

ADVANCE
PERFORM
ACHIEVE

4Q 2015

Reach Subsea ASA

QUARTERLY CONSOLIDATED REPORT

REACH
SUBSEA

Report 4th QUARTER 2015

// HIGHLIGHTS

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

REACH has been successful in achieving spot and short term fixtures also in the fourth quarter. The rates have further decreased due to seasonality and oversupply of tonnage in most segments. High utilization for *Normand Reach*, *Edda Fonn* and *Viking Neptune* has resulted in a stronger than anticipated profitability and cash flow for the quarter.

REACH had a 4Q EBITDA of NOK 10.8 million and a cash flow from operating activities of NOK 34.7 million, representing a solid improvement over 4Q2014 (NOK 6.8 million and NOK 22.4 million, respectively). The Board is very pleased with such results in what must be characterized as extremely challenging market conditions.

REACH has per 31.12.15 an order book of close to NOK 160 million, most of which is related to work for 2016. Tender activity remains high, even though there are fewer opportunities in a tough market. Outstanding tender value has increased and is now about NOK 1.4 billion.

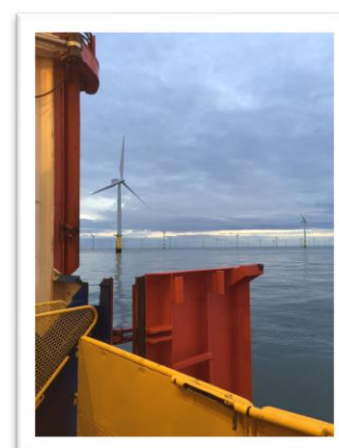


// OPERATIONS

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

REACH vessel *Normand Reach*, hired on time charter from Solstad Offshore 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.

REACH provided ROV services consisting of 1 WROV and offshore personnel to the vessel *Stril Explorer* also in the fourth quarter of 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* has been performing under two contracts with MMT in the fourth quarter. The end clients are international companies within the renewables sector.

REACH has two WROVs onboard *Viking Neptun*, a construction vessel on contracts with Technip lasting beyond 2016. Reach delivers all ROV-services onboard. From March to November 2015 the vessel performed under a contract between Reach Subsea and Technip with Eidesvik as sub-contractor. As from December, Reach Subsea has performed as sub-contractor to Eidesvik, still with Technip as the client. The vessel has performed very well since delivery in March 2015, and feedback reports from end clients such as Statoil have been excellent. This has led to both contract extensions and award of new contracts from Technip. Location of the vessel is currently Ghana.

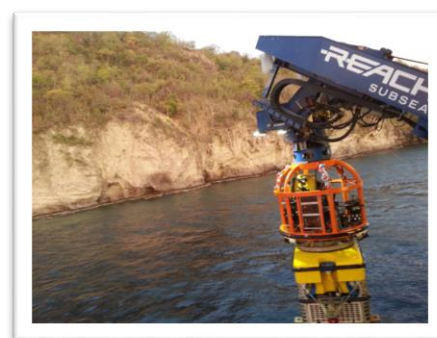
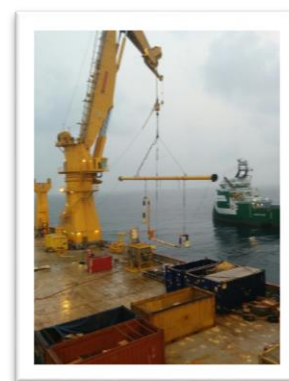
REACH has not had any serious incidents or accidents during the quarter, which support our objective that the right procedures, well trained personnel and state of the art equipment generate operational success.

// ECONOMY AND FINANCE

Revenue for the quarter was NOK 135.6 million compared with NOK 84.3 million for 4Q2014. The increase in turnover compared to 4Q2014 was due to the Group's activity level. *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 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).

Revenue for the full year 2015 was NOK 634.4 million, compared to NOK 311.2 million in 2014. The increase reflects the development for Reach Subsea, and the above-mentioned *Viking Neptune* effect. 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 Surveyor AS losses in 2015.

Operating expense for the quarter was NOK 131.1 million including depreciation. Project-related expense represents the majority of the operating expense for the group. Total operating expense for 4Q2014 was NOK 81.3 million. The increase in operating expenses from 4Q2014 is primarily due to the increased activity level.



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// FINANCING AND CAPITAL STRUCTURE

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 is 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. REACH has no committed capital expenditures for 2016 and onwards.

// THE COMPANY AND ITS SHAREHOLDERS

REACH Subsea ASA is listed on the Oslo Stock Exchange. The Company has per 31.12.15 issued 76.241.065 shares, of which the majority is owned by Norwegian shareholders.

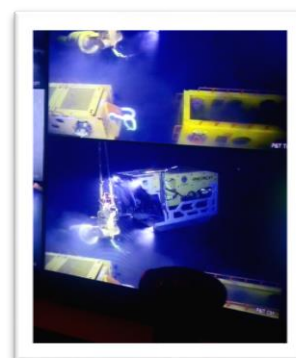
Reach Subsea essentially follows the recommendation for reporting of IR-information issued by the Oslo Stock Exchange's and publish all the news releases on www.newsweb.no, a service provided by the Oslo Stock Exchange.

// NEWS AFTER QUARTER END

Reach Subsea and MMT Sweden have, through the Joint Venture, entered into a contract for *Stril Explorer* in the French Caribbean. The project, an innovative survey of the geophysical and sedimentary context of an area of an offshore power plant outside Martinique, is scheduled for the first two months of 2016 including transit from the North Sea.

Edda Fonn, the second vessel operated in the Joint Venture with MMT Sweden, has continued to execute on various contracts since the end of November last year, securing satisfactory utilisation so far in this particularly cold winter season.

Viking Neptune has secured commitment with Technip for 2016 and beyond, which will contribute to good utilization for the WROVs and offshore personnel from REACH onboard.

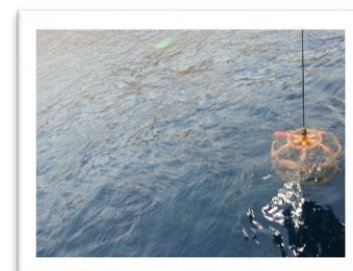


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// MARKETS AND PROSPECTS

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.

REACH 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 *Stril Explorer* are currently exposed to the spot market. This risk/reward on these two vessels is shared 50 % with MMT Sweden according to a Joint Venture agreement.

Commitment for *Stril Explorer* ends in April 2016. Tendering and sales activities remain high to secure good employment for the vessels in a challenging 2016 and beyond. Marketing of *Normand Reach* towards existing and new clients continues in order to prepare for her return from DOF Subsea in June 2016. As per 22.02.2016 no further firm work is secured for *Normand Reach*, although we are in advanced discussions on potential long-term commitments. Should these advanced discussions not be concluded, we will operate her in a challenging spot market.

As mentioned earlier, *Viking Neptun* has after quarter end secured commitment with Technip for 2016 and beyond, which will contribute to good utilisation for the WROVs and offshore personnel from REACH onboard.

REACH aims to further restructure charter commitments to obtain further flexibility in the business model, which is a necessity to remain as competitive as we have proved so far in this market downturn. This will also strengthen the company's ability to exploit the opportunities we currently see in the market.

Haugesund, 22.02.2016

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
CEO

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Result 4Q 2015

Income statement (in NOK '000)	Note	2015 01.10-31.12 <i>unaudited</i>	2014 01.10-31.12 <i>unaudited</i>	2015 01.01-31.12 <i>unaudited</i>	2014 01.01-31.12 <i>audited</i>
Operating income		135 589	84 295	634 369	311 050
Other operating income		0	0	0	100
Total operating income		135 589	84 295	634 369	311 151
Operating expenses		-124 801	-77 492	-599 981	-276 456
EBITDA		10 788	6 802	34 388	34 695
Depreciation	3	-6 255	-3 784	-23 030	-13 675
Operating result (EBIT)		4 533	3 018	11 358	21 020
Net financial items		373	4 245	-2 790	3 870
Net result from affiliated companies		-4 104	433	-7 173	-59
Profit (loss) before taxes		800	7 696	1 394	24 831
Taxes	9	0	0	0	0
Profit (loss)		800	7 696	1 394	24 831
Comprehensive income					
Gain/loss on financial derivatives og cash flow hedges		0	-1 268	1 268	-1 268
Comprehensive income items		0	-1 268	1 268	-1 268
Total comprehensive income		800	6 427	2 663	23 563
Earnings per share		0,01	0,10	0,02	0,31
Diluted earnings per share		0,01	0,10	0,02	0,31

Balance Sheet 4Q 2015

Consolidated balance sheet (in NOK '000)	Note	2015 31.12. <i>unaudited</i>	2014 31.12. <i>audited</i>
Non-current assets			
Deffered tax assets	9	8 161	8 161
Investment in associated companies		6 829	5 361
Property, plant and equipment	3	140 415	97 473
Other long term receivables	6	53 000	53 000
Total non-current assets		208 405	163 995
Current assets			
Trade and other receivables	6	76 478	39 221
Cash and cash equivalents		54 370	59 746
Total current assets		130 848	98 967
Total assets		339 253	262 962
Equity			
Share capital	7	76 241	76 241
Share premium		67 806	67 806
Other equity	8	13 397	10 130
Total equity		157 444	154 177
Non-current liabilities			
Interest-bearing debt	4	94 601	59 518
Total non-current liabilities		94 601	59 518
Current liabilities			
Current portion of interest bearing debt	4	18 000	10 200
Other current liabilities		69 208	37 798
Derivatives		0	1 268
Total current liabilities		87 208	49 266
Total liabilities		181 809	108 784
Total equity and liabilities		339 253	262 962

Cash Flow 4Q 2015

Cash flow statement	2015	2014
	01.01-31.12 <i>unaudited</i>	01.01-31.12 <i>audited</i>
Cash flow from operating activities		
Profit (loss) before tax	1 394	24 831
Net result from affiliated companies	7 173	59
Depreciation	23 030	13 675
Change in trade debtors	-40 929	-12 744
Change in trade creditors	12 166	26 843
Change in other provisions	22 916	-6 759
Share option cost employees	604	686
Net cash flow from operating activities	26 356	46 591
Cash flow from investing activities		
Purchase of fixed assets	-65 973	-25 404
Purchase of shares in associated companies	-8 642	-5 420
Guarantees Charter-party	0	-3 000
Net cash flow from investing activities	-74 615	-33 824
Cash flow from financing activities		
Proceeds from issuance of ordinary shares	0	1 033
Proceeds from borrowings	0	0
Repayment of long term loans	42 883	-7 772
Net cash flow from financing activities	42 883	-6 739
Net change in cash and cash equivalents	-5 376	6 029
Cash and cash equivalents in the start of the period	59 746	53 718
Cash and cash equivalents in the end of the period	54 370	59 746

Equity 4Q 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	604	604
Result for the period		0	2 663	2 663
Equity 31.12.15		144 047	13 397	157 444



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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 for 2014 is 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).

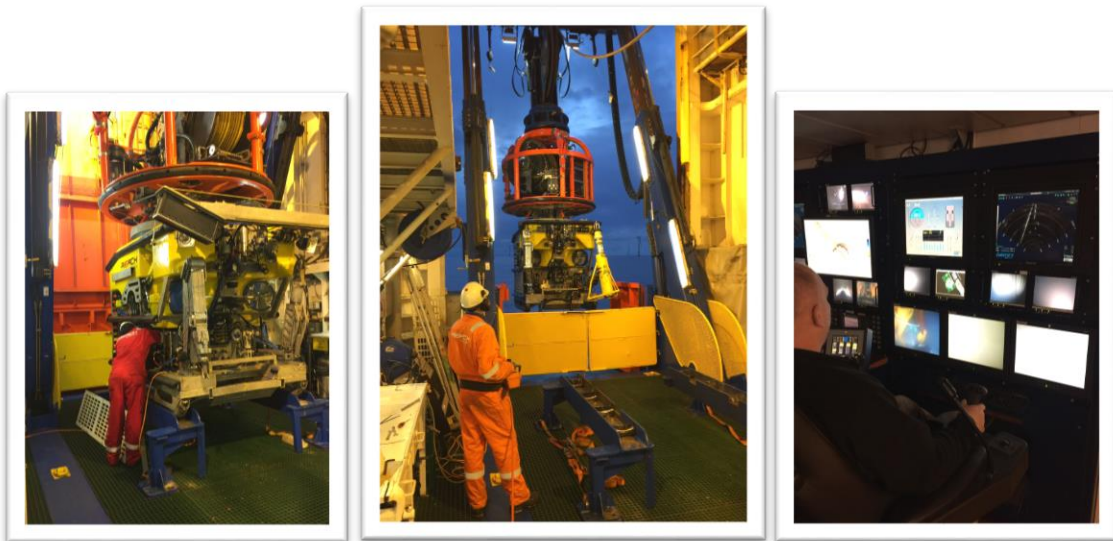
// NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES

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	6 883	58 960	130	65 973
Disposals	0	0	0	0
Purchase cost 31.12.15	53 548	125 805	9 309	188 663
Accumulated depreciation 31.12.15	-14 363	-25 400	-8 484	-48 248
Net book value 31.12.15	39 185	100 405	825	140 415
<hr/>				
Depreciation in the period	8 583	14 002	445	23 030
<hr/>				
Expected useful life (years)	3-8	3-8	3	
Depreciation plan	Straight line	Straight line	Straight line	

Reach Subsea has a leasing obligation (operational lease) for the vessel Normand Reach ending in June 2019. The vessel is leased from Solstad and is currently performing under a contract with DOF Subsea (ends in June 2016).



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NOTES TO THE INTERIM FINANCIAL STATEMENT

// NOTE 4 - BORROWINGS

(NOK 1000)	31.12.2015	31.12.2014
Non-current borrowings		
Bank borrowings	8 400	12 600
Finance lease liabilities	86 201	46 918
Total non-current borrowing	94 601	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	12 600	16 800
Finance lease liabilities	100 001	52 918
Total carrying amount	112 601	69 718
Fair value		
Bank borrowings	12 600	16 800
Finance lease liabilities	100 001	52 918
Total fair value	112 601	69 718

The company had as of 31.12.2015 debt of NOK 112,6 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 31.12.2015 amounted to NOK 195 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 - 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 16.02.2016

ACCELLO PARTNERS I AS	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 %
HOLME HOLDING AS	1 958 186	2,6 %
TEOMAR AS	1 950 000	2,6 %
A-Å INVEST AS	1 874 975	2,5 %
SMS INVESTERING AS	1 652 366	2,2 %
ONWAY AS	1 623 804	2,1 %
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	860 000	1,1 %
CONSUS AS	710 925	0,9 %
HAAVAAS	650 050	0,9 %
THORHEIM	643 750	0,8 %
HAGLAND INVEST AS	625 000	0,8 %
CAIANO SHIP AS	615 292	0,8 %
Total 20 largest	58 536 153	76,8 %
Others	17 704 912	23,2 %
Total	76 241 065	100,0 %

// NOTE 8 - SHARE-BASED REMUNERATION

The Group has entered into an option based salary program with firm employees that were hired as per 01.09.2013. The 31.12 result in 2015 is reduced by NOK 0,6 million due to related costs. The remaining 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 31.12.2015 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.

Photo credits: Offshore crew from Reach Subsea