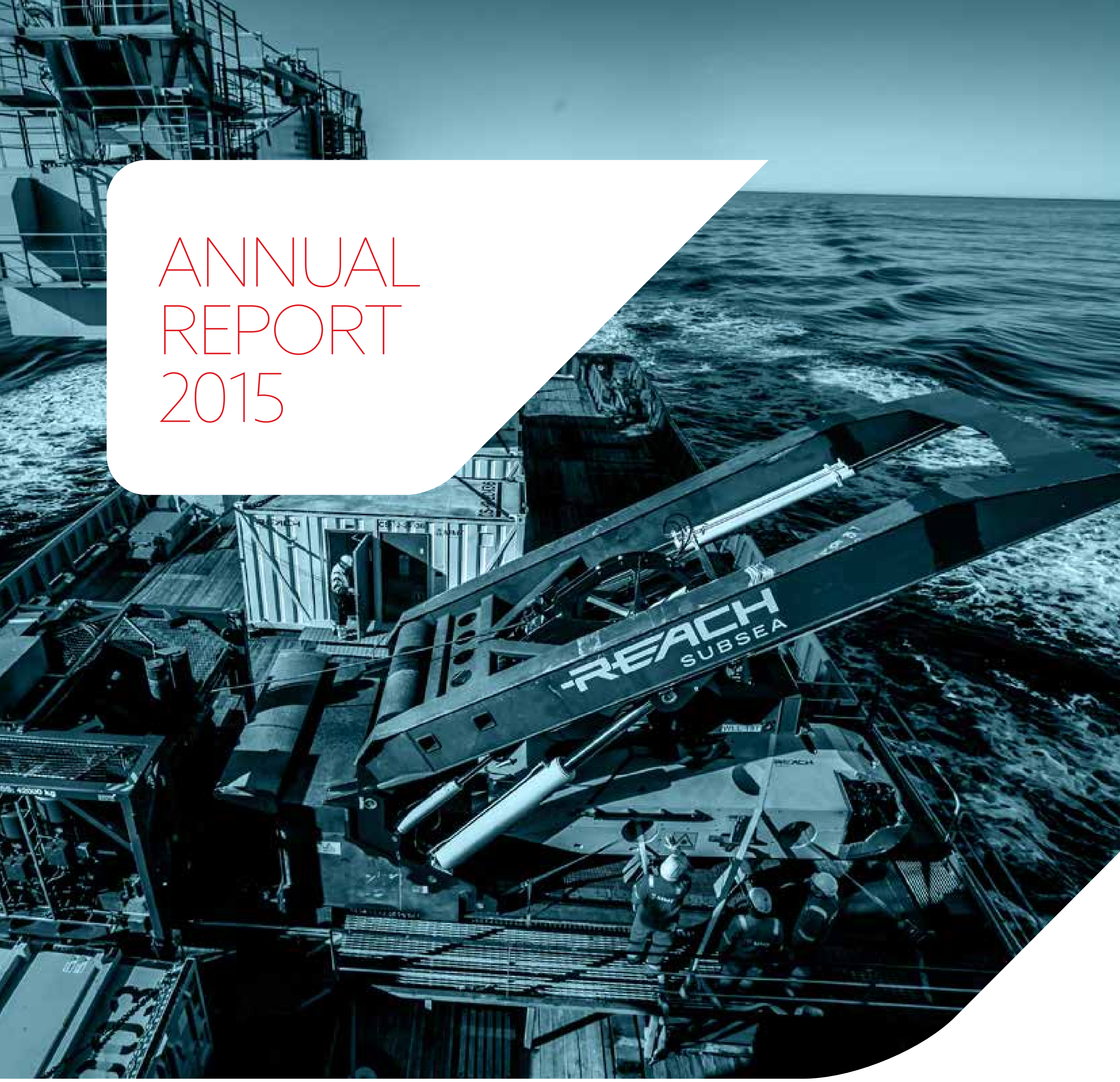

ANNUAL REPORT 2015

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

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OUR BUSINESS

2015 is our second full year of operations and we managed to double revenue from the previous year.

It is a pleasure to note that we have managed to maintain our spotless operational track record in a challenging year for the oil service companies. Our operational performance has contributed to extended contracts. Further, our professional sales team, among others supported by our track record, has managed to secure new contracts in a declining market. My appreciation is also extended to our offshore crews, showing craftsmanship of the highest class and providing services that exceed customer expectations.

This is clearly proven with the contract for *Viking Neptune*, a new-build construction vessel, where Reach Subsea was awarded a contract with Technip starting with only 75 days firm ends up with virtually continuous operation for 2 years.

2015 is our second full year of operations and we managed to double revenue from the previous year. This was not a given at the beginning of the year and new work secured during the year account for half the total turnover.

Even in Q4, we managed to secure additional work that ensured full utilization of vessels, equipment and offshore personnel. This is largely thanks to an even closer cooperation with MMT in terms of the Joint Venture for *Edda Fonn* and *Stril Explorer*. The synergies with our respective combined capabilities have enabled us to provide a powerful and complete service to our customers.

Reach Subsea's business model with flexibility and maneuverability is key to success and this approach took us through the winter season with virtually 100% utilization.

The future market will be characterized by strong pressure on rates and margins with lack of visibility. More than ever, it is now important not to let this impact our focus on safety and flawless operations.

Like everyone else in the industry, we have been forced to review our cost basis and restructure our contracts and financial tools. Under the current market conditions it is good to be in a partnership with ship owners who have the same forward-looking attitude and see that the current contract structures must be adapted to the market climate we have in front of us. Reach Subsea is now positioned to face a prolonged period of poor markets.

Reach Subsea will continue to deliver services of the highest quality.

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.

Haraldsgata 190
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 W. Johansen
Chief Financial Officer
HR Manager

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

7+ years in subsea

Bård Thuen Høgheim
Marketing Manager

7+ years in subsea

Bjørg Døving
HSEQ Manager

10+ years in subsea

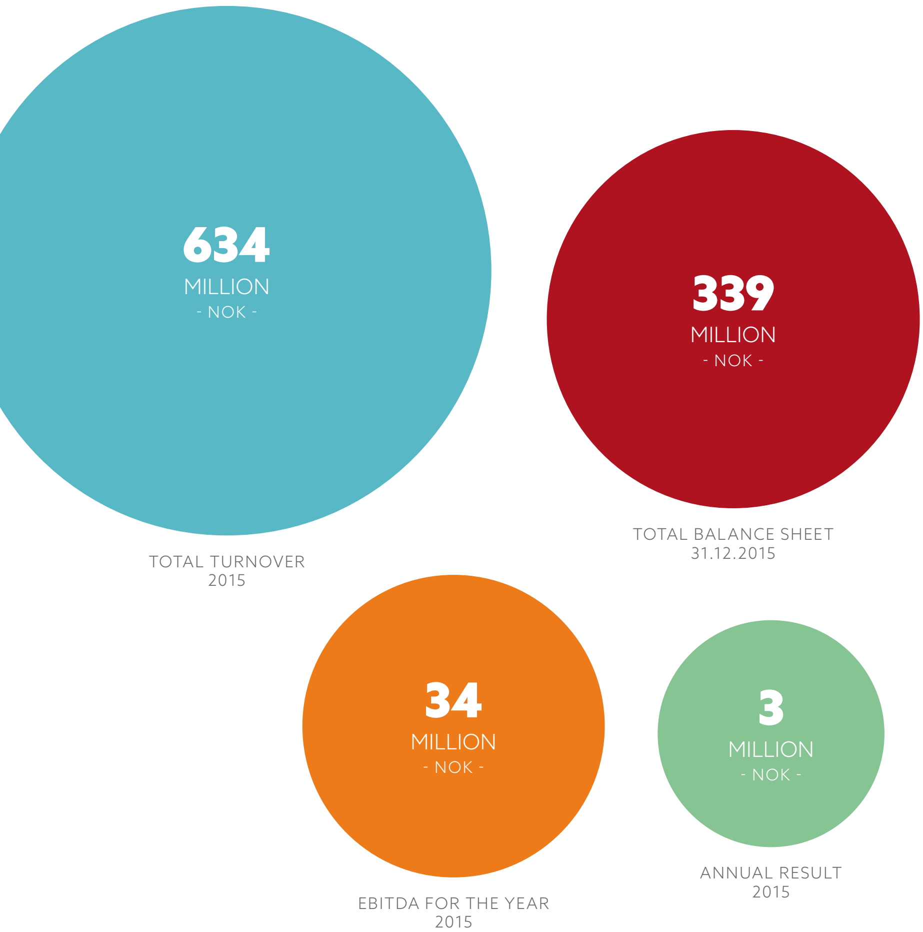
DIRECTORS REPORT

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.



2015 In Short

2015 started with four vessels ready for operation; *Normand Reach, Edda Fonn, Dina Star and Stril Explorer.* As per March the fifth vessel, *Viking Neptun*, was mobilized. All six WROVs as well as the innovative newbuild survey ROV, Surveyor, have been utilised during the year.

In general, all quarters saw many spot fixtures with new, as well as well-known clients. Rates were low with oversupply in most segments. However, Reach Subsea managed to keep a high utilisation for all vessels and equipment. Offshore operations performed by the Reach Subsea spreads receive high client scores in all segments and on all sectors. Audits by Acilles and ISO as well as end clients were successful. Our high attention to HSEQ is illustrated by the fact that we have had no serious accidents or incidents.

As from July 2015 Reach Subsea and MMT Sweden established a Joint Venture agreement primarily for survey services. The agreement included a charter restructuring arrangement aimed at adding more flexibility to the business model and strengthen the companies' combined market reach. Included in the Joint Venture agreement is the shared commitment of the two vessel spreads (vessel/WROV/survey equipment) *Edda Fonn*, on charter to Reach Subsea until December 2017, and *Stril Explorer*, on charter to MMT Sweden until April 2016. The two vessels were as from September 2015 operated in a pool arrangement where risk and reward is shared 50/50 between Reach Subsea and MMT Sweden, and jointly marketed towards our clients. As per April 2016, *Stril Explorer* is on a new contract with MMT Sweden, currently outside the pool arrangement, but jointly marketed with one WROV from Reach Subsea on board. *Edda Fonn* is part of the JV pool until 2017.

Surveyor Interceptor

Surveyor Interceptor ("Surveyor"), an innovative survey ROV, was finally ready for use in 2015 after four years of planning, engineering and building together with MMT Sweden. The Surveyor is designed to collect survey data at a much higher speed with better data quality than conventional methods. Her first commercial job was conducted in March 2015 with Gassco as end client, performing well above our high expectations. Gassco awarded the performance "The world's fastest" and were also very pleased with the technical outcome. Further, the Surveyor did a route survey in the North Sea, on the world's longest power cable between Iceland and Scotland. The Surveyor had some final development cost in 2015 for fine tuning, reported as "Result from affiliated company" in the Annual Report.

Edda Fonn

Edda Fonn is a purpose built ROV/ survey vessel hired on a contract from Østensjø Rederi for three years (2015-2017) for use on Reach Subsea's own offshore operations. The vessel started 2015 testing the innovative survey ROV, the Surveyor, together with MMT Sweden. Thereafter, upon a few spot jobs, she left for a fresh water pipe lay assistance in the Mediterranean Sea lasting until August. The client was an international construction company. From September to December 2015, *Edda Fonn* performed under two complex contracts in the renewable sector (survey and installation), adding valuable experience within this important segment. *Edda Fonn* has obtained strong scores on client satisfaction reviews from end users of the vessel. This is a result of an experienced marine crew on board the vessel delivered by Østensjø Rederi combined with Reach Subsea's own, highly professional ROV crew. In addition, the survey team from MMT Sweden has shown excellent performance. End clients for the *Edda Fonn* projects includes Total, Allseas, ABB, OMM and Sigur ROS.

Normand Reach

Normand Reach, hired on time charter from Solstad Offshore and equipped with Reach Subsea ROVs and personnel (2-4 ROV Supervisors from Reach Subsea), was on charter to DOF Subsea the whole year. *Normand Reach* has mainly performed work within the oil and gas segment, with a high customer satisfaction score. End clients were major oil companies. The cooperation with Solstad and DOF Subsea has been productive and positive. The firm time charter to DOF ends in June 2016.

Stril Explorer

Stril Explorer is a DP2 survey vessel on a charter contract from Møkster to Reach Subsea's JV-partner MMT Sweden. Reach Subsea has one WROV and MMT Sweden has a full survey spread mobilised on board the vessel. Projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach Subsea and MMT. Examples of work for *Stril Explorer* in 2015 are UXO removal (mines), installations (renewables sector), route survey, dredging and seabed mapping for end clients such as Prysmian, Dong and Statoil. In addition, the vessel has done some pure survey work without WROV. In April 2015, the Surveyor was mobilized with LARS (launch and recovery system) on board *Stril Explorer*. The Surveyor was first further tested and fine-tuned, and thereafter performed very well on a route survey for a new client in the North Sea.

Dina Star

Dina Star performed in the spot market from March until June 2015 on a "walk to work"-contract with Reach Subsea. The vessel is an MPSV equipped with an offshore crane, DP II and mobilizes to perform subsea ROV operations. The *Dina Star* spread has done projects within the renewable sector, such as installing a wave generator and decommissioning (preparing). End clients were small and large companies (including Statoil and Shell).

Normand Mermaid

Normand Mermaid was hired in from Ocean Installer for one specific project within the renewables sector. The operations included pile removal and dredging and were successfully performed using Ocean Installer's WROVs and Reach Subsea personnel.

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 Subsea share developed during the year from 3.20 at 31.12.14 to 1.48 at 31.12.2015. No dividend was paid based on the financial year 2014.

The Board of Directors intend to propose that no dividends will be paid for the financial year 2015. The positive result will be used for investments as well as working capital in 2016.

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

DIRECTORS REPORT

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.

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

Corporate Governance

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

Health, Safety, Environment & Quality

Achieving and maintaining excellence in HSEQ performance is a top priority in Reach Subsea. We are committed to operating in a responsible manner and never compromise on HSEQ standards. We believe that 2015, without any personnel injuries or major incidents, is a result of a strong management commitment, and proactive contributions from our employees towards a safe working environment. Total number of employees increased from 51 by year end 2014 to 63 by year end 2015. The portion of female employees is 10 %. The portion of female board members is 40 % and the management group has 29 % female members.

Health

Employees in Reach Subsea are actively involved in the systematic monitoring of our working environments, and encouraged to propose actions that stimulate good health. The proactive work consists of periodic work environment inspections and health promoting campaigns.

Reach Subsea operates a fleet of modern vessels, with good facilities for health promoting activities. All vessels have well-equipped gymnasiums in which Reach Subsea, together with vessel owners and clients, regularly arrange for fit-for-the job campaigns.

We perform periodic work environment inspections on vessels and onshore workshops to identify risk areas and reduce potential for adverse incidents.

To secure good two-way communication, we initiated a working environment committee in 2015. This committee has representatives from management and from the employees, whereas HSEQ performance are monitored and relevant HSEQ topics highlighted and distributed.

HSEQ Key Performance Indicators for 2015 have been very good, with no personnel injuries, Lost Time Incidents and low sickness absence at 2.3 %.

Safety

Experience is a key factor. We all come from different 'households', with various experience on the safest way to act. In Reach Subsea we share a mutual belief that accidents can be prevented.

A safe delivery of subsea services starts with active involvement of the offshore work force in the planning process. The competence of each individual approved to work for us, represents the technical integrity we need to operate safely. Reach Subsea therefore safeguards and provides necessary support to our staff in their search for the safest and most optimal solutions.

Being able and willing to comply with requirements stems from a good HSEQ culture. We believe that a good HSEQ culture arises from a respectful and positive dialogue in between people. Our leaders shall be technically qualified and have high interpersonal skills.

Once a year, we gather all leading offshore personnel for a thorough review of our past, present and future, including defining HSEQ fundamentals and planning associated activities for the following year. These sessions are valuable in order to align our understanding of HSEQ, as a continuous deliverable.

Safety initiatives performed in 2015 consist of numerous activities outlined in our company HSEQ program. We perform periodic HSE Inspections on our ROV Systems, Management Inspections on each vessel, inspections at office and workshop facilities, Quarterly HSE campaigns (focus on dropped objects, hand & finger injuries), Safety Flashes highlighting lessons learned and more.

Environment

Reach Subsea is committed to limit the negative impact on the environment from our activities. We prefer environmentally friendly solutions, and challenge our partners to do the same. This is visible through our selection of vessels, designed with the purpose of reducing fuel-consumption and with recycling programs for waste management. Initiatives such as selecting technical equipment with low electricity consumption and consumables, and emphasis on using modern communication technology instead of long-distance travels are welcomed, and has a positive effect also for the project economy.

In 2015, we continued our work to implement the ISO 14001 standard, by identifying Environmental Aspects & Impacts. This is part of our overall target to hold a certification towards this standard.

Quality

The subsea industry is experiencing significant change. A significantly reduced oil price has reinforced the need for more efficient business models, demanding quality solutions at a lower cost.

This translates into the organizations willingness and ability to adapt to changes. Despite this challenging market situation, the activity level in Reach Subsea has never been higher. We have sharpened our pencils, tendered, won and executed projects at competitive rates, with 100 % customer satisfaction.

Through 2015, our organization has been subject to numerous pre-qualification processes initiated by our clients and partners. Learning from experience, we have spent our time wisely, having built up an organization with a robust understanding of our clients expectations. Reach Subsea now holds an ISO 9001 certification and operates in compliance with a number of standards, such as ISO 18001, ISO 14001, NORSOK, IMCA and more. This has enabled us to become an approved vendor to most of the majors, needle-eyes we are proud to have passed.

Looking at the financial results for 2015, we have proven our ability to deliver cost-efficient and highest quality standard services to our clients' full satisfaction and, most importantly, – without any personnel injuries.

Reach Subsea will continue to do it right the first time - and our ultimate goal is "no mistakes" when our services are performed.

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 2015 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

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

Revenue for the full year 2015 was NOK 634.4 million, compared to NOK 311.2 million in 2014. *Viking Neptune* revenue has had a significant impact, though limited margin-effect due to vessel cost and victualling being invoiced through Reach Subsea without fee

REVENUE

PROJECT RISK TYPE

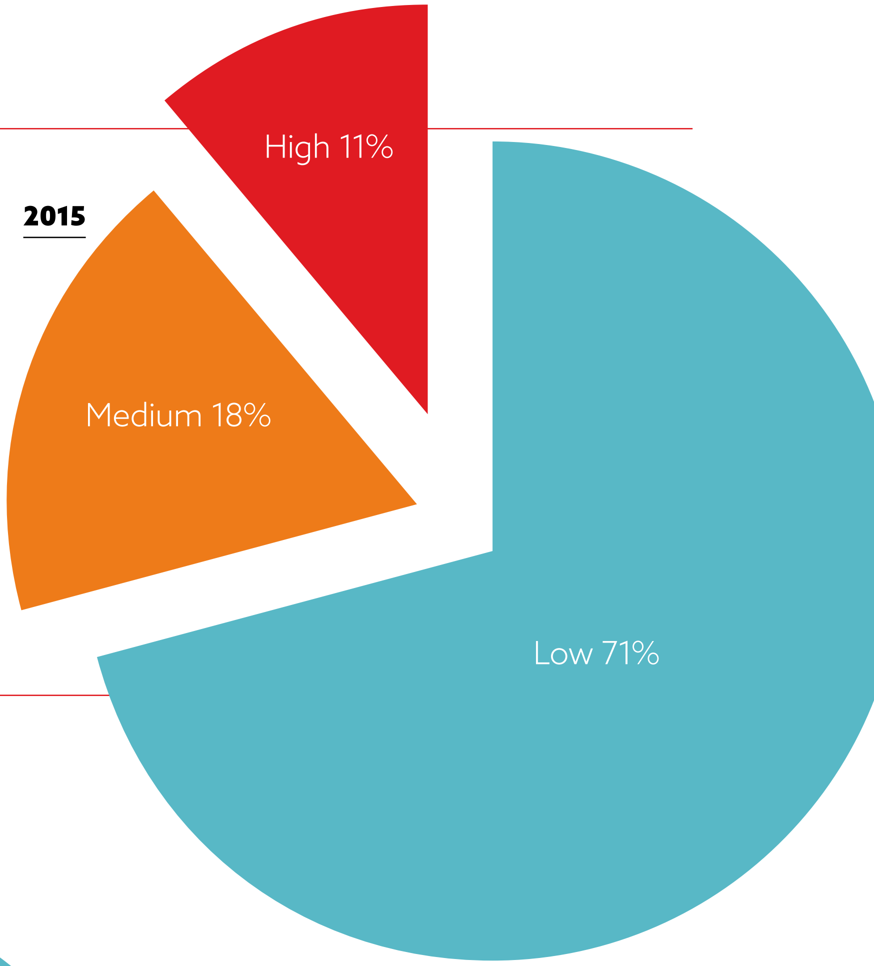
2014

Low 63%

Medium 25%

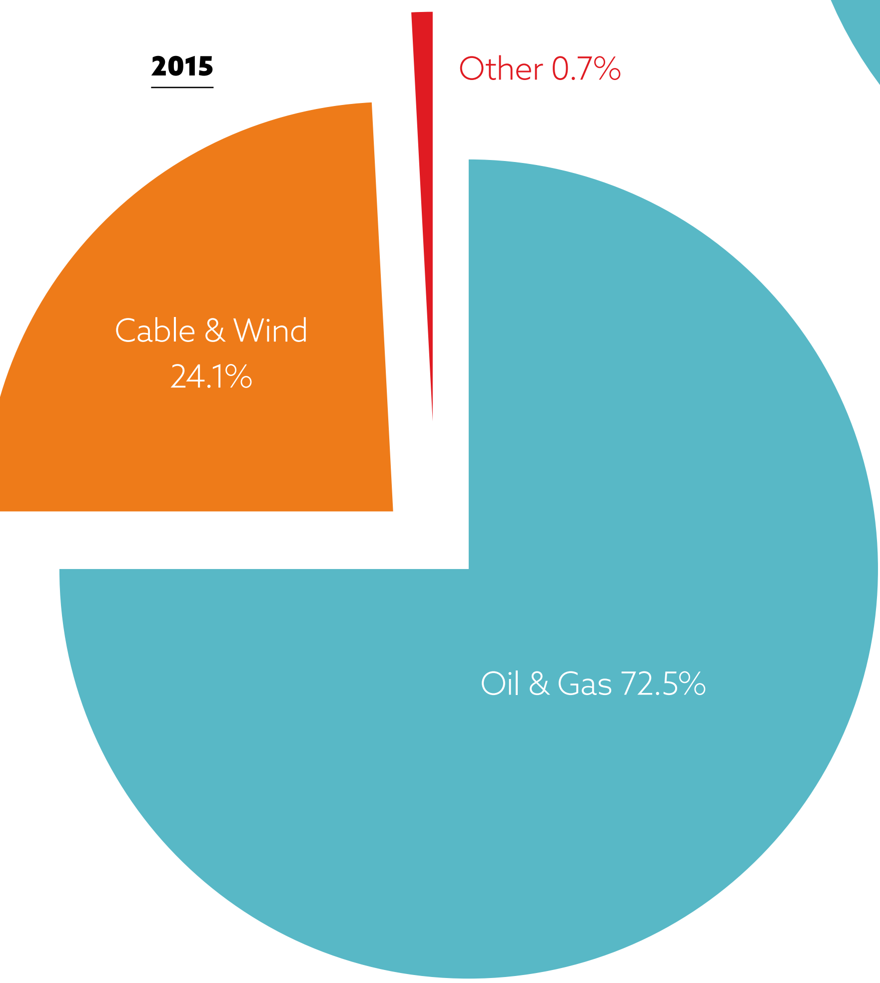
High 12%

2015



SECTOR TYPE

2015

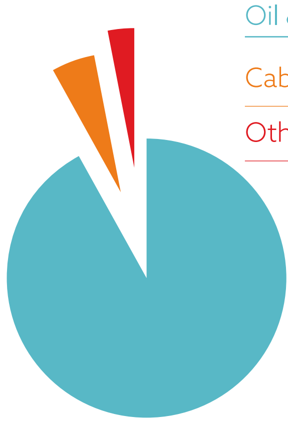


2014

Oil & Gas 92%

Cable & Wind 5%

Other 3%



DIRECTORS REPORT

from March to end October. As from December Reach Subsea performs as sub-contractor to Eidesvik, reducing the turnover, however with the same EBITDA–level (and consequently a higher margin). In 2014, *Dina Star* and *Stril Explorer* were mobilized and started operations in 1Q, *Normand Reach* was mobilized and started operations in 2Q and *Edda Fonn* was ready for operation in the second half of December. All these vessels had activity for Reach Subsea in 2015 in addition to *Viking Neptun* (as from March). *Dina Star* was demobilized in December 2015. Reduced rate levels lead to a reduced EBITDA-margin, however with an EBITDA on the same level in 2015 as 2014 (abt. NOK 35 million). Net result was NOK 2.7 million in 2015, compared to NOK 23.6 million in 2014. The reduced net result compared to 2014 is mainly related to one-off currency gains in 2014 and development cost in Surveyor AS in 2015.

Operating expense for 2015 was NOK 623 million including depreciation. Project-related expense represents the majority of the operating expense for the group. Total operating expense for 2014 was NOK 290.1 million.

The increase in operating expenses from 2014 is primarily due to the increased activity level and the consequent increase in number of vessel charter days hired in. Increase in salary/personnel related expenses has been limited. Experienced personnel have been hired on project basis rather than increasing the firm offshore pool.

Total current assets at the end of the period were NOK 130.8 million, of which cash and cash equivalents amounted to NOK 54.4 million. Available liquidity, including NOK 20 million in unutilized credit facility, amounted to NOK 74.4 million, which is satisfactory. Total receivables were NOK 76.5 million, while total non-interest bearing current liabilities were NOK 69.2 million leaving a net working capital of NOK 7.3 million and a total working capital (including cash) of NOK 61.7 million.

Cash deposits pledged as security for bank guarantees and leasing debts amount to NOK 53 million and are classified as a non-current asset.

The Group's equity is NOK 157.4 million, which represents 46.4% of the total balance sheet. Net financial debt amounts to NOK 58.2 million, or NOK 5.2 million when including cash deposits pledged as security, and has increased by NOK 48.3 million during 2015. The increase stems from financing of NOK 74.6 million in investments related to our equipment onboard *Viking Neptun* and related to our joint-venture Surveyor AS, which was offset by NOK 26.4 million in net cash flow from operating activities. No impairments were required in 2015. Reach Subsea has no committed capital expenditure related to new investments for 2016 and onwards.

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.

Outlook and expectations for 2016

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.

Reach Subsea markets and operates six WROV-spreads (ROVs and offshore personnel), of which two are fixed on contracts until 2017, two are fixed on contracts until June 2016 and the last two are operated on vessels performing in the spot market. The surveyor ROV, owned 50% by Reach Subsea, is exposed to the spot market in the survey segment.

Of the vessels, *Edda Fonn* and *Normand Reach* (from 13.06.2016) are currently exposed to the spot market, where competition is fierce and rates low. This risk/reward on *Edda Fonn* is shared 50 % with MMT Sweden according to a Joint Venture agreement. *Viking Neptun* has after year end secured commitment with Technip for 2016 and beyond, which will contribute to good utilisation for the WROVs and offshore personnel from Reach Subsea onboard.

Reach Subsea has on 25 April 2016 agreed on a comprehensive restructuring of its charter agreements, which will enable Reach Subsea to move forward with market based charter-in rates. Solstad and Østensjø will as part of the restructuring become new shareholders of Reach Subsea.

Although the details of the agreement are confidential between the parties, Reach Subsea will now be well equipped to handle a prolonged period of weak market conditions.

A significant reduction in charter

DIRECTORS REPORT

commitments will provide Reach Subsea with a competitive and flexible total cost base. Reach Subsea is now positioned to exploit opportunities in the market, and create shareholder value.

The immediate financial implications for Reach Subsea are:

- Reach Subsea's total off-balance sheet bank guarantees of NOK 87m will be cancelled.
- As compensation, the total restricted cash deposits of NOK 53m will be released and paid out.
- Reach Subsea will issue 15m shares, subscribed at NOK 2 per share, to major shareholders, board members, key employees and the ship owners.

As a result total debt, including bank guarantees, and adjusted for restricted cash deposits, will be reduced from approximately NOK 140m to approximately NOK 95m. The company's working capital and liquidity is unaffected by the restructuring, and remains robust. In particular in light of the reduced and flexible cost base going forward.

At the AGM the Board propose the issuance of 15m shares, all of which have been subscribed for at NOK 2 per share. 5m shares will be issued to each of Solstad and Østensjø, while 5m shares will be issued to major shareholders, board members and key employees. In addition, the Board will propose that 4m options with strike price NOK 3 per share are issued to Solstad Offshore.

This restructuring will enable Reach Subsea to continue working with ship owners known for quality and reliability – a necessity in our line of business. Tendering and sales activities remain high to secure good employment for the vessels in a challenging 2016 and beyond.

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 5.8 million.

On the Board of Reach Subsea ASA - Haugesund 25th April 2016

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 2015 have been prepared in compliance with applicable accounting standards; and that the information in the accounts offers a true and fair view of the Group's and the parent company's assets, liabilities, financial standing and overall performance. We further confirm that the Annual Report provides a true and fair view of the development, earnings and standing of the Group and the parent company; and sets out most important risk factors and uncertainties facing the Group.

On the Board of Reach Subsea ASA - Haugesund 25th April 2016

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 30th October 2014.

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

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

Values, objectives and strategies

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

Business activity

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

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

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

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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 2015, the Board had authorization to increase the share capital with NOK 1.687.863. The authorization was limited to defined purposes and expires 30th June 2016.

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.

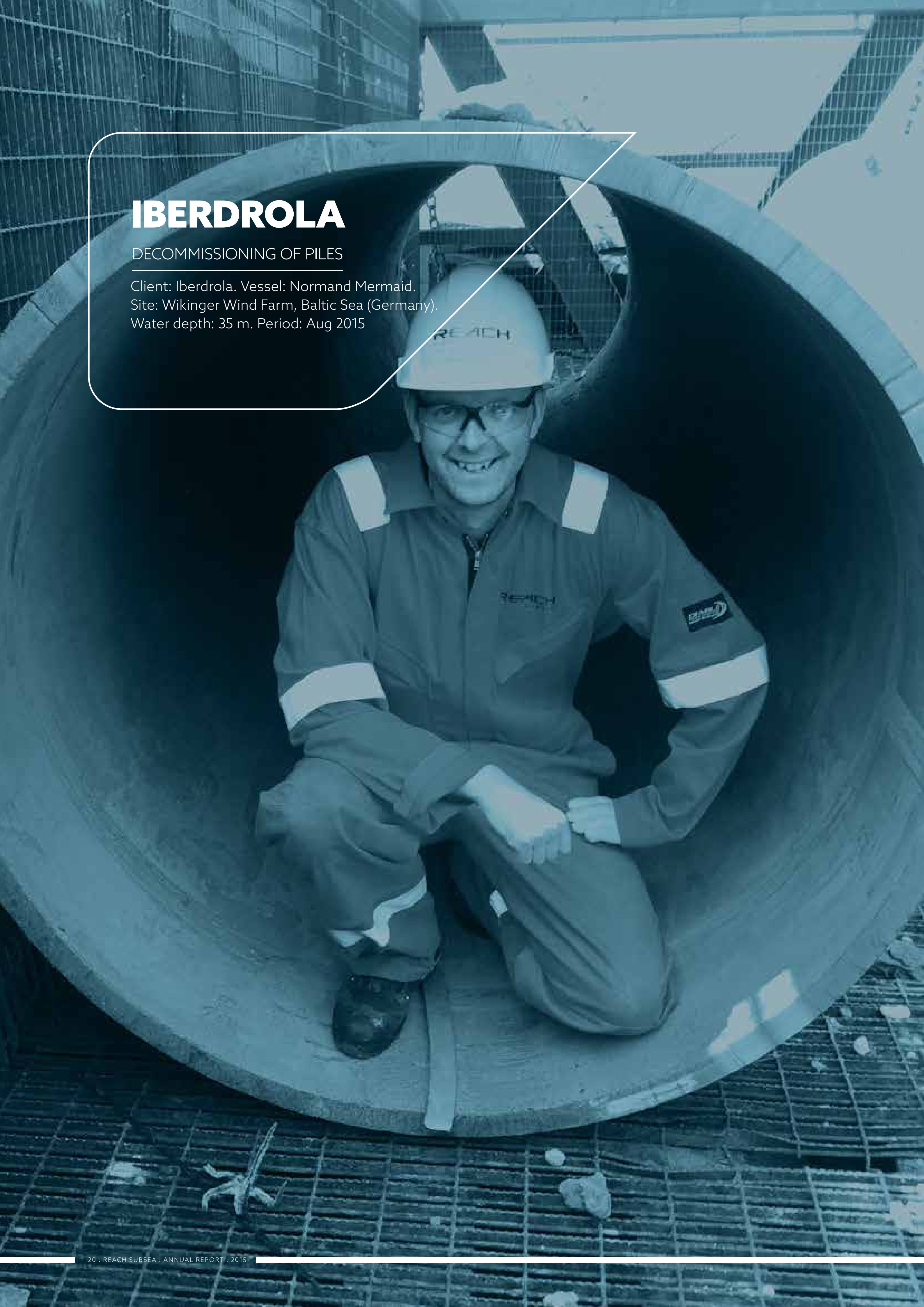
Members of the Board Nomination Committee and Auditors are present at the annual general meeting, but normally the full Board has not participated. Matters on the agenda have so far not created a need for this. The chairman of the Board and the Managing Director are always present to answer questions.

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

SIGUR ROS

TRNC WATER PIPELINE
INSTALLATION SUPPORT

Client: Sigur Ros. Vessel: Edda Fonn.
Site: Turkey - Cyprus. Water depth: 300 m.
Period: Sep 2015



IBERDROLA

DECOMMISSIONING OF PILES

Client: Iberdrola. Vessel: Normand Mermaid.
Site: Wikinger Wind Farm, Baltic Sea (Germany).
Water depth: 35 m. Period: Aug 2015

CORPORATE GOVERNANCE AND MANAGEMENT

Nomination committee

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

The following three members form the nomination committee:

- Rune Lande (Chairman)
- Harald Eikesdal
- 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.

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.

ABB

FILTER UNIT INSTALLATION AND CONTROLLED FLOW EXCAVATION

Client: ABB AB (SE). End Client: Tennet Offshore GmbH (DE). Vessel: Edda Fonn. Installation: Dolwin Beta. Site: DolWin2 Field, Netherlands. Water depth: 30 m. Period: Oct - Nov 2015.

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)	2015	2014	NOTES
Continuing operations			
Revenues	634,369	311,050	
Other operating income	-	100	
Operating income, in total	634,369	311,150	
Operating expenses			
Cost of sales	(29,089)	(42,665)	
Depreciation	(23,030)	(13,675)	12
Employee expenses	(53,884)	(41,899)	6
Other operating expenses	(517,008)	(191,891)	5, 6
Operating expenses, in total	(623,011)	(290,130)	
Operating result	**11,358**	**21,020**	
Financial income and Financial expenses			
Interest and other financial income	15,885	9,951	7
Interest and other financial expenses	(18,674)	(6,081)	7
Finance income - net	(2,790)	3,870	
Share of profit of investments accounted for using the equity method	(7,173)	(59)	11
Profit (loss) before taxes	1,394	24,831	
Taxes	-	-	8
Profit (loss) for the year	1,394	24,831	
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of derivatives, net of tax	1,268	(1,268)	20
Total comprehensive income	2,663	23,563	
Result attributable to:			
Owners of the Company	2,663	23,563	15
Profit (loss) per share	0.02	0.31	9
Diluted profit (loss) per share	0.02	0.31	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)	2015	2014	NOTES
Assets			
Non-current assets			
Property, plant and equipment	140,415	97,473	12
Investments	6,829	5,361	11
Non current receivables	53,000	53,000	13
Deferred tax asset	8,161	8,161	8
Non-current assets, in total	208,405	163,995	
Current assets			
Trade receivables	66,856	25,927	13, 18
Other current receivables	9,622	13,294	13
Cash and cash equivalents	54,370	59,746	14
Current assets, in total	130,848	98,967	
Assets, in total	**339,253**	**262,962**	
Equity and liabilities			
Equity			
Share capital	76,241	76,241	15
Share premium	67,806	67,806	
Other equity	13,397	10,130	
Equity, in total	157,444	154,177	
Non-current liabilities			
Interest-bearing debt	94,601	59,518	19
Non-current liabilities, in total	94,601	59,518	
Current liabilities			
Trade payables	40,263	28,097	17, 18
Taxes, payables	-	-	8
Public duties a.o.	3,401	2,751	17
Interest-bearing debt short-term	18,000	10,200	19
Derivative financial instruments	0	1,268	20
Other current liabilities	25,544	6,950	17, 19, 22
Current liabilities, in total	87,208	49,266	
Equity and liabilities in total	**339,253**	**262,962**	

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

CASHFLOW

Consolidated cash flow statement

(NOK 1000)	2015	2014	NOTES
Operations			
Profit (loss) before taxes	1,394	24,831	
Net result from affiliated companies	7,173	59	
Paid tax	-	-	8
Depreciation and write-downs	23,030	13,675	
Change in debtors	(40,929)	(12,744)	
Change in creditors	12,166	26,843	
Change in other accruals	22,916	(6,759)	
Share option expense employees	604	686	
Net cash flow from operations (1)	26,356	46,591	
Investments			
Investment in equipment	(65,973)	(25,404)	12
Purchase of shares in associated companies	(8,642)	(5,420)	11
Guarantees Charter-party	-	(3,000)	
Net cash flow used in investments (2)	(74,615)	(33,824)	
Financing			
Proceeds from issuance of ordinary shares	-	1,033	
Proceeds from borrowings	42,883	(7,772)	19
Net cash flow from financing activities (3)	42,883	(6,739)	
Net cash flow for the year (1+2+3)	(5,375)	6,029	
Cash and cash equivalents 1/1	59,746	53,718	
Cash and cash equivalents 31/12	54,370	59,746	

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

EQUITY

Equity

(NOK 1000)	Share capital	Share premium	Other Equity: Other reserves	Other Equity: Retained earnings	Total	NOTES
Equity 1 January 2015	76,241	67,806	2,315	7,816	154,177	
Profit for the year				1,394	1,394	
Other comprehensive income for the year				1,268	1,268	
Total comprehensive income for the year	-	-	-	2,663	2,663	
Fair value of share options	-	-	604	-	604	
Proceeds from shares issued	-		-	-	-	
Equity 31 December 2015	76,241	67,806	2,919	10,479	157,444	
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	

Haugesund 25th April 2016

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.

TECHNIP

FIELD DEVELOPMENT, MANIFOLD INSTALLATION

Client: Technip. End Client: Tullow Oil Ghana Ltd. Vessel: Viking Neptun. Site: TEN Development. Project. Water depth: 1400 m. Period: Dec 2015 – Feb 2016

NOTES

Note 1
General Information

Reach Subsea ASA is the parent company in the Group and is domiciled in Norway, with office address Haraldsgaten 190, 5527 Haugesund. The company's consolidated financial statements for the 2015 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

Standards and amendments effective for the first time for their annual reporting period commencing 1 January 2015 are not material to the Group these include:

- Annual Improvements to IFRS's - 2010 - 2012 Cycle and 2011 - 2013 Cycle.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, these include:

- Annual Improvements to IFRS's 2012 - 2014 Cycle, and
- Disclosure Initiative: Amendments to IAS 1.

As these amendments merely clarify the existing requirements, they do not affect the group's accounting policies or any of the disclosures.

b) New standards and interpretations not yet adopted

NOTES

The following new standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the group.

- IFRS 15 Revenue from contracts with customers1
- IFRS 9 Financial instruments2

1Effective for annual periods beginning on or after 1 January 2017

2Effective for annual periods beginning on or after 1 January 2018

The directors of the Company do not anticipate that the application of these standards and amendments will have a significant impact on the Group's consolidated financial statements in the period of initial application.

Basis of consolidation

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

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

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

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

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

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

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

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

Under the equity method of accounting, interests in joint ventures are initially 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 costs.

Property, plant and equipment

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Onerous contracts

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

NOTES

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 long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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

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

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

Lease income on operating leases is 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.

3) Available-for-sale financial assets

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

Recognition and measurement: Regular purchases and sales of financial assets are 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 costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs 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.

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.

b) Assets classified as available for sale

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

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

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognised in the consolidated income statement on

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equity instruments are not reversed through 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 costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

Cash and cash equivalents

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

Share capital

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

Trade payables

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

Trade payables are 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 costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) 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 costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

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

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

Share-based payments

The group has an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is 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

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of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

Recognition of revenue

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

Sales of services: The group sells design services to other. For sales of services under fixed rate contracts, revenue is 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.

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.

SHELL

DECOMMISSIONING

Client: Shell UK Ltd. Vessel: Dina Star.
Site: Brent. Water depth: 140 m.
Period: May 2015.

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Note 5 - Operating costs specified

(NOK 1000)	2015	2014
Rental cost	462,697	167,901
Consultant cost	32,271	9,482
Operating equipment and maintenance	5,866	1,550
Administration costs	16,173	12,957
Operating costs, in total	517,008	191,891

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

Wages and social expenses

(NOK 1000)	2015	2014
Salaries	43,362	33,917
Social security tax	6,898	5,091
Pensions	2,830	1,439
Other benefits	190	766
Option cost	604	686
Wages and social expenses, in total	53,884	41,899
Number of man-year (including hired personnel)	61	54

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

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Note 6 - Compensation and benefits to management

Compensation to CEO, CFO and COO is specified below.

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

(NOK 1000)	Salary	Pension expenses	Other comp	Share options
2015				
Managing Director CEO	1,210	82	24	73,047
CFO	857	62	19	53,125
COO	956	61	22	59,766
Total	3,023	205	65	185,938
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

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

Note 6 - Continued

The Board's remuneration

(NOK 1000)	Position	2014	2013
Kåre Johannes Lie	Chairman of the Board	250	250
Anders Onarheim	Board member	100	100
Martha K. Bakkevig	Board member	100	100
Merete Haugli	Board member	100	100
Sverre B. Mikkelsen	Board member	100	100

The Auditors remuneration

(NOK 1000)	2015	2014
Auditing	763	916
Attestation services	-	3
Tax advice	39	53
Other assistance*	190	314
Total	992	1,286

All amounts are exclusive of value added tax.
*Included in other assistance are services from Adv. PricewaterhouseCoopers AS with the amount of NOK 49 500 (2014: NOK 124 197).

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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:

		2015	
		Shares	Stake
ACCELLO PARTNERS I AS	Partly owned by Anders Onarheim (Board member) and Rachid Bendriss (Primary insider)	23,444,254	30.8 %
JOSO INVEST AS	Owned by Kåre Johannes Lie (COB)	6,964,589	9.1 %
JT INVEST AS	Partly owned by Jostein Alendal (CEO)	5,301,539	7.0 %
A-Å INVEST AS	Owned by Åge Nilsen (management)	1,874,975	2.5 %
SMS INVESTERING AS	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 (Board secretary)	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 (Board member)	417,175	0.5 %
AB INVEST	Owned by Anders Onarheim (Board member)	398,347	0.5 %
TYRIHANS MANAGEMENT	Owned by Sverre B Mikkelsen (Board member)	256,250	0.3 %
CELISA CAPITAL AS	Owned by Rachid Bendriss (Primary Insider)	150,000	0.2 %
BIRGITTE WENDELBO JOHANSEN	Management	139,050	0.2 %
BÅRD THUEN HØGHEIM	Management	120,625	0.2 %
MORTEN ROTH STRANDEN	Management	109,375	0.1 %
SVERRE B. MIKKELSEN	Board Member	85,925	0.1 %
ÅGE NILSEN JR	Management	63,750	0.1 %
JOSTEIN ALENDAL	CEO	50,000	0.1 %
Total		43,232,332	57%

Note 7 - Finance income and expenses

(NOK 1000)	2015	2014
Interest expense:		
Bank borrowings	3,043	5,021
Net foreign exchange	14,486	2,017
Other financial expenses	1,146	19
Total financial expenses	18,674	7,056
Less: amounts capitalised on qualifying assets (Note 12)	-	(975)
Finance costs	18,674	6,081
Finance income:		
Interest income on short term bank deposits	(1,333)	(1,778)
Net foreign exchange	(14,551)	(7,786)
Other financial income	(0)	(387)
Finance income:	(15,885)	(9,951)
Net financial items	2,790	(3,870)

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Note 8 - Taxes

(NOK 1000)	2015	2014
Taxes		
Taxes payable	-	-
Changes in deferred taxes	-	-
Taxes, in total	-	-
Deferred taxes / (deferred tax assets)		
Temporary differences:		
Other fixed assets	9,781	10,427
Financial leases	404	4,639
Accruals	-	(4,928)
Tax loss carried forward	(134,603)	(139,989)
Temporary differences, in total	(124,418)	(129,851)
Deferred tax assets	(31,105)	(35,060)
Not recognized deferred tax assets	-22,943	(26,899)
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	1,394	24,831
Nominal tax rate	27%	27%
Anticipated income tax due to nominal tax rate	(377)	6,704
Tax effects of:		
Permanent differences	-	-
Carry forward tax loss not recognized	377	6,704
Tax rate	-	-
Effective tax rate	0 %	0 %

Note 9 - Earnings per share

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

(NOK 1000)	2015	2014
Profit (loss) - attributable to the owners (NOK 1000)	1,394	24,831
Profit (loss) per share (NOK)	0.02	0.33
Diluted profit (loss) per share (NOK)	0.02	0.32
Numbers of shares for EPS	76,241,065	75,971,997
Diluted number of shares	76 873 076	77,204,138
Number of shares 1/1	76,241,065	75,918,183
Number of shares 31/12	76,241,065	76,241,065

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 2015

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

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

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Note 11 - Continued

Summarised balance sheet (NOK 1000)	2015	2014
Cash and cash equivalents	1,017	2,218
Other current assets	639	4,257
Total current assets	1,655	6,475
Non-current assets	39,215	39,375
Other current liabilities	5,687	10,733
Total current liabilities	5,687	10,733
Financial liabilities	21,525	24,395
Total non-current liabilities	21,525	24,395
Net assets	13,658	10,721

Reconciliation to carrying amounts (NOK 1000)	2015	2014
Opening assets 1 January	10,721	-
Foundation		100
Capital increase	17,284	10,739
Profit/l(loss) for the period	(14,347)	(118)
Closing net assets	13,658	10,721
Group's share in %	50%	50%
Group's share in NOK	6,829	5,361
Carrying amount	6,829	5,361

Summarised statement of comprehensive income (NOK 1000)	2015	2014
Revenue	2,099	-
Interest income	8	11
Depreciation and amortisation	(5,194)	-
Other operating expenses	(10,097)	(128)
Interest expense	(1,162)	(1)
Income tax expense	-	-
Profit for the period	(14,347)	(118)
The amounts recognised in the income statement are as follows:		
Share of profit of investments accounted for using the equity method	(7,173)	(59)
At 31 December	(7,173)	(59)

Note 12 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	ROV & ROV equipment leased	Equipment & office machinery	Total
Year ended 31 December 2015				
Opening net book amount	40,885	55,447	1,140	97,473
Additions	6,883	58,960	130	65,973
Disposals	-	-	-	-
Depreciation	(8,583)	(14,002)	(445)	(23,030)
Closing net book value	39,185	100,405	825	140,415
At 31 December 2015				
Cost	53,549	125,805	9,309	188,663
Accumulated depreciation	(14,364)	(25,400)	(8,484)	(48,248)
Book value	39,185	100,404	825	140,415
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
Disposals	-	-	-	-
Depreciation	(5,491)	(8,041)	(143)	(13,675)
Closing net book value	40,885	55,447	1,140	97,473
At 31 December 2014				
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
Depreciation plan/useful life	3 - 8 years	3 - 8 years	3 years	
Depreciation method	Linear	Linear	Linear	

During the year, the group has capitalised borrowing costs amounting to NOK 466 (2014: NOK 975)on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6% (2014: 6,5%). Also see Note 19 Borrowings. Bank borrowings are secured on fixed assets for the value of NOK 140,4 million (2014: 97,5 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)	2015	2014
Cost	179,354	113,511
Accumulated depreciation at 1 January	(17,179)	(3,647)
Depreciation charge for the year	(22,585)	(13,532)
Net book amount	139,590	96,333

Note 13 - Trade and other receivables

(NOK 1000)	2015	2014
Trade receivables	66,856	30,655
Less: provision for impairment of trade receivables	-	(4,728)
Trade receivable net	66,856	25,927
Repayments	5,372	9,112
Other receivable	4,250	4,182
Current portion	76,478	39,220
Restricted cash deposit	53,000	53,000
Non-current positions	53,000	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	61,472	19,253
Receivables from related parties	5,384	6,674
Loans to related parties	-	-
Total	66,856	25,927

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

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

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

Receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 360 d
2015	66,856	35,458	17,375	4,121	9,026	876
2014	30,855	9,723	20,202	730		

For receivables who is not overdue is the evaluation, based on previous experience, that there is no need for allowance.

Note 13 - Continued

Trade receivables COUNTER-PARTY WITHOUT EXTERNAL CREDIT RATING	2015	2014
Group 1		
Group 2	68,856	25,927
Group 3		4,928
Total trade receivables	68,856	30,855

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)	2015	2014
NOK	54,766	29,903
EUR	-	-
USD	12,090	952

Note 14 - Cash and cash equivalents

(NOK 1000)	2015	2014
Cash and cash equivalents in NOK	99,756	100,206
Cash and cash equivalents in USD	7,531	12,363
Cash and cash equivalents in EUR	45	3
Cash and cash equivalents in GBP	38	174
Restricted cash equivalence hereof	(53,000)	(53,000)
Cash and cash equivalents, in total	54,370	59,746
Unused drawing rights	-	-
Rating on banks for cash		
A+	-	-
AA	54,370	59,746
Total cash and cash equivalents	54,370	59,746

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

NOTES

Note 15 - Share capital and information about shareholders

The share capital of NOK 76 241 064 consists of 76 241 065 shares with nominal value of NOK 1,00.

The 20 largest shareholders as of 31.12.2015	Shares	Stake
1. ACCELLO PARTNERS I AS	23,444,254	30.88%
2. JOSO INVEST AS	6,964,589	9.17%
3. JT INVEST AS	5,301,539	6.98%
4. GSE SANDVIK AS	3,437,500	4.53%
5. SKEISVOLL & CO AS	2,000,000	2.63%
6. HOLME HOLDING AS	1,956,408	2.58%
7. A-Å INVEST AS	1,874,975	2.47%
8. TEOMAR AS	1,810,000	2.38%
9. SMS INVESTERING AS	1,652,366	2.18%
10. TEM INVEST AS	1,250,000	1.65%
11. ONWAY AS	1,173,804	1.55%
12. BARRUS CAPITAL AS	1,112,160	1.46%
13. CAIANO EIENDOM AS	952,584	1.25%
14. INVICTA INVEST AS	909,179	1.20%
15. LION INVEST AS	850,000	1.12%
16. CONSUS AS	710,925	0.94%
17. HAAVAAS	650,050	0.86%
18. THORHEIM	643,750	0.85%
19. HAGLAND INVEST AS	625,000	0.82%
20. CAIANO SHIP AS	615,292	0.81%
Sum of 20 largest	57,934,375	76.31%
Sum of the rest of shareholders	18,306,690	23.69%
Total number of shares	76,241,065	100.00%

Note 15 - Continued

The 20 largest shareholders as of 31.12.2014	Shares	Stake
1. ACCELLO PARTNERS I AS	23,444,254	30.88%
2. JOSO INVEST AS	6,964,589	9.17%
3. JT INVEST AS	5,301,539	6.98%
4. GSE INVEST AS	3,437,500	4.53%
5. SKEISVOLL & CO AS	2,000,000	2.63%
6. A-Å INVEST AS	1,874,975	2.47%
7. THERMOTECH INVEST AS	1,810,000	2.38%
8. SMS INVESTERING AS	1,652,366	2.18%
9. ONEWAY AS	1,631,264	2.15%
10. HOLMEN HOLDING AS	1,429,697	1.88%
11. TEM INVEST AS	1,250,000	1.65%
12. BARRUS CAPITAL AS	1,112,160	1.46%
13. CAIANO EIENDOM AS	952,584	1.25%
14. INVICTA INVEST AS	909,179	1.20%
15. LION INVEST AS	850,000	1.12%
16. CONSUS AS C/O RUNE LANDE	710,925	0.94%
17. HAAVAAS BENT WALENTIN	650,050	0.86%
18. AS SPECTRA	650,000	0.86%
19. WORKPARTNER AS	646,508	0.85%
20. THORHEIM HELGE	643,750	0.85%
Sum of 20 largest	57,921,340	76.29%
Sum of the rest of shareholders	18,319,725	23.71%
Total number of shares	76,241,065	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 emplyee 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:

2015	Average exercise price per share option	Number of options
At 1 January	3.20	1,232,141
Granted		
Forfeited		
Exercised		
Expired	3.20	600,130
At 31 December		632,011

Out of the 1.687.863 outstanding options, 710.546 options were exercisable. No options were exercised in 2015. 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 2015
12.09.2013 Tranch 3	12/09/16	3.20	632,011
			632,011

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 - Other current liabilities

(NOK 1000)	2015	2014
Trade payables	40,263	28,097
Liabilities to shareholders and employees	50	50
Social security and other taxes	3,401	2,751
Derivative financial instruments	0	4,473
Other current liabilities	25,494	6,900
Other current liabilities, in total	69,208	14,124
Interest-bearing debt short-term	18,000	10,200
In total	87,208	24,324

The derivative financial instruments was expired during 2015. The company as no derivatives as of 31 December 2015.

Note 18 - Classification of financial assets and liabilities

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

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

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	-

Note 18 - Continued

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

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

	Remaining contractual maturities				Total
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	69,708
Interest on borrowing	1,242	1,242	4,743	903	8,130
Financial liabilities, in total	44,986	6,342	34,743	30,411	116,482

Note 19 - Borrowings

(NOK 1000)	2015	2014
Non current		
Bank borrowings	8,400	12,600
Finance lease liabilities	86,201	46,918
Total	94,601	59,518
Current		
Bank overdraft		0
Bank borrowings	4,200	4,200
Finance lease liabilities	13,800	6,000
Total	18,000	10,200
Total borrowings	112,601	69,718

Note 19 - Borrowings

Bank borrowings mature until 2018 and bear average coupons of 4,5 % annually. The bank borrowings are subject to industrie relevant covenants, at year end 2015 the Group are in compliance with all covenants. Total borrowings include secured liabilities (bank and collateralised borrowings) of NOK 112,6 millions (2014: NOK 69,7 millions). Bank borrowings are secured by equipment and cash deposits of the group (note 12).

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

	Carrying amount		Fair value	
(NOK 1000)	2015	2014	2015	2014
Bank borrowings	12,600	16,800	12,600	16,800
Finance lease liabilities	100,001	52,918	100,001	52,918
	112,601	69,718	112,601	69,718

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

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

Finance lease liabilities

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

(NOK 1000)	2015	2014
Gross financial lease liabilities - minimum lease payments		
No later than 1 year	14,576	9,254
Later than 1 year and no later than 5 years	76,880	37,016
Later than 5 years	8,545	9,254
Total	100,001	55,524
Future finance charges on finance lease liabilities	19,987	9,282
Present value of finance lease liabilities	125,341	62,092

The increased financial lease liability stems from two new WROVs.
There are no new covenants. Also see Note 12 Property, plant & equipment.

Note 20 - Derivative financial instruments

(NOK 1000)	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedge				1,268
Forward foreign exchange contracts – cash flow hedges				
Total	0		0	1,268
Less non-current portion:				
Interest rate swaps – cash flow hedges				
	0	0	0	0
Current portion	0	0	0	1,268

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 (2014: 0). There was no ineffectiveness to be recorded from net investment in foreign entity hedges. The derivative financial instruments was expired during 2015. The company as no derivatives as of 31 December 2015.

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)	2015	2014
Sales		
To Joint Venture	58,716	6,673
Purchases		
From Joint Venture	5,853	-

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

Note 22 - Commitments

Operational leasing

The costs relating to operational leases recognized in the income statement related to equipment and real estate for 2015 amounts to NOK 2,2 million (2014: NOK 1,8 million). Total liability as per 31.12.15 is NOK 2,0 (2014: NOK 2,9 million). The leasing agreement expire in 2018. Total commitment operational leases as per 31.12.2015 for 2016 is NOK 209 million (2015: NOK 200 million). Commitments falling due after 2016 is NOK 400 million (2015: NOK 520 million). The information in the table below shows the current year cost and future minimum lease payments due under non-cancellable operating leases at 31 December 2015. Minimum lease payments for operating leases:

(NOK 1000)	2015	2014
No later than 1 year	209,000	200,000
Later than 1 year and no later than 5 years	397,880	606,880
Later than 5 years	-	-

Please see Note 23 for important subsequent events regarding future commitments.

Note 23 - Subsequent events

Reach Subsea has agreed on a comprehensive restructuring of its charter agreements, which will enable Reach to move forward with market based charter-in rates. Solstad Offshore and Østensjø Rederi will as part of the restructuring become new shareholders of Reach Subsea.

Although the details of the agreement are confidential between the parties, we can convey that Reach Subsea will be well equipped to handle a prolonged period of weak market conditions. A significant reduction in charter commitments will provide Reach with a competitive and flexible total cost base. Reach Subsea is now positioned to exploit opportunities in the market, and create shareholder value.

The immediate financial implications for Reach Subsea are:

- Reach's total off-balance sheet bank guarantees of NOK 87m will be cancelled
- Leasing debt will be reduced by NOK 26m, while bank debt will increase by NOK 20m
- As compensation, the total restricted cash deposits of NOK 53m will be released and paid out
- Reach will issue 15m shares, subscribed at NOK 2 per share, to major shareholders, board members, key employees and the ship owners

As a result total debt, including bank guarantees, and adjusted for restricted cash deposits, will be reduced from approximately NOK 140m to approximately NOK 95m. The company's working capital and cash position is unaffected by the restructuring, and remains robust. In particular in light of the reduced and flexible cost base going forward.

The Board will shortly summon the AGM and will as part of this propose the issuance of 15m shares, all of which have been subscribed for at NOK 2 per share. 5m shares will be issued to each of Solstad and Østensjø, while 5m shares will be issued to major shareholders, board members and key employees. In addition, the Board will propose that 4m options with strike price NOK 3 per share are issued to Solstad Offshore.

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 2015, and the income statement 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 2015, 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-4068 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 2015, 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 2015, 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 the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Stavanger, 25 April 2016
PricewaterhouseCoopers AS

Henrik Z. Nessler

Henrik Zetlitz Nessler
State Authorised Public Accountant (Norway)

(2)

PROFIT & LOSS - REACH SUBSEA ASA

Operating income and expenses

(NOK 1000)	2015	2014	NOTES
Payroll expenses	3,747	3,579	7, 9
Other operating expenses	3,601	2,949	9, 10
Operating expenses	7,349	6,528	
Operating profit	-7,349	-6,528	
Financial income and expenses			
Income from subsidiaries and other group entities	15,945	1,492	
Other interest income	1,033	1,556	
Other financial income	6,868	131	
Financial income	23,845	3,180	11
Other Interest expenses	-	1	
Other financial expenses	10,687	203	
Financial cost	-10,687	-204	11
Profit (loss) before tax	5,810	-3,552	
Taxes	-	-	8
Profit (loss) for the year	5,810	-3,552	
Brought forward			
To other equity	5,810	-1,536	
From share premium equity	-	-2,015	
Total brought forward	5,810	-3,552	

BALANCE - REACH SUBSEA ASA

(NOK 1000)	2015	2014	NOTES
Deferred tax asset	3,923	3,923	8
	3,923	3,923	
Financial fixed assets			
Investments in subsidiaries	23,855	23,855	1
Loans to group companies	-	57,386	3
Total financial fixed assets	23,855	81,241	
Total non-current assets	27,778	85,165	
Current assets			
Accounts receivables	4,777	-	
Receivables from group companies	47,394	-	3
Other receivables	635	934	
Total debtors	52,806	934	
Cash and bank deposits	82,859	71,389	4
Total current assets	135,665	72,322	
Total assets	163,443	157,487	

(NOK 1000)	2015	2014	NOTES
Equity			
Restricted equity			
Share capital	76,241	76,241	6
Share premium reserve	80,854	80,854	
Total restricted equity	157,095	157,095	
Retained earnings			
Other equity	5,803	-	
Total retained earnings	5,803	-	
Total equity	162,898	157,095	5, 12
Accounts payable	16	-	
Public duties payable	253	146	
Other short term liabilities	276	246	
Total short term liabilities	545	392	
Total liabilities	545	392	
Total equity and liabilities	163,443	157,487	

CASHFLOW - REACH SUBSEA ASA

(NOK 1000)	2015	2014
Cash flow from operating activities		
Profit (loss) before taxes	5,810	-3,552
Paid taxes	-	-
Change in trade creditors	16	-20
Change in trade debtors	-52,171	-
Change in other provisions	436	136
Net cash flow from operations	-45,909	-3,436
Cash flow from investments		
Investment in shares and loans to subsidiaries	57,386	-13,664
Net cash flow from investments	57,386	-13,664
Financing		
Repayment of loan	-	-
Share issues	-	1,033
Net cash flow from financing activities	-	1,033
Net cash flow for the year	11,477	-16,067
Profit (loss) dues to exchange rate fluctuations on cash		
Cash and cash equivalent 1/1	71,389	87,456
Cash and cash equivalent 31/12	82,859	71,389

Haugesund 20th April 2016

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 costs

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

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

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

Taxes

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

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

Deferred tax is reflected at nominal value.

Cash flow statement

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

Options

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

Note 1 - 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 %	26,703	23,855	

Note 2 - Debtors and liabilities

Trade debtors	2015	2014
Trade debtors at nominal value	52,171	0
Bad debts provision	0	0
Trade debtors in the balance sheet	52,171	0
Debtors which fall due later than one year	**2015**	**2014**
Loans to employees	0	0
Other non current assets	0	0
Total	0	0
Long term liabilities which fall due later than 5 years	**2015**	**2014**
Liabilities to credit institution	0	0
Other long term liabilities (specify)	0	0
Total	0	0
Guarantees	**2015**	**2014**
Mortgage loan guarantees	0	0

NOTES - REACH SUBSEA ASA

Note 3 - Balance with group companies, etc.

(NOK 1000)	Current assets 2015	Current assets 2014	Non-current assets 2015	Non-current assets 2014
Group companies	47,394	0	0	57,386
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	47,394	0	0	57,386

(NOK 1000)	Current liabilities 2015	Current liabilities 2014	Non-current liabilities 2015	Non-current liabilities 2014
Group companies	0	0	0	0
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	0	0	0	0

Note 4 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2015	2014
Withheld employee taxes	287	174

Note 5 - Shareholder's equity

Equity changes in the year	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.	76,241	80,854	0	157,095
Capital increase				0
Profit for the year			5,803	5,803
Equity 31.12.	76,241	80,854	5,803	162,898

Note 6 - Share capital and shareholder information

The share capital of NOK 76 241 065 consists of 76 241 065 shares with nominal value of NOK 1,00.

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

Note 7 - Options

Share options are granted to executives and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the emplyee 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	2015	2014
At 1 January	3.2	1,232,141	2,191,404
Granted			-
Forfeited			-295,390
Exercised			-322,882
Expired		600,130	-340,991
At 31 December		632,011	1,232,141

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

Grant/vest	Expiry date	Exercise price in NOK per options	Share options 2015
12.09.2013 Tranch 3	12/09/16	3.20	632,011
			632,011

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 8 - Taxes

Calculation of deferred tax/deferred tax benefit	2015	2014
Temporary differences		
Non-current assets	-223	-279
Other temporary differences	0	0
Net temporary differences	-223	-279
Tax losses carried forward	-130,670	-139,989
Basis for deferred tax	-130,893	-140,268
Deferred tax	-32,723	-37,872
Deferred tax benefit not shown in the balance sheet	28,000	33,949
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	2015	2014
Result before taxes	5,810	-5,044
Permanent differences	-15,945	0
Basis for the tax expense for the year	-10,136	-5,044
Change in temporary differences	-56	-70
Basis for payable taxes in the income statement	-10,191	-5,114
+/- Group contributions received/given	15,945	1,492
Use of tax losses carried forward	-5,754	0
Taxable income (basis for payable taxes in the balance sheet)	0	-3,622
Components of the income tax expense	**2015**	**2014**
Payable tax on this year's result	0	0
Adjustment in respect of priors	0	0
Total payable tax	0	0
Change in deferred tax	0	0
Tax expense	0	0
Payable taxes in the balance sheet	**2015**	**2014**
Payable tax in the tax charge	0	0
Tax effect of group contribution	0	0
Payable tax in the balance sheet	0	0

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

Payroll expenses	2015	2014
Salaries/wages	3,082	2,318
Social security fees	471	446
Pension expenses	172	147
Option program	-	213
Other remuneration	21	455
Total	3,747	3,579
Number of man-year	2	3

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

Remuneration to executives	General manager	Board
Salaries/board fee	1,157	678
Pension expenses	82	0
Other remuneration	24	0

Expensed audit fee	2015	2014
Statutory audit (incl. technical assistance with financial statements)	585	708
Other assurance services	0	3
Tax advisory fee (incl. technical assistance with tax return)	24	28
Other assistance (to be specified) *	189	286
Total audit fees	798	1,025

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 10 - Related-party transactions

The company has undertaken verious transactions with related parties consist of brokerage of vessel and leasing av 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 9.

Note 11 - Specification of financial income and expenses

Financial income	2015	2014
Income from subsidiaries and other group entities	15,945	1,492
Interest income	1,033	1,556
Agio / other financial income	6,868	131
Total financial income	23,845	3,180
Financial expenses	2015	2014
Other Interest expenses	0	1
Agio / other financial expense	10,687	203
Total financial expenses	10,687	204

Note 14 - Profit (loss) per share

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

	2015	2014
Profit (loss)	5,810	3,552
Profit (loss) per share (NOK)	0.08	-0.05
Diluted profit (loss) per share (NOK)	0.08	-0.05
Average number of shares	76,241,065	75,971,997
Average diluted number of shares	76,873,076	77,204,138
Number of shares 1/1	76,241,065	75,918,079
Number of shares 31/12	76,241,065	76,241,065

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