

ADVANCE  
PERFORM  
ACHIEVE

**3Q 2015**

Reach Subsea ASA

QUARTERLY CONSOLIDATED REPORT

**REACH**  
SUBSEA

## Report 3<sup>rd</sup> QUARTER 2015

### // HIGHLIGHTS

REACH had four vessels in operation during the quarter; *Normand Reach*, *Edda Fonn*, *Stril Explorer* and *Viking Neptun* as well as all six WROV-systems and offshore personnel.

REACH has been successful achieving spot and short term fixtures also in the third quarter. The rates are still low in a weak market with oversupply of tonnage in most segments. We are proud to deliver another strong quarterly EBITDA in this challenging market situation.

REACH had an EBITDA of NOK 9.5 mill and net result NOK 2.4 mill in the third quarter 2015. Utilization of *Edda Fonn* and the ROV-system on board *Stril Explorer* during the third quarter was satisfactory, despite planned docking for *Stril Explorer* and transit of *Edda Fonn* from Turkey to the North Sea in September. *Viking Neptun* and *Normand Reach* had full utilization.

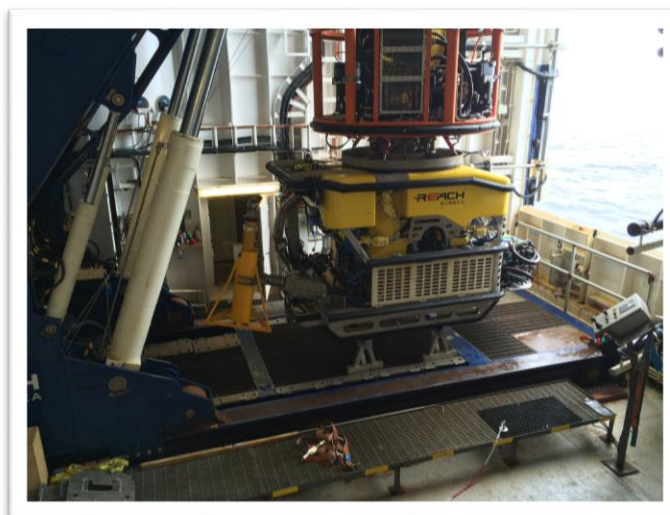
REACH has per 30.09.15 an order book of close to NOK 180 million, of which approximately NOK 95 million (all figures are excluding options) is related to work for the remainder of 2015. Tender activity for work in 2016 remains high, even though there are fewer opportunities in a tough market. In this environment, value of outstanding tenders has increased somewhat and is now in excess of NOK 1 billion.

### // OPERATIONS

REACH has six complete WROV-systems in operation in addition to “Surveyor Interceptor”, owned by a joint venture company between Reach Subsea and MMT.

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).

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* also in the third 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.

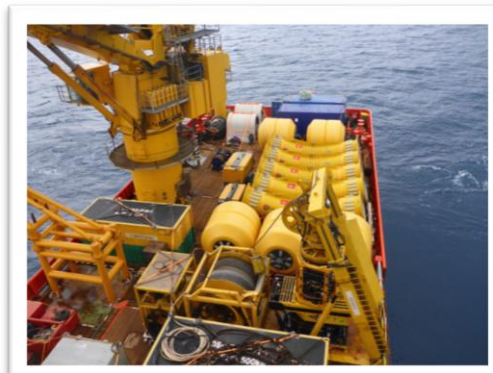


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REACH has *Edda Fonn*, a purpose built ROV/Survey vessel, on a charter from Østensjø ending in December 2017. The vessel is utilized for Reach Subsea’s own offshore operations. *Edda Fonn* started the third quarter outside Turkey assisting a water pipe lay for an international client. The operations lasted until early September, where after the vessel returned to the North Sea and a contract with MMT (the end client is an international company within the renewables sector).



REACH has mobilized two WROVs onboard *Viking Neptun*, a construction vessel on contracts with Technip until January 2016 (plus options). Reach delivers all ROV-services onboard. The vessel has performed very well in the North Sea region since delivery in March 2015, and feedback reports from end clients such as Statoil have been excellent. This has led to the continued contracts with Technip and the vessel is per November heading towards Ghana to start the winter season.



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.

### // ECONOMY AND FINANCE

Revenue for the quarter was NOK 192.7 million compared with NOK 101.7 million for 3Q2014. The increase in turnover compared to 3Q2014 was due to the Group's activity level, reflected by having four vessels in operation compared with three vessels in 3Q2014. *Viking Neptune* revenue has a significant impact, though limited EBITDA-effect due to vessel cost and victualling being invoiced through Reach Subsea without fee from March to end October.

Operating expense for the quarter was NOK 189.5 million including depreciation. Project-related expense represents the majority of the operating expense for the group. Total operating expense for 3Q2014 was NOK 94.1 million. The increase in operating expenses from the 3<sup>rd</sup> quarter of 2014 is primarily due to the increased activity level, from three vessels last year to four as per 30.09.2015.

Reach Subsea had a positive result of NOK 2.4 million in the period (1.2 %), while the EBITDA was NOK 9.5 million (5 %).

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### // FINANCING AND CAPITAL STRUCTURE

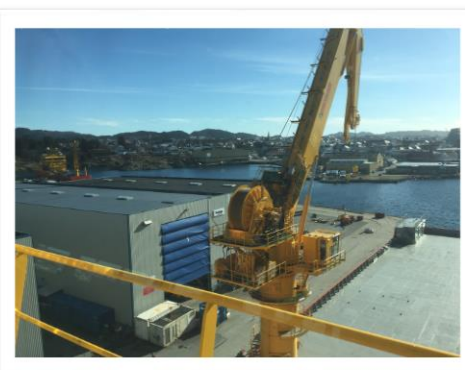
The Group's liquidity is satisfactory for the near future. Total current assets at the end of the period were NOK 206.3 million, of which cash and cash equivalents amounted to NOK 30.9 million (ex. cash deposit of NOK 53 million and unutilized credit facility of NOK 20 million). Total receivables were NOK 175.3 million. The majority of the receivables from clients as per 30.09.15 have been settled as per reporting date (16.11.15). 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 156.5 million, which represents 37.3 % of the total balance sheet.

### // THE COMPANY AND ITS SHAREHOLDERS

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 30.09.15 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](http://www.newsweb.no), a service provided by the Oslo Stock Exchange.



### // NEWS AFTER QUARTER END

*Stril Explorer* has had good utilization, however at a low day rate.

*Edda Fonn* has performed under two contracts for MMT in the renewable segment. The work is expected to last until medio November.

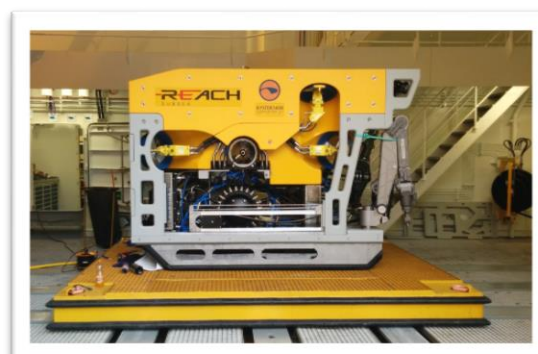
Eidesvik and Technip have entered into a 50 days (plus options) contract for *Viking Neptune* in Ghana. Reach Subsea delivers ROV services onboard the vessel.



## REPORT 3<sup>RD</sup> QUARTER 2015

### // 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.



REACH markets and operates seven ROV-spreads (ROVs and offshore personnel), of which four are fixed on contracts. Of the vessels, *Edda Fonn* and *Stril Explorer* will be exposed to the spot market as from end November. This risk/reward is shared by 50 % with MMT Sweden according to a Joint Venture agreement. Tendering and sales activities remain high to secure good employment for the vessels in a challenging winter 2015 and beyond. Marketing of *Normand Reach* towards existing and new clients continues in order to prepare for her possible return from DOF Subsea in June 2016.

The second and third quarter 2015 were stronger than the winter 2014/15, however weaker than historical spring/summer seasons. The outlook is challenging. Slowdown in offshore oil & gas activity, significant decline in the oil price, and consequent reductions in the spending budgets of our clients provides a difficult backdrop 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. Lay up of *Edda Fonn* and/or *Stril Explorer* as well as redundancies will be considered for the winter season.

Reach aims to further restructure charter commitments to obtain further flexibility in the business model, and strengthen the company's ability to exploit any opportunity we may see in the market.

Reach Subsea will aim to further build and increase the backlog, which as per 30.09.15 is close to NOK 180 million.

Haugesund, 16.11.2015

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Kåre Johannes Lie  
Chairman of the Board

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Anders Onarheim  
Board member

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Sverre B. Mikkelsen  
Board member

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Merete Haugli  
Board member

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Martha Kold Bakkevig  
Board member

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Jostein Alendal  
CEO

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## Result 3Q 2015

Income statement (in NOK '000)	Note	2015 01.07-30.09 <i>unaudited</i>	2014 01.07-30.09 <i>unaudited</i>	2015 01.01-30.09	2014 01.01-30.09	2014 01.01-31.12 <i>audited</i>
Operating income		192 738	101 691	498 780	226 755	311 050
Other operating income		0	61	0	100	100
<b>Total operating income</b>		<b>192 738</b>	<b>101 752</b>	<b>498 780</b>	<b>226 856</b>	<b>311 151</b>
Operating expenses		-183 256	-90 527	-475 180	-197 891	-276 456
<b>EBITDA</b>		<b>9 482</b>	<b>11 226</b>	<b>23 600</b>	<b>28 965</b>	<b>34 695</b>
Depreciation	3	-6 282	-3 636	-16 775	-9 891	-13 675
<b>Operating result (EBIT)</b>		<b>3 200</b>	<b>7 590</b>	<b>6 825</b>	<b>19 074</b>	<b>21 020</b>
Net financial items		-467	356	-3 163	-375	3 870
Net result from affiliated companies		-356	-492	-3 069	-492	-59
<b>Profit (loss) before taxes</b>		<b>2 377</b>	<b>7 454</b>	<b>594</b>	<b>18 207</b>	<b>24 831</b>
Taxes	9	0	0	0	0	0
<b>Profit (loss)</b>		<b>2 377</b>	<b>7 453</b>	<b>594</b>	<b>18 207</b>	<b>24 831</b>
<b>Comprehensive income</b>						
Gain/loss on financial derivatives or cash flow hedges		1 271		1 268	0	-1 268
<b>Comprehensive income items</b>		<b>1 271</b>	<b>0</b>	<b>1 268</b>	<b>0</b>	<b>-1 268</b>
<b>Total comprehensive income</b>		<b>3 649</b>	<b>7 453</b>	<b>1 862</b>	<b>18 207</b>	<b>23 563</b>
Earnings per share		0,03	0,10	0,01	0,24	0,33
Diluted earnings per share		0,03	0,10	0,01	0,24	0,32

## Balance Sheet 3Q 2015

Consolidated balance sheet (in NOK '000)	Note	2015 30.09 <i>unaudited</i>	2014 30.09 <i>unaudited</i>	2014 31.12 <i>audited</i>
<b>Non-current assets</b>				
Deffered tax assets	9	8 161	8 161	8 161
Investment in associated companies		2 292	4 928	5 361
Property, plant and equipment	3	149 425	98 001	97 473
Other long term receivables	6	53 000	0	53 000
<b>Total non-current assets</b>		<b>212 878</b>	<b>111 090</b>	<b>163 995</b>
<b>Current assets</b>				
Trade and other receivables	6	175 352	120 115	39 221
Cash and cash equivalents		30 972	44 012	59 746
<b>Total current assets</b>		<b>206 324</b>	<b>164 127</b>	<b>98 967</b>
<b>Total assets</b>		<b>419 201</b>	<b>275 217</b>	<b>262 962</b>
<b>Equity</b>				
Share capital	7	76 241	75 918	76 241
Share capital approved (not registered)		0	323	0
Share premium		67 806	67 096	67 806
Share premium approved (not registered)		0	710	0
Other equity	8	12 445	4 774	10 130
<b>Total equity</b>		<b>156 492</b>	<b>148 822</b>	<b>154 177</b>
<b>Non-current liabilities</b>				
Interest-bearing debt	4	99 990	62 944	59 518
<b>Total non-current liabilities</b>		<b>99 990</b>	<b>62 944</b>	<b>59 518</b>
<b>Current liabilities</b>				
Current portion of interest bearing debt	4	18 000	10 200	10 200
Other current liabilities		144 719	53 251	37 798
Derivatives		0	0	1 268
<b>Total current liabilities</b>		<b>162 719</b>	<b>63 451</b>	<b>49 266</b>
<b>Total liabilities</b>		<b>262 709</b>	<b>126 395</b>	<b>108 784</b>
<b>Total equity and liabilities</b>		<b>419 201</b>	<b>275 217</b>	<b>262 962</b>

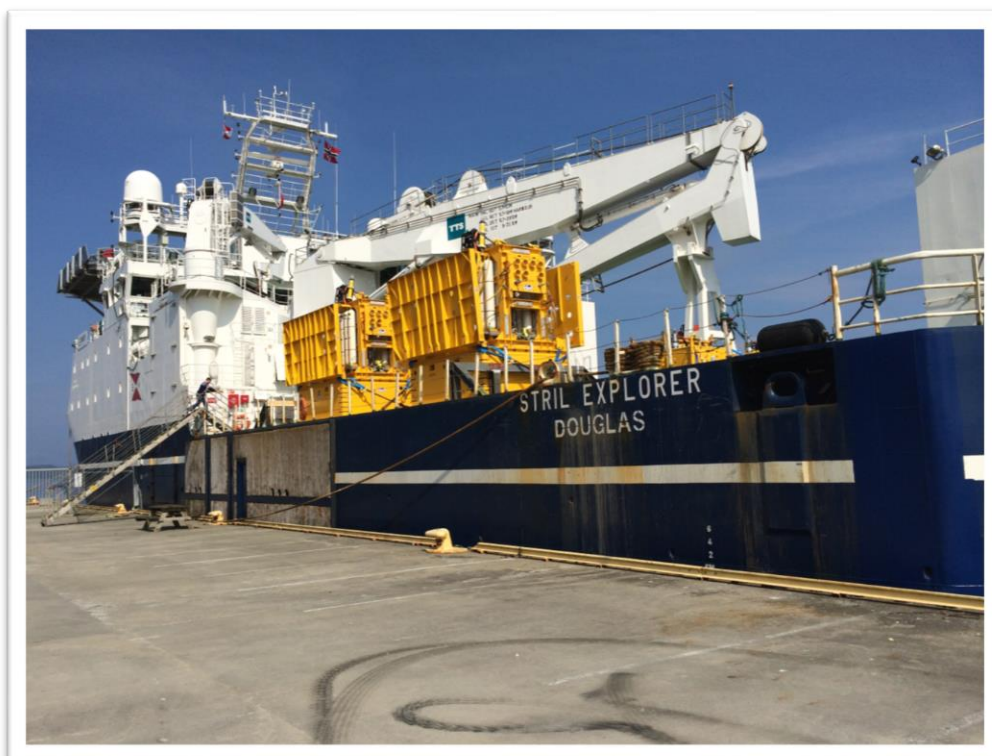
## Cash Flow 3Q 2015

	2015 01.01-30.09 <i>unaudited</i>	2014 01.01-30.09 <i>unaudited</i>	2014 01.01-31.12 <i>audited</i>
<b>Cash flow statement (in NOK'000)</b>			
<b>Cash flow from operating activities</b>			
Profit (loss) before tax	594	18 207	24 831
Net result from affiliated companies	3 069	492	59
Depreciation	16 775	9 891	13 675
Change in trade debtors	-138 166	-53 696	-12 744
Change in trade creditors	102 309	45 426	26 843
Change in other provisions	6 647	169	-6 759
Share option cost employees	453	686	686
<b>Net cash flow from operating activities</b>	<b>-8 320</b>	<b>21 175</b>	<b>46 591</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets	-11 938	-22 148	-25 404
Purchase of shares in associated companies	0	-5 420	-5 420
Guarantees Charter-party	0	0	-3 000
<b>Net cash flow from investing activities</b>	<b>-11 938</b>	<b>-27 568</b>	<b>-33 824</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of ordinary shares	0	1 033	1 033
Proceeds from borrowings	0	0	0
Repayment of long term loans	-8 516	-4 346	-7 772
<b>Net cash flow from financing activities</b>	<b>-8 516</b>	<b>-3 313</b>	<b>-6 739</b>
<b>Net change in cash and cash equivalents</b>	<b>-28 774</b>	<b>-9 706</b>	<b>6 029</b>
Cash and cash equivalents in the start of the period	59 746	53 718	53 718
<b>Cash and cash equivalents in the end of the period</b>	<b>30 972</b>	<b>44 012</b>	<b>59 746</b>



## Equity 3Q 2015

Equity	Note	Share capital and share premium	Other equity	Total equity
Equity 31.12.14		144 047	10 130	154 177
IFRS 2 Option based salary	8	0	453	453
Result for the period		0	1 862	1 862
<b>Equity 30.09.15</b>		<b>144 047</b>	<b>12 445</b>	<b>156 492</b>



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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](http://www.newsweb.no)) or the company's webpage ([www.reachsubsea.com](http://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	6 677	61 920	130	68 727
Disposals	0	0	0	0
<b>Purchase cost 30.09.15</b>	<b>53 342</b>	<b>128 765</b>	<b>9 309</b>	<b>191 417</b>
Accumulated depreciation 30.09.15	-11 933	-21 692	-8 368	-41 992
<b>Net book value 30.09.15</b>	<b>41 409</b>	<b>107 074</b>	<b>942</b>	<b>149 425</b>
Depreciation in the period	6 152	10 294	329	16 775
Expected useful life (years)	3-8	3-8	3	
Depreciation plan	Straight line	Straight line	Straight line	

#### // NOTE 4 - BORROWINGS

(NOK 1000)	30.09.2015	31.12.2014
<b>Non-current borrowings</b>		
Bank borrowings	9 450	12 600
Finance lease liabilities	90 540	46 918
<b>Total non-current borrowing</b>	<b>99 990</b>	<b>59 518</b>
<b>Current borrowings</b>		
Bank borrowings	4 200	4 200
Finance lease liabilities	13 800	6 000
<b>Total current borrowings</b>	<b>18 000</b>	<b>10 200</b>
<b>Carrying amount</b>		
Bank borrowings	13 650	16 800
Finance lease liabilities	104 340	52 918
<b>Total carrying amount</b>	<b>117 990</b>	<b>69 718</b>
<b>Fair value</b>		
Bank borrowings	13 650	16 800
Finance lease liabilities	104 340	52 918
<b>Total fair value</b>	<b>117 990</b>	<b>69 718</b>

The company had as of 30.09.2015 debt of NOK 119 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 30.09.2015 amounted to NOK 180 million. All debt to credit institutions are in NOK

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### 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 10.11.2015

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 %
HOLME HOLDING AS	1831408	2,4 %
TEOMAR AS	1810000	2,4 %
SMS INVESTERING AS	1652366	2,2 %
ONWAY AS	1603804	2,1 %
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 %
<b>Total 20 largest</b>	<b>58 239 375</b>	<b>76,4 %</b>
Others	18 001 690	23,6 %
<b>Total</b>	<b>76 241 065</b>	<b>100,0 %</b>

#### // 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 30.09 result in 2015 is reduced by NOK 0,45 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 30.09.2015 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.