REACH SUBSEA

# COMPANY PRESENTATION

*31 October 2012*

# History and background

- Reach Subsea was established in 2008 in Norway by four founders with extensive subsea experience
  - During the last 4 years the company has provided ROV and engineering/ consultancy services to the oil industry, incl. development of a new survey ROV, the Surveyor

- Reach Subsea expansion plan launched this year
  - Ambition to become a complete Subsea Service Provider
  - Business expansion through new equity, contracts and personnel
  - In process of ordering new ROV equipment

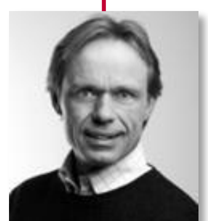
- Reach Subsea to merge with Transit Invest ASA (former Green Reefers) to create a listed vehicle
  - Short term funding in place

# *Highly experienced management team*

**Kåre Johannes Lie**
Managing Director
*30 years in subsea*

**Sven M. Storesund**
Technical Manager
*20+ years in subsea*

**Åge J. Nilsen Jr.**
Financial Manager
*14 years experience*



**Jostein Alendal**
Bus. Dev. Manager
*20 years in subsea*

**Inge Grutle**
Engineering Manager
*6 years in subsea*

**Bjørg Døving**
HR and Quality Manager
*10 years in subsea*

# Attractive business model

- **Reach Subsea aims to become a complete subsea service provider**
  - Offering IMR, ROV, Survey, Construction Support and Decommissioning Services
  - Advanced provider in the subsea market regarded by all stakeholders as a flexible, competent and high quality performer with world class in house engineering
  - Delivering advanced solutions to technologically demanding customers in need for engineering and equipment/spreads related to subsea operations
- **Reach Subsea shall provide high-end spreads and competent personnel**
  - Advanced fleet of both owned and chartered modern offshore vessels
  - Recourse pool of highly skilled and experienced people and technologically advanced equipment
  - 1-2 vessel spreads ready for offshore work 2Q 2013
- **Reach Subsea shall exploit the possibilities presented in a booming subsea market**
  - Establish a foothold as a IMR/light construction service provider in the North Sea market
  - Gradually expand to other business lines and/or markets as company grows

REACH SUBSEA

# Main focus on the opex and the construction support market

**Exploration** — *1-2 years*

**Field dev.** — *3-5 years*

**Production** — *15+ years*

**Decom.** — *1-3 years*

Capex market

- SURF (Subsea, Umbilicals, Risers & Flowlines)
- Seabed mapping
- Subsea vessels and ROVs
- Lifting and installation
- Geotechnical survey
- Installation/lay support
- Drill support
- Light construction work

Opex market

- IMR (Inspection, Maintenance and Repair)
- Pipeline survey/inspection
- Pipeline repair
- Well stimulation and intervention
- Scale squeeze
- Vessel supply
- Decommissioning

***Key Reach focus area***

# Business segments

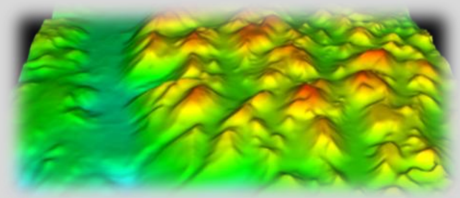
## Construction and installation

- Single EPIC contracts rather than frame contracts
- Complex projects with higher risk, better margins
- Survey and ROV services are important parts of construction projects
- Growing market with few players, high entry barrier
- Existing players in capacity squeeze open possibilities for subcontracting entire vessel spreads and/or engineering packages

## Inspection, maintenance and repair

- Inspection of subsea infrastructure
- Maintenance and repair of subsea assets
- Module handling
- Light construction
- Well stimulation (scale squeeze)
- Often long term frame contracts

## Survey and pipeline inspection



- 3D seabed mapping
- Pipeline inspection
- “In house” developed Surveyor ROV
- Potential partnership with MMT
- Key elements:
  - Data processing
  - Accuracy

## Decommissioning

- Growing immature market
- Project contracts
- Similar assets and competence requirement as construction
- Complementary market segment to IMR and I&C, as demand for services is likely to increase with declining activity in IMR and I&C

# Subsea services

| | Vessel Owners | Subsea Services | Subsea EPIC |
|---|---|---|---|
| Business characteristics | • Asset intensive (-)<br>• Dayrate revenue model (+)<br>• Demand growth (+)<br>• Limited differentiation (-)<br>• Low barriers to entry/ fragmented (-) | • Less asset intensive (+)<br>• Dayrate + spread revenue model (+)<br>• High demand within capex and opex (+)<br>• High barriers to entry for expertise (+)<br>• Engineering/technology driven (+) | • Asset intensive (-)<br>• Lump-sum turn-key risk (-)<br>• Principally capex driven, more volatile (-)<br>• Highly differentiated, engineering (+)<br>• High barriers to entry, expertise and capital (+) |
| Traditional players | • Several publicly traded companies and regional competitors | REACH SUBSEA, FUGRO, DeepOcean, DOF subsea, OCEANEERING, REEF SUBSEA | Saipem, McDermott, Technip, subsea 7, HELIX, EMAS |

***Located in the Haugesund region***

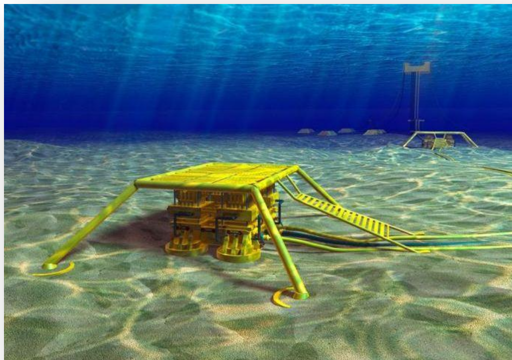
# *Expanding resource base*

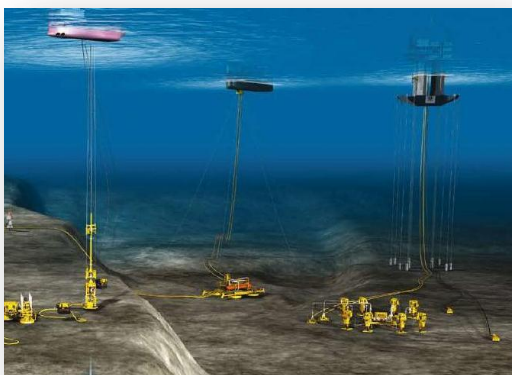
- Reach Subsea is building to become a complete Subsea Service Provider by 2013
  - State of the art support vessels, new ROVs and world class engineering and personnel resources
- New office/ workshop facilities on Killingøy Offshore Base in Haugesund summer 2012
  - From new facilities the company can perform in-house engineering and project planning
  - Design and fabrication of subsea equipment
  - Mobilization and support to large subsea support vessels along the quay
- Engineering department consisting of highly skilled subsea and marine engineers
  - All with long experience in planning, management and execution of offshore and subsea operations
  - Onshore organization to grow to ~15 employees during 2012
- Technical resources and equipment will consist of state of the art ROV spreads and DP2 support vessels incorporating the best technology available on the market

# IMR and light construction vessel


- Reach Subsea will enter the market with a construction vessel mobilized for IMR and light construction work 2Q 2013
- The vessel will be equipped with a 250Te offshore crane, moonpool, two work class ROV`s and one observation ROV
- All equipment will be brand new and the very best of available technology
- The vessel will be manned with our own technical crew and will be supported from our onshore organization

# Market backdrop





- Subsea activity world wide is in rapid growth
  - Growing number of planned subsea field developments
  - Large contact awards to main subsea contractors
- A strong subsea market is expected the next 3-5 years with increasing rates and margins for service providers and contractors
  - The domestic market looks very promising with high activity
  - Oil companies encouraging more players in the subsea market
- “New” technology is emerging as commercially attractive
  - New exciting business lines emerging, e.g. “scale squeeze”, subsea compression/ processing and offshore wind
  - This development is a perfect match for the technical subsea/ offshore cluster in the Haugesund region
- Market trend towards more advanced vessels with increased size and capacity to serve the CAPEX market
  - A high exploration rate is fuelled by expectations of both a sustainable high level oil price and high discovery probability
- The Haugesund region has long tradition and experience within the subsea market
  - Access to skilled workforce with relevant experience in, and with roots to, the region is viewed as a competitive edge compared to peers in the Stavanger, Bergen and Oslo areas
  - Competence and capacity will be major enabling factors for any company aspiring growth in the subsea segment

REACH SUBSEA

# Key investment highlights

**Attractive business model**

- The IMR, ROV, Survey, Construction Support market is an attractive niche with high growth and high barriers to entry
- Less asset intensive and lower risk profile compared to subsea EPIC* providers
- Reach Subsea will have a modern fleet and technologically advanced equipment, appealing to potential clients

**Proven management team**

- Management team have founded and developed DeepOcean, one of the leading subsea IMR players today
- Reach Subsea will be built based on past extensive experience
- The Haugesund region has long tradition and experience within the subsea market. Three of the six Subsea Services players currently operating in Norway are located in this area
- Competence and capacity will be major enabling factors for any company aspiring growth in the subsea segment

**Strong market fundamentals**

- Market set for growth, driven by high offshore spending, increasing exploration activity, and more extensive subsea fields in deeper waters. Subsea tree awards indicating continued growth
- Growing and aging infrastructure and expansion of installed base requires more IMR services
- Increasing rates and margins expected for service providers and contractors next 3-5 years
- Norway sweet spot – NOK 170bn offshore spending 2012 (#3 region globally)



*EPIC = Engineering, Procurement, Installation & Construction

**Reach Subsea AS**
Killingoy Offshore base - Hall B
Skillebekkgata 1B
5523 Haugesund, Norway
+47 40 00 77 10