

ADVANCE
PERFORM
ACHIEVE

2Q 2015

Reach Subsea ASA

QUARTERLY CONSOLIDATED REPORT

REACH
SUBSEA

Report 2nd QUARTER 2015

// HIGHLIGHTS

REACH had five vessels in operation during 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 been successful in achieving spot and short term fixtures in the second quarter. Still, the rates have been low in a weak market with oversupply of tonnage in most segments. We are proud to deliver strong results in this challenging market situation.

REACH had an EBITDA of NOK 18.7 mill and net result NOK 7.4 mill in the second quarter 2015. Utilization of *Edda Fonn* and the ROV-systems on board *Dina Star* and *Stril Explorer* during the second quarter was good, representing a spring and pre-summer season with higher activity than what was experienced during the winter season.

REACH has per 30.06 an order book of close to NOK 280 million, of which approximately NOK 200 million (all figures are excluding options) is related to work for the remainder of 2015. Tender activity is still high, with no major changes in value of outstanding tender from last quarter (NOK 1 billion).

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. The "Surveyor Interceptor" will still have some development costs for fine tuning, but performed well on board *Stril Explorer* in June surveying the world's longest power cable route between Iceland and Scotland.

// OPERATIONS

REACH has six complete WROV-systems in operation in addition to "Surveyor Interceptor".

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).



Report 2nd QUARTER 2015

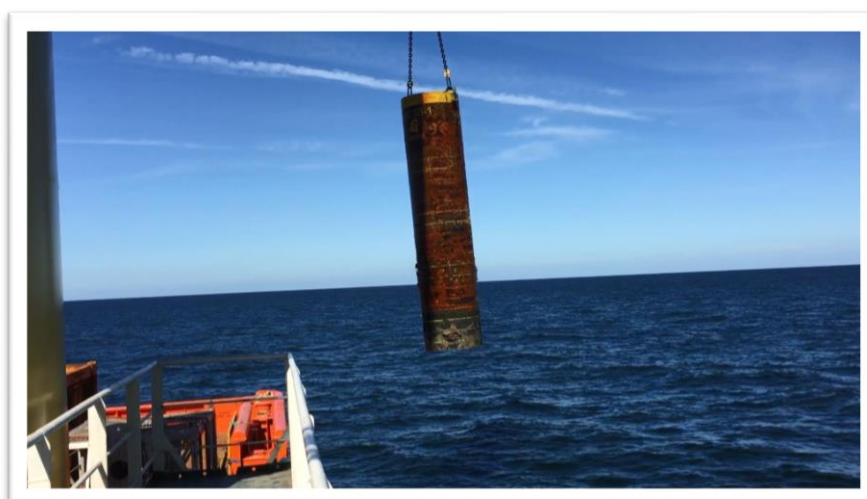
REACH vessel *Dina Star* is an MPSV equipped with an offshore crane, DP II and mobilized to perform subsea ROV-operations. *Dina Star* performed various spot and short term jobs during the quarter before leaving for the Barents Region in June (however not for Reach Subsea this time).

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* also in the second quarter 2015. *Stril Explorer* is a survey vessel on a charter contract from Møkster to Reach' JV-partner MMT Sweden AB (MMT) until first quarter 2016. Projects performed by the *Stril Explorer* spread are to a large extent ROV/Survey work handled as a cooperation between Reach and MMT.

REACH has *Edda Fonn*, a purpose built ROV/Survey vessel, on a three years charter from Østensjø. The vessel is primarily used for Reach Subsea's own offshore operations. In the second quarter *Edda Fonn* operated in the Mediterranean assisting a cable lay for an international client. This project is expected to continue until end of August.

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 and project management. The vessel has performed very well with excellent feedback from end clients such as Statoil.

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.



Report 2nd QUARTER 2015

// ECONOMY AND FINANCE

Revenue for the quarter was NOK 219 million compared with NOK 77 million for 2Q2014. The increase in turnover compared to 2Q2014 was due to the Group's activity level, reflected by having five vessels in operation compared with three vessels in 2Q2014. *Viking Neptune* revenue has a significant impact due to vessel cost and victualling being invoiced through Reach Subsea without mark-up.

Operating expenses for the quarter was NOK 207 million including depreciation. Project-related expenses represents the majority of the operating expenses for the group. Total operating expenses for 2Q2014 was NOK 70 million. The increase in operating expenses from the 2nd quarter of 2014 is primarily due to the increased activity level, from three vessels last year to four as per 30.06.2015.

Reach Subsea had a positive result of NOK 7.4 million in the period. The EBITDA was NOK 18.7 million, which represents a quarterly record for the company. The improved results compared to last quarter reflects high utilization for *Edda Fonn* and the ROV-systems on board *Dina Star* and *Stril Explorer*. Further, the results from the ROV services onboard *Viking Neptun* working for Technip also had positive impact.

// FINANCING AND CAPITAL STRUCTURE

The Group's liquidity is satisfactory. Cash flow from operations was negative by NOK 14.7 million for the first half of 2015. However, the negative figure is entirely due to a large receivable that fell due, and was paid, July 1st.

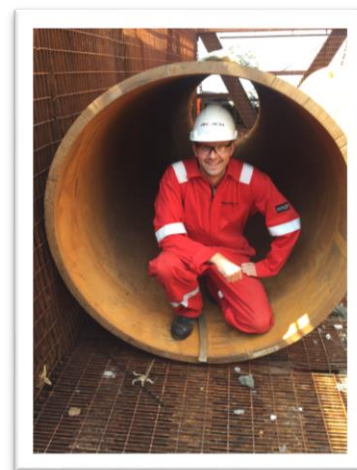
Total current assets at the end of the period were NOK 169.8 million, of which cash and cash equivalents amounted to NOK 30 million (ex. cash deposit). Total receivables were NOK 139.7 million. Cash deposits pledged as security for bank guarantees and leasing debts amount to NOK 53 million and is classified as a non-current asset.

The Group's equity is NOK 152.7 million, which represents 39 % of the total balance sheet.

// THE COMPANY AND ITS SHAREHOLDERS

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30.06.15 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.



Report 2nd QUARTER 2015

// NEWS AFTER QUARTER END

Stril Explorer has continued with good utilization in the spot market.

Reach Subsea hired *Normand Mermaid* to perform a lump sum pile removal job for a German contractor. The offshore operations were successful and documentation will be finalized early September 2015.

The cooperation with MMT Sweden has been further strengthened. The companies now jointly market and share risk/reward for the vessels *Stril Explorer* and *Edda Fonn* including ROVs and survey equipment.

The contract for *Viking Neptun* has been extended with 20 days, extending the contract to a total of 200 days.

// 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 second quarter 2015 has been stronger than winter 2015, however weaker than historical spring seasons. The outlook, however, is quite challenging. The slowdown in offshore oil & gas activity, significant decline in the oil price, and consequent reductions in the spending budgets of our clients will be challenging for subsea service companies.

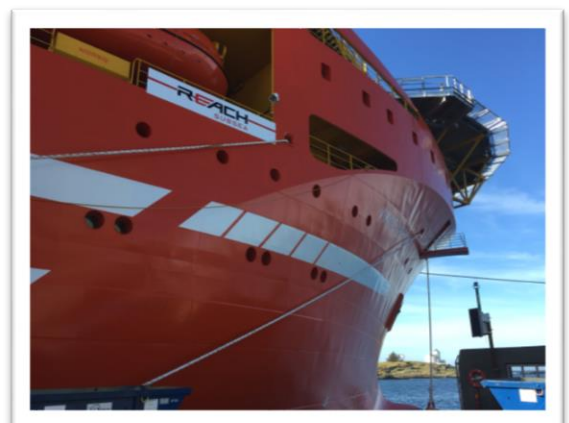
To mitigate the lower activity level and margin pressure in the industry, Reach Subsea has initiated several activities to keep our cost base competitive while expanding our business development activity into other regions than the North Sea.

Reach Subsea continues to renegotiate charter commitments to reduce cost and obtain further flexibility in the business model, thus strengthening the company's ability to exploit any opportunity we may see in the market.

Reach Subsea markets and operates seven ROV-spreads (ROVs and offshore personnel), of which four are fixed on contracts. In our pool-operation with MMT, *Edda Fonn* is exposed to the spot market as from September and *Stril Explorer* from mid-October. Reach Subsea and MMT, having a complimentary client base, are jointly working to secure a good employment for the pool in a challenging 2015 and beyond.

We have also started the marketing of *Normand Reach* towards existing and new clients, and have several tenders outstanding, to prepare for her possible return from DOF Subsea in June 2016.

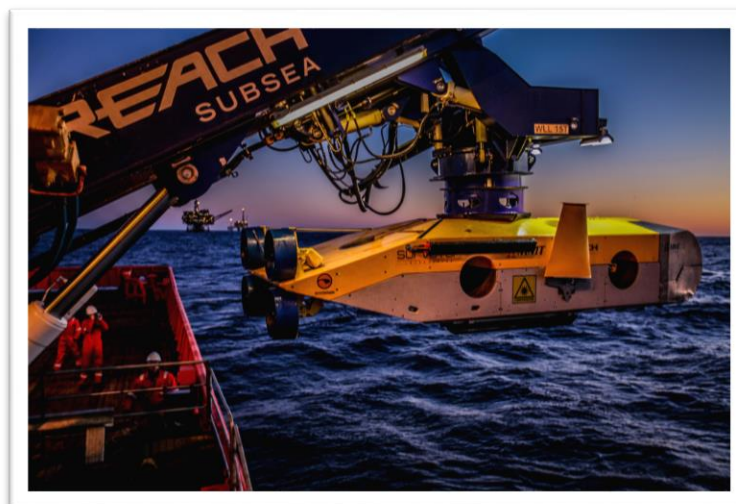
Reach Subsea will aim to further build and increase the backlog, which as per 30.06.15 is close to NOK 280 million.



Report 2nd QUARTER 2015

// STATEMENT FROM THE BOARD AND CEO

We confirm, to the best of our knowledge, that the interim consolidated financial statements for the period 1 January to 30 June 2015, have been prepared in accordance with IAS 34 – Interim Financial Reporting, and give a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the Interim Financial Reporting includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.



Haugesund, 26.08.2015

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

Contact:

Jostein Alendal (CEO)
+47 92 88 04 12

Birgitte Wendelbo Johansen (CFO)
+47 99 45 12 79

Result 2Q 2015

Income statement (in NOK '000)	Note	2015	2014	2015	2014	2014
		01.04-30.06 <i>unaudited</i>	01.04-30.06 <i>unaudited</i>	01.01-30.06	01.01-30.06	01.01-31.12 <i>audited</i>
Operating income		219 439	77 183	306 042	125 064	311 050
Other operating income		0	0	0	39	100
Total operating income		219 439	77 183	306 042	125 103	311 151
Operating expenses		-200 785	-66 294	-291 924	-107 364	-276 456
EBITDA		18 654	10 889	14 118	17 739	34 695
Depreciation	3	-6 498	-3 383	-10 493	-6 255	-13 675
Operating result (EBIT)		12 156	7 506	3 625	11 484	21 020
Net financial items		-2 857	-572	-2 696	-730	3 870
Net result from affiliated companies		-1 869	0	-2 713	0	-59
Profit (loss) before taxes		7 430	6 934	-1 784	10 753	24 831
Taxes	9	0	0	0	0	0
Profit (loss)		7 430	6 934	-1 784	10 753	24 831
Comprehensive income						
Gain/loss on financial derivatives and cash flow hedges		1 712	0	-3	0	-1 268
Comprehensive income items		1 712	0	-3	0	-1 268
Total comprehensive income		9 141	6 934	-1 788	10 753	23 563
Earnings per share		0,10	0,09	-0,02	0,14	0,33
Diluted earnings per share		0,10	0,09	-0,02	0,14	0,32

Balance Sheet 2Q 2015

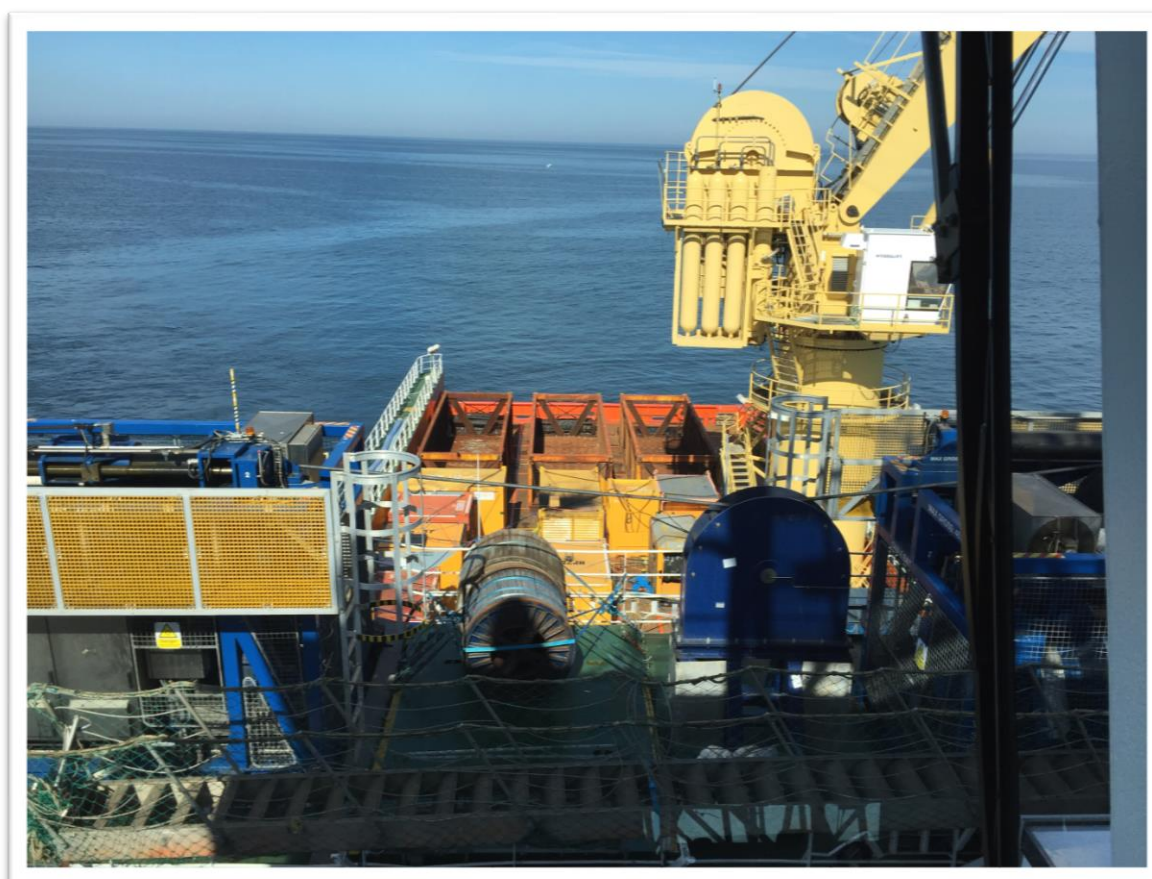
Consolidated balance sheet (in NOK '000)	Note	2015 30.06 <i>unaudited</i>	2014 30.06 <i>unaudited</i>	2014 31.12 <i>audited</i>
Non-current assets				
Deffered tax assets	9	8 161	8 161	8 161
Investment in associated companies		2 648	50	5 361
Property, plant and equipment	3	162 132	99 017	97 473
Other long term receivables	6	53 000	0	53 000
Total non-current assets		225 941	107 229	163 995
Current assets				
Trade and other receivables	6	139 720	109 692	39 221
Cash and cash equivalents		30 117	37 131	59 746
Total current assets		169 837	146 823	98 967
Total assets		395 778	254 052	262 962
Equity				
Share capital	7	76 241	75 918	76 241
Share premium		67 806	67 096	67 806
Other equity	8	8 644	-2 682	10 130
Total equity		152 692	140 332	154 177
Non-current liabilities				
Interest-bearing debt	4	112 010	64 358	59 518
Total non-current liabilities		112 010	64 358	59 518
Current liabilities				
Current portion of interest bearing debt	4	18 000	10 200	10 200
Other current liabilities		111 805	39 161	37 798
Derivatives		1 271	0	1 268
Total current liabilities		131 076	49 361	49 266
Total liabilities		243 086	113 719	108 784
Total equity and liabilities		395 778	254 052	262 962

Cash Flow 2Q 2015

	2015 01.01-30.06 <i>unaudited</i>	2014 01.01-30.06 <i>unaudited</i>	2014 01.01-31.12 <i>audited</i>
Cash flow statement			
Cash flow from operating activities			
Profit (loss) before tax	-1 784	10 753	24 831
Net result from affiliated companies	2 713	0	59
Depreciation	10 493	6 255	13 675
Change in trade debtors	-103 654	-40 235	-12 744
Change in trade creditors	74 041	32 217	26 843
Change in other provisions	3 119	-3 750	-6 759
Share option cost employees	302	684	686
Net cash flow from operating activities	-14 769	5 924	46 591
Cash flow from investing activities			
Purchase of fixed assets	-9 224	-19 529	-25 404
Purchase of shares in associated companies	0	-50	-5 420
Gurantees Charter-party	0	0	-3 000
Net cash flow from investing activities	-9 224	-19 579	-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	-5 636	-2 932	-7 772
Net cash flow from financing activities	-5 636	-2 932	-6 739
Net change in cash and cash equivalents	-29 629	-16 587	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	30 117	37 131	59 746

Equity 2Q 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	302	302
Result for the period		0	-1 788	-1 788
Equity 30.06.15		144 047	8 644	152 692



Report 2nd QUARTER 2015

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 otal fixed assets	
Purchase cost 01.01.15	46 666	66 845	9 179	122 690
Additions	6 193	68 829	130	75 152
Disposals	0	0	0	0
Purchase cost 30.06.15	52 858	135 674	9 309	197 842
Accumulated depreciation 30.06.15	-9 769	-17 691	-8 251	-35 711
Net book value 30.06.15	43 090	117 984	1 058	162 132
Depreciation in the period	3 988	6 293	212	10 493
Expected useful life (years)	3-8	3-8	3	
Depreciation plan	Straight line	Straight line	Straight line	

// NOTE 4 - BORROWINGS

(NOK 1000)	30.06.2015	31.12.2014
Non-current borrowings		
Bank borrowings	10 500	12 600
Finance lease liabilities	101 510	46 918
Total non-current borrowing	112 010	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	14 700	16 800
Finance lease liabilities	115 310	52 918
Total carrying amount	130 010	69 718
Fair value		
Bank borrowings	14 700	16 800
Finance lease liabilities	115 310	52 918
Total fair value	130 010	69 718

The company had as of 30.06.2015 debt of NOK 122 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 30.06.2015 amounted to NOK 160 million. All debt to credit institutions are in NOK

Reach Subsea ASA – QUARTERLY CONSOLIDATED REPORT

Report 2nd QUARTER 2015

NOTES TO THE INTERIM FINANCIAL STATEMENT

// 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.

// NOTE 7 - SHAREHOLDERS

20 largest shareholders as per 21.08.2015

ACCELLO PARTNERS I AS	23444254	30,8 %
JOSO INVEST AS	6964589	9,1 %
JT INVEST AS	5301539	7,0 %
GSE SANDVIK AS	3437500	4,5 %
SKEISVOLL & CO AS	2000000	2,6 %
A-Å INVEST AS	1874975	2,5 %
THERMOTECH INVEST AS	1810000	2,4 %
SMS INVESTERING AS	1652366	2,2 %
ONWAY AS	1603804	2,1 %
HOLME HOLDING AS	1429697	1,9 %
TEM INVEST AS	1250000	1,6 %
BARRUS CAPITAL AS	1112160	1,5 %
CAIANO EIENDOM AS	952584	1,2 %
INVICTA INVEST AS	909179	1,2 %
LION INVEST AS	850000	1,1 %
CONSUS AS	710925	0,9 %
HAAVAAS	650050	0,9 %
THORHEIM	643750	0,8 %
HAGLAND INVEST AS	625000	0,8 %
CAIANO SHIP AS	615292	0,8 %
Total 20 largest	57 837 664	75,9 %
Others	18 403 401	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 0,3 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 30.06.2015 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.