

ADVANCE
PERFORM
ACHIEVE

1Q 2015

Reach Subsea ASA

QUARTERLY CONSOLIDATED REPORT

REACH
SUBSEA

Report 1st QUARTER 2015

// HIGHLIGHTS

REACH had five vessels in operation at the end of the quarter; *Normand Reach*, *Edda Fonn*, *Dina Star*, *Stril Explorer* and *Viking Neptun* as well as all six WROV-systems and offshore personnel.

REACH has experienced a quite cold winter season compared to last year, though not as cold as budgeted. Many spot fixtures have been done with existing and new clients. However, the rates have been low in a weak market with oversupply of tonnage in most segments.

REACH had a negative EBITDA (NOK -4.5 mill) and net result (NOK -9.2 mill) in the first quarter 2015. The key reason was low utilization of *Edda Fonn* and the ROV-systems on board *Dina Star* and *Stril Explorer* during the first part of the quarter, although activity levels picked up towards the end of the quarter. Compared to 2014 we now see a more normalized year with weak winter season and an expected stronger second and third quarter.

REACH has as of today an order book of close to NOK 400 million, of which approximately NOK 300 million (all figures are excluding options) is related to work for the remainder of 2015. The value of outstanding tenders has increased considerably since our last report, and is now close to NOK 1 billion. This is largely due to some larger tenders for work in 2016 and onwards

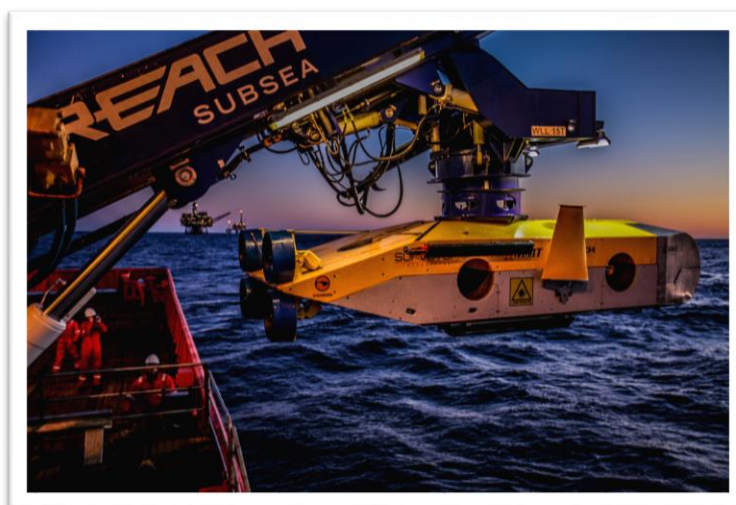
REACH mobilized two WROVs onboard *Viking Neptun* on schedule 15th March at Kleven Yard and started the 180 days' contract.

REACH and MMT Sweden AB ("MMT")'s new survey ROV, "Surveyor Interceptor", is designed to collect survey data at a much higher speed and with better data quality than conventional methods. We are very pleased that she performed well above our high expectations on her first commercial job for Gassco.

// OPERATIONS

REACH now has six complete WROV-systems in operation. In addition, the innovative new build surveyor ROV, "Surveyor Interceptor", owned by a joint venture company between Reach Subsea and MMT, performed its first commercial survey in 1Q2015 for Gassco.

REACH vessel *Normand Reach*, hired on time charter from Solstad and equipped with Reach Subsea ROVs and offshore personnel, was on charter to DOF Subsea the whole period. End clients were major oil companies. The firm time charter with DOF Subsea ends in June 2016 (plus 2x1 year options).



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REACH vessel *Dina Star* is an MPSV equipped with an offshore crane, DP II and mobilized to perform subsea ROV-operations. *Dina Star* performed various spot jobs at the end of the quarter.

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* also in the first quarter 2015. *Stril Explorer* is a survey vessel on a charter contract from Møkster to Reach' JV-partner MMT Sweden AB (MMT). Projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach and MMT.

REACH mobilized *Edda Fonn* in December 2014. *Edda Fonn*, a purpose built ROV/Survey vessel, is chartered in for three years + options and will be used on Reach Subsea's own offshore operations. In the first quarter the vessel performed under various spot jobs and was further used for final testing of the "Surveyor Interceptor" together with MMT Sweden AB.

REACH mobilized two WROVs onboard *Viking Neptun* on Kleven Yard. *Viking Neptun* is a construction vessel on a 180 days' contract with Technip Norge, where Reach delivers all ROV-services.

REACH has not had any serious incidents or accidents during the quarter, which support our objective that the right procedures, well trained personnel and state of the art equipment generate operational success.



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// ECONOMY AND FINANCE

Revenue for the quarter was NOK 86.6 million compared with NOK 47.9 million for 1Q2014. The increase in turnover compared to 1Q2014 was due to the Group's activity level, reflected by having five vessels in operation compared with three vessels in 1Q2014.

Operating expense for the quarter was NOK 95.1 million including depreciation. Project-related expense represents the majority of the operating expense for the group. Total operating expense for 1Q2014 was NOK 43.9 million. The increase in operating expenses from the 1st quarter of 2014 is primarily due to the increased activity level, from three vessels last year to five as per 31.03.2015.



Reach Subsea had a net loss of NOK 9.2 million in the period. The EBITDA was negative, NOK -4.5 million. The reduced result margins compared to last quarter reflects the market situation and low utilization for *Edda Fonn* and the ROV-systems on board *Dina Star* and *Stril Explorer* during the first part of the quarter.

// FINANCING AND CAPITAL STRUCTURE

The Group's liquidity is satisfactory. Total current assets at the end of the period were NOK 109.4 million, of which cash and cash equivalents amounted to NOK 44 million (ex. cash deposit). Total receivables were NOK 65.4 million. Cash deposits pledged as security for bank guarantees and leasing debts amount to NOK 53 million and is classified as a non-current asset.

The Group's equity is NOK 143.4 million, which represents 42.7 % of the total balance sheet.

// THE COMPANY AND ITS SHAREHOLDERS

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31.03.15 issued 76.241.065 shares, of which the majority is owned by Norwegian shareholders.

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

// NEWS AFTER QUARTER END

Dina Star and *Stril Explorer* have done several jobs in the spot market. *Edda Fonn* also performed some jobs in the spot market before mobilizing to the Mediterranean for a 120 days contract with options for 60 additional days.

Reach Subsea has entered into a co-operation agreement with a local partner in a West African country, in order to increase our marketing and execution capabilities in the region.

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// MARKETS AND PROSPECTS

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

The first quarter 2015 has been weaker than historical winter seasons and the outlook is somewhat challenging. We are faced with a slowdown in offshore oil & gas activity attributable to the significant decline in the oil price, and consequent reductions in the spending budgets of our clients.

To mitigate the lower activity level and margin pressure in the industry, Reach Subsea has initiated several activities to keep our cost base competitive while expanding our business development activity into other regions than the North Sea. To that end, Reach Subsea has entered into a co-operation agreement with a local partner in a West African country, in order to increase our marketing and execution capabilities in the region.

Reach is in the process of restructuring its charter commitments in a way that will create further flexibility in the business model, and strengthen the company's ability to exploit the many opportunities we see in the market place in the coming period. We expect to make an announcement about these initiatives in the near future.

Our flexible business model is an important asset in these kind of market conditions. Reach Subsea markets and operates seven ROV-spreads (ROVs and offshore personnel), of which four are fixed on contracts longer than one year. Of the vessels, Edda Fonn will, as the only vessel in 2015, be exposed to the spot market at our own risk as from August. However, we are confident that we will be able to find good employment for her in a challenging 2015 and beyond.

Reach Subsea will aim to further build and increase the backlog, which as of today is close to NOK 400 million. The value of outstanding tenders has increased considerably since our last report, and is now close to NOK 1 billion. This is largely due to some larger tenders for work in 2016 and onwards

Haugesund, 28.05.2015

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
CEO

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Result 1Q 2015

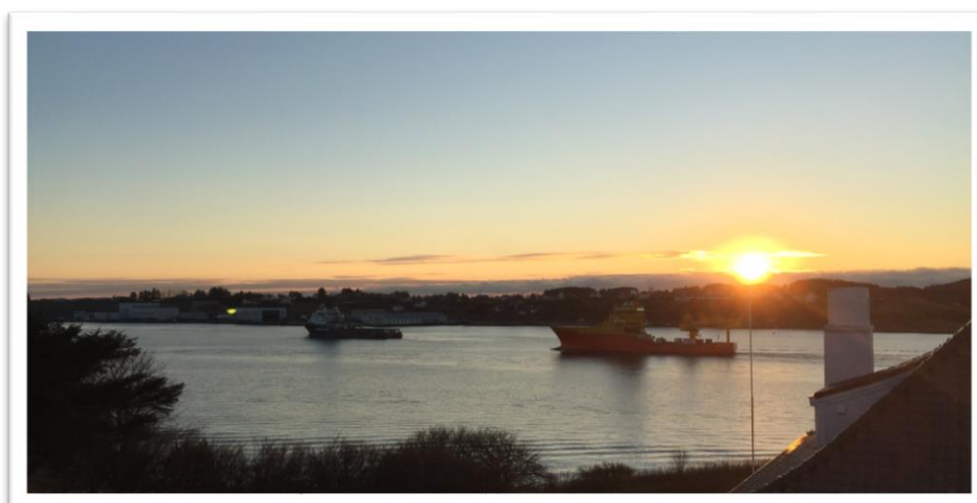
Income statement (in NOK '000)	Note	2015 01.01-31.03 <i>unaudited</i>	2014 01.01-31.03 <i>unaudited</i>	2014 01.01-31.12 <i>audited</i>
Operating income		86 603	47 881	311 050
Other operating income		0	39	100
Total operating income		86 603	47 920	311 151
Operating expenses		-91 139	-41 070	-276 456
EBITDA		-4 536	6 850	34 695
Depreciation	3	-3 995	-2 872	-13 675
Operating result (EBIT)		-8 531	3 977	21 020
Net financial items		161	-158	3 870
Net result from affiliated companies		-844	0	-59
Profit (loss) before taxes		-9 214	3 819	24 831
Taxes	9	0	0	0
Profit (loss)		-9 214	3 819	24 831
Comprehensive income				
Gain/loss on financial derivatives og cash flow hedges		-1 715	0	-1 268
Comprehensive income items		-1 715	0	-1 268
Total comprehensive income		-10 929	3 819	23 563
Earnings per share		-0,12	0,05	0,33
Diluted earnings per share		-0,12	0,05	0,32

Balance Sheet 1Q 2015

Consolidated balance sheet (in NOK '000)	Note	2015 31.03 <i>unaudited</i>	2014 31.03 <i>unaudited</i>	2014 31.12 <i>audited</i>
Non-current assets				
Deffered tax assets	9	8 161	8 161	8 161
Investment in associated companies		4 517	50	5 361
Property, plant and equipment	3	160 549	92 610	97 473
Other long term receivables	6	53 000	0	53 000
Total non-current assets		226 227	100 821	163 995
Current assets				
Trade and other receivables	6	65 392	82 352	39 221
Cash and cash equivalents		44 048	44 584	59 746
Total current assets		109 440	126 936	98 967
Total assets		335 668	227 757	262 962
Equity				
Share capital	7	76 241	75 918	76 241
Share premium		67 806	67 096	67 806
Other equity	8	-648	-9 916	10 130
Total equity		143 399	133 098	154 177
Non-current liabilities				
Interest-bearing debt	4	106 939	66 363	59 518
Total non-current liabilities		106 939	66 363	59 518
Current liabilities				
Current portion of interest bearing debt	4	18 000	10 200	10 200
Other current liabilities		64 346	18 096	37 798
Derivatives		2 983	0	1 268
Total current liabilities		85 330	28 296	49 266
Total liabilities		192 268	94 659	108 784
Total equity and liabilities		335 668	227 757	262 962

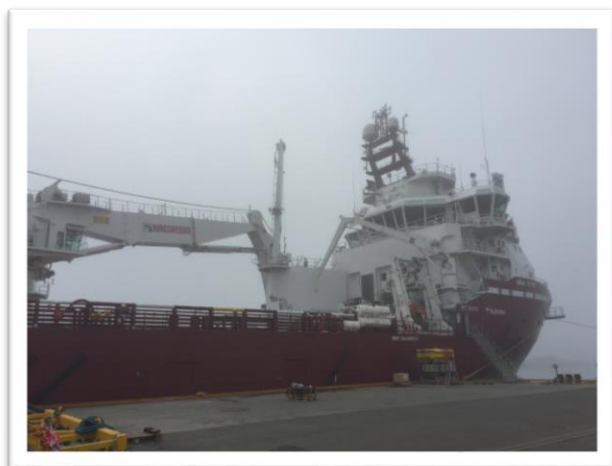
Cash Flow 1Q 2015

Cash flow statement	2015 01.01-31.03 <i>unaudited</i>	2014 01.01-31.03 <i>unaudited</i>	2014 01.01-31.12 <i>audited</i>
Cash flow from operating activities			
Profit (loss) before tax	-9 214	3 819	24 831
Net result from affiliated companies	844	0	59
Depreciation	3 995	2 872	13 675
Change in trade debtors	-26 601	-14 292	-12 744
Change in trade creditors	25 228	12 587	26 843
Change in other provisions	1 749	-3 788	-6 759
Share option cost employees	151	384	686
Net cash flow from operating activities	-3 848	1 582	46 591
Cash flow from investing activities			
Purchase of fixed assets	-9 071	-9 739	-25 404
Purchase of shares in associated companies	0	-50	-5 420
Guarantees Charter-party	0	0	-3 000
Net cash flow from investing activities	-9 071	-9 789	-33 824
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	0	0	1 033
Proceeds from borrowings	0	0	0
Repayment of long term loans	-2 779	-927	-7 772
Net cash flow from financing activities	-2 779	-927	-6 739
Net change in cash and cash equivalents	-15 698	-9 134	6 029
Cash and cash equivalents in the start of the period	59 746	53 718	53 718
Cash and cash equivalents in the end of the period	44 048	44 584	59 746



Equity 1Q 2015

Equity	Note	Share capital and share premium	Other equity	Total equity
Equity 31.12.14		144 047	10 130	154 177
IFRS 2 Opsjonsbased salary	8	0	151	151
Result for the period		0	-10 929	-10 929
Equity 31.03.15		144 047	-648	143 399



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NOTES TO THE INTERIM FINANCIAL STATEMENT

// NOTE 1 - BASIS FOR PREPARATION

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim financial statements are unaudited, and do not include all of the information required for the full financial statements, and should be read in conjunction with the consolidated yearly financial statement. The yearly financial statement are audited. Consolidated interims- and yearly financial statements are available on the news services from Oslo Stock Exchange (www.newsweb.no) or the company's webpage (www.reachsubsea.com).

// NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles used in the preparation of these financial statements are consistent with those used in the annual financial statements. These consolidated condensed financial statements should be read in conjunction with the annual financial statements, which include a full description of the Group's accounting principles.

// NOTE 3 –FIXED ASSETS

Fixed assets (NOK 1000)	ROV and equipment	ROV and equipment, leased	Equipment and office machinery	Total fixed assets
Purchase cost 01.01.15	46 666	66 845	9 179	122 690
Additions	6 193	60 878	0	67 071
Disposals	0	0	0	0
Purchase cost 31.03.15	52 858	127 724	9 179	189 762
Accumulated depreciation 31.03.15	-7 614	-13 454	-8 145	-29 212
Net book value 31.03.15	45 245	114 270	1 034	160 549
Depreciation in the period	1 833	2 056	106	3 995
Expected useful life (years)	3-8	3-8	3	
Depreciation plan	Straight line	Straight line	Straight line	

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NOTES TO THE INTERIM FINANCIAL STATEMENT

// NOTE 4 - BORROWINGS

(NOK 1000)	31.03.2015	31.12.2014
Non-current borrowings		
Bank borrowings	11 550	12 600
Finance lease liabilities	95 389	46 918
Total non-current borrowing	106 939	59 518
Current borrowings		
Bank borrowings	4 200	4 200
Finance lease liabilities	13 800	6 000
Total current borrowings	18 000	10 200
Carrying amount		
Bank borrowings	15 750	16 800
Finance lease liabilities	109 189	52 918
Total carrying amount	124 939	69 718
Fair value		
Bank borrowings	15 750	16 800
Finance lease liabilities	109 189	52 918
Total fair value	124 939	69 718

The company had as of 31.03.2015 debt of NOK 125 million to credit institutions. The company's long-term debt consists of financial leasing and bank loan and is secured by pledge of fixed assets and cash deposits. Book value of pledged fixed assets as of 31.03.2015 amounted to NOK 160.5 million. All debt to credit institutions are in NOK. A waiver letter has been issued by SpareBank 1 SR-Bank for the failure to achieve one financial covenant related to net interest bearing debt over EBITDA.

// NOTE 5 - TRANSACTIONS WITH RELATED PARTIES

The company has undertaken various transactions with related parties consisting of brokerage of vessel and leasing of office premises for one year. All transactions are carried out as part of the normal course of business and the deal is carried out on commercial terms in accordance with the Companies Act §§ 3-8 and 3-9.

// NOTE 6 - BANK / RECEIVABLES

NOK 53 million of other long term receivables is a restricted cash deposit and serves as a security for charter guarantees and leasing facilities.

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NOTES TO THE INTERIM FINANCIAL STATEMENT

// NOTE 7 - SHAREHOLDERS

20 largest shareholders as per 26.05.2015

ACCELLO PARTNERS I A	23 444 254	30,8 %
JOSO INVEST AS	6 964 589	9,1 %
JT INVEST AS	5 301 539	7,0 %
GSE SANDVIK AS	3 437 500	4,5 %
SKEISVOLL & CO AS	2 000 000	2,6 %
A-Å INVEST AS	1 874 975	2,5 %
THERMOTECH INVEST AS	1 810 000	2,4 %
SMS INVESTERING AS	1 652 366	2,2 %
ONWAY AS	1 623 804	2,1 %
HOLME HOLDING AS	1 429 697	1,9 %
TEM INVEST AS	1 250 000	1,6 %
BARRUS CAPITAL AS	1 112 160	1,5 %
CAIANO EIENDOM AS	952 584	1,2 %
INVICTA INVEST AS	909 179	1,2 %
LION INVEST AS	850 000	1,1 %
CONSUS AS C/O RUNE LANDE	710 925	0,9 %
HAAVAAS BENT VALENTIN	650 050	0,9 %
THORHEIM HELGE	643 750	0,8 %
HAGLAND INVEST AS	625 000	0,8 %
WORKPARTNER AS	624 001	0,8 %
Total 20 largest	57 866 373	75,9 %
Others	18 374 692	24,1 %
Total	76 241 065	100,0 %

// NOTE 8 - SHARE-BASED REMUNERATION

The Group has entered into a stock option program with firm employees that were hired as per 01.09.2013. The YTD result in 2015 is reduced by NOK 0.15 million due to related costs. After exercises of total 322.882 options in August 2014, the remaining the stock option program represents 1.232.134 shares at an exercise price of NOK 3.20

// NOTE 9 - TAX

The Group has, based on contracts and budgets for 2015 and 2016, assumed that parts of the tax loss carried forward can be recognized. Per 31.03.2015 NOK 8.2 million is capitalized.

// NOTE 10 - EVENTS AFTER QUARTER END

The Group has not had any major events after the balance date that affects the accounts.