stril Explorer* from Møkster were mobilised with a WROV system and went straight to work for Ocean Installer/Total and EMAS/Statoil.

Careful planning and a good team is the core of any project, but also the quality of partners and key suppliers is essential - something which the timely completion and delivery of *Normand Reach* showed to the fullest. Together with Vard Aukra and Solstad we delivered a finished vessel, mobilised to DOF Subsea on time and as agreed in June.

Similar success was achieved by the mobilisation teams working with Kleven and Eidesvik's *Viking Neptun*. Cooperation with Eidesvik in October showed quick results in terms of a 180 day contract with Technip starting March 2015. Two new WROV systems were ordered and delivered within an extremely tight schedule and *Viking Neptun* was delivered ready to commence operations for the client on time. She has now been at work on Gullfaks for a month.

During the year the company has been through a number of certifications and client audits with only minor findings and recommendations, underpinning our focus and efforts on safety and quality. The number of employees has increased from 29 to 51 and the number of ROVs from 2 to 7. Even more important, the client base has expanded significantly.

I am pleased to note that our capabilities have progressed towards being able to undertake and execute lump sum projects profitably, while maintaining a healthy mix of low and high commercial risk profile throughout the year.

Taking *Edda Fonn* on time carter from Østensjø is part of our long-term strategy within the survey and light construction markets. The vessel and its capabilities are well known in the market and it fits very well with our company services and the rest of the fleet. We have a vessel owner of the highest standard as recently evidenced during the demanding field trials of the purpose built, high-speed ROV "Surveyor" in December. The Surveyor has gone on to set new records in data acquisition on Knarr for Gassco / BG.

The project Surveyor has been underway for some years but is now fully operational and being offered for commercial projects. During this period the cooperation with MMT has been exceptional and I fully expect more from this partnership in the years to come. Data acquisition and processing exceeds all previous expectations and with its safe and efficient offshore operations underway, Reach and MMT are ready to set new standards in pipeline inspection, seabed mapping and route surveys – this is a game-changer!

Looking ahead, the short-term outlook will be challenging with a large degree of overcapacity. In such a climate it is very important to maintain focus on cost without compromising efficiency and safety. At the same time it will be important to manoeuvre quickly and continue exploiting opportunities - much like we have proven in the past.

After having built up a stronger resource base over the past year, I am convinced that we will be able to further grow the company and still deliver high quality services to our clients and return to our investors in the coming years.

Jostein Alendal
CEO, Reach Subsea ASA

ADVANCE
PERFORM
ACHIEVE

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

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

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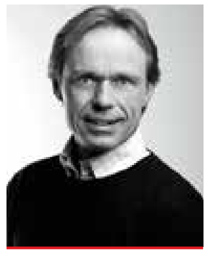
5527 Haugesund
+47 40 00 77 10
post@reachsubsea.no

MEET THE TEAM

We're a management team with extensive experience in the subsea industry and when you add it all up, you get 100 years, which in this instance, is a good thing.



Jostein Alendal
Managing Director

20+ years in subsea

Birgitte Johansen
Chief Financial Officer

15+ years experience

Morten R. Stranden
Chief Operation Officer

20+ years in subsea

Sven M. Storesund
Technical Manager

20+ years in subsea

Inge Grutle
Business Development Manager

6+ years in subsea

Bård Thuen Høgheim
Marketing Manager

6+ years in subsea

Bjørg Døving
HR & Quality Manager

10+ years in subsea

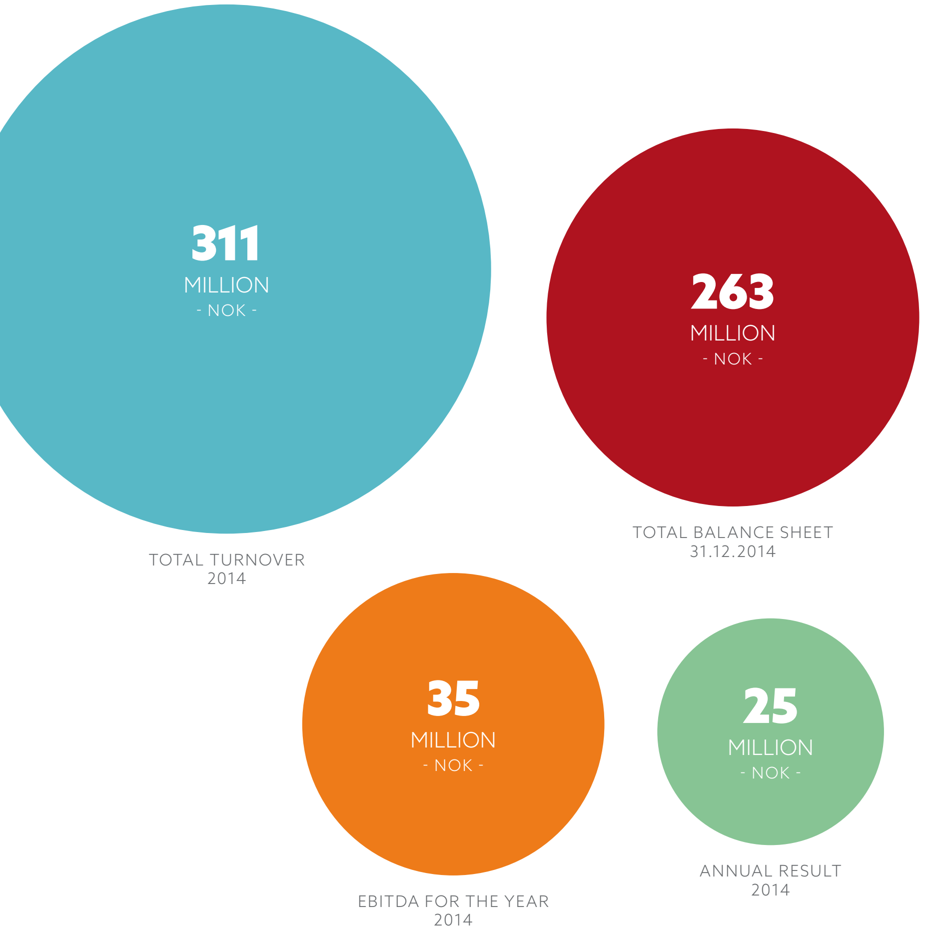
DIRECTORS REPORT

Business Concept

The Group's business concept is to offer subsea services as subcontractor and/or directly to the operators, based out of our head office in Haugesund. The core business of the Group is based on first class Work ROVs operated by highly qualified offshore personnel, and supported by our competent onshore engineering resources.

The Group's objective is to become a preferred subsea partner and full service provider of subsea operations for clients, among others by having focus on safety, environment, financial solidity and profitability.

The Group is undergoing steady growth based on the Business Plan. Moderate risk contracts will be targeted, thus securing revenue and profitability in parallel with increasing the fleet, asset base and staff size.



2014 In Short

The Group increased the asset base to six WROV's during 2014 as well as one survey ROV, the Surveyor Interceptor. The Group's main activities in 2014 were performed in the North Sea.

First quarter 2014

Reach Subsea started the year with successful offshore operations from *Vos Satisfaction* in January and February. Reach Subsea provided ROV, associated equipment and personnel for a contract our Swedish survey partner MMT Sweden AB ("MMT") was awarded on the German Continental Shelf.

Reach Subsea further completed the refit and upgrade program in January and February for the two Supporter ROVs that were purchased in December 2013.

Reach Subsea mobilized *Dina Star* with own WROVs in March 2014 and went directly on a contract with Ocean Installer on the UK sector. End client was Total. Prior to mobilization of the *Dina Star* spread, the vessel owners Myklebusthaug installed a new AHT 150t crane on board, thus substantially increasing the capabilities of the vessel for offshore subsea work.

Reach Subsea mobilized one Supporter ROV on *Stril Explorer*, a vessel hired on a time charter contract between MMT and Simon Møkster Shipping. During the quarter *Stril Explorer* completed her first offshore operations on a contract with EMAS on the Troll field. The EMAS-contract represented Reach Subsea's first lump sum job and was a success both operationally and commercially.

Second Quarter 2014

Reach Subsea had successful offshore operation from three ROV spreads (vessel and associated ROV equipment and personnel) in the second quarter, reflected by high utilisation of *Dina Star*, *Stril Explorer* and, towards the end of the quarter, *Normand Reach*.

Reach Subsea took delivery of *Normand Reach* in June 2014, a new built subsea vessel. The vessel went directly onto a 2 years contract (plus options) with DOF Subsea. The vessel has integrated two WROV's and the Reach Subsea provides required offshore personnel.

Dina Star continued the contract with Ocean Installer in April and May. Early June she headed north without ROVs on board, performing as MPSV on a contract in the Barents region until mid-November 2014.

Stril Explorer performed various short term survey jobs for Reach and MMT in the second quarter for clients such as Exxon and Statnett.

In May 2014 Jostein Alendal was appointed new Chief Executive Officer and Kåre Johannes Lie (former CEO) took over as executive chairman of the Board. Rune Lande (former chairman) was appointed as secretary of the Board. Jostein Alendal is one of the founders of Reach Subsea and has since 2012 worked as Business Development Manager.

Third Quarter 2014

Reach Subsea continued successful offshore operations on board three vessels in the third quarter. *Dina Star* spent the whole period in the Barents Region. Stril Explorer did survey and used Reach Subsea WROVs and personnel on short term contracts with clients such as Lundin and Prysmian.

DOF Subsea used *Normand Reach* for various subsea construction support operations with good feedback from end clients.

Fourth Quarter 2014

Reach Subsea used three ROV spreads (vessel and associated ROV equipment and personnel) and four vessels in the fourth quarter; *Dina Star*, *Stril Explorer*, *Edda Fonn* and *Normand Reach*.

Reach Subsea took delivery of the subsea vessel *Edda Fonn* in December and spent the first week mobilising one WROV and the innovative new build survey ROV, Surveyor Interceptor. Surveyor Interceptor was successfully tested in December (and early 2015).

The contract in the Barents Region for *Dina Star* was completed in November, after the client had exercised all available option periods. *Stril Explorer* continued short term operations in October and November for existing and new clients (i.e. Dong and Statoil). *Normand Reach* performed well for DOF Subsea also in the fourth quarter.

Reach Subsea announced in October a three year contract with Eidesvik Offshore where Reach Subsea will supply the vessel *Viking Neptun* with two work class ROVs as well as offshore personnel. Reach Subsea later announced a contract award for a 180 days (+options) contract with Technip for the same vessel. Preparations for mobilisation started upon contract award and occupied offshore personnel as well as onshore engineers in December.

2014 represents the first full year of offshore operations for Reach Subsea ASA and it is satisfying to confirm that this is done without any serious injuries or accidents. In addition, Reach Subsea delivers margins for the year well within predicted range.

The Reach Share

The Group is listed on Oslo Stock Exchange. The total number of issued shares was at year end 76 241 065 with mainly Norwegian investors. The Reach share developed during the year from 3.35 at 31.12.13 to 3.20 at 31.12.2014. No dividend was paid based on the financial year 2013.

The Board of Directors intend to propose that no dividends will be paid for the financial year 2014. The positive result will be used for investments as well as working capital in 2015.

The reason for an increase in the number of shares in 2014 is employees' use of a stock option programme that requires issue of new shares. Accello Partners I AS remains the largest shareholder while management and employees as a group constitute the second largest shareholder.

The Group consists of two companies; Reach Subsea ASA and the fully owned subsidiary Reach Subsea AS. The main activity is conducted in Reach Subsea AS. In addition, Reach Subsea AS holds 50 % of the shares in Surveyor AS, where MMT owns the rest of the shares. Surveyor AS' purpose is to own the Surveyor Interceptor as well as holding the rights for the first five Surveyor Interceptor deliveries from Kystdesign AS (main manufacturer based in Haugesund).

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

DIRECTORS REPORT

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

Corporate Governance

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

Health, Safety, Environment and Quality

In 2014, Reach Subsea continued the process of implementing our business management system in compliance with recognized industry standards for HSE and Quality Management.

Reach Subsea offers a fleet of modern vessels and equipment with a maintenance and repair plan that ensures first class quality. We concentrate on skilled seamanship amongst our offshore personnel through education, building positive attitudes, continuous training, and thereby creating well qualified and experienced seafarers. Our ROV Supervisors and Offshore Managers, as well as pilots and trainees identify with Reach Subsea and this is strongly attributed to a well-run work place, which is reflected in the safe and strong performance towards our clients.

The Group was subject to various audits in 2014, and was pre-qualified and accepted for delivery of subsea services to several clients and partners.

A major target for 2014 was ISO 9001 certification, which was achieved in December. This goal represented an important step forward in the process of demonstrating our strong commitment to HSEQ.

Safety awareness helps us to reduce risk. The Group is committed to achieving the highest standards of safety and accident prevention, through systematic risk assessment and continuous improvement processes.

We believe that the true value of safe performance comes from a good HSE culture, based on mutual respect, exchange of experience and an open dialogue between visible management and dedicated employees. Reach Subsea's management system includes detailed procedures, rules and routines to ensure that operations are carried out safely.

HSEQ results from 2014 has been good with no serious accidents, personnel injuries or damage to the environment. Sickness absence was 1 %.

Reach Subsea is committed to encourage and support a good working environment both onshore and offshore, and we offer equal employment opportunities with no form of discrimination regarding gender, nationality, disability, religion or other factors. We believe that a healthy lifestyle contributes to well-being and facilitates appropriate ergonomics, sufficient exercise and healthy meals offshore as well as offshore. For us, health is an important component ensuring premium performance.

Total number of employees increased from 29 by end year 2013 to 22 onshore and 29 offshore personnel (total 51) by end year 2014. The portion of female employees is 7.8 %. The portion of female board members is 40 % and the management group has 29 % female members.

Reach Subsea is proactive in relation to climate challenges. We believe that what is good for the environment is also good for the company and our policy is to reduce all feasible emissions to air and sea. The Group aims to reduce consumption of electricity, paper and other resources, as well as ensure that resource-demanding travel is limited. We manage technological waste and purchase environmentally friendly technological equipment with low energy consumption. Reach Subsea aims to choose vessels that are fuel efficient to reduce environmental impact. *Dina Star* is an example of a vessel that is designed to consume less fuel than other MPSVs. ROV operations are not considered to have a substantial impact on the environment beyond pollution from the vessels the ROVs are operated from.

Corporate, Social Responsibility

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

Human Resources: Maintain an organisation with high ethical standards and values set into practice and defined via the Code of conduct, Personnel handbook and internal and external training as well as team building activities. Examples of 2014 team-building sessions have been skiing (Amundsen Extreme for the Technical Department), climbing (all employees), strategy session (Management) and Supervisor seminar (offshore supervisors). All employees in Reach Subsea has the same rights and possibilities regardless of gender, background, religion, nationality or disability. Recruitment processes do not exclude any applicant based on these issues.

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

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

Financial: Live up to the established Corporate Governance policy, reduce risk and secure the Groups financial strength. Reach Subsea endeavours a high level of reporting to shareholders and analysts. Reach Subsea works against corruption, money laundering and fraud. Invoices and payments are always confirmed by at least two persons and the use of agents is limited, close to nothing. Reach Subsea, a relatively small organisation, is quite transparent when it comes to the flow of money.

The Annual Results

The Annual Accounts for 2014 have been prepared in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union with comparative figures for 2014.

The Annual Report is prepared under a going concern assumption based on budgets, contract coverage and the Group's strategy.

Operating Income in 2014 was NOK 311.2 million compared to NOK 62.3 million in 2013. The activity level increased substantially, from four months' offshore operations in 2013 to the first full year in 2014.

This is reflected by an increase in turnover and operating expenses. Sales income has derived from contracts with national and international clients on Norwegian and international sectors, though mainly in the North Sea region. Sales income was positively influenced by a strong US dollar. The operating expenses are mainly Norwegian kroner. Gain on currency (realised) gave a positive net financial result of NOK 3.9 million. Loss on financial derivatives and cash flow hedges of NOK 1.3 million is related to a currency hedge done in December to secure US Dollar income under the Technip/Eidesvik contract (in 2015), where expenses related to ROV and personnel are in Norwegian kroner.

The operating result for the Group was NOK 24.8 million in 2014 compared to minus NOK 15.7 million in 2013. This gives an operating margin of 8 % (negative in 2013). EBITDA-margin was 11.2 % (negative in 2013). Both margins are well within the target range for the year.

Reach Subsea personnel's own engineering hours and external cost incurred during mobilisation of *Dina Star* and *Normand Reach* was accrued during the first quarter and first half of 2014 respectively. During third quarter two new WROV were ordered to be mobilised on board *Viking Neptun* early 2015. These are financed with leasing debt.

The Group's liquidity position is satisfactory. Total current assets were as per 31.12.2014 NOK 152 million (NOK 117.3 million in 2013), of which cash and cash equivalents amounted to NOK 59.7 million. Of the long term assets, cash deposits pledged as security for bank guarantees and leasing debts amount to NOK 53 million. Further, receivables represent outstanding payments from first class clients.

Investment in related companies represents Reach Subsea AS' part of the shares of Surveyor AS, a joint venture company owned on a 50/50 basis between MMT Sweden AB and Reach Subsea AS. In 2014 MMT has served as sub supplier on survey projects initiated by Reach Subsea and vice versa.

The Group's equity is NOK 154.2 million, which represents 58.6 % of the total balance sheet, compared to NOK 128.9 million in 2013 (61 %).

Reach Subsea had a positive cash flow from operating activities in 2014 (NOK 43.6 million compared to NOK – 31.2 million in 2013). Net cash flow from investing activities was NOK -30.8 million and is related to investments in ROVs and equipment as well as mobilisation of *Normand Reach* and *Dina Star*.

EDDA FONN

IMR, SURVEY AND
LIGHT CONSTRUCTION

KEY VESSEL FEATURES

- DP II
- Moonpool
- Deck area 700 m^3
- Prepared for MHS
- 66 Berths
- Large office facilities

DIRECTORS REPORT

Financial Risk

The Group is exposed to operational financial risk by the nature of the business. Freight rates, currency exchange rates and interest rates may impact the value of the Group's assets, liabilities and future cash flows. To reduce and manage these risk factors management regularly reviews and reassesses the main market risks. Whenever a major risk factor is identified, action to reduce the specific threat is considered. The Group is exposed to both 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 Board emphasizes that there is considerable uncertainty about future events, especially concerned the subsea market development and unstable currency situation. Reach Subsea is exposed to the subsea spot market with the vessel *Edda Fonn*. The vessel's contract ends in August 2015 and Reach Subsea is committed to pay time charter hire to the owners until December 2017. Two ROV-spreads are mobilised on board vessels that are exposed to the subsea spot market (*Edda Fonn*/ *Dina Star* and *Stril Explorer*). Reach Subsea's own offshore personnel is absorbed by firm contracts throughout 2015 and the first half of 2016.

Events after year end

Edda Fonn has performed certain spot jobs after year end for major operators. In addition, *Edda Fonn* has been utilized for further testing and fine-tuning of the Surveyor Interceptor. In March *Edda Fonn* set course towards Turkey, where she will perform under a 120 days contract in Turkish waters.

The Surveyor Interceptor finalised the testing period with good results from *Edda Fonn*. Gassco awarded Reach Subsea a short term survey job on the Knarr field, the first commercial job for the Surveyor Interceptor, resulting in very positive feed back, both on speed and data quality.

IMAGE TAKEN FROM THE SURVEYOR INTERCEPTORS RECORD BREAKING JOB FOR GASSCO.

Outlook and expectations for 2015

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

Heading into 2015 we are faced with a slowdown in offshore oil & gas activity attributable to the significant decline in the oil price, and consequent reductions in the spending budgets of our clients.

To mitigate the lower activity level and margin pressure in the industry, Reach Subsea has initiated several activities to keep our cost base competitive while expanding our business development activity into other regions and markets than the North Sea.

It is also important to note that our flexible business model becomes even more of an asset in these kind of market conditions. Reach Subsea markets and operates six WROV-spreads (vessels with associated ROVs and offshore personnel) as well as the Surveyor Interceptor, but it is only *Edda Fonn* that is exposed to the spot market at our own risk. However, we will focus on finding good employment for her in a challenging 2015.

Reach Subsea will aim to further build and increase the backlog, which as of today is close to NOK 500 million for 2015 and beyond.

DIRECTORS REPORT

Parent Company Economy

Reach Subsea ASA serves as a holding company for the Group. The Board proposed the following distribution of the parent company result: Transferred from retained earnings: NOK -3.6 million.

On the Board of Reach Subsea ASA - Haugesund 20th April 2014

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

Statement by the Board of Directors and Managing Director

We hereby confirm that, to the best understanding, the Annual Accounts for the period 1st January to 31st December 2014 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 20th April 2014

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

The board of directors

Kåre Johannes Lie
Chairman of the Board

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

Anders Onarheim
Board member

Anders Onarheim holds an MBA from Washington University of St. Louis. He has broad experience from Capital Markets, both in Norway and internationally.

Sverre B. Mikkelsen
Board member

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

Martha Kold Bakkevig
Board member

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

Merete Haugli
Board member

Merete Haugli has experience as a board member from a number of companies, most recently Comrod Communication ASA, Reach Subsea ASA and RS Platou ASA as well as being a member of the board for Agasti Holding ASA from 11th May 2010. She has held several senior positions, including SEB, Formuesforvaltning AS, First Securities ASA and ABG Sundal Collier ASA. She was previously section chief in the Oslo Police, responsible for the economic crime section. She has education from Bankakademiet and Norwegian School of Management (BI).

CORPORATE GOVERNANCE AND MANAGEMENT

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

Implementation and reporting on corporate governance

Implementation and regulations

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

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

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the "Code"). Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations. The Code was last revised 23rd October 2012 (with rectification 21st December 2012).

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

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

Values, objectives and strategies

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

Business activity

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

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

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

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Equity and dividend

Equity

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

Dividend

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

Authorizations to the Board

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

As per 31 December 2014, the Board had authorization to increase the share capital with NOK 2.191.404. The authorization was limited to defined purposes and expires 30th June 2015.

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

Equal treatment of shareholders and transactions with related parties

The company has one class of shares with equal rights.

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

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

CORPORATE GOVERNANCE AND MANAGEMENT

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

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

Transfer of shares

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

The General Meeting

The annual general meeting of Reach Subsea ASA

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

Preparations for the AGM

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

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

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

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

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

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

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

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

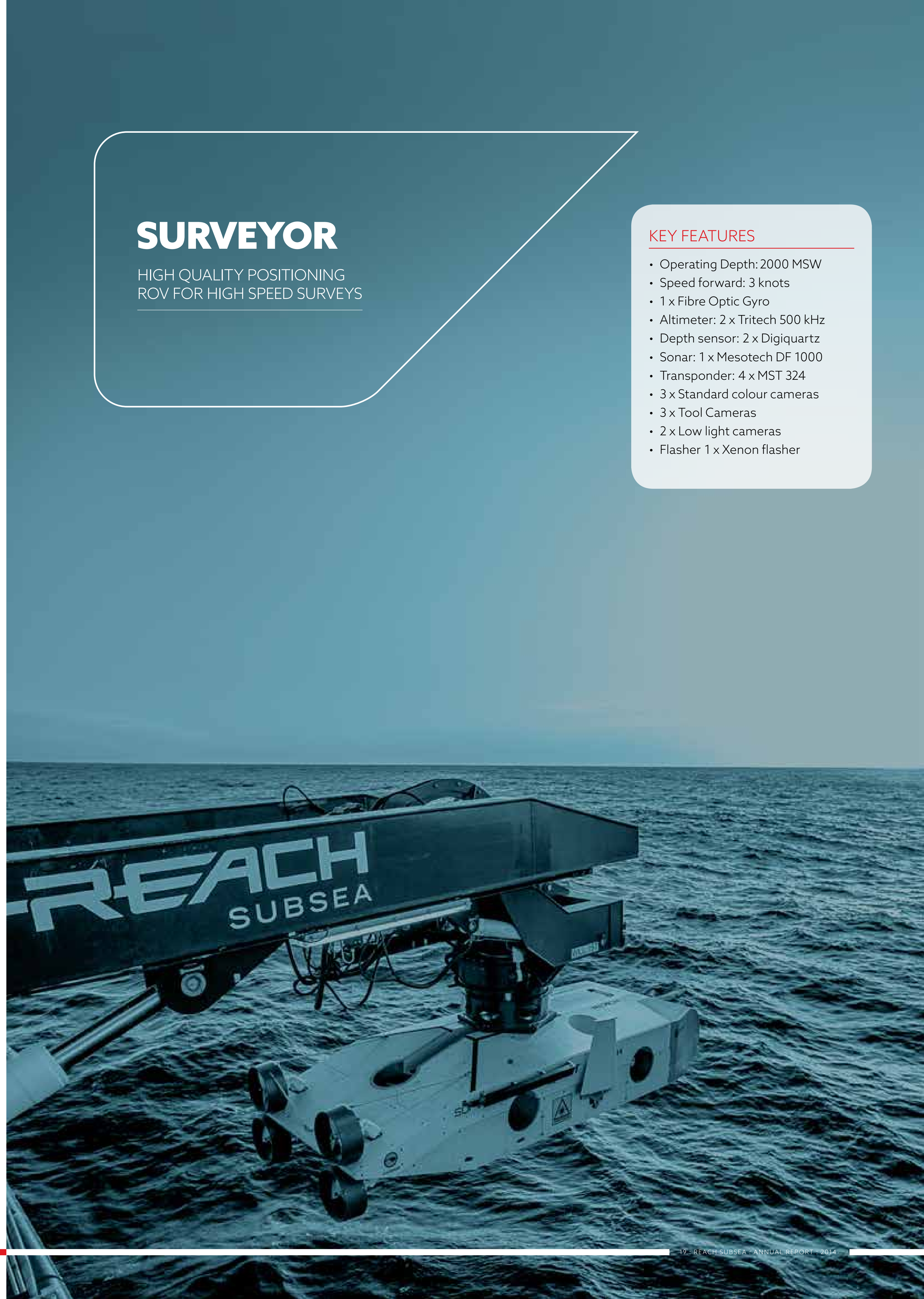
Agenda and conduct of the AGM

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

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

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

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



SURVEYOR

HIGH QUALITY POSITIONING
ROV FOR HIGH SPEED SURVEYS

KEY FEATURES

- Operating Depth: 2000 MSW
- Speed forward: 3 knots
- 1 x Fibre Optic Gyro
- Altimeter: 2 x Tritech 500 kHz
- Depth sensor: 2 x Digiquartz
- Sonar: 1 x Mesotech DF 1000
- Transponder: 4 x MST 324
- 3 x Standard colour cameras
- 3 x Tool Cameras
- 2 x Low light cameras
- Flasher 1 x Xenon flasher

VIKING NEPTUN

HEAVY CONSTRUCTION VESSEL
HEAVY LIFTING, FLEXIBLE
AND CABLE INSTALLATION

KEY VESSEL FEATURES

- D400 Te main Crane (high lift mode inc.), 100 Te aux crane.
- Removable bulwark both aft and in front of crane.
- Vessel is prepared for cold climate conditions, being built according to ICE 1B and DEICE notation.
- 4,400 Te Carousel.
- Moonpool: 3000 Te capacity.
- Helideck adapted for Sikorsky S92
- Optimized stability and capacity for VLS (SWL 600 Te).
- Anti-heeling system (3 pumps each 2,200 m^3/h).
- Full steel deck which facilitates easy mobilizations.

Nomination committee

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

The following three members form the nomination committee:

- Rune Lande (Chairman)
- Harald Eikesdal
- Bjørge Gretland

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

The board - composition and independence

The company does not have a corporate assembly.

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

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

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

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

The work of the board of directors

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

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

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

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

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

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

CORPORATE GOVERNANCE AND MANAGEMENT

Risk management and internal control

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

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

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

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

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

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

The Board as a whole acts as an audit committee.

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

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

ADVANCE
PERFORM
ACHIEVE

Board compensation

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

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

Compensation to executive management

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

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

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

NORMAND REACH

OFFSHORE CONSTRUCTION, IMR AND CABLE AND FLEXIBLE INSTALLATION

KEY VESSEL FEATURES

- 250 Te Crane
- Reliable, efficient and proven propulsion system
- More than 16MW installed power
- Removable bulwark both aft and in front of crane
- 400 Te capacity in moonpool corners
- Helideck 26 meter diameter
- Sufficient stability and capacity for VLS
- Optimized arrangement for integrated subsea operations

CORPORATE GOVERNANCE AND MANAGEMENT

Information and communication

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

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

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

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

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

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

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

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

Take-overs

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

Auditor

Reach Subsea is audited by PricewaterhouseCoopers in Stavanger, Norway.

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

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

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

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

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

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

PROFIT & LOSS

Consolidated statement of comprehensive income

(NOK 1000)	2014	2013	NOTES
Continuing operations			
Revenues	311,050	62,028	
Other operating income	100	248	
Operating income, in total	311,151	62,276	
Operating expenses			
Cost of sales	(42,665)	(6,100)	
Depreciation	(13,675)	(3,649)	12
Employee expenses	(41,899)	(18,945)	6
Other operating expenses	(191,891)	(53,766)	5.6
Operating expenses, in total	(290,130)	(82,460)	
Operating result	**21,020**	**(20,184)**	
Financial income and Financial expenses			
Interest and other financial income	9,951	2,487	7
Interest and other financial expenses	(6,081)	(1,050)	7
Net financial items	3,870	1,437	
Share of profit of investments accounted for using the equity method	(59)	-	11
Profit (loss) before taxes	24,831	(18,747)	
Taxes	-	3,000	8
Profit (loss) for the year	24,831	(15,747)	
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of derivatives	(1,268)		20
Total comprehensive income	23,563	(15,747)	
Result attributable to			
Owners of the Company	23,563	(15,747)	15
Profit (loss) per share	0.31	(0.25)	9
Diluted profit (loss) per share	0.31	(0.25)	9

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

FINANCIAL POSITION

Consolidated statement of financial position

(NOK 1000)	2014	2013	NOTES
Assets			
Non-current assets			
Property, plant and equipment	97,473	85,743	12
Investments Joint Venture	5,361	-	11
Non current receivables	53,000	-	13
Deferred tax asset	8,161	8,161	8
Non-current assets, in total	163,995	93,905	
Current assets			
Inventories	-	-	
Trade receivables	25,927	13,183	13, 18
Other current receivables	13,294	50,408	13
Cash and cash equivalents	59,746	53,718	14
Current assets, in total	98,967	117,308	
Assets, in total	**262,962**	**211,213**	
Equity and liabilities			
Equity			
Share capital	76,241	75,918	15
Share premium	67,806	67,096	
Other equity	10,130	(14,119)	
Equity, in total	154,177	128,895	
Non-current liabilities			
Interest-bearing debt	59,518	67,029	19
Non-current liabilities, in total	59,518	67,029	
Current liabilities			
Trade payables	28,097	1,254	17, 18
Taxes, payables	-	-	8
Public duties a.o.	2,751	1,748	17
Interest-bearing debt short-term	10,200	10,461	19
Derivative financial instruments	1,268	-	20
Other current liabilities	6,950	1,826	17, 20
Current liabilities, in total	49,266	15,289	
Equity and liabilities in total	**262,962**	**211,213**	

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

CASHFLOW

Consolidated cash flow statement

(NOK 1000)	2014	2013	NOTES
Operations			
Profit (loss) before taxes	24,831	(18,747)	
Net result from affiliated companies	59		
Paid tax	-	-	8
Depreciation	13,675	3,649	12
Change in debtors	(12,744)	(15,735)	
Change in creditors	26,843	(1,619)	
Change in other accruals	(6,759)	1,232	
Share option expense employees	686		
Net cash flow from operations (1)	46,591	(31,220)	
Investments			
Investment in equipment	(25,404)	(89,392)	
Purchase of shares in associated companies	(5,420)		
Guarantees Charter-party	(3,000)	(47,000)	
Net cash flow used in investments (2)	(33,824)	(136,392)	
Financing			
Proceeds from issuance of ordinary shares	1,033	98,262	
Proceeds from borrowings		77,490	
Repayment of debt	-7,772		
Net cash flow from financing activities (3)	-6,739	175,752	
Net cash flow for the year (1+2+3)	6,029	8,140	
Cash and cash equivalents 1/1	53,718	45,578	
Cash and cash equivalents 31/12	59,746	53,718	

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

EQUITY

Equity

			Other Equity			
(NOK 1000)	Share capital	Share premium	Other reserves	Retained earnings	Total	NOTES
Equity 1 January 2014	75,918	67,096	1,629	(15,747)	128,895	
Profit for the year	-	-		24,831	24,831	
Other comprehensive income for the year	-	-		(1,268)	(1,268)	
Total comprehensive income for the year	-			23,563	23,563	
Fair value of share options	-	-	686	-	686	
Proceeds from shares issued	323	710	-	-	1,033	
Equity 31 December 2014	76,241	67,806	2,315	7,816	154,177	
Equity 1 January 2013	43,828	-	397	-	44,225	
Profit for the year				(15,747)	(15,747)	
Other comprehensive income for the year				-	-	
Total comprehensive income for the year				(15,747)	(15,747)	
Fair value of share options	-	-	1,232	-	1,232	
Proceeds from shares issued	32,090	67,096	-	-	99,186	
Equity 31 December 2013	75,918	67,096	1,629	(15,747)	128,895	

Haugesund 20th April 2014

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

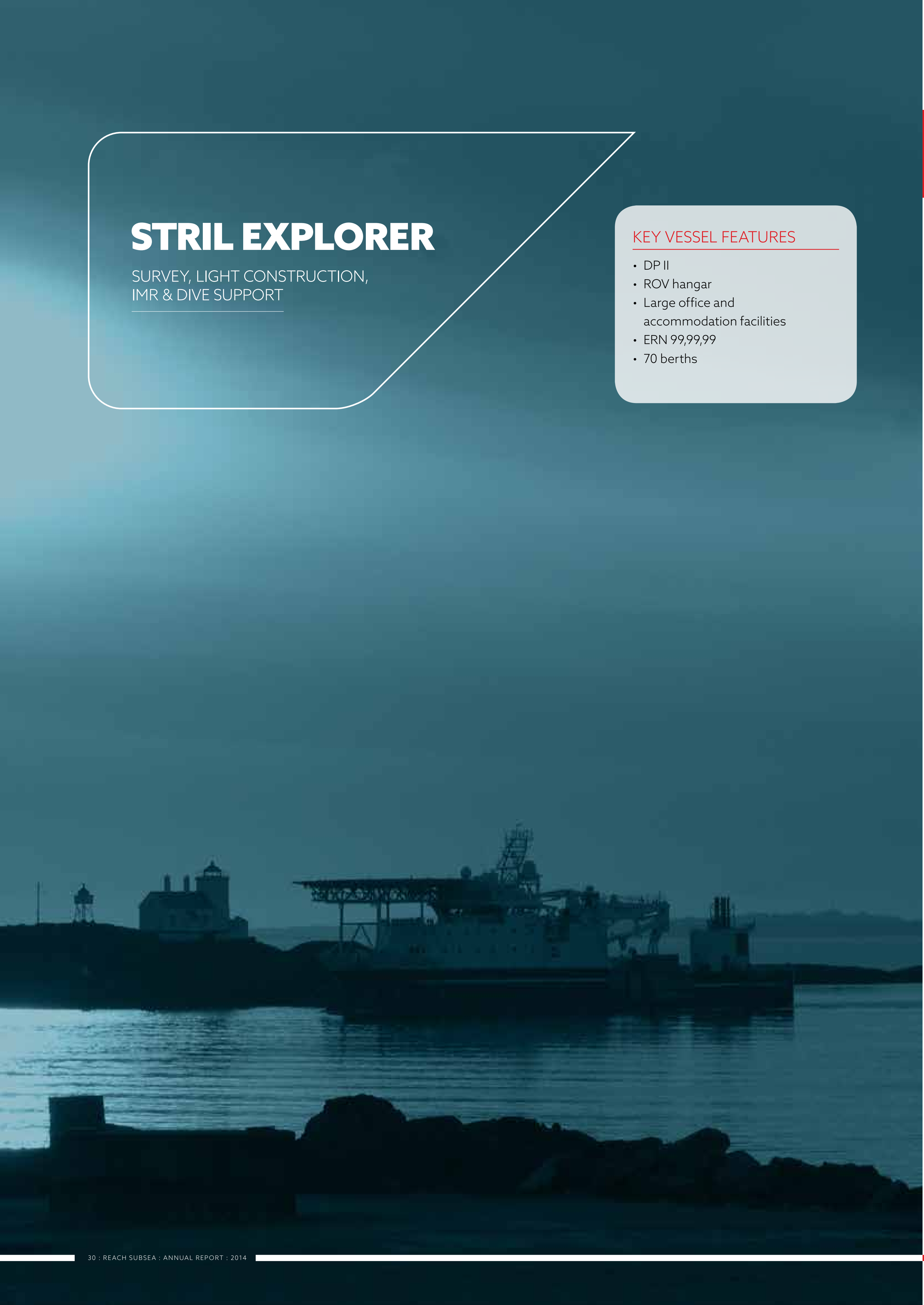
Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Jostein Alendal
Managing Director

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



STRIL EXPLORER

SURVEY, LIGHT CONSTRUCTION,
IMR & DIVE SUPPORT

KEY VESSEL FEATURES

- DP II
- ROV hangar
- Large office and accommodation facilities
- ERN 99,99,99
- 70 berths

NOTES

Note 1
General Information

Reach Subsea ASA is the parent company in the Group and is domiciled in Norway, with office address Haraldsgata 190, 5525 Haugesund. The company's consolidated financial statements for the 2014 financial year covers Reach Subsea ASA and its subsidiaries.

Note 2
Summary of significant accounting policies

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

Basis of preparation

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

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

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

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

New and amended standards adopted by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have no material impact on the group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

NOTES

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

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

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

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

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

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 recognised at cost and adjusted thereafter to recognise 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 January 2012. The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the group at 1 January 2012 and 31.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The group has only one segment, and has not prepared any segment reporting.

Foreign currency translation

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

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

NOTES

Property, plant and equipment

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

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

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

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

- Machinery 10-15 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years
- Remotely Operated Vehicles (ROV) 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 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 of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leases

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

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

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

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 recognised over the term of the lease on a straight-line basis.

Financial assets

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

1) Financial assets at fair value through profit or loss

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

2) Loans and receivables

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

Recognition and measurement: Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

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

Impairment of financial instruments:

a) Assets carried at amortised cost

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

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

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

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

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

The group designates certain derivatives as either:

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

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

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

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

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

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

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

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

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

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

Government grants

Grants from the government are recognised 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 are deferred and recognised in the income statement over the period necessary to match them with the that they are intended to compensate. Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

Cash and cash equivalents

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

Share capital

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

Trade payables

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

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

Fees paid on the establishment of loan facilities are recognised as transaction 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 capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing

General and specific borrowing 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 eligible for capitalisation.

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

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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 recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised 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 recognises 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 are credited to share capital (nominal value) and share premium.

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

Recognition of revenue

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

Sales of services: The group sells design services to other. For sales of services under fixed rate contracts, revenue is recognised 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 recognised based on the agreed rate as the services are rendered.

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

Cash flow statement

The cash flow statement is prepared according to the indirect method.

Note 3 Financial Risk Management

3.1 Financial Risk Factors

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

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

3.1.1 Market Risk

Foreign exchange risk: The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NOK, USD and EURO. Foreign exchange risk arises from future commercial transactions and recognised assets or liabilities.

Foreign exchange risk arises when future commercial transactions or recognised 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 recognised 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.

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

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

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

3.1.2 Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers. The Group has no significant concentration of credit risk towards single financial institutions and has policies that limit the amount of credit exposure to any single financial institution. Credit exposures to customers are mainly concentrated around the engineering contracts.

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.

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.

DINA STAR

SURVEY, LIGHT CONSTRUCTION &
IMR, RFO & PUMPING OPERATIONS

KEY VESSEL FEATURES

- DP II
- 150 Te AHC crane
- Large deck capacity (1,060 m^2)
- Low fuel consumption (DC Grid Power Distribution)
- Removable cargo rail section forward of crane
- Integrated ROV operations
- Large liquid bulk capacity

NOTES

Note 4 Accounting Estimates and Judgments

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

4.1 Critical Accounting Estimates and Assumptions

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

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 recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

NOTES

Note 5 - Other operating expensess

(NOK 1000)	2014	2013
Rental expenses	167,901	41,281
Consultant expenses	9,482	1,832
Operating equipment and maintenance	1,550	-
Administration expenses	12,957	10,653
Operating expenses, in total	191,891	53,766

Note 6 - Wages, number of employees, benefits and loans to employees

Wages and social expenses

(NOK 1000)	2014	2013
Salaries	33,917	13,933
Social security tax	5,091	2,360
Pensions	1,439	563
Other benefits	766	857
Share based payments	686	1,232
Wages and social expenses, in total	41,899	18,945
Number of man-year	54	23

The number of man-year excluding hired personnel.
The company has a defined contribution plan, total expenses during the year is as specified above.

Note 6 - Continued

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 Subsea shall offer benefits as for comparable Norwegian companies. Compensation to CEO, COO and CFO is specified below.

(NOK 1000)	Salary	Pension expenses	Other comp	Share options
2014				
Managing Director CEO	1,160	52	--	146,094
CFO	850	37	--	119,531
COO	940	44	--	106,250
Total	2,950	133	--	371,875
2013				
Managing Director CEO	1,008	44	8	219,140
CFO	824	33	0	159,375
COO	927	37	-	179,297
Total	2,759	114	8	557,812

Managing director has no agreement about early retirement.
Payment with early termination of the employment is NOK 1 200 000.

Note 6 - Continued

The Board's remuneration

(NOK 1000)	2014	2013
Rune Lande	250	250
Kåre Johannes Lie	0	0
Anders Onarheim	100	100
Martha K. Bakkevig	100	100
Merete Haugli	100	100
Sverre B. Mikkelsen	100	100

The Auditors remuneration

(NOK 1000)	2014	2013
Auditing	916	949
Attestation services	3	-
Tax advice	53	41
Other assistance*	314	1,597
Total	1,285	2,586

All amounts are exclusive of value added tax.
*Included in other assistance are services from Adv. PricewaterhouseCoopers AS with the amount of NOK 124 197.
In 2013, the remuneration includes services from the elected auditor PwC in regards to prospectus and listing process.

Note 6 - 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:

		2014	
		Shares	Stake
Accello Partners i AS	Partly owned by Anders Onarheim (Board member)	23,444,254	30.8 %
Joso Invest AS	Partly wned by Kåre Johannes Lie (Chairman of the Board)	6,964,589	9.1 %
JT Invest AS	Partly owned by Jostein Alendal (management)	5,301,539	7.0 %
A-Å Invest AS	Owned by Åge Nilsen (management)	3,749,949	4.9 %
Sms Investering AS	Partly owned by Svein Magne Storesund (management)	1,652,366	2.2 %
Invicta Invest AS	Partly owned by Inge Grutle (management)	909,179	1.2 %
Consus AS	Owned by Rune Lande	710,925	0.9 %
Døving Invest AS	Partly owned by Bjørg Døving (management)	584,008	0.8 %
Kold Invest AS	Partly owned by Martha K. Bakkevig	417,175	0.5 %
Sverre B. Mikkelsen	Board Member	342,175	0.4 %
AB Investments	Owned by Anders Onarheim (Board member)	300,000	0.4 %
Birgitte Wendelbo Johansen	Management	139,050	0.2 %
Morten Roth Stranden	Management	109,375	0.1 %
Åge Johan Nilsen	Management	63,750	0.1 %
Bård Thuen Høgheim	Management	53,123	0.1 %
Total		44,741,457	58.7 %

NOTES

Note 7 - Finance income and expenses

(NOK 1000)	2014	2013
Interest expense:		
Bank borrowings	5,021	3,666
Net foreign exchange	2,017	382
Other financial expenses	19	-
Total financial expenses	7,038	4,048
Less: amounts capitalised on qualifying assets (Note 9)	(975)	(2,998)
Finance expenses	6,081	1,050
Finance income:		
Interest income on short term bank deposits	(1,778)	2,200
Net foreign exchange	(7,786)	-
Other financial income	(387)	287
Finance income:	(9,951)	2,487
Net financial items	(3,870)	1,437

Note 8 - Taxes

(NOK 1000)	2014	2013
Taxes		
Taxes payable	-	-
Changes in deferred taxes	-	3,000
Taxes, in total	-	3,000
Deferred taxes / (deferred tax assets)		
Temporary differences:		
Other fixed assets	10,427	4,531
Financial leases	4,639	2,612
Accruals	(4,928)	-
Tax loss carried forward	(139,989)	(163,428)
Temporary differences, in total	(129,851)	(156,285)
Deferred tax assets	(35,060)	(42,197)
Not recognized deferred tax assets	(26,899)	(34,036)
Deferred tax assets in balance sheet	8,161	8,161

Deferred tax assets are recognized in the statement of financial position based on expected utilization of tax losses carried forward and temporarily differences. The calculated deferred tax assets are not booked in the position of financial statement, but will be booked when the group comes 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	24,831	(18,747)
Nominal tax rate	27 %	28 %
Anticipated income tax due to nominal tax rate	6,704	5,249
Actual tax	-	3,000
Tax effects of:		
Permanent differences	-	-
Carry forward tax loss not recognized	6,704	(2,249)
Tax rate	-	3,000
Effective tax rate	0 %	-16 %

NOTES

Note 9 - Earnings per share

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

(NOK 1000)	2014	2013
Profit (loss) - majority interest (NOK 1000)	23,563	(15,747)
Profit (loss) per share (NOK)	0.31	(0.26)
Diluted profit (loss) per share (NOK)	0.31	(0.26)
Numbers of shares for EPS	75,971,997	61,727,640
Diluted number of shares	77,204,138	61,727,640
Number of shares 1/1	75,918,183	43,828,104
Number of shares 31/12	76,241,065	75,918,183

Note 10 - Shares in subsidiaries

Company	Business office	Voting rights and ownership
Reach Subsea AS	Haugesund	100 %

Note 11 - Investments in associates

Nature of investment in associates 2014

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

The amounts recognised in the balance sheet are as follows:	2014	2013
Investments	5,361	
At 31 December	5,361	0
The amounts recognised in the income statement are as follows:		
Share of profit of investments accounted for using the equity method	(59)	-
At 31 December	(59)	-

Note 12 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	ROV & ROV equipment leased	Equipment & office machinery	Total
Year ended 31 December 2014				
Opening net book amount	26,623	59,102	18	85,743
Additions	19,753	4,386	1,265	25,404
Depreciation	(5,491)	(8,041)	(143)	(13,675)
Closing net book value	40,885	55,447	1,140	97,473
At 31 December 2014				
Historical cost	46,666	66,845	9,179	122,690
Accumulated depreciation	(5,781)	(11,398)	(8,039)	(25,218)
Book value	40,885	55,447	1,140	97,473
Year ended 31 December 2013				
Opening net book amount	-	-	-	-
Additions	26,913	62,459	20	89,392
Disposals				-
Depreciation	(290)	(3,357)	(2)	(3,649)
Closing net book value	26,623	59,102	18	85,743
At 31 December 2013				
Historical cost	26,913	62,459	7,914	7,914
Accumulated depreciation	(290)	(3,357)	(7,896)	(7,896)
Book value	26,623	59,102	18	85,743
Depreciation plan/useful life	3 - 8 years	3 - 8 years	3 years	
Depreciation method	Linear	Linear	Linear	

During the year, the group has capitalised borrowing amounting to NOK 975 (2013: NOK 2.998) on qualifying assets. Borrowing were capitalised at the weighted average rate of its general borrowings of 6.5 %. Bank borrowings are secured on fixed assets for the value of NOK 97,5 million (2013: 85,7 million) (note 18). The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

(NOK 1000)	2014	2013
Cost	113,511	89,372
Accumulated depreciation at 1 January	(3,647)	-
Depreciation charge for the year	(13,532)	(3,647)
Net book amount	96,333	85,725

NOTES

Note 13 - Trade and other receivables

(NOK 1000)	2014	2013
Trade receivables	30,655	13,183
Less: provision for impairment of trade receivables	(4,728)	-
Trade receivable net	25,927	13,183
Repayments	9,112	2,396
Receivable from related parties		-
Other receivable	4,182	1,012
Restricted cash deposit		47,000
Current position	39,220	63,591
Restricted cash deposit	53,000	0
Non current position	53,000	-

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	25,927	13,183
Receivables from related parties	-	-
Loans to related parties	-	-
	25,927	13,183

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

Balance 1/1	-	-
The years allocation of losses	4,928	-
The years stated losses	-	-
Balance 31/12	4,928	-

The aging of these losses are within 3 month due.

Receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 360 d
2014	30,855	9,723	20,202	730		
2013	13,183	6,637	1,746	4,800		

Note 13 - Continued

Trade receivables COUNTER-PARTY WITHOUT EXTERNAL CREDIT RATING	2014	2013
Group 1		
Group 2	25,927	1,883
Group 3	4,928	11,300
Total trade receivables	30,855	13,183

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)	2014	2013
NOK	29,903	13,183
EUR	-	0
USD	952	0

Note 14 - Cash and cash equivalents

(NOK 1000)	2014	2013
Cash and cash equivalents in NOK	100,206	99,238
Cash and cash equivalents in USD	12,363	50
Cash and cash equivalents in EUR	3	992
Cash and cash equivalents in GBP	174	438
Restricted cash equivalence hereof	(53,000)	(47,000)
Cash and cash equivalents, in total	59,746	53,718
Unused drawing rights	-	-
Rating on banks for cash		
A+	-	-
AA	59,746	53,718
Total cash and cash equivalents	59,746	53,718

53,000 of restricted cash is cash deposit in connection with future payments of lease contracts.

Note 15 - Share capital and information about shareholders

The 20 largest shareholders as of 13.04.**2015**	Shares	Stake
1. ACCELLO PARTNERS I AS	23,444,254	30.75%
2. JOSO INVEST AS	6,964,589	9.13%
3. JT INVEST AS	5,301,539	6.95%
4. GSE SANDVIK AS	3,437,500	4.51%
5. SKEISVOLL & CO AS	2,000,000	2.62%
6. A-Å INVEST AS	1,874,975	2.46%
7. THERMOTECH INVEST AS	1,810,000	2.37%
8. SMS INVESTERING AS	1,652,366	2.17%
9. ONWAY AS	1,631,264	2.14%
10. HOLME HOLDING AS	1,429,697	1.88%
11. TEM INVEST AS	1,250,000	1.64%
12. BARRUS CAPITAL AS	1,112,160	1.46%
13. CAIANO EIENDOM AS	952,584	1.25%
14. INVICTA INVEST AS	909,179	1.19%
15. LION INVEST AS	850,000	1.11%
16. CONSUS AS C/O RUNE LANDE	710,925	0.93%
17. HAAVAAS BENT WALENTIN	650,050	0.85%
18. AS SPECTRA	650,000	0.85%
19. WORKPARTNER AS	646,508	0.85%
20. THORHEIM HELGE	643,750	0.84%
Sum of 20 largest	57,921,340	75.97%
Sum of the rest of shareholders	18,319,725	24.03%
Total number of shares	76,241,065	100.00%

Note 15 - Continued

The 20 largest shareholders as of 31.12.**2013**	Shares	Stake
1. ACCELLO PARTNERS I AS	23,444,254	30.88 %
2. JOSO INVEST AS	6,864,589	9.04 %
3. JT INVEST AS	5,301,539	6.98 %
4. A-Å INVEST AS	3,749,949	4.94 %
5. GSE SANDVIK AS	3,437,500	4.53 %
6. CAIANO AS	2,278,371	3.00 %
7. THERMOTECH INVEST AS	1,810,000	2.38 %
8. SMS INVESTERING AS	1,652,366	2.18 %
9. SKEISVOLL & CO AS	1,500,000	1.98 %
10. AS SPECTRA	1,250,000	1.65 %
11. TEM INVEST AS	1,250,000	1.65 %
12. BARRUS CAPITAL AS	1,129,697	1.49 %
13. LOGTEK HOLDING AS	1,112,160	1.46 %
14. INVICTA INVEST AS	909,179	1.20 %
15. BARCLAYS CAPITAL SEC A/c CAYMAN ISLAND CL.	886,599	1.17 %
16. TOLUMA NORDEN AS	810,241	1.07 %
17. LION INVEST AS	755,000	0.99 %
18. CONSUS AS	710,925	0.94 %
19. WORKPARTNER AS	646,508	0.85 %
20. THORHEIM HELGE	643,750	0.85 %
Sum of 20 largest	60,142,627	79.22 %
Sum of the rest of shareholders	15,775,556	20.78 %
Total number of shares	75,918,183	100.00 %

NOTES

Note 16 - Sharebased payments

Share options are granted to executives and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period, the options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2014	Average exercise price per share option	Number of options
At 1 January	3.20	2,191,404
Granted		
Forfeited	3.20	-295,390
Exercised	3.20	-322,882
Expired	3.20	-340,991
At 31 December		1,232,141

Out of the 1 232 141 outstanding options, 600 128 options were exercisable. Options exercised in 2014 resulted in 322 882 shares being issued at a weighted average price of NOK 3,20 each. The related weighted average share price at the time of exercise was NOK 3,00 per share. The related transaction amounting to NOK 0,00 have been netted off with the proceeds received. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	Expiry date	Exercise price in NOK per options	Share options 2014
12.09.2013 Tranch 2	12/09/15	3.20	616,071
12.09.2013 Tranch 3	12/09/16	3.20	616,071
			1,232,141

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.26 per option. The significant inputs into the model were weighted average share price of NOK 3.35 at the grant date, exercise price shown above, volatility of 67.7 %, and an annual risk-free interest rate of 2.13 %. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 6 for share options granted to directors and employees.

Note 17 - Current liabilities

(NOK 1000)	2014	2013
Trade payables	28,097	1,254
Liabilities to shareholders and employees	50	50
Social security and other taxes	2,751	1,748
Derivative financial instruments	1,268	
Other current liabilities	6,900	1,776
Other current liabilities, in total	39,066	4,828
Interest-bearing debt short-term	10,200	10,461
In total	49,266	15,289

Note 18 - Classification of financial assets and liabilities

2014 (NOK 1000)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Non-financial assets
Financial assets				
Trade receivables	25,927	-	-	-
Other receivables	13,294	-	-	-
Cash and cash equivalents	59,746	-	-	-
Assets, in total	98,967	-	-	-

2014 (NOK 1000)	Other financial liabilities at amortised expense	Liabilities at fair value through profit and loss	Derivatives used for hedging	Non-financial liabilities
Financial liabilities				
Borrowings	69,718	-	-	-
Suppliers	28,097	-	-	-
Other current liabilities	9,701	-	1,268	-
Liabilities, in total	107,516	-	1,268	-

2013 (NOK 1000)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Non-financial assets
Financial assets				
Trade receivables	13,183	-	-	-
Other receivables	48,011	-	-	2,396
Cash and cash equivalents	53,718	-	-	-
Assets, in total	114,912	-	-	2,396

2013 (NOK 1000)	Other financial liabilities at amortised expense	Liabilities at fair value through profit and loss	Derivatives used for hedging	Non-financial liabilities
Financial liabilities				
Borrowings	77,490	-	-	-
Suppliers	1,254	-	-	-
Other current liabilities	3,574	-	-	-
Liabilities, in total	82,318	-	-	-

NOTES

Note 18 - Continued

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

	Remaining contractual maturities				
Financial liabilities 2014	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Suppliers	28,097				28,097
Other financial liabilities	10,547				10,547
Borrowings	5,100	5,100	30,000	29,508	69,718
Interest on borrowing	1,242	1,242	4,743	903	8,130
Financial liabilities, in total	44,986	6,342	34,743	30,411	116,492

	Remaining contractual maturities				Total
Financial liabilities 2013	0-180 days	180 d-1 year	1-3 years	> 3 years	Total
Suppliers	1,254				1,254
Other financial liabilities	3,574				3,574
Borrowings	2,100	2,100	33,000	40,290	77,490
Interest on borrowing	1,925	1,925	6,098	2,033	11,980
Financial liabilities, in total	8,853	4,025	39,098	42,323	94,298

Note 19 - Borrowings

(NOK 1000)	2014	2013
Non current		
Bank borrowings	16,800	16,800
Finance lease liabilities	42,718	50,229
Total	59,518	67,029
Current		
Bank overdraft		
Bank borrowings	4,200	4,200
Finance lease liabilities	6,000	6,261
Total	10,200	10,461
Total borrowings	69,718	77,490

Bank borrowings mature until 2018 and bear average coupons of 5.4 % annually. Total borrowings include secured liabilities (bank and collateralised borrowings) of NOK 69,7 millions (2013: NOK 77,5 millions). Bank borrowings are secured by equipment and cash deposits of the group (note 9). The exposure of the group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

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

	Carrying amount		Fair value	
(NOK 1000)	2014	2013	2014	2013
Bank borrowings	21,000	21,000	21,000	21,000
Debentures and other loans				
Finance lease liabilities	48,718	56,490	48,718	56,490
	69,718	77,490	69,718	77,490

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of x.x % (2012: x.x %) and are within level 2 of the fair value hierarchy.

The carrying amounts of the group's borrowings are denominated in the following currencies:

(NOK 1000)	2014	2013
NOK	69,718	77,490
EUR	-	-
USD	-	-
	69,718	77,490

NOTES

Note 19 - Continued

Finance lease liabilities

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

(NOK 1000)	2014	2013
Gross financial lease liabilities - minimum lease payments		
No later than 1 year	9,254	6,034
Later than 1 year and no later than 5 years	37,016	28,438
Later than 5 years	9,254	22,018
Total	55,524	56,490

Note 20 - Derivative financial instruments

	2014		2013	
(NOK 1000)	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – cash flow hedges		1,268		
Total	0	1,268	0	0
Less non-current portion:				
Interest rate swaps – cash flow hedges				
	0	0	0	0
Current portion	0	1,268	0	0

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of NOK 0 (2013: nil). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

Note 21 - Related parties

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

(NOK 1000)	2014	2013
Sales:		
To Joint Venture	6,673	
Total	6,673	

All transactions were part of the general activity and the agreements have been concluded on marked terms in accordance with Limited Liability Companies Act § 3-8 and § 3-9. Transactions with the management and the Board (salaries) can be found in note 6.

Note 22 - Commitments

Operational leasing

The relating to operational leases recognized in the income statement related to equipment and real estate for 2014 amounts to NOK 1,8 million (2013: NOK 1 million). Total liability at 31.12.14 is NOK 2,9 million (2013: NOK 2,6 million). The leasing agreement expire in 2018.

Total commitment operational leases in 2015 is NOK 200 million. Commitments falling due after 2015 is NOK 520 million

Note 23 - Subsequent events

The Board will propose that no dividend will be paid out based on the financial year 2014.

To the Annual Shareholders' Meeting of Reach Subsea ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Reach Subsea ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4033 Stavanger
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Reach Subsea ASA as at 31 December 2014, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Reach Subsea ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on Registration and Documentation

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

Stavanger, 20 April 2015
PricewaterhouseCoopers AS

Henrik Z-Neslse

Henrik Zetlitz Neslser
State Authorised Public Accountant (Norway)

(2)

PROFIT & LOSS - REACH SUBSEA ASA

Operating income and expenses

(NOK 1000)	2014	2013	NOTES
Payroll expenses	3,579	1,491	8, 11
Other operating expenses	2,949	2,084	11, 12
Operating expenses	6,528	3,576	
Operating profit	-6,528	-3,576	
Financial income and expenses			
Income from subsidiaries and other group entities	1,492	-	
Other interest income	1,556	1,836	
Other financial income	131	279	
Financial income	3,180	2,115	13
Financial expenses	203	3	
Other Interest expenses	1	-	
Financial expense	-204	-3	13
Profit (loss) before tax	-3,552	-1,464	
Taxes	-	-3,000	9
Profit (loss) for the year	-3,552	1,536	
Brought forward			
To other equity	-1,536	1,536	
From share premium equity	-2,015	-	
Total brought forward	-3,552	1,536	

BALANCE - REACH SUBSEA ASA

(NOK 1000)	2014	2013	NOTES
Deferred tax asset	3,923	3,923	9
	3,923	3,923	
Financial fixed assets			
Investments in subsidiaries	23,855	23,855	2
Loans to group companies	57,386	43,722	4
Total financial fixed assets	81,241	67,577	
Total non-current assets	85,165	71,501	
Current assets			
Other receivables	934	1,069	
Total debtors	934	1,069	
Cash and bank deposits	71,389	87,456	5
Total current assets	72,322	88,525	
Total assets	157,487	160,026	

(NOK 1000)	2014	2013	NOTES
Equity			
Restricted equity			
Share capital	76,241	75,918	7
Share premium reserve	80,854	82,159	
Total restricted equity	157,095	158,077	
Retained earnings			
Other equity	-	1,536	
Total retained earnings	-	1,536	
Total equity	157,095	159,614	6, 14
Short term liabilities			
Public duties payable	146	190	
Other short term liabilities	246	222	
Total short term liabilities	392	412	
Total liabilities	392	412	
Total equity and liabilities	157,487	160,026	

CASHFLOW - REACH SUBSEA ASA

(NOK 1000)	2014	2013
Cash flow from operating activities		
Profit (loss) before taxes	-3,552	-1,464
Paid taxes	-	-
Change in trade creditors	-20	-4,877
Change in trade debtors	-	-
Change in other provisions	136	-1,488
Net cash flow from operations	-3,436	-7,829
Cash flow from investments		
Investment in shares and loans to subsidiaries	-13,664	-43,722
Net cash flow from investments	-13,664	-43,722
Financing		
Repayment of loan	-	-
Share issues	1,033	99,399
Net cash flow from financing activities	1,033	99,399
Net cash flow for the year	-16,067	47,848
Profit (loss) dues to exchange rate fluctuations on cash		
Cash and cash equivalent 1/1	87,456	39,608
Cash and cash equivalent 31/12	71,389	87,456

Haugesund 20th April 2014

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Jostein Alendal
Managing Director

NOTES - REACH SUBSEA ASA

Accounting principles

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

Use of estimates

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

Revenues

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

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase (freight, customs fees, public fees which are non-refundable and any other direct purchase). 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.

Fixed assets

Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Leased assets are reflected in the balances sheet as assets if the leasing contract is considered a financial lease.

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. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

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 various pension schemes. The pension schemes are financed through payments to insurance companies, with the exception of the early retirement pension scheme (AFP). The company has defined contribution plans .

Defined contribution plan

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.

Note 1 - Fixed assets

Fixed assets	Equipment and office machinery	Total fixed assets
Purchase expense 01.01.	7,788	7,788
Additions	0	0
Disposals	0	0
Purchase expense 31.12.	7,788	7,788
Accumulated depreciation 31.12.	7,788	7,788
Net book value 31.12.	0	0
Depreciation in the year	0	0
Expected useful life (years)	0	
Depreciation plan	Straight line	

Note 2 - Subsidiaries, associated companies and joint venture

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

Location	Ownership/ voting right	Equity last year (100 %)	Result last year (100 %)	Balance sheet value
Reach Subsea AS	Haugesund	100 %	-	23,855

Note 3 - Debtors and liabilities

Trade debtors	2014	2013
Trade debtors at nominal value	0	0
Bad debts provision	0	0
Trade debtors in the balance sheet	0	0
Debtors which fall due later than one year	2014	2013
Loans to employees	0	0
Other non current assets	0	0
Total	0	0
Long term liabilities which fall due later than 5 years	2014	2013
Liabilities to credit institution	0	0
Other long term liabilities (specify)	0	0
Total	0	0
Guarantees	2014	2013
Mortgage loan guarantees	0	0

NOTES - REACH SUBSEA ASA

Note 4 - Balance with group companies, etc.

(NOK 1000)	Current assets		Non-current assets	
	2014	2013	2014	2013
Group companies	0	0	57,386	43,722
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	0	0	57,386	43,722

(NOK 1000)	Current liabilities		Non-current liabilities	
	2014	2013	2014	2013
Group companies	0	0	0	0
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	0	0	0	0

Note 5 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2014	2013
Withheld employee taxes	174	105

Note 6 - Shareholder's equity

Equity changes in the year	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.	75,918	82,159	1,536	159,613
Capital increase	323	710	0	1,033
Profit for the year	0	-2,015	-1,536	-3,551
Equity 31.12.	76,241	80,854	0	157,094

Note 7 - Share capital and shareholder information

The share capital of NOK 762 410 65 consists of 762 410 65 shares with nominal value of NOK 1,00.

The 20 largest shareholders as of 13.4.2015	Shares	Stake
1. ACCELLO PARTNERS I A	23,444,254	30.75%
2. JOSO INVEST AS	6,964,589	9.13%
3. JT INVEST AS	5,301,539	6.95%
4. GSE SANDVIK AS	3,437,500	4.51%
5. SKEISVOLL & CO AS	2,000,000	2.62%
6. A-Å INVEST AS	1,874,975	2.46%
7. THERMOTECH INVEST AS	1,810,000	2.37%
8. SMS INVESTERING AS	1,652,366	2.17%
9. ONWAY AS	1,631,264	2.14%
10. HOLME HOLDING AS	1,429,697	1.88%
11. TEM INVEST AS	1,250,000	1.64%
12. BARRUS CAPITAL AS	1,112,160	1.46%
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18. AS SPECTRA	650,000	0.85%
19. WORKPARTNER AS	646,508	0.85%
20. THORHEIM HELGE	643,750	0.84%
Sum of 20 largest	57,921,340	75.97%
Sum of the rest of shareholders	18,319,725	24.03%
Total number of shares	76,241,065	100.00%

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Note 8 - Options

Share options are granted to executives and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period).The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period, the options have a contractual option term of five years.

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

	Average exercise price per share option	2014	2013
At 1 January	3.2	2,191,404	-
Granted	-	-	378,515
Forfeited	3 .2	-295,390	-
Exercised	3 .2	-322,882	-
Expired	3 .2	-340,991	-
At 31 December		1,232,141	378,515

Share options outstanding at the end of the year have the following expiry date and exercise prices.

Grant/vest	Expiry date	Exercise price in NOK per options	Share options 2014
12.09.2013 Tranch 2	12/09/15	3.20	616,071
12.09.2013 Tranch 3	12/09/16	3.20	616,071
			1,232,142

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

Note 9 - Taxes

Calculation of deferred tax/deferred tax benefit	2014	2013
Temporary differences		
Non-current assets	-279	-349
Other temporary differences		0
Net temporary differences	-279	-349
Tax losses carried forward	-139,989	-136,295
Basis for deferred tax	-140,268	-136,644
Deferred tax	-37,872	-36,894
Deferred tax benefit not shown in the balance sheet	33,949	32,970
Deferred tax in the balance sheet	-3,923	-3,923

The reason deferred tax benefit are not reflected in the balance sheet is that the company is in a face of building up, soforth it has not been ,ade probable that the taxable income will be able to make use of the tax benefit.

Basis for income tax expense, changes in deferred tax and tax payable	2014	2013
Result before taxes	-5,044	-1,464
Permanent differences	0	-4,211
Basis for the tax expense for the year	-5,044	-5,675
Change in temporary differences	-70	-101
Basis for payable taxes in the income statement	-5,114	-5,776
+/- Group contributions received/given	1,492	0
Taxable income (basis for payable taxes in the balance sheet)	-3,622	-5,776
Components of the income tax expense	**2014**	**2013**
Payable tax on this year's result	0	0
Adjustment in respect of priors	0	0
Total payable tax	0	0
Change in deferred tax	0	-3,000
Tax expense	0	-3,000
Payable taxes in the balance sheet	**2014**	**2013**
Payable tax in the tax charge	0	0
Tax effect of group contribution	0	0
Payable tax in the balance sheet	0	0

NOTES - REACH SUBSEA ASA

Note 10 - Operating income

	2014	2013
Sales income	0	0
Other operating income (specify if material)	0	0
Total	0	0

Note 11 - Payroll expenses, number of employees, remunerations, loans to employees, etc.

Payroll expenses	2014	2013
Salaries/wages	2,318	604
Social security fees	446	171
Pension expenses	147	52
Share based payments	213	213
Other remuneration	455	451
Total	3,579	1,491
Number of man-year	3	2

The company's pension schemes met the requirements of the law on compulsory occupational pension. Managing Director has no agreement about early retirement. Payment with early termination of the employment is NOK 1,200,000.

Remuneration to executives	General manager	Board
Salaries/board fee	602	650
Pension expenses	24	0
Other remuneration	8	0

Expensed audit fee	2014	2013
Statutory audit (incl. technical assistance with financial statements)	207	807
Other assurance services	0	0
Tax advisory fee (incl. technical assistance with tax return)	25	20
Other assistance (to be specified) *	28	1,456
Advisory fee booked to equity	0	-715
Total audit fees	260	1,568

VAT is not included in the audit fee.
*Other assistance include services provided by the statutory auditor PwC related to prospect and capital increase.

Note 12 - Related-party transactions

The company has undertaken various transactions with related parties consist of brokerage of vessel and leasing of office premises for one year. All transactions are carried out as part of the normal course of business and the deal is carried out on commercial terms in accordance with Companies Act §§ 3-8 and 3-9. Transactions with the management and the Board (salaries) can be found in note 11.

Note 13 - Specification of financial income and expenses

Financial income	2014	2013
Income from subsidiaries and other group entities	1,492	0
Interest income	1,556	1,836
Agio / other financial income	131	279
Total financial income	3,180	2,115
Financial expenses	2014	2013
Other Interest expenses	1	0
Agio / other financial expense	203	3
Total financial expenses	204	3

Note 14 - Profit (loss) per share

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

	2014	2013
Profit (loss)	3,552	1,536
Profit (loss) per share (NOK)	-0.05	0.02
Diluted profit (loss) per share (NOK)	-0.05	0.02
Average number of shares	75,971,997	61,727,640
Average diluted number of shares	77,204,138	61,727,640
Number of shares 1/1	75,918,079	43,828,104
Number of shares 31/12	76,241,065	75,918,079