

The logo for REACH SUBSEA. The word "REACH" is in a large, bold, black sans-serif font, with a red horizontal bar extending from the left side of the letter "R" through the letter "E". Below "REACH", the word "SUBSEA" is written in a smaller, red, all-caps sans-serif font.

REACH
SUBSEA

1 Q 2017

The title "QUARTERLY CONSOLIDATED REPORT" is written in a bold, white, all-caps sans-serif font. It is positioned in the bottom right corner of the page, partially overlapping a white triangular graphic element that points towards the bottom left.

QUARTERLY CONSOLIDATED REPORT

CONTENTS:

HIGHLIGHTS

ABOUT REACH SUBSEA

OPERATIONS

QUARTERLY RESULTS

CAPITAL STRUCTURE

THE SHARE

OUTLOOK

NEWS AFTER QUARTER END

OUR FLEET

ACCOUNTS

// FIRST QUARTER HIGHLIGHTS

- 1Q EBITDA before amortization of termination fee (see explanation under "Economy and Finance") was NOK 2.5 million compared with NOK -6 mill in 1Q 2016.
- A successful private placement resulted in a strong liquidity and equity position (68.2%), positioning the Group to further invest in innovative technology such as the Surveyor and other assets to expand our services.
- Tender activity has increased for work in 2017 and beyond. Outstanding tender value is around NOK 1.6 billion, compared with NOK 1.4 billion at the end of 1Q2016
- The downturn in the industry has created opportunities to do attractive deals with respect to vessel charters, such as *Havila Subsea* (mobilized after the quarter end).

FIRST QUARTER 2017



// ABOUT REACH SUBSEA

The Group's business concept is to offer subsea services as subcontractor and/or directly to end clients, based out of our head office in Haugesund. The core business of the Group is based on modern, high spec Work ROVs operated by highly qualified offshore personnel, and supported by our competent onshore 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. Moderate risk contracts will be targeted, thus securing revenue and strong liquidity in parallel with increasing the fleet, asset base and staff size.

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

// OPERATIONS

REACH had per 31 March 2017 six WROV-systems in operation in addition to "Surveyor Interceptor", owned by a joint venture between Reach Subsea and MMT Sweden AB (MMT).

REACH offshore personnel contracting business, Connect Offshore, continued sourcing highly skilled offshore personnel during the first quarter. This personnel base is highly important in peak seasons, when the number of man hours in operation is expected to double compared to Reach' own staff.

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

REACH vessel *Normand Reach*, hired on time charter from Solstad Offshore and equipped with two Supporter WROVs and offshore personnel, worked in the walk-to-work market in January. Thereafter the vessel was idle (at the owners' cost), preparing for the contract between Solstad Offshore and McDermott in Australia starting in June. Reach Subsea's firm 2017 charter commitment for the vessel is thus fully covered.

REACH has *Edda Fonn*, a purpose built ROV/Survey vessel equipped with one Supporter WROV and survey equipment, on a charter from Østensjø. The vessel is utilized for Reach Subsea's own offshore operations in the JV with MMT. *Edda Fonn* had a slow start in January, but spent the rest of the quarter in the oil and gas sector in the Mediterranean, closely cooperated with MMT.

REACH has one Supporter WROV and one Constructor WROV and delivers all ROV-services onboard the construction vessel *Viking Neptun*, a contract lasting throughout 2018. The vessel has performed very well since delivery in March 2015 with excellent feedback reports from end clients of Technip. *Viking Neptun* was in Indonesia in January and February with transit back to Europe in March.

REACH provided ROV services consisting of one Supporter WROV and offshore personnel to the vessel *Stril Explorer* in the first quarter of 2017. *Stril Explorer* is a survey vessel on a charter contract from Møkster to Reach Subsea's JV-partner MMT. Projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach Subsea and MMT. The Surveyor Interceptor is mobilized onboard *Stril Explorer*. The vessel was in the first quarter located in the Baltic area working for clients in both the oil & gas and the renewables market. The Surveyor Interceptor was utilized for a short survey in the first quarter with excellent technical and survey data results.

REACH has per 1 May 2017 a firm order book of NOK 70 million, with the vast majority related to work in the high season 2017 (Q2 and Q3).

// QUARTERLY RESULTS

First quarter 2017 EBITDA before amortization of termination fee was NOK 2.5 million (NOK -6.0 million for 1Q2016) with a net loss of NOK 12.8 million (NOK -14.7 million for 1Q2016). EBITDA before amortization of termination fee recognizes the effect of renegotiated vessel charter rates for *Edda Fonn* and

Normand Reach. As part of the restructuring of charter commitments in June 2016 a termination fee of NOK 76 million was paid out to Østensjø and Solstad. The termination fee has been capitalized and will be amortized over the rest of the charter party periods. This termination fee occurs as an amortized pre-payment in the operating cost, although it has no cash effect. EBITDA will during the amortization period be split in two; before and after amortization of termination fee.

Revenue for the quarter was NOK 38.3 million compared with NOK 86.0 million for 1Q2016. The reduction compared with the same quarter last year is mainly due to *Normand Reach* being on a time charter (to DOF Subsea) the full period in 2016 and only two weeks in 2017. Reach Subsea had charter commitment for the vessel the whole quarter in 2016, however no commitment the same period in 2017. In addition, *Viking Neptun's* transit to Europe and *Edda Fonn's* idle time in January 2017 had a negative impact on the revenues.

Operating expense for the quarter was NOK 49.1 million including depreciation and amortization of termination fee. Project-related expense represents the majority of the operating expense for the group. Total operating expense for 1Q2016 was NOK 98.1 million. The reduction in operating expenses is mostly explained by the above-mentioned activity- and charter commitment reduction for *Normand Reach*, but the charter restructuring executed in May/June 2016 also explain some of the reduction. Having a market regulated cost base has been essential in obtaining new contracts for the vessels during the quarter.

For 1Q2017, Oil & Gas revenues constituted 75% while Renewable/Other constituted 25% of total revenues. By comparison, for 1Q2016 Oil & Gas revenues were 66 % while Renewable/Other constituted 34 % of total revenues. Oil & Gas entails revenues from survey, IMR and light construction projects where the end client is an oil & gas company. Renewable/Other entails revenues from survey, IMR and light construction projects where the end client is a non-oil & gas company (typically a company in the renewable energy sector).

// CAPITAL STRUCTURE

Total current assets at the end of the period were NOK 191.5 million, of which cash and cash equivalents amounted to NOK 114.7 million. Receivables were NOK 76.8 million, which includes NOK 26.8 million in termination fee to Østensjø and Solstad that will be amortized over the next year (non-cash effect). Total non-interest bearing current liabilities were NOK 29.9 million.

The increased cash balance is due to a private placement conducted in January 2017, resulting in NOK 81 million net cash to the Group.

As part of the restructuring of charter commitments a termination fee of NOK 76 million to Østensjø and Solstad was paid out in 2Q2016. The termination fee has been capitalized and will be amortized over the rest of the charter party periods. As per 31 March 2017 remaining capitalized termination fee amounts to NOK 54.3 million of which NOK 27.5 million is classified as a long term receivable with the remaining NOK 26.8 million classified as a current receivable.

Net cash flow from operating activities for the first quarter 2017 was NOK 7.1 million. The increase in operating cash flow was partly due to a decrease in net working capital and partly due to the increased EBITDA.

The Group's equity as of 31 March 2017 is NOK 236.0 million, which represents 68.2 % of the total balance sheet. REACH has no committed capital expenditures or major debt maturities for 2017 and onwards.

// THE SHARE

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31.03.17 issued 143 239 525 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

REACH has entered into short- and medium term contracts securing satisfactory utilization for vessels, personnel and offshore equipment in the high season in 2017. The order book figure of NOK 70 million take these contracts into account.

Havila Subsea was ready for operations 1st May 2017. The vessel will be used for Reach Subsea's own subsea operations with two ROVs onboard. The charter agreement has a flexible charter structure with limited charter commitment, which gives both Reach Subsea and *Havila* business opportunities in the future.

// VESSEL UPDATE

Edda Fonn: The vessel spread has had high utilisation so far in the second quarter with firm work until early June.

Stril Explorer: The spread mobilised onboard *Stril Explorer* has had high utilisation so far in the second quarter, with firm commitment expected to last throughout August 2017 (Nord Stream, ref press release 18.05)).

Viking Neptun: The vessel has a total of 50 days' firm commitment in 2Q and 3Q.

Normand Reach: Reach Subsea has covered the entire 2017 vessel commitment for *Normand Reach* through Solstad Offshore's contract with McDermott in Australia, where Reach Subsea will provide the WROV services. The contract is expected to start in June 2017 with firm scope approximately four months. Looking beyond 2017, the remaining charter commitment for REACH is 180 days in 2018 and 100 days in 2019 for the *Normand Reach*, which is at competitive charter-in rates with a profit share to the shipowner.

Havila Subsea: The vessel started its first operations for Reach Subsea on a contract in the oil and gas sector immediately upon mobilisation in April 2017 lasting throughout May 2017. Further, Reach Subsea has entered into a contract in the Black Sea region covering 60 days (plus options) starting in August 2017. *Havila Subsea* is equipped with two Schilling WROVs.

// OUTLOOK

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.

REACH currently markets and operates five subsea spreads (vessel, ROVs, and personnel) alone or together with partners, of which three entails spreads where Reach Subsea has little or no vessel commitment (co-operation agreement with shipowner, or "pay as you earn" charter structures). The remaining two spreads are vessels where Reach Subsea has fixed charter commitments, but where the commitments have been restructured to a level that gives the company a competitive cost base. The combination of a lean and agile organization, and the attractive cost structure of our five subsea spreads, gives Reach a flexible and competitive cost base tailored to cope with continued weak markets.

The company expects a 2017 with high utilisation, though pressured rate levels.

There are signs of improved visibility both in terms of recent contract awards and in terms of a generally higher tender activity.

Given Reach Subsea's strong operational track record and high utilisation of vessels and assets compared to our competitors, we are well positioned for profitable growth.

The Board is pleased to note that all subsea spreads have secured fairly good utilisation for Q2 and Q3 and that the Group is exposed to limited vessel costs.

With the NOK 85 million private placement completed, coupled with a flexible business model, the company aim to exploit attractive growth opportunities we currently see in the market.

Haugesund, 29.05.2017

Kåre Johannes Lie
Chairman of the Board

Anders Onarheim
Vice-Chairman of the Board

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Jostein Alendal
CEO

Contact:

Jostein Alendal
(CEO)

Birgitte Wendelbo Johansen
(CFO)

// REACH SUBSEA FLEET



Edda Fonn

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



Normand Reach

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



Havila Subsea

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



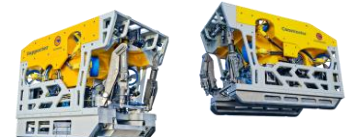
Stril Explorer

Fully integrated survey vessel with light construction capabilities



Viking Neptun

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



- Income statement -

Income statement (in NOK '000)	Note	2017	2016	2016
		01.01-31.03 <i>unaudited</i>	01.01-31.03 <i>unaudited</i>	01.01-31.12 <i>unaudited</i> *)
Operating income		38 303	85 962	327 493
Other operating income		0	0	0
Total operating income		38 303	85 962	327 493
Operating expenses		-35 856	-91 947	-302 429
EBITDA before amortized termination fee		2 447	-5 986	25 064
Amortized termination fee		-7 210	-	-14 529
EBITDA after amortized termination fee		-4 763	-5 986	10 535
Depreciation	3	-6 042	-6 182	-24 814
Operating result (EBIT)		-10 805	-12 168	-14 279
Net financial items		-904	-1 582	-7 376
Net result from affiliated companies		-1 055	-911	-1 557
Profit (loss) before taxes		-12 765	-14 661	-23 213
Taxes	9	0	0	0
Profit (loss)		-12 765	-14 661	-23 213
Comprehensive income				
Gain/loss on financial derivatives and cash flow hedges		0	-	0
Comprehensive income items		0	-	0
Total comprehensive income		-12 765	-14 661	-23 212
Earnings per share		-0,11	-0,19	-0,28
Diluted earnings per share		-0,11	-0,19	-0,28

*) "EBITDA after amortized termination fee" is not audited.

- Balance Sheet -

Consolidated balance sheet (in NOK '000)	Note	2017 31.3. <i>unaudited</i>	2016 31.3. <i>unaudited</i>	2016 31.12. <i>audited</i>
Non-current assets				
Deferred tax assets	9	8 161	8 161	8 161
Investment in associated companies		4 218	5 918	5 272
Property, plant and equipment	3	114 513	134 233	116 916
Other long term receivables	6	27 500	0	33 000
Total non-current assets		154 392	148 312	163 349
Current assets				
Trade and other receivables	6	76 837	125 916	104 654
Cash and cash equivalents		114 672	37 481	30 586
Total current assets		191 509	163 397	135 240
Total assets		345 901	311 709	298 590
Equity				
Share capital	7	143 240	76 241	91 241
Share premium		114 782	67 806	80 919
Other equity	8	-21 976	-660	-9 211
Total equity		236 046	143 387	162 949
Non-current liabilities				
Interest-bearing debt	4	58 977	86 583	64 227
Total non-current liabilities		58 977	86 583	64 227
Current liabilities				
Current portion of interest bearing debt	4	21 000	18 000	21 000
Other current liabilities		29 878	63 738	50 414
Derivatives		0	0	0
Total current liabilities		50 878	81 738	71 414
Total liabilities		109 855	168 322	135 641
Total equity and liabilities		345 901	311 709	298 590

-Cash Flow -

	2017 01.01-31.03 <i>unaudited</i>	2016 01.01-31.03 <i>unaudited</i>	2016 01.01-31.12 <i>audited</i>
Cash flow statement			
Cash flow from operating activities			
Profit (loss) before tax	-12 765	-14 661	-23 212
Net result from affiliated companies	1 055	911	1 557
Depreciation	6 042	6 182	24 814
Change in trade debtors	22 992	995	-567
Change in trade creditors	-12 990	-8 777	-9 309
Change in other provisions	2 778	5 874	2 905
Share option cost employees	0	604	604
Net cash flow from operating activities	7 113	-8 872	-3 208
Cash flow from investing activities			
Purchase of fixed assets	-3 640	0	-1 314
Purchase of shares in associated companies	0	0	0
Gurantees Charter-party	0	0	0
Net cash flow from investing activities	-3 640	0	-1 314
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	85 861	0	8 113
Proceeds from borrowings	0	0	0
Repayment of long term loans	-5 249	-8 017	-27 374
Net cash flow from financing activities	80 612	-8 017	-19 261
Net change in cash and cash equivalents	84 086	-16 889	-23 783
Cash and cash equivalents in the start of the period	30 586	54 370	54 370
Cash and cash equivalents at the end of the period	114 672	44 048	30 586

- Equity -

Equity	Note	Share capital and share premium	Other equity	Total equity
Equity 31.12.16		172 160	-9 211	162 949
Capital increase		90 997		90 997
Share issue cost		-5 136		-5 136
IFRS 2 Optionsbased salary	8	0	0	0
Result for the period		0	-12 765	-12 765
Equity 31.03.17		258 021	-21 976	236 046

// 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 01.01.17	54 276	126 343	9 358	189 977
Additions	2 682	896	62	3 640
Disposals	0	0	0	0
Purchase cost 31.03.17	56 958	127 239	9 420	193 617
Accumulated depreciation 31.03.17	-26 649	-43 338	-9 116	-79 104
Net book value 31.03.17	30 309	83 900	304	114 513
Depreciation in the period	2 416	3 484	142	6 043
Expected useful life (years)	3-8	3-8	3	
Depreciation plan	Straight line	Straight line	Straight line	

// NOTE 4 - BORROWINGS

(NOK 1000)	31.03.2017	31.12.2016
Non-current borrowings		
Bank borrowings	13 125	15 750
Finance lease liabilities	45 852	48 477
Total non-current borrowing	58 977	64 227
Current borrowings		
Bank borrowings	10 500	10 500
Finance lease liabilities	10 500	10 500
Total current borrowings	21 000	21 000
Carrying amount		
Bank borrowings	23 625	26 250
Finance lease liabilities	56 352	58 977
Total carrying amount	79 977	85 227
Fair value		
Bank borrowings	23 625	26 250
Finance lease liabilities	56 352	58 977
Total fair value	79 977	85 227

The company had as of 31.03.17 debt of NOK 80,0 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 31.03.2017 amounted to NOK 114,5 million. All debt to credit institutions are in NOK.

// 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 - RECIEVABLES

Related to a restructuring of charter party liabilities, a termination fee of NOK 76 million to Østensjø and Solstad has been capitalized and will be amortized over the rest of the charter party periods. In the first quarter of 2017 NOK 7,2 million have been amortized, 27,5 million is classified as long term receivable in the balance sheet with the remaining NOK 26,8 million as a current receivable.

// NOTE 7 - SHAREHOLDERS

20 largest shareholders as per 26.05.2017

ACCELLO PARTNERS I A	40 109 711	28,0 %
EIKA NORGE	10 285 650	7,2 %
JOSO INVEST AS	7 564 589	5,3 %
JT INVEST AS	5 529 539	3,9 %
NORMAND DRIFT AS	5 000 000	3,5 %
STAFF-GRUPPEN AS	4 605 309	3,2 %
HOLME HOLDING AS	3 280 000	2,3 %
SKIPS AS TUDOR	2 857 100	2,0 %
CORUNA AS	2 097 877	1,5 %
SKEISVOLL & CO AS	2 000 000	1,4 %
TEOMAR AS	2 000 000	1,4 %
A-Å INVEST AS	1 874 975	1,3 %
AB INVESTMENT AS	1 705 743	1,2 %
SMS INVESTERING AS	1 652 366	1,2 %
LION INVEST AS	1 604 204	1,1 %
MACAMA AS	1 578 446	1,1 %
BARRUS CAPITAL AS	1 510 090	1,1 %
GLUTEUS MEDIUS AS	1 323 842	0,9 %
TEM INVEST AS	1 250 000	0,9 %
BARBINVEST AS	1 248 517	0,9 %
Total 20 largest	99 077 958	69,2 %
Others	44 161 567	30,8 %
Total	143 239 525	100,0 %

// NOTE 8 - SHARE-BASED REMUNERATION

The Stock option program expired in September 2016. The Board has decided to establish a new stock option program for leading employees.

// NOTE 9 - TAX

The Group has, based on contracts and budgets for 2017 and 2018, assumed that parts of the tax loss carried forward can be recognized. Per 31.12.2016 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.

