

# ANNUAL REPORT 2018

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# HIGHLIGHTS 2018

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## Highlights for the First Quarter

- Agreed a 6-month contract for the OSCV "Siem Marlin".
- Reached agreement to sell its wholly owned subsidiary Siem Offshore Contractors GmbH ("SOC") and two specialized vessels for renewable operations to Subsea 7 S.A.
- Received approval from bondholders of the FRN Siem Offshore Inc. Senior Unsecured Bond Issue 2014/2019 ("SIOFF02") to certain changes of the bond agreement.

## Highlights for the Second Quarter

- Concluded the sale of the wholly owned subsidiary Siem Offshore Contractors GmbH ("SOC") and two specialized vessels for renewable operations to Subsea 7 S.A. The Company recorded a gain of USD90.3 million related to the sale of the discontinued operations.
- Agreed with Norske Shell to extend the current charter contract for the Duel-Fuel PSV "Siem Pride" until 14 November 2025.
- Received approval from bondholders of the Siem Offshore Inc. Senior Unsecured Bond Issue 2014/2019 ("SIOFF02") for certain changes of the bond agreement to restructure the issue as a 5½ year convertible bond maturing in 2023.
- Conducted a review of vessel valuation and recorded aggregate impairments of USD9.4 million.

## Highlights for the Third Quarter

- Recorded a profit of USD9.7 million in the third quarter with respect to settlements of two separate disputes with clients in Brazil and India.
- Secunda Canada LP, a wholly owned subsidiary of Siem Offshore Inc., sold the PSV "Scotian Sea" (built 1997).
- Awarded a 1-year contract with 2 x 6-month options for each of the vessels "Siem Atlas" and "Siem Giant" for commencement in December in direct continuation of present contracts.
- Reached agreement with our banks for a revised Finance Plan in preparation for a possible prolonged downturn in the offshore supply market.

## Highlights for the Fourth Quarter

- Agreed a 15-month contract with 6 x 1-month options for the offshore subsea vessel, "Siem Barracuda".
- Conducted a review of vessel valuations, intangibles and long term receivables and recorded aggregate impairments of USD55.9 million.

REVENUE USD 1,000

**307,736**

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OPERATING MARGIN USD 1,000

**115,056**

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EMPLOYEES

**1,335**

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VESSELS IN OPERATION

**40**

# KEY FIGURES

(Amounts in USD 1,000)

## CONSOLIDATED

INCOME STATEMENTS	Ref	2018	2017
Operating revenue		307,736	306,911
Operating expenses		-192,680	-181,736
Operating margin	(1)	115,056	125,175
Operating margin, %		37%	41%
Depreciation and amortization		-108,922	-113,600
Impairment of vessels		-56,990	-111,611
Impairment of intangibles		-1,080	-
Impairment on long-term receivables, projects		-7,200	-24,000
Gain/(loss) on sale of assets		249	13
Gain on sale of interest rate derivatives (CIRR)		368	368
Gain/(loss) on currency derivative contracts		-8,344	-264
Operating profit	(2)	-66,863	-123,918
Operating profit margin, %		-22%	-40%
Net financial items		-27,200	-74,345
Result from associated companies		601	580
Profit/(loss) before taxes		-93,462	-197,683
Profit margin before taxes		-30%	-64%
Tax benefit/(expense)		-588	-1,670
Net profit/(loss) from continuing operations		-94,051	-199,353
Net profit/(loss) from discontinued operations		86,765	-4,691
Net profit/(loss)		-7,286	-204,044
Minorities interest		-23,237	-39,720
Net profit/(loss) attributable to shareholders		15,951	-164,324
Net profit margin, %		5%	-54%

STATEMENTS OF FINANCIAL POSITION	12/31/2018	12/31/2017
Non-current assets	1,571,021	1,857,413
Current assets	158,302	187,662
Working capital	(3)	-37,154
Total assets	1,746,273	2,045,075
Shareholders' equity	438,192	425,874
Non-current liabilities	1,099,361	1,346,647
Current liabilities	180,823	224,816
Total equity and liabilities	1,746,273	2,045,075

### Definitions

- (1) Earnings before interests, tax, depreciation and amortization (EBITDA)
- (2) Earnings before interests and taxes (EBIT)
- (3) Total current assets less total current liabilities
- (4) See Statements of Cash Flows for details
- (5) Net cash flow from operation divided on weighted average number of shares outstanding
- (6) Stock Exchange price on December 31 divided on earnings per share
- (7) Stock Exchange price on December 31 divided on cash flow per share
- (8) Shareholders' equity divided on number of outstanding shares
- (9) Operating margin divided on weighted average number of outstanding shares
- (10) Book equity divided on total assets
- (11) Current assets divided on current liabilities

**STATEMENTS OF CASH FLOWS**

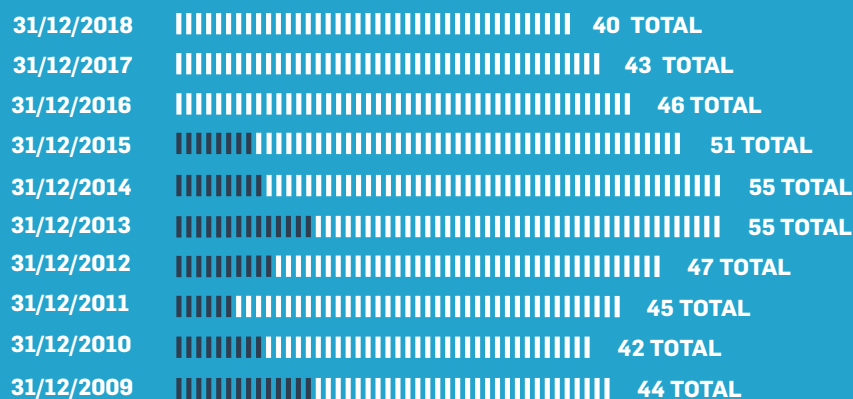
		<b>2018</b>	<b>2017</b>
Net cash flow from operations	(4)	32,731	107,629
Net change in cash	(4)	617	-48,009

**KEY FIGURES**

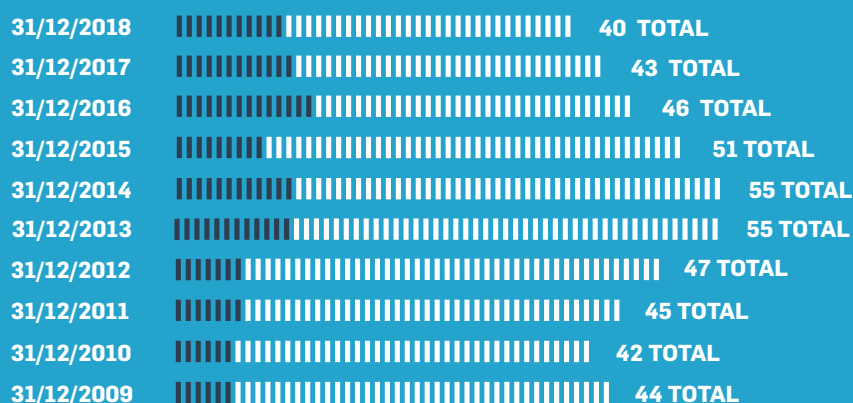
		<b>2018</b>	<b>2017</b>
Weighted average no. of outstanding shares (1,000)		942,021	894,624
Weighted average no. of diluted outstanding shares (1,000)		949,221	894,624
Earnings per share (USD)		0.02	-0.18
Diluted earnings per share (USD)		0.02	-0.18
Cash flow per share in USD	(5)	0.03	0.12
Share price per year end (USD)		0.16	0.22
Share price per year end (NOK)		1.35	1.81
Price/earnings per share (P/E)	(6)	9.18	-1.20
Price/cash flow per share (P/CF)	(7)	4.47	1.83
Book shareholders' equity per share (USD)	(8)	0.47	0.45
Operating margin share	(9)	0.12	0.14
Book equity ratio	(10)	0.27	0.23
Liquidity ratio	(11)	0.88	0.83

**VESSELS**

■ Newbuildings  
■ Vessels in operation

**OWNERSHIP**

■ 0-79%  
■ 100%








# VESSELS IN THE FLEET

## Platform Supply Vessels (PSV)

						
	<b>Siem Pride</b>	<b>Siem Symphony</b>	<b>Siem Atlas</b>	<b>Siem Giant</b>	<b>Siem Hanne</b>	<b>Siem Louisa</b>
<b>Built</b>	2015	2014	2013	2014	2007	2006
<b>Design</b>	VS 4411 DF	VS 4411 DF	STX PSV 4700	STX PSV 4700	VS 470 MK II	VS 470 MK II
<b>Dp Class</b>	2	2	2	2	2	2
<b>LOA</b>	89.20 m	89.20 m	87.90 m	87.90 m	73.40 m	73.40 m
<b>Breadth</b>	19.00 m	19.00 m	19.00 m	19.00 m	16.60 m	16.60 m
<b>Draught</b>	7.40 m	7.40 m	6.60m	6.60 m	6.42 m	6.42 m
<b>Dwt</b>	5,500 t	5,500 t	4700 T	4,700 T	3570 T	3570 T
<b>Accommodation</b>	28	25	34	34	34	34
<b>Cargo Deck Area</b>	980 m <sup>2</sup>	980 m <sup>2</sup>	1000 m <sup>2</sup> usable	1000 m <sup>2</sup> usable	680 m <sup>2</sup> usable	680 m <sup>2</sup> usable
<b>Ownership</b>	100%	100%	100%	100%	100%	100%

## Anchor Handling Tug Supply Vessels (AHTS)

					
	<b>Siem Amethyst</b>	<b>Siem Opal</b>	<b>Siem Garnet</b>	<b>Siem Sapphire</b>	<b>Siem Aquamarine</b>
<b>Built</b>	2011	2011	2010	2010	2010
<b>Design</b>	VS 491 CD	VS 491 CD	VS 491 CD	VS 491 CD	VS 491 CD
<b>Dp Class</b>	2	2	2	2	2
<b>LOA</b>	91.00 m	91.00 m	91.00 m	91.00 m	91.00 m
<b>Breadth</b>	22.00 m	22.00 m	22.00 m	22.00 m	22.00 m
<b>Draught</b>	7.95 m	7.95 m	7.95 m	7.95 m	7.95 m
<b>Dwt</b>	3800 T	3800 T	3800 T	3800 T	3800 T
<b>Accommodation</b>	60	60	60	60	60
<b>Cargo Deck Area</b>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>
<b>BHP</b>	28000	28000	28000	28000	28000
<b>Bollard Pull</b>	297 Te	297 Te	282 Te	301 Te	284 Te
<b>Ownership</b>	78,16%	78,16%	78,16%	78,16%	78,16%

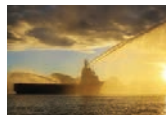
## Offshore Subsea Construction Vessel (OSCV) & Multipurpose field & ROV Support Vessel (MRSV)

					
	<b>Siem Marlin</b>	<b>Siem N-Sea</b>	<b>Siem Barracuda</b>	<b>Siem Spearfish</b>	<b>Siem Stingray</b>
<b>Built</b>	2009	2009	2013	2014	2014
<b>Design</b>	MT 6017 MK II	MT 6017 MK II	STX OSCV 11L	STX OSCV 03	STX OSCV 03
<b>Dp Class</b>	2	2	2	2	2
<b>LOA</b>	93.60 m	93.60 m	120.80 m	120.80 m	120.80 m
<b>Breadth</b>	19.70 m	19.70 m	22.00 m	23.00 m	23.00 m
<b>Draught</b>	6.30 m	6.30 m	6.60 m	6.60 m	6.60 m
<b>Dwt</b>	4.500 t	4.500 t	5.000 t	5.000 t	5.000 t
<b>Accommodation</b>	68	68	110	110	110
<b>Cargo Deck Area</b>	1046 m <sup>2</sup>	1046 m <sup>2</sup>	1300 m <sup>2</sup>	1,300 m <sup>2</sup>	1,300 m <sup>2</sup>
<b>Crane</b>	100 t Offshore/Subsea crane	100 t Offshore/Subsea crane	250 t Offshore/Subsea crane	1 X 250 t AHC, 3,000 m	1 X 250 t AHC, 3,000 m
<b>ROV Moonpool</b>	-	-	7.2 X 7.2	7.2 X 7.2 m	7.2 X 7.2 m
<b>Ownership</b>	100%	100%	100%	100%	100%





**Sophie Siem**



**Siem Sasha**



**Siem Pilot**



**Hugin Explorer**



**Siem Thiima**

	<b>Sophie Siem</b>	<b>Siem Sasha</b>	<b>Siem Pilot</b>	<b>Hugin Explorer</b>	<b>Siem Thiima</b>
<b>Built</b>	2006	2005	2010	2006	2016
<b>Design</b>	VS 470 MK II	VS 470 MK II	VS 485	MT 6000 MK II	VS 4411 DF
<b>Dp Class</b>	2	1	2	2	2
<b>LOA</b>	73.40 m	73.40 m	88.3 m	86.20 m	89.2 m
<b>Breadth</b>	16.60 m	16.60 m	20.00 m	19.70 m	19.00 m
<b>Draught</b>	6.42 m	6.42 m	7.19 m	6.18 m	7.40 m
<b>Dwt</b>	3570 T	3570 T	5000T	3236 T	5500 T
<b>Accommodation</b>	34	34	64	56	25
<b>Cargo Deck Area</b>	680 m <sup>2</sup> usable	680 m <sup>2</sup> usable	927m <sup>2</sup> usable	935 m <sup>2</sup>	980 m <sup>2</sup>
<b>Ownership</b>	100%	100%	100%	100%	100%



**Siem Topaz**



**Siem Ruby**



**Siem Diamond**



**Siem Pearl**



**Siem Emerald**

	<b>Siem Topaz</b>	<b>Siem Ruby</b>	<b>Siem Diamond</b>	<b>Siem Pearl</b>	<b>Siem Emerald</b>
<b>Built</b>	2010	2010	2010	2009	2009
<b>Design</b>	VS 491 CD	VS 490 CD	VS 491 CD	VS 491 CD	VS 491 CD
<b>Dp Class</b>	2	2	2	2	2
<b>LOA</b>	91.00 m	91.00 m	91.00 m	91.00 m	91.00 m
<b>Breadth</b>	22.00 m	22.00 m	22.00 m	22.00 m	22.00 m
<b>Draught</b>	7.95 m	7.95 m	7.95 m	7.95 m	7.95 m
<b>Dwt</b>	3800 T	3800 T	3800 T	3800 T	3800 T
<b>Accommodation</b>	60	60	60	60	60
<b>Cargo Deck Area</b>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>
<b>BHP</b>	28000	28000	28000	28000	28000
<b>Bollard Pull</b>	306 Te	310 Te	284 Te	285 Te	281 Te
<b>Ownership</b>	78,16%	78,16%	78,16%	78,16%	78,16%

## Other



**Brazil – Fleet of 6 vessels**



**Canada – Fleet of 4 vessels**

<b>Type</b>	OSRV/FCS/FSV	AHTS/PSV
<b>Ownership</b>	100%	100%



**Joides Resolution**



**Big Orange XVIII**

<b>Type</b>	Scientific Core Drilling Vessel (SCDV)	Well Stimulation Vessel (WSV)
<b>Ownership</b>	100%	41.3%

## Well Intervention Vessels (WIV)



**Siem Helix 1**



**Siem Helix 2**

	<b>Siem Helix 1</b>	<b>Siem Helix 2</b>
<b>Built</b>	2016	2016
<b>Design</b>	Salt 307 WIV	Salt 307 WIV
<b>Dp Class</b>	3	3
<b>LOA</b>	158.65 m	157.60 m
<b>Breadth</b>	31.00 m	31.00 m
<b>Draught</b>	8.50 m	8.50 m
<b>Dwt</b>	12500 t	12500 t
<b>Accommodation</b>	150	150
<b>BHP</b>	36000	35000
<b>Ownership</b>	100%	100%

# Geographical footprint

## Siem Offshore offices

- Kristiansand (Norway)
- Rio de Janeiro, Macaé, Aracaju (Brazil)
- Groningen (The Netherlands)
- Houston (USA)
- Accra (Ghana)
- Perth (Australia)
- St. John's, Halifax (Canada)







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TOTAL EMPLOYEES

**1,335**

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VESSELS IN OPERATIONS

**40**

PSVs: **11**

WIVs: **2**

AHTs: **10**

OSCVs: **5**

CANADIAN FLEET: **4**

OTHER: **8**

Perth —○

# This is Siem Offshore Inc.



Siem Pride. Photo by Bjørn-Erik Bruvold

Siem Offshore owns and operates one of the world's most modern fleet of offshore support vessels, equipped to meet the increased requirements from clients and demands from operation in the harshest environments.

**S**iem Offshore had 40 vessels in operation by year-end 2018. By end March 2019, the total fleet comprised of 37 vessels, including, among others the following owned vessels, eight Platform Supply Vessels (PSVs), five Offshore Subsea Construction Vessels (OSCVs), ten Anchor Handling, Tug and Supply vessels (AHTS), two Well-Intervention Vessels (WIVs), six Brazilian flagged vessels and five Canadian flagged vessels comprising of both AHTS vessels and PSVs. The fleet provides a broad spectrum of services offered by a highly experienced and competent crew with a strong focus on Health, Safety, Environment and Quality.

The Company's vision is to become the leading provider and the

most attractive employer offering marine services to the offshore energy service industry. The Company shall deliver quality and reliable contracted services in a timely manner by executing cost-efficient solutions developed in active collaboration and cooperation with our customers.

Siem Offshore commenced operations with effect from July 1, 2005. The Company is registered in the Cayman Islands and is listed on the Oslo Stock Exchange (OSE Symbol: SIOFF). The Company's headquarters is located in Kristiansand, Norway and additional subsidiary offices are located in Brazil, the Netherlands, Ghana, USA, Canada and Australia. The Company is tax resident in Norway.

# Our Values

We continuously work to make the values a part of the daily life of the Company, in particular in training of leaders throughout the organization. The values are established to support our present and future business.

## CARING

We encourage team spirit and knowledge sharing. We strive to perform our daily work correctly, safely and without causing damage to people, environment and equipment.

## COMPETITIVE

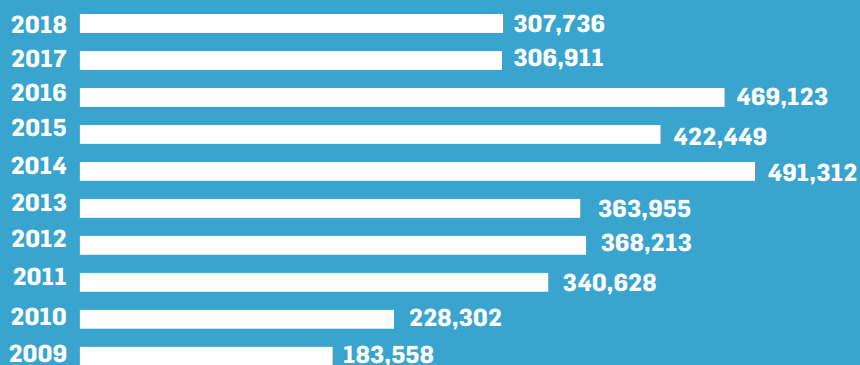
We behave in a pro-active manner and we are innovative in our way of thinking. Continuous improvement is our key to success.

## COMMITTED

We are driven by integrity. We step up and take charge to fulfil given promises..

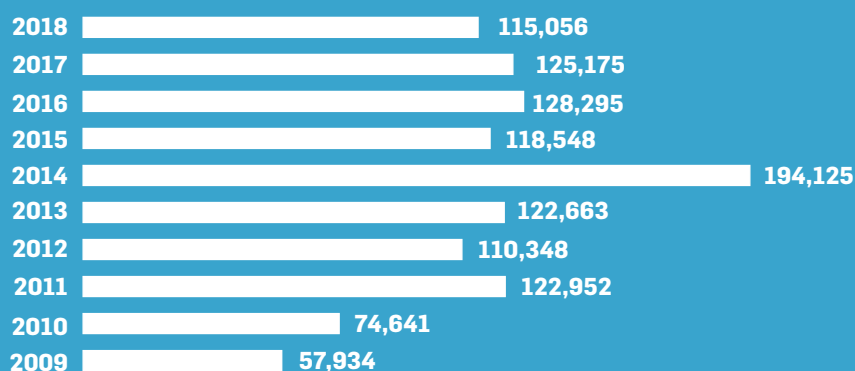
### REVENUE

Amounts in USD 1,000

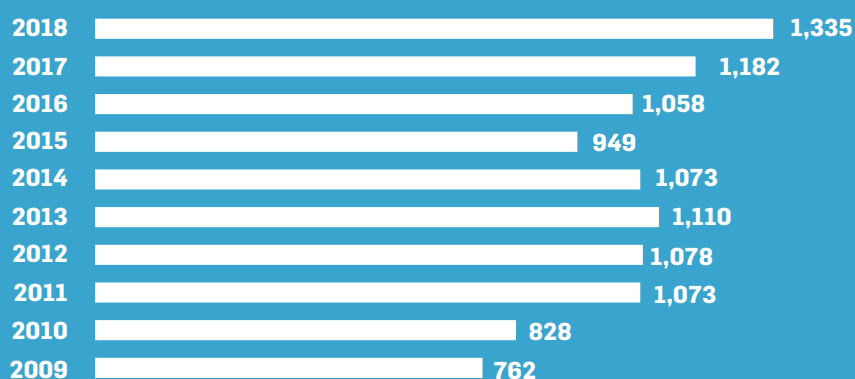


### OPERATING MARGIN

Amounts in USD 1,000



### EMPLOYEES



# THE BOARD OF DIRECTORS' REPORT

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**The Board of Directors** of Siem Offshore Inc. (the “Board”) presents its report for the fiscal year ended 31 December 2018, together with the audited consolidated financial statements and Parent Company financial statements. The financial statements and related notes were authorised for issue by the Board on 12 April 2019 and will be presented to the shareholders for approval at the Annual General Meeting to be held 10 May 2019.

## The Company

All references to “Siem Offshore” and the “Company” shall mean Siem Offshore Inc. and its subsidiaries and associates unless the context indicates otherwise. All references to “Parent” shall mean Siem Offshore Inc. as the Parent Company only.

Siem Offshore is registered in the Cayman Islands and is listed on the Oslo Stock Exchange (OSE Symbol: SIOFF). The Company's headquarters is located in Kristiansand, Norway and subsidiary offices are located in Brazil, the Netherlands, Ghana, United States, Canada, Cayman Islands and Australia. The Company is tax domiciled in Norway.

The Company's primary activity is the ownership and operation of offshore support vessels (“OSVs”) for the offshore energy service industry. The Company entered into an agreement in March 2018 with Subsea 7 to sell its wholly owned subsidiary Siem Offshore Contractors GmbH (“SOC”) and two specialized vessels “Siem Aimery” and “Siem Moxie”. The transaction was completed on 10 April 2018. The Company's sole focus after the sale of its cable-laying activities is on its offshore vessel business.

The Company operated a fleet of 40 vessels at year-end, includ-

ing partly-owned vessels and four vessels in lay-up. During 2018, the total fleet of OSVs conducted operations in the North Sea, the Arctic Ocean, Northern Pacific Ocean, West Africa, Australia, South East Asia, Canada and Brazil.

## Financial Results, Position And Risks

### IFRS

The financial statements for the Company and the Parent are prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

### Going-Concern

The financial statements have been prepared under the assumption that the Company and the Parent are going-concerns. This assumption is based on the Company's level of cash and cash equivalents at year-end, forecasted cash-flows, available credit facilities, agreements with finance creditors and bondholders and the market value of its assets.

The Company is exposed to a number of risks, among which the most important is the demand for its services. A stable oil price at

today's level of approximately USD66 per barrel would over time increase exploration and production spending and related drilling activities. There are positive signs that the activity in the offshore market will increase in the coming years. However, the significant excess capacity in the offshore service-vessel fleet has increased the competition amongst owners for any vessel requirements, thereby depressing charter rates. The imbalance of supply and demand for offshore vessels is expected to remain for some years and will continue to put pressure on the charter rates and our cash flow.

In preparation for a prolonged downturn in the offshore supply market, the Company and its banks agreed to a revised Finance Plan.

In April 2018, the bondholders in SIOFF02 (NOK700 million) agreed to exchange their bonds into a 5½ year convertible bond at 80% of par value, at a fixed interest of 2.75% and at a conversion price at NOK3.00 per share. The Company holds a call option at 120% of par value. Also, the bondholders in SIOFF01 (NOK600 million) were offered the opportunity to exchange their bonds into the amended SIOFF02 bond agreement. Bondholders owning a total of NOK250 million in SIOFF01 accepted the exchange.

In August 2018, the bank lenders agreed to an extension of final bullet payments on all mortgage debt to December 2022, 30% deferral of instalments for the fleet (except for the Canadian vessels and the Brazilian vessels including the two Helix vessels), a cash sweep mechanism and the easing of certain debt covenant requirements for the next 4.5 years.

As a consequence of the continued weakness in the AHTS vessel offshore market during the second half of 2018, the Company agreed with its lenders in February 2019 to increase deferral of instalments from 30% to 70% for the 10 AHTS vessels for an interim period of 12 months.

The agreements reached with the banks and the changes to the bond agreement provide the Company with a stronger financial platform to meet the challenges for an extended downturn in the offshore supply market.

The Board and Management have taken firm actions to reduce the effect of the market downturn, and to protect the interests of all stakeholders and reduce risk. Good progress has been made, but the current market rates are still not at levels that cover operating cost and financing. Please see liquidity risk on the following page for further information.

## Income Statement

The Company had 40 offshore vessels in operation at year-end.

The figures below related to previous reporting periods have been restated to present the discontinued operations related to the sale of SOC and the sale of the vessels "Siem Aimery" and "Siem Moxie" separately.

In 2018, the Company recorded operating revenue of USD307.7 million and a net profit attributable to shareholders of USD16.0 million, or USD0.02 per share, compared to operating revenue of USD306.9 million and a net loss attributable to shareholders of USD(164.3) million, or USD(0.18) per share, in 2017.

The Company's operating margin for 2018 was USD115.1 million compared to USD125.2 million in 2017. Net operating margin as a percentage of operating revenue was 37% in 2018 compared to 41% in 2017.

The Company's operating profit for 2018 was USD(66.9) million compared to USD(123.9) million in 2017 and includes depreciation and amortization of USD108.9 million (2017: USD113.6 million). During 2018, the Company conducted periodic reviews of vessel valuations and recorded impairments of USD65.3 million on certain vessels, receivables and intangibles compared to impairment charges of USD 135.6 million in 2017. Net currency exchange (losses) of USD(8.3) million (2017: USD(0.3) million) was recorded on forward contracts, of which USD(7.4) million (2017: USD0.4 million) was unrealised. The net gain/(loss) on sale of assets was USD0.2 million (2017: USD0.01 million).

The Company recorded an additional impairment of USD7.2 million in addition to the impairment recorded in 2017 of USD19 million related to a long term receivable and a convertible bond held against Daya Materials Berhad (DMB). DMB entered into a distressed financial situation in March 2018.

The Company's net financial items included net expenses of USD(27.2) million (2017: USD(74.3) million) and a revaluation loss of non-USD currency items of USD7.5 million (2017: USD(15.4) million) mainly due to weaker BRL compared to USD during the period. Non-USD currency items are held to match short- and long-term liabilities, including off-balance sheet liabilities, in similar currency.

Net profit/(loss) from discontinued operations was USD86.8 million (2017: USD(4.7) million). The profit includes an estimate for a contingent consideration from the sale of SOC of USD26.4 million. There is a risk that the contingent consideration will be different from the profit recorded from the sale of SOC as the contingent consideration to be received in the future is highly dependent on SOC's performance of the years 2019 to 2023.

The Parent Company is primarily a holding company owning shares in operating subsidiaries.

The Board proposes that the Parent's net loss of USD 100.4 million for 2018 be allocated to retained earnings and that no dividend be paid for 2018.

## Financial Position and Cash-Flows

Total equity for the Company was USD466 million at year-end 2018 (2017: USD474 million), and the book equity ratio was 27% (2017: 23%). Shareholders' equity was USD438 million (2017: USD426 million), equivalent to USD0.47 per share (2017: USD0.45 per share).

The cash position at year-end was USD63 million (2017: USD64 million).

The Company recorded USD11 million as gross capital expenditures in fixed assets during 2018, related to project-specific investments in vessels and capitalised dry-dockings.

The net interest-bearing debt at year-end was USD1.1 billion (USD1.3 billion at the end of 2017). The Company made no drawings under credit facilities during the year. The weighted average cost



of debt for the Company was approximately 4.3% p.a. at year-end, including the effect of debt related derivatives (interest rate swaps and cross currency swaps (2017: 4.0% p.a.)). The Company paid debt instalments of the equivalent of USD195 million during the year.

The Company's cash-flows are primarily denominated in USD, NOK, EUR, BRL and AUD. During 2018, the USD strengthened by 5.89% to the NOK, strengthened by 17.13% to the BRL and strengthened by 4.74% to EUR. The average recorded exchange rates were NOK/USD 0.12243, EUR/USD 1.18144, BRL/USD 0.27390 and AUD/USD 0.74172 (2017: NOK/USD 0.1209, EUR/USD 1.1314 BRL/USD 0.3118 and AUD/USD 0.76488).

## Financial Risks

### — INTEREST RISK

The Company is exposed to changes in interest rates as approximately 48% of the interest-bearing debt is based on floating interest rates and primarily denominated in USD and NOK. The average 3-month USD LIBOR was 2.31% p.a. during 2018 (1.26% p.a. in 2017) and the average 3-month NIBOR was 1.07% p.a. during 2018 (0.89% p.a. in 2017). The Company held USD 140 million in interest rate swap agreements and USD 100 million in cross currency interest rate swaps at year-end.

### — CURRENCY RISK

The Company is exposed to currency risk as revenue and costs are denominated in various currencies. Forward exchange contracts are entered into in order to reduce the currency risk related to future cash flows.

### — LIQUIDITY RISK

The Company is financed by a combination of debt and equity. If the Company fails to repay or refinance its credit facilities, additional equity financing may be required. There can be no assurance that the Company will be able to repay its debts or extend the debt repayment schedule through re-financing of credit facilities. There is no assurance that the Company will not experience cash flow shortfalls exceeding the Company's available funding sources or to remain in compliance with minimum cash requirements or other covenants. Further, there is no assurance that the Company will be able to raise new equity or arrange new credit facilities on favorable terms and in amounts necessary to conduct its ongoing and future operations should this be required.

## Operations

### Fleet, Performance and Employment

The fleet in operation at end of year 2018 totalled 40 vessels, including partly owned vessels and vessels in lay-up.

The Company had eleven PSVs in operation at end of the year (2017: eleven). The PSV fleet earned operating revenues of USD62.1 million and had 97% utilisation (2017: USD57.9 million and 94%). The operating margin before administrative expenses was USD27.3

million (2017: USD26.4 million) and the operating margin as a percentage of revenue was 44% (2017: 46%). The contract backlog at 31 December 2018 is 74% for 2019, 38% for 2020 and 32% for 2021 (2017: 60% for 2018, 41% for 2019 and 29% for 2020).

The Company had five OSCVs and two WIVs in operation at end of the year (2017: seven). The OSCV and WIV fleet earned operating revenues of USD120.0 million and had 97% utilisation (2017: USD118.1 million and 92%). The operating margin before administrative expenses was USD69.5 million (2017: USD72.0 million) and the operating margin as a percentage of revenue was 58% (2017: 61%). The contract backlog was 65% for 2019, 32% for 2020 and 29% for 2021 (2017: 61% for 2018, 43% for 2019 and 30% for 2020).

The Company had ten AHTS vessels in operation at end of the year (2017: ten). The AHTS fleet earned operating revenues of USD43.9 million and had 66% utilisation excluding vessels in lay-up (2017: USD46.7 million and 64% utilization). The operating margin before administrative expenses was USD(3.0) million (2017: USD2.5 million) and the operating margin as a percentage of revenue was (7)% (2017: 5%). The contract backlog is 0% for 2019, and 0% for 2020 (2017: 2% for 2018, and 0% for 2019).

Secunda Holding Limited ("Secunda") is a wholly-owned subsidiary that owns and operates a harsh-weather fleet of four offshore support vessels (2017: five) and is a leader in support services for platform supply, anchor-handling, rescue standby and towage in its primary area of operation offshore Eastern Canada. The Canadian fleet earned operating revenue of USD 28.9 million and had 88% utilization (2017: USD29.2 million and 75%). The operating margin before administrative expenses was USD13.6 million (2017: USD13.6 million) and the operating margin as a percentage of revenue was 47% (2017: 47%). The contract backlog was 88% for 2019, 25% for 2020 and 25% for 2021 (2017: 80% for 2018, 77% for 2019 and 20% for 2020).

Siem Offshore do Brasil S.A. is the Company's wholly-owned Brazilian subsidiary which owns and operates a fleet of six OSVs in Brazil. This fleet earned operating revenue of USD 22.3 million and had 97% utilisation (2017: USD28.2 million and 96%). The operating margin before administrative expenses was USD10.5 million (2017: USD15.3 million) and the operating margin as a percentage of revenue was 47% (2017: 54%). The contract backlog was 53% for 2019, 34% for 2020 and 33% for 2021 (2017: 73% for 2018, 53% for 2019 and 34% for 2020).

Overseas Drilling Limited ("ODL") is a wholly-owned subsidiary and the owner of the drillship, "JOIDES Resolution". "JOIDES Resolution" is used in scientific research to drill core samples in the ocean floor during expeditions for an international research program. The research vessel "JOIDES Resolution" recorded operating revenues of USD28.4 million (2017: USD27.2 million) with an operating margin before administrative expenses of USD 19.1 million (2017: USD 15.5 million) and the operating margin as a percentage of revenue was 67% (2017: 57%). The operating margin includes a net profit of USD3.1 million related to a settlement from an old dispute with a client in India. The contract backlog was 75%

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for 2019, 0% for 2020 and 0% for 2021 (2017: 100% for 2018, 75% for 2019 and 0% for 2020).

The total firm contract backlog for all OSV vessels at 31 December 2018 was USD688 million (2017: USD827 million), including the 41%-ownership in the "Big Orange XVIII". The total vessel contract backlog is allocated with USD 205 million in 2019, USD140 million in 2020 and USD343 million in 2021 and thereafter.

The total firm contract backlog for the "JOIDES Resolution" at 31 December 2018 was USD20 million (2017: USD47 million). The contract backlog is related to 2019.

## HSEQ

Our goals are to protect the health and safety of our personnel and others who work on our vessels, to take robust steps to ensure we conduct business with integrity and in compliance with applicable laws and to minimize our impact on the environment.

The Company has not experienced any serious injuries nor any serious environmental incidents in 2018. We improved our performance and reduced our Total Recordable Injury rate by 8 %. We have reinforced our program for continued focus. We will maintain this focus through safety training, culture and leadership programs, in addition to close cooperation with our clients and other stakeholders.

We believe that a good HSEQ reporting culture is a major driver in learning and sharing best practices across the fleet and industry. The reporting has been steady throughout the year meeting our goals and the most important HSEQ issues are distributed throughout the fleet via our Business Management System and Lessons Learned as experience transfer in order to reinforce the safety culture.

## Siem Offshore Contractors

### General

Siem Offshore completed the sale of Siem Offshore Contractors GmbH and the Company's two specialized vessels to Subsea 7 S.A. on 10 April 2018.

The consideration agreed was EUR140 million, with a split of EUR90 million for the vessels and EUR50 million for the shares of SOC, subject to usual adjustments for net cash and working capital. In addition, the Company is entitled to a contingent consideration based on the volume of work for SOC from the year 2019 to the end of 2024.

## Shareholders And Corporate Governance

### Shareholder Information

The Company's authorised share capital is USD15,000,000 divided into 1,500,000,000 ordinary shares of a nominal value of USD0.01 each. The issued share capital at 12 April 2019, based on the 942,021,380 Company shares issued and outstanding, is USD 9,420,213.38 The

Company's shares are listed on the Oslo Stock Exchange with the ticker symbol SIOFF. The Company's largest shareholder is Siem Europe S.a r.l., a wholly-owned subsidiary of Siem Industries Inc., with an 83% interest at 12 April 2019. During 2018, the closing share price reached a high of NOK 2.38, a low of NOK 1.25, and closed at NOK 1.35 at year-end.

### Corporate Governance

The Company has implemented guidelines for corporate governance based on the recommendations and guidelines given by the Oslo Stock Exchange. The purpose of these guidelines is to clarify the division of roles between shareholders, the General Meeting, Board of Directors and day-to-day Management beyond what follows from the legislation. A detailed summary of our corporate governance principles may be found in a separate section of the annual report.

## The Working Environment And The Employees

The Company provides a workplace with equal opportunities. We treat current and prospective employees fairly with respect to salaries, promotions and recruitment. The Company offers its employees a sound working environment. We also give possibilities for professional development where men and women are treated equally and where there is no discrimination.

The sick leave for the onshore and offshore employees was 1.16% and 2.98% respectively on a global basis.

The development of the onshore and offshore organizations continues in order to prepare for increased future activities. The knowledge of the crew is vital for a safe and secure operation of any vessel. Such knowledge includes good seamanship and understanding of the demanding assignments to be executed.

## Outlook

The year 2018 has been another challenging year for the OSV market where almost all segments have struggled with low utilization and charter rates not sustainable to cover operating expenses and debt repayment. There are still too many vessels available in the market to make progress towards a balance in the supply and demand of OSV fleet.

Several OSV owners decided to accept medium and long-term contracts with marginal EBITDA contribution, sometimes even at a negative level in order to maintain utilization. The consolidation efforts conducted over the past years have so far not contributed to a strengthened market, mainly due to such Owners' strategic focus on retaining utilization rather than using their improved market position to aid in increasing the obtainable rate levels.

The positive trend we saw in the start of 2018 did not last throughout the year and, although the activity increased compared to 2017, the planning and operations were better organized by the operators, which gave the market less vessel days overall.

We expect increased activity in the coming years, although there



# BOARD OF DIRECTORS' REPORT

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is still some path to cover before we see profitable rates obtainable for long term business after interest and debt repayment is covered.

Continued and increased scrapping activity of obsolete tonnage is absolutely necessary in order to progress towards a balance situation for the OSV fleet. Financing banks and owners must take their responsibility and regulate players under their control in order to create a sustainable platform for the profitability of the industry as a whole.

12 April 2019

**Eystein Eriksrud**

Chairman  
(Sign.)

**Kristian Siem**

Director  
(Sign.)

**Michael Delouche**

Director  
(Sign.)

**John C. Wallace**

Director  
(Sign.)

**Alexander Monnas**

Director  
(Sign.)

**Bernt Omdal**

Chief Executive Officer  
(Sign.)

# CORPORATE GOVERNANCE

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## Statement of Policy on Corporate Governance

The principles for corporate governance adopted by the Company are based on the “Norwegian Recommendation for Corporate Governance” issued on the 30 October 2014.

As a company incorporated in the Cayman Islands, Siem Offshore Inc. is an exempted company duly incorporated under the laws of the Cayman Islands and subject to As a company incorporated in the Cayman Islands, Siem Offshore Inc. is an exempted company duly incorporated under the laws of the Cayman Islands and subject to Cayman Islands' laws and regulations with respect to corporate governance. Cayman Islands corporate law is to a great extent based on English Law. In addition, due to the Company's listing on the Oslo Stock Exchange, certain aspects of Norwegian Securities Law apply to the Company and there is a requirement to adhere to the Norwegian Code of Practice for Corporate Governance. The Norwegian Code of Practice for Corporate Governance is publicly available at [nues.no](http://nues.no) in both Norwegian and English languages. Due to new provisions implemented in the Norwegian Accounting Act, compliance with the regulations for Corporate Governance reporting is now a legal requirement provided that it does not conflict with the Cayman Islands laws and regulations. The Company endeavours to maintain high standards of corporate governance and is committed to ensuring that all shareholders of the Company are treated equally and the same information is communicated to all shareholders at the same time.

Corporate Governance is subject to annual assessment and review by the Board of Directors.

The Board of Directors has reviewed this statement. It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance.

This statement is structured in accordance with The Norwegian Code of Practice for Corporate Governance.

### Business

Cayman Islands laws and regulation do not require the objects clause of the Companies Memorandum and Articles of Association to be clearly defined. The Company has, however, adopted clear objectives and strategies for its business.

Siem Offshore aims to grow the company within offshore support vessels, both organically and through combination with other operators, in order to achieve economies of scale and a stronger presence in the market.

Siem Offshore aims to become a preferred supplier of marine services to the offshore energy industry, based on quality and reliability, and to provide cost-efficient solutions to its customers by understanding their operations and by applying technology and experience.

The Company builds its business around a motivated and skilled workforce with the appropriate technical solutions. This creates sustainable value for all shareholders.

Reference is made to the Board of Directors report for detailed information.

### Equity and Dividends

The priorities for the use of Company funds are determined by the Board of Directors and with recommendations from the Management, considering existing conditions. At present, priorities for the use of funds in order of importance are vessels operations and maintenance, repayment of debt, investment opportunities in the business and the return of capital to the shareholders in form of share buy-back or dividends.

The Board's mandate to increase the Company's share capital is limited only to the extent of the authorized share capital of the Company with certain pre-emption rights for shareholders and in accordance with the Company's Memorandum and Articles of Association which comply with Cayman Islands Law.

Under the Articles of Association, the Board can issue new shares, convertible bonds or warrants at any time within the limits of the authorized capital without the consent of the General Meeting, but with pre-emption rights for shareholders. A General Meeting has further authorized the Board to issue new shares without pre-emption rights to all shareholders up to a limit of 50% of Siem Offshore' shares at the time the authorization was given. The Board

holds authorization from the Annual General Meeting held on 10 May 2010 to issue 154,248,360 new shares. The authority gives the Board flexibility to finance investments, acquisitions and other business combinations on short notice through the issue of shares or certain other equity instruments in the Company. Furthermore, the Board considers the granting of a new standing authority at the time of holding an Annual General Meeting rather than convening an Extraordinary General Meeting at some future time to be in the best interests of the Company, as this will result in cost savings and more effective time management for both the Company's senior management and its Shareholders.

An Extraordinary General Meeting was held on 14 August 2015 resolving as a Special Resolution that the Company should increase the authorized share capital of the Company from US\$5,500,000- divided into 550,000,000 Common Shares of par value US\$0.01 each to US\$10,000,000- divided into 1,000,000,000 Common Shares of par value US\$0.01 each, by the creation of an additional 450,000,000 Common Shares of par value US\$0.01 each which shall rank *pari passu* in all respects with the existing Common Shares.

The Board of Directors of the Company resolved to issue 454,430,000 common shares at a share price of NOK 1.80 in a Rights Issue.

At the Annual General Meeting held on 5 May 2017 it was resolved to increase the authorised share capital of the Company from US\$10,000,000 divided into 1,000,000,000 Common Shares of par value US\$0.01 each to US\$12,250,000 divided into 1,250,000,000 Common Shares of par value US\$0.01 each, by the creation of an additional 250,000,000 Common Shares of par value US\$0.01 each which shall rank *pari passu* in all respect with the existing Common Shares.

The Board of Directors of the Company resolved to issue 100,000,000 Common Shares at a share price of NOK 1.90 in a Rights issue.

At the Annual General Meeting held on 3 May 2018 it was resolved to increase the authorised share capital of the Company from US\$12,500,000 divided into 1,250,000,000 Common Shares of par value US\$0.01 each to US\$15,000,000 divided into 1,500,000,000 Common Shares of par value US\$0.01 each, by the creation of an additional 250,000,000 Common Shares of par value US\$0.01 each which shall rank *pari passu* in all respect with the existing Common Shares.

## **Equal Treatment of Shareholders, Freely Tradable Shares and Transactions with Related Parties**

The Company is committed to ensuring that all shareholders of the Company are treated equally and all the issued shares in Siem Offshore, at nominal value US\$ 0.01 each, are freely tradable and carry equal rights with no restrictions on voting.

Siem Europe S.a r.l, which owns 83% of the Company, is represented by its owner Siem Industries Inc. by its Chairman Kristian Siem, Deputy CEO Eystein Eriksrud and President Michael Delouche,

on the Board of Directors. The Company pays an annual fee to Siem Industries Inc. as compensation for directorships, provision of an office and presence in the Cayman Islands, and other services. The fee is adopted by the annual general meeting based on a recommendation from the independent Board Members. Related party transactions are disclosed in the notes to the accounts.

## **Freely Negotiable Shares**

All of the shares in the Company carry equal rights and are freely negotiable. The shares are traded according to normal market practice and no special limitations on transactions have been laid down in the Articles of Association.

## **General Meetings**

The Annual General Meeting of the Company will be held at the registered office of the Company on the Cayman Islands, 10 May 2019, at 9:30am Cayman Islands local time and Shareholders can be represented by proxy. Notices of general meetings and related documents are made available to shareholders at the latest 17 days prior to meeting date. Notice of attendance by proxy is to be provided to either (1) the offices of Siem Offshore AS at Nodeviga 14, P.O. Box 425, Kristiansand 4664, Norway, telefax no. +47.37.40.62.86 or (2) the Company's office at P.O. Box 10597, George Town, Grand Cayman KY1-1005, CAYMAN ISLANDS, telefax no. +1.345.946.3342, not less than 24 hours prior to the stated time of the Annual General Meeting. Shareholders are given the opportunity to vote on the election of board members.

## **Nomination Committee**

The appointment of a nomination committee is not a requirement under Cayman Islands Law.

## **Corporate Assembly and Board of Directors; Composition and Independence**

In the nominations to the Board of Directors, the Board consults with the Company's major shareholders and ensures that the Board is constituted by Directors with the necessary expertise and capacity. There is no requirement under Cayman Islands Law for the Company to establish a corporate assembly.

Each Board member is elected for a term of two years or such shorter term as shall be specified in the ordinary resolution pursuant to which the Director shall be appointed. Representatives of the Executive Management are not presently members of the Company's Board of Directors.

The Board of Directors as a group has extensive experience in areas which are important to Siem Offshore, including offshore services, international shipping, ship broking, finance and corporate governance and restructuring.



Siem Pride. Photo by Daniel Svartis

## Work of the Board of Directors

The Board monitors the performance of management through regular meetings and reporting. The Company has a Compensation Committee and an Audit Committee.

The Compensation Committee consists of two Directors. The mandate of the committee is to review and approve the compensation of the CEO and any bonuses to all executive personnel. Reference is also made to section 12, Remuneration of the Executive Management.

The Audit Committee consists of two Directors. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence. The committee's mandate can be summarized as follows:

- Ascertain that the internal and external accounting reporting process are organized appropriately and carried out efficiently, and are of high professional quality.

- Monitor and assess the quality of the statutory audit of the Company's financial statements.
- Ensure the independence of the external auditor, including any additional services provided by the external auditor.

## Risk Management and Internal Control

### Internal control

A prerequisite for the Company's system of decentralized responsibility is that the activities in every part of the Company meet general financial and non-financial requirements, and are carried out in accordance with the Company's common norms and values. The executive management of each subsidiary is responsible for risk management and internal control in the subsidiary with a view to ensuring 1) optimizing of business opportunities, 2) targeted, safe, high-quality and cost-effective operations, 3) reliable financial re-

porting, 4) compliance with current legislation and regulations and 5) operations in accordance with the Company's governing documents, including ethical and social responsibility standards. The Company's risk management system is fundamental to the achievement of these goals.

## Financial reporting process

The Company prepares and presents its financial statements in accordance with current IAS/IFRS rules. Financial information from subsidiaries is received each month in a reporting package in standard format accommodated necessary information for preparing the consolidated financial statement for the Company. The reporting from the subsidiaries is extended at the year-end reporting process to meet various requirements for supplementary information. There are established routines to check the financial data in the received reporting packages to ensure the best quality for the consolidated figures for the Company.

Training and further development of accounting experience within the Company is provided locally by participating on various external courses on a regular basis.

## Remuneration of the Board of Directors

The remuneration of the Board members reflect their experience and responsibilities, and is adopted by the Annual General Meeting based on the recommendation from the Board. The Board members do not have share options or profit-based remuneration.

The responsibility statement of the Board of Directors in this report and the notes to the accounts include information about the remuneration of the Board of Directors

## Remuneration of the Executive Management

The Company has a Compensation Committee which reviews and approves the compensation of the CEO and the bonuses to all executive personnel. The Articles of Association of the Company permit the Board to approve the granting of share options to employees. A long-term share option program for eight key employees of the company was introduced in Q1 2013. An additional share option program was implemented in Q2 2014 for ten key employees of the company. The remuneration of the CEO and the share option scheme are disclosed in the notes to the accounts.

The board of director's statement on the remuneration of executive personnel is presented as a separate appendix to the agenda for the General Meeting. The remuneration statement clearly states which aspects of the guidelines are advisory and which, if any, are binding. The General Meeting will vote separately on each of these aspects of the guidelines.

## Information and Communications

The Company has a policy of treating all its shareholders and other market participants equally, and communicates relevant and objective information on significant developments which impact the Company in a timely manner.

The Company also seeks to ensure that its accounting and financial reporting are to the standards of our investors, and the Company presents its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Audit Committee of the Board of Directors monitors the company's reporting on behalf of the Board.

Notices to the Oslo Stock Exchange and placements of notices and other information, including quarterly and annual reports, can be found on the Company's website ([www.siemoffshore.com](http://www.siemoffshore.com)). The financial calendar for 2019 is presented on the Company's website under "Investor Relations".

## Take-overs

The shares in the Company are freely tradable and the Articles of Association of the Company does not hold specific defence mechanisms against take-over situations. In a take-over situation, the Board of Directors will comply with relevant legislation.

## Auditor

The Auditor of the Company is elected at the Annual General Meeting which also approves its remuneration. Details of the Company's remuneration of the external auditor are given in the notes to the accounts.

The Auditor reports to the Audit Committee twice a year at a minimum, but more often if necessary. During the latter half of the year, the external auditor presents to the Audit Committee his assessment of risks, internal controls, risk areas and improvement potential in control systems and his audit plan for the following year. The second report to the Audit Committee is the presentation of Year-End Audit. The external auditor presents a summary of the audit process, including comments on audited internal control procedures and key issue in the financial reporting.

The Audit Committee also receives an annual independence reporting from the external auditor, confirming the external auditor's independence with respect to the Company, within the meaning of the Norwegian Act on Auditing and Auditors. The confirmation also includes services delivered to the Company other than mandatory audit.

# INCOME STATEMENTS

PARENT COMPANY				CONSOLIDATED Restated*	
2018	2017	(Amounts in USD 1,000)	Note	2018	2017
1,992	4,566	Operating revenue	2,3,4,14,19,22	307,736	306,911
-7,025	-6,762	Operating expenses	2,8,14,17,18,19,22	-192,680	-181,736
<b>-5,033</b>	<b>-2,196</b>	<b>Operating margin</b>		<b>115,056</b>	<b>125,175</b>
-	-	Depreciation and amortization	4,5	-108,922	-113,600
-	-	Impairment of vessels	3,4,5	-56,990	-111,611
-	-	Impairment of intangible assets	3,4,5	-1,080	-
-	-	Impairment on long-term receivables, projects	9	-7,200	-24,000
-	-	Gain on sales of assets	24	249	13
368	368	Gain on sale of interest rate derivatives (CIRR)	12	368	368
-60	-	Loss on currency derivative contracts	20,27	-8,344	-264
<b>-4,724</b>	<b>-1,828</b>	<b>Operating profit</b>	<b>4</b>	<b>-66,863</b>	<b>-123,918</b>
<b>FINANCIAL INCOME AND EXPENSES</b>					
37,890	5,097	Financial income	20	43,474	7,462
-141,754	-242,290	Financial expenses	6,20	-63,144	-66,381
7,154	-2,108	Net currency gain/(loss)	20	-7,530	-15,427
<b>-96,710</b>	<b>-239,301</b>	<b>Net financial items</b>		<b>-27,200</b>	<b>-74,345</b>
-	-	Result from associated companies	7	601	580
<b>-101,434</b>	<b>-241,129</b>	<b>Profit /(loss) before taxes</b>		<b>-93,462</b>	<b>-197,683</b>
1,078	-79	Tax benefit/(expense)	11	-588	-1,670
<b>-100,356</b>	<b>-241,208</b>	<b>Net profit/(loss) from continuing operations</b>		<b>-94,051</b>	<b>-199,353</b>
-	-	Net profit/(loss) from discontinued operations	31	86,765	-4,691
<b>-100,356</b>	<b>-241,208</b>	<b>Net profit/(loss)</b>		<b>-7,286</b>	<b>-204,044</b>
-	-	Attributable to non-controlling interest		-23,237	-39,720
<b>-100,356</b>	<b>-241,208</b>	<b>Attributable to shareholders of the Company</b>		<b>15,951</b>	<b>-164,324</b>
		Weighted average number of outstanding shares (1,000)		942,021	894,624
		Earnings/(loss) per share: Basic (and Diluted) (1,000)	21	0.02	-0.18
<b>COMPREHENSIVE INCOME STATEMENT</b>					
2018	2017	(Amounts in USD 1,000)	Note	2018	2017
-100,356	-241,208	Net profit/(loss)		-7,286	-204,044
<b>Other Comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
-	-	Pension remeasurement gain (loss)		-145	-491
<b>Items that may be subsequently reclassified to profit or loss</b>					
-	-	Cash flow hedges		-9,480	-
-	-	Currency translation differences		9,356	8,261
<b>-100,356</b>	<b>-241,208</b>	<b>Total comprehensive income for the year</b>		<b>-7,555</b>	<b>-196,274</b>
-	-	Attributable to non controlling-interest		-23,370	-39,700
<b>-100,356</b>	<b>-241,208</b>	<b>Attributable to shareholders of the Company</b>		<b>15,815</b>	<b>-156,575</b>

\* The 2017 amounts above are restated to present the discontinued operation related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie" separately. Please see note 31 for further details.

# STATEMENTS OF FINANCIAL POSITION

## —ASSETS

PARENT COMPANY				CONSOLIDATED	
12/31/2018	12/31/2017	(Amounts in USD 1,000)	Note	12/31/2018	12/31/2017
<b>NON-CURRENT INTANGIBLE ASSETS</b>					
-	-	Deferred tax asset	11	10,890	11,125
-	-	Intangible assets	5	-	18,766
-	-	<b>Total non-current intangible assets</b>		<b>10,890</b>	<b>29,891</b>
<b>NON-CURRENT TANGIBLE ASSETS</b>					
-	-	Vessels and equipment	4,5	1,450,588	1,739,684
-	-	Capitalized project costs	4,5	5,046	7,029
-	-	<b>Total non-current tangible assets</b>		<b>1,455,633</b>	<b>1,746,713</b>
<b>NON-CURRENT FINANCIAL ASSETS</b>					
478,457	586,204	Investment in subsidiaries	6	-	-
-	-	Investment in associated companies	7	1,698	1,535
4,869	10,311	CIRR Loan deposit	12,28	68,730	65,346
80,707	73,987	Long-term receivables	9,14,28	34,069	13,927
<b>564,032</b>	<b>670,502</b>	<b>Total non-current financial assets</b>		<b>104,498</b>	<b>80,808</b>
<b>564,032</b>	<b>670,502</b>	<b>Total non-current assets</b>		<b>1,571,021</b>	<b>1,857,413</b>
<b>CURRENT ASSETS</b>					
105	-	Accounts receivable	2,28	37,544	53,830
4,946	-	Other short-term receivables	9,14,28	49,206	60,510
-	-	Inventories	29	4,990	6,873
-	-	Derivative financial instruments	2,15,27,28	3,150	2,938
163,302	203,832	Cash	2,10,28	63,413	63,511
<b>168,353</b>	<b>203,832</b>	<b>Total current assets</b>		<b>158,302</b>	<b>187,662</b>
-	-	Asset held for sale	4,23,24	16,950	-
<b>732,385</b>	<b>874,335</b>	<b>Total assets</b>		<b>1,746,273</b>	<b>2,045,075</b>



# STATEMENTS OF FINANCIAL POSITION

## —EQUITY AND LIABILITIES

PARENT COMPANY				CONSOLIDATED	
12/31/2018	12/31/2017	(Amounts in USD 1,000)	Note	12/31/2018	12/31/2017
<b>EQUITY</b>					
647,313	647,313	Paid-in capital		647,313	647,313
-22,302	-22,302	Other reserves		-38,769	-38,813
-96,670	3,652	Retained earnings		-170,352	-182,626
<b>528,341</b>	<b>628,662</b>	<b>Shareholders' equity</b>	<b>25</b>	<b>438,192</b>	<b>425,874</b>
-	-	Non-controlling interest		27,898	47,737
<b>528,341</b>	<b>628,662</b>	<b>Total equity</b>		<b>466,090</b>	<b>473,611</b>
<b>NON-CURRENT LIABILITIES</b>					
122,514	171,095	Borrowings	2,12,14,28	970,988	1,210,558
4,869	10,311	CIRR Loan	12,28	68,730	65,346
-	-	Tax liabilities	11	1,721	1,142
314	682	Deferred CIRR	12	314	682
-	-	Pension liabilities	8	1,731	1,993
2,727	-	Derivative financial instruments	2,15,28	2,727	-
6,716	6,058	Other non-current liabilities		53,150	66,926
<b>137,140</b>	<b>188,145</b>	<b>Total non-current liabilities</b>		<b>1,099,361</b>	<b>1,346,647</b>
<b>CURRENT LIABILITIES</b>					
136	16	Accounts payable	2,28	13,945	21,110
-	-	Borrowings	2,12,14,28	103,900	92,442
-	-	Derivative financial instruments	2,15,27,28	15,489	9,562
-	20	Taxes payable	11	4,295	10,594
66,769	57,491	Other current liabilities	13,14,22,28	43,194	91,110
<b>66,905</b>	<b>57,527</b>	<b>Total current liabilities</b>		<b>180,823</b>	<b>224,816</b>
<b>204,045</b>	<b>245,673</b>	<b>Total liabilities</b>		<b>1,280,184</b>	<b>1,571,464</b>
<b>732,385</b>	<b>874,335</b>	<b>Total equity and liabilities</b>		<b>1,746,273</b>	<b>2,045,075</b>
-	-	Secured debt	12	958,792	1,153,147
1,086,548	1,355,091	Guarantees	16	10,672	66,435

# STATEMENTS OF CHANGES IN EQUITY

## CONSOLIDATED

<i>(Amounts in USD 1,000)</i>	<b>Total no. of shares</b>	<b>Share capital</b>	<b>Share premium reserves</b>
<b>Equity as of December 31, 2016</b>	<b>842,021,380</b>	<b>8,420</b>	<b>616,799</b>
Change previous periods		-	-
Net loss to shareholders		-	-
Employee share scheme -Value of employee services		-	-
Currency translation differences		-	-
Pension remeasurement		-	-
Acquisition of shares from minority interests		-	-
Shares issues in Siem Offshore Inc	100,000,000	1,000	21,094
<b>Equity as of December 31, 2017</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>
Net income to shareholders		-	-
Employee share scheme -Value of employee services		-	-
Cash flow hedge		-	-
Currency translation differences		-	-
Pension remeasurement		-	-
Acquisition of shares from minority interests		-	-
<b>Equity as of December 31, 2018</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>

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Other reserves	Retained earnings	Shareholders' equity	Non-controlling interest	Total equity
<b>-47,276</b>	<b>-28,836</b>	<b>549,107</b>	<b>98,878</b>	<b>647,985</b>
-	-414	<b>-414</b>	-3	-416
-	-164,324	<b>-164,324</b>	-39,720	-204,044
223	-	<b>223</b>	-	223
8,240	-	<b>8,240</b>	20	8,261
-	-491	<b>-491</b>	-	-491
-	11,439	<b>11,439</b>	-11,439	-
-	-	<b>22,094</b>	-	22,094
<b>-38,813</b>	<b>-182,626</b>	<b>425,874</b>	<b>47,737</b>	<b>473,611</b>
-	15,951	<b>15,951</b>	-23,237	-7,286
34	-	<b>34</b>	-	34
-9,480	-	<b>-9,480</b>	-	-9,480
-9,489	-	<b>-9,489</b>	-133	9,356
-	-145	<b>-145</b>	-	-145
-	-3,532	<b>-3,532</b>	3,532	-
<b>-38,769</b>	<b>-170,352</b>	<b>438,192</b>	<b>27,898</b>	<b>466,090</b>

## STATEMENTS OF CHANGES IN EQUITY

### PARENT COMPANY

<i>(Amounts in USD 1,000)</i>	<b>Total no. of shares</b>	<b>Share capital</b>	<b>Share premium reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Shareholders' equity</b>
<b>Equity as of December 31, 2016</b>	<b>842,021,380</b>	<b>8,420</b>	<b>616,799</b>	<b>-22,302</b>	<b>240,158</b>	<b>843,075</b>
Change previous periods		-	-	-	4,481	4,481
Other items, CIRR		-	-	-	368	368
Net loss		-	-	-	-241,576	-241,576
Share option program		-	-	-	221	221
Share issue	100,000,000	1,000	21,094	-	-	22,094
<b>Equity as of December 31, 2017</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>	<b>-22,302</b>	<b>3,652</b>	<b>628,662</b>
Other items, CIRR		-	-	-	368	368
Net loss		-	-	-	-100,724	-100,724
Share option program		-	-	-	34	34
<b>Equity as of December 31, 2018</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>	<b>-22,302</b>	<b>-96,670</b>	<b>528,341</b>



Helicopter operations. Photo by Mike Littlewood

# STATEMENTS OF CASH FLOWS

PARENT COMPANY				CONSOLIDATED	
2018	2017	(Amounts in USD 1,000)	Note	2018	2017
<b>CASH FLOW FROM OPERATIONS</b>					
-100,356	-241,208	Net profit/(loss)		-94,051	-204,044
8,930	9,710	Interest expenses		55,932	56,833
-9,138	-10,837	Interest paid		-59,867	-57,088
-4,887	-2,718	Interest income		-15,397	-8,461
8,092	5,097	Interest received		15,258	7,691
-3,205	-1,305	Intercompany interest income		-	-
-1,078	79	Tax expense		588	9,087
1,098	-79	Taxes paid		1,199	-945
-	-	Result from associated companies	7	-601	-580
-	-	Gain/(loss) on sale of assets	24	-249	-46
-	-	Depreciation and amortization	5	108,922	122,032
-	-	Impairment of vessels	5	56,990	126,299
-	-	Impairment of intangible assets	5	1,080	-
-	-	Impairment related to long term receivables, projects		7,200	24,000
109,610	225,029	Impairment of shares in subsidiaries	20	-	-
34	221	Stock option expenses	30	34	223
-	-	Effect of unreal. gain on currency exchange forward contracts	27	7,413	-350
7,155	61,632	Changes in short-term receivables and payables		-40,753	15,832
-368	-368	CIRR		-368	-368
-	-488	Other changes		-10,599	17,515
<b>15,887</b>	<b>44,764</b>	<b>Net cash flow from operations</b>		<b>32,731</b>	<b>107,629</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
-	-	Investment in fixed assets	4,5	-10,968	-20,031
-	-	Proceeds from sale of fixed assets	24,31	112,484	31,520
-	527	Proceeds from sale of shares		-	359
-4,674	-	Loan to related party		-	-
-6,952	-13,838	Loan to subsidiaries		-	-
-610	-3,480	Investments in subsidiaries		-	-
-	-	Net cash from the sale of SOC	31	76,684	-
<b>-12,236</b>	<b>-16,791</b>	<b>Net cash flow from investment activities</b>		<b>178,199</b>	<b>11,849</b>

PARENT COMPANY				CONSOLIDATED	
2018	2017	(Amounts in USD 1,000)	Note	2018	2017
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
-	22,094	Proceeds from issue of new equity		-	22,094
-	-	Proceeds from non-controlling interests in consolidated subsidiary		7,878	-
-23,580	-	Effect from restatement of bonds to convertible bonds		-23,580	-
-	-	Proceeds from new long-term borrowing	12	-	31,097
-12,747	-47,253	Repayment of long-term borrowing	12	-194,611	-220,678
<b>-36,327</b>	<b>-25,160</b>	<b>Net cash flow from financing activities</b>		<b>-210,313</b>	<b>-167,488</b>
<b>-32,676</b>	<b>2,813</b>	<b>Net change in cash</b>		<b>617</b>	<b>-48,009</b>
203,832	195,433	Cash at bank as of 1 January		63,511	101,323
-7,855	5,586	Effect of currency exchange rate differences		-715	10,197
<b>163,302</b>	<b>203,832</b>	<b>Cash at bank as of 31 December</b>		<b>63,413</b>	<b>63,511</b>
<b>DETAILS OF CONTINUING AND DISCONTINUED OPERATIONS</b>					
-	-	Cash balance related to discontinued operations		-	17,726
163,302	203,832	Cash balance related to continuing operations		63,413	45,785
<b>163,302</b>	<b>203,832</b>	<b>Total cash balance end of period</b>		<b>63,413</b>	<b>63,511</b>
-	-	Net change in cash from discontinued operations		-17,726	-27,364
-32,676	2,813	Net change in cash from continuing operations		18,343	-20,645
<b>-32,676</b>	<b>2,813</b>	<b>Total net change in cash</b>		<b>617</b>	<b>-48,009</b>

Figures above include discontinued operations unless explicitly stated.



# NOTES TO THE ACCOUNTS

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## Note 1 – Accounting Principles

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Siem Offshore owns and operates a fleet of offshore support vessels, including Platform Supply Vessels, Offshore Subsea Construction Vessels, Anchor Handling Tug Supply Vessels and Well-Intervention Vessels.

### 1.1 General

Siem Offshore owns and operates a fleet of offshore support vessels, including Platform Supply Vessels, Offshore Subsea Construction Vessels, Anchor Handling Tug Supply Vessels and Well-Intervention Vessels. Siem Offshore Inc. commenced operations 1 July 2005, and is an exempted company under the laws of the Cayman Islands and listed on the Oslo Stock Exchange. The Company's headquarter is located in Kristiansand, Norway and the Company is tax domiciled in Norway. All references to "Siem Offshore Inc.", "Consolidated" and "Company" shall mean Siem Offshore Inc. and its subsidiaries and associates unless the context indicates otherwise. All references to "Parent" or "Parent Company" shall mean Siem Offshore Inc. as a Parent Company only.

The principal accounting policies applied in preparation of these consolidated and Parent Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements were authorized by the Board of Directors on 23 April 2019.

### 1.2 Basis of preparation

The consolidated and Parent Company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements also include any additional applicable disclosures as required by Norwegian law and Oslo Stock Exchange regulations. The financial statements have been prepared under the historical cost convention, as modified by specific financial assets and financial liabilities (including derivative instruments) measured

at fair value and assets held for sale measured at fair value less costs to sell. The financial statements have been prepared under the assumption of going concern.

All amounts are in USD thousands, unless otherwise stated.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities. In addition, the preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 Critical accounting estimates and judgments.

#### (a) New and amended standards that have been adopted

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

- IFRS 9 Financial instruments. Implementation of the new standard did not have a material impact on classification and measurement of the Company's financial assets and liabilities.
- IFRS 15 Revenue from contracts with customers. Implementation of the new standard did not have a material impact on classification and measurement of revenues.
- Amendments to IFRS 2 Share-based payment transactions. The amendments did not have an impact on accounting for share-based payments.

The above pronouncements are not all relevant for the Group. Beyond disclosures there has been no material impact on the financial statements.

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**(b) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The Group is evaluating the impact of these changes on its financial statements:

- IFRS 16 Leases was issued in 2016 and is mandatory for periods beginning on or after 1 January 2019. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. Management has assessed the impact of the new standard. As the Company primarily acts as a lessor, management has concluded that the impact is limited. Further details on the implementation effects are provided in note 19 to these financial statements.

**1.3 Consolidation****(a) Subsidiaries**

Subsidiaries are entities over which the Parent has control. The Parent controls an entity when the Parent is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statement of financial position and statement of changes in equity respectively.

**(b) Business combinations**

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred and the liabilities assumed to the former owners of the acquirer and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquired entity's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquired entity is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration of an asset or liability are recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

**(c) Associated companies**

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Company's investment in associates includes goodwill identified on acquisition. The share of profit or loss recorded in the consolidated financial statements is based on the after-tax earnings of the associate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

**1.4 Classification of items in the financial statements**

Assets designated for long-term ownership or use and receivables due later than one year after drawdown are classified as non-current assets. Other assets are classified as current assets. Liabilities due later than one year after the end of the reporting period are classified as non-current liabilities. Other liabilities are classified as current liabilities. All derivative financial instruments are classified as current assets or current liabilities.

**1.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments,

# NOTES TO THE ACCOUNTS

has been identified as the executive management team consisting of the CEO, CFO, COO and CHRO.

The Company is organized into one segment, the OSV segment. The OSV segment has seven sub-segments: platform supply vessels ("PSVs"), offshore subsea construction vessels ("OSCVs"), anchor-handling tug supply vessels ("AHTS Vessels"), Other Vessels in Brazil (consisting of fast crew vessels ("FCVs"), fast supply vessels ("FSVs") and oil spill recovery vessels ("OSRVs"), Scientific Core-Drilling and Other.

## 1.6 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in USD, which is the Company's presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement line item Net currency gain/loss.

### (c) Group companies

The results and financial position of all the Group companies (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. all resulting exchange differences are recognized in other comprehensive income.

As part of the consolidation process, exchange differences arising from the translation of the net investment in foreign operations is recognized directly in Other Comprehensive Income (OCI). When a foreign operation is sold, exchange differences previously recognized in OCI are reclassified to profit or loss and included in the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition

of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in OCI.

## 1.7 Non-current tangible assets and maintenance costs

Land and Buildings and Vessels are stated at their historical cost less accumulated depreciation and net of any impairment losses. All non-current tangible assets (excluding Land and Vessels under construction) are depreciated on a straight-line basis over the estimated remaining useful economic life of the asset. The vessel residual value is the estimated future sales price for steel less the estimated costs associated with scrapping a vessel. The residual value and expected useful life for all non-current tangible assets is reviewed annually and, where they differ significantly from previous estimates, the rate of depreciation charges is changed accordingly. The vessels presently owned by the Company have an estimated economic life of 30 years. Some components of the vessels have a shorter economic life than 30 years. Such components are depreciated over their individual useful lives. Each part of a vessel that is significant to the total cost of the vessel is separately identified and depreciated over that component's useful life. Components with similar useful lives are included in one component. The Company has identified nine significant components relating to its different types of vessels. See note 5 for additional information.

In accordance with IAS 16 and the cost model, dry-docking costs is a separate component of the vessel's cost at purchase with a different pattern of benefits and are therefore initially recognized as a separate depreciable asset. Subsequently, the cost of major renovations and periodic maintenance costs are capitalized as a dry-docking asset and depreciated over the useful life of the parts replaced. The useful life of the dry-docking costs will be the period until the next docking, normally five years. Amortized Day-to-day maintenance costs are immediately expensed during the reporting period in which they are incurred.

Capitalized project cost - Certain vessel contracts require an investment prior to commencing the contract to fulfil requirements set by the charterer. These investments are capitalized and amortized over the term of the specific charter contract.

Gains and losses on the sale of assets and disposals are determined by comparing the sales or disposal proceeds with the net carrying amount and are included in operating profit.

## 1.8 Newbuild contracts and borrowing costs

Installments on newbuild contracts are classified as non-current tangible assets. Direct costs related to the on-site supervision and other pre-delivery construction costs are capitalized per vessel.

General and specific borrowing costs directly related to the acquisition, construction or production of qualifying vessels are added to the cost of those vessels, until such time as the vessels are substantially ready for their intended use or sale. All other

borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Interest expense eligible for capitalization is only adjusted for the effect of interest rate or cross-currency interest rate swaps that are designated and qualify as an accounting hedge under IAS 39. Currently the Company does not have any interest rate or cross-currency swap contracts designated as hedges.

## 1.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable amount is established individually for all assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time and the risk specific to the asset that is considered impaired.

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversal of a previously recognized impairment is limited to an amount that would make the carrying value of the asset equal to what it would have been had the initial impairment charge not occurred.

## 1.10 Intangible assets

Intangible assets that are acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally-generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be

either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill - Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Trademarks and licenses - Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business

### Relevant exchange rates vs. USD

	Average 2018	31.12.2018	Average 2017	31.12.2017
NOK (Norwegian kroner)	0.1224	0.1151	0.1209	0.1218
EUR (Euros)	1.1814	1.1450	1.1314	1.1993
GBP (Pound Sterling)	1.3334	1.2800	1.2934	1.3517
REAS (Brazilian Reals)	0.2739	0.2581	0.3118	0.3023

combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are measured at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of three to seven years. Research and development - Research and Development (R&D) relates to the development of a production method for drilling process; this R&D is part of the Other Segment.

## 1.11 Financial assets

### 1.11.1 Classification

The Company classifies its financial assets in the following two categories: Financial assets at fair value through profit or loss and Financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

#### (a) Financial assets at fair value through profit or loss

Assets at fair value through profit or loss are derivative contracts and contingent consideration. Derivatives in this category are classified as current assets. Derivatives were classified as held for trading under IAS 39.

#### (b) Loans and receivables

A financial asset is classified as at amortized cost if it is held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payment of principal and interest. These assets were classified as loans and receivables under IAS 39. They are included in current assets, except for assets with maturities greater than 12 months after the reporting date. These are classified as non-current financial assets. The Company's financial assets at amortized cost include accounts receivable, current and non-current loans to management, related parties and other, and the CIRR loan deposit.

### 1.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are

presented in the income statement within Operating profit as gain/ (loss) on currency derivative contracts if the gain or loss is arising from currency contracts entered into in order to hedge primarily operating expenses in foreign currencies. Other gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented within Net financial items. See for note 20 for additional information.

## 1.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. The Company has evaluated all of their derivative contract positions and does not currently have the right to offset the contracts, and therefore reports all derivative positions at gross amounts.

## 1.13 Inventories

Lubricating oil and bunkers inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Bunkers and lubricating oil inventories are an integral part of the vessel, and not sold separately. Net realizable value is estimated based on commodity market prices.

## 1.14 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand and bank deposits.

## 1.15 Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. The interest factor for accounts receivable is considered to be insignificant and therefore not included in the measurement of amortized cost. In the case of an objective evidence of impairment, the difference between reported value and the present value of the expected net future cash flows is reported as a loss.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable. Lifetime expected loss is based on Management's experience of historical loss levels and taking into account current and forward-looking information on macroeconomic factors as well as objective indicators that individual receivables may be impaired. Such objective indicators include significant financial problems facing the customer, bankruptcy proceedings or the customer



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undergoing financial restructuring, postponement and non-payment.

### 1.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. When any Company entity purchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted as appropriate from share capital and share premium reserve and the shares are cancelled.

### 1.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recognized as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized as a liability or included in shareholder's equity depending on the features of the bond and the conversion option.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as Financial income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 1.18 Commercial Interest Reference Rate (CIRR) loan

The Company has applied for three Commercial Interest Reference Rate (CIRR) loans from the Norwegian Export Credit Agency. The duration of the loans is 12 years and the cash proceeds from the loans have been deposited in a fixed deposit account with a Norwegian bank at the same interest rate as the loans. The agreed periods of the deposits are identical with the periods of the loans. The cash gain due to the interest rate differential between the current market interest rate and the rate agreed for the deposit is deferred over the duration of the loans.

### 1.19 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent

that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Tax expense/benefit includes current taxes and the change in deferred taxes.

For companies under the Norwegian tax regime, the Company applies a tax rate of 23%. The tax expense consists of taxes payable and changes in deferred tax assets/liabilities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Company is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 1.20 Pension costs and obligations

The Company has a defined benefit plan for its employees in Norway. The pension scheme is financed through contributions to insurance companies or pension funds. A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position relating to defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the pension fund assets. The defined benefit obligation is calculated annually by an independent actuary on the basis of a linear model. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows

based on the interest rate for covered bonds. Since Covered bonds are not issued for terms exceeding 10 years, a supplement to this bond rate is calculated by means of estimation techniques to establish a discount rate that is approximately the same as the term of the pension obligation.

Past service costs are recognized immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 1.21 Derivatives

The Company enters into derivative instruments for economic hedging purposes and not as speculative investments. Derivative instruments are primarily foreign currency contracts and interest rate swaps, to hedge foreign currency exposures, for example related to operating expenses and vessel purchase commitments, and interest rate exposures primarily related to long-term borrowings. Where derivatives do not meet hedge accounting criteria, they are accounted for at fair value through profit or loss.

For cash flow hedges that qualify for hedge accounting, the effective portion of changes in the fair value of the hedging instrument that is designated and qualifies as a cash flow hedge is recognized in equity. These are cash flow hedges relating to highly probable forecast transactions. The effective portion of changes in the fair value of the hedging instrument is recognized in Other comprehensive income. Amounts accumulated in equity are reclassified in the period when the hedged item affects profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

## 1.22 Revenue recognition

The Company's activity is to employ different types of offshore support vessels, including PSVs, OSCVs, AHTS vessels, WIVs, OSRVs, standby- and crew-vessels and one scientific core-drilling vessel. In addition, the Company holds interest in one limited liability partnership with ownership in one well-stimulation vessel. In one of the

subsidiaries of the Company, revenues are partly generated from income from construction contracts. This company was sold in 2018. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, withholding tax, returns, rebates and discounts and after elimination of sales within the Company. Revenue is recognized as follows:

### Charter rate contracts

Time charter contracts contain a lease element and a performance obligation for the provision of time charter services. The lease of the vessel, representing the use of the vessel without any associated performance obligations or warranties, is accounted for in accordance with the provisions of IAS 17 Leases. Typically, lease revenues are recognized on a straight line basis over the lease term. Revenues for time charter services are recognized over time as the service is rendered in accordance with IFRS 15.

Certain contracts include mobilization fees payable at the start of the contract. In cases where the fee covers specific upgrades or equipment specific to the contract, the mobilization fees are recognized as revenue over the estimated contract period. The related investment is depreciated over the estimated contract period. In cases where the fee covers specific operating expenses at the start of the contract, the fees are recognized in the same period as the expenses. Vessels without signed contracts in place at discharge have no revenue until the signing of a new contract. Operating expenses for vessels during idle time are expensed as incurred.

### Construction contracts

The Company accounts for long-term construction, engineering and project management contracts on the percentage-of-completion basis as costs are incurred. See note 3 for additional information.

### Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, which is determined as the estimated future cash flow discounted at original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

### Dividend income

Dividend income is recognized when the right to receive payment is established.

### Rendering of services

Service revenue is generally recognized when a signed contract or other persuasive evidence of an arrangement exists, the service has been provided, the fee is fixed or determinable and collection of resulting receivables is reasonably assured.



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### 1.23 Accounts payable

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 1.24 Earnings per share

Earnings per share is calculated by dividing the net profit/loss for shareholders of the Company by the weighted average number of outstanding shares over the reporting period. Diluted earnings per share include the effect of the assumed conversion of potentially dilutive instruments such as employee stock options. The impact of share equivalents is computed using the treasury stock method for stock options.

### 1.25 Statement of Cash Flows

The Statements of cash flows are prepared in accordance with the indirect method.

### 1.26 Related party transactions

All transactions, agreements and business activities with related parties are determined on an arm's length basis in a manner similar to transactions with third parties.

### 1.27 Government grants

Grants related to net wages arrangement in Norway are recognized as a reduction of wage cost.

### 1.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership still remains with the lessor are classified as operating leases. Payments made under operating lease agreements are classified in the income statement as operating expenses and are expensed as incurred.

### 1.29 Share-based payments

The Company has a share-based compensation plan in place for executive management. The plan is equity-settled, under which the entity receives services from ten top management employees as consideration for equity instruments (share-options) of the Company. The fair value of the employee services received in exchange for

the grant of the options is recognized as an Operating Expense. For additional information see note 31 Share-based payments.

The total amount to be expensed is determined by reference to the fair value of the options granted at grant date, as determined using a Black-Scholes model. Exercise price is the stock price at date of the grant. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The only condition for vesting is employment with the Company; options vest over a five-year period after grant date. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Each option gives the holder the right, but not the obligation, to acquire one share at the exercise price on the terms and subject to the conditions set out in the Stock Option Plan.

When the options are exercised, the Parent issues new shares or re-issues treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Company is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### 1.30 Other claims and obligations

Provisions for legal claims, service warranties and make good obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## Note 2 – Financial Risk Management

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### 2.1 Financial risk factors

The Company is exposed to a variety of financial risks through its ordinary operations and debt financing. Such risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk. To manage these risks, management reviews and assesses its primary financial and market risks. Once risks are identified, appropriate action is taken to mitigate the identified risk. The Company's risk management is exercised in line with guidelines approved by the Board.

### 2.2 Foreign exchange risks

USD is the reporting currency for the Company. Functional currency for the Parent Company is USD, and for the vessel-operating subsidiaries USD, NOK, BRL, AUD and CAD are the functional currency. Remaining subsidiaries use NOK and EUR as functional currency. The Company operates internationally and is exposed to foreign

exchange risks arising from various currency exposures primary with respect to NOK, GBP, EUR, BRL, CAD and AUD. Foreign exchange risks can be divided into transaction risk from paying and receiving foreign currency and translation risk due to recognizing assets and liabilities in USD. The Company had in 2018 mainly USD, NOK, EUR, GBP, BRL, CAD and AUD revenue and expenses, compared to mainly USD, NOK, EUR, GBP, BRL, CAD and AUD for 2017.

The Company is exposed to foreign exchange risk of its subsidiaries, including the development of the Brazilian Real.

The following sensitivity table demonstrates the impact on the Company's profit and equity before tax from potential changes to the exchange rates, all other variables held constant.



Siem Opal bridge

**CONSOLIDATED**

Foreign exchange risk rate 10%

(Amounts in USD 1,000)

		+10% movements		-10% movements	
December 31, 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	63,413	2,978	2,978	-2,978	-2,978
Derivatives	3,150	853	853	-939	-939
Accounts receivable	37,544	1,609	1,609	-1,609	-1,609
<b>Impact on financial assets before tax</b>	<b>104,106</b>	<b>5,441</b>	<b>5,441</b>	<b>-5,526</b>	<b>-5,526</b>
<b>Financial liabilities</b>					
Accounts payable	13,945	-1,140	-1,140	1,140	1,140
Derivatives	18,216	-9,977	-9,977	10,975	10,975
Borrowings	1,074,888	-35,102	-35,102	35,102	35,102
<b>Impact on financial liabilities before tax</b>	<b>1,107,049</b>	<b>-46,219</b>	<b>-46,219</b>	<b>47,217</b>	<b>47,217</b>
<b>Income statement</b>					
Operating revenue	307,736	15,176	15,176	-15,176	-15,176
Operating expenses	192,680	-13,515	-13,515	13,515	13,515
<b>Impact on operating result before tax</b>	<b>115,056</b>	<b>1,661</b>	<b>1,661</b>	<b>-1,661</b>	<b>-1,661</b>
<b>Total increase/decrease before tax</b>		<b>-39,117</b>	<b>-39,117</b>	<b>40,030</b>	<b>40,030</b>
<b>Allocation per currency</b>					
NOK		-30,487	-30,487	31,400	31,400
EUR		1,087	1,087	-1,087	-1,087
GBP		1,095	1,095	-1,095	-1,095
BRL		-10,751	-10,751	10,751	10,751
CAD		-1,202	-1,202	1,202	1,202
AUD		1,142	1,142	-1,142	-1,142
<b>Total increase/ decrease before tax</b>		<b>-39,117</b>	<b>-39,117</b>	<b>40,030</b>	<b>40,030</b>

Financial assets in 2018 and 2017 include derivatives related to hedging of foreign exchange risks. The derivatives in the sensitivity table include path-dependent options in which the value of the derivatives is influenced when the underlying reaches or fluctuates within, below or above specific barrier levels. The change in value of these derivatives will impact the profit of the Company.

Financial liabilities in 2018 and 2017 consist of interest rate derivatives and are not influenced by movements in foreign exchange rates.

# NOTES TO THE ACCOUNTS

## CONSOLIDATED

Foreign exchange risk rate 10%

(Amounts in USD 1,000)

December 31, 2017	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
			+10% movements	-10% movements	
<b>Financial assets</b>					
Cash and cash equivalent	63,511	4,073	4,073	-4,073	-4,073
Derivatives	2,938	-3,667	-3,667	4,482	4,482
Accounts receivable	53,830	2,567	2,567	-2,567	-2,567
<b>Impact on financial assets before tax</b>	<b>120,279</b>	<b>2,973</b>	<b>2,973</b>	<b>-2,158</b>	<b>-2,158</b>
<b>Financial liabilities</b>					
Accounts payable	21,110	-1,663	-1,663	1,663	1,663
Derivatives	9,562	-6,966	-6,966	8,514	8,514
Borrowings	1,302,999	-46,801	-46,801	46,801	46,801
<b>Impact on financial liabilities before tax</b>	<b>1,333,671</b>	<b>-55,431</b>	<b>-55,431</b>	<b>56,979</b>	<b>56,979</b>
<b>Income statement</b>					
Operating revenue	415,309	25,131	25,131	-25,131	-25,131
Operating expenses	262,412	-20,985	-20,985	20,985	20,985
<b>Impact on operating result before tax</b>	<b>152,897</b>	<b>4,146</b>	<b>4,146</b>	<b>-4,146</b>	<b>-4,146</b>
<b>Total increase/decrease before tax</b>		<b>-48,311</b>	<b>-48,311</b>	<b>50,674</b>	<b>50,674</b>
<b>Allocation per currency</b>					
NOK		-44,333	-44,333	46,696	46,696
EUR		7,502	7,502	-7,502	-7,502
GBP		2,841	2,841	-2,841	-2,841
BRL		-11,693	-11,693	11,693	11,693
CAD		-1,660	-1,660	1,660	1,660
AUD		-968	-968	968	968
<b>Total increase/ decrease before tax</b>		<b>-48,311</b>	<b>-48,311</b>	<b>50,674</b>	<b>50,674</b>

**PARENT COMPANY**

Foreign exchange risk rate 10%

*(Amounts in USD 1,000)*

(Amounts in USD 1,000)		+10% movements		-10% movements	
December 31, 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
Financial assets					
Cash and cash equivalent	163,302	44	44	-44	-44
Accounts receivable	105	-	-	-	-
Impact on financial assets before tax	163,407	44	44	-44	-44
Financial liabilities					
Accounts payable	136	-13	-13	13	13
Derivatives	2,727	-248	-248	273	273
Borrowings	122,514	-12,739	-12,739	12,739	12,739
Impact on financial liabilities before tax	125,377	-13,000	-13,000	13,025	13,025
Income statement					
Operating revenue	1,992	14	14	-14	-14
Operating expenses	7,025	-705	-705	705	705
Impact on operating result before tax	-5,033	-691	-691	691	691
Total increase/decrease before tax		-13,647	-13,647	13,672	13,672
Allocation per currency					
NOK		-13,651	-13,651	13,676	13,676
EUR		9	9	-9	-9
GBP		-5	-5	5	5
Total increase/ decrease before tax		-13,647	-13,647	13,672	13,672

# NOTES TO THE ACCOUNTS

## PARENT COMPANY

Foreign exchange risk rate 10%

(Amounts in USD 1,000)

December 31, 2017	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
			+10% movements	-10% movements	
<b>Financial assets</b>					
Cash and cash equivalent	203,832	13,376	13,376	-13,376	-13,376
<b>Impact on financial assets before tax</b>	<b>203,832</b>	<b>13,376</b>	<b>13,376</b>	<b>-13,376</b>	<b>-13,376</b>
<b>Financial liabilities</b>					
Accounts payable	16	-2	-2	2	2
Borrowings	171,095	-16,875	-16,875	16,875	16,875
<b>Impact on financial liabilities before tax</b>	<b>171,111</b>	<b>-16,877</b>	<b>-16,877</b>	<b>16,877</b>	<b>16,877</b>
<b>Income statement</b>					
Operating revenue	4,566	262	262	-262	-262
Operating expenses	6,762	-613	-613	613	613
<b>Impact on operating result before tax</b>	<b>-2,196</b>	<b>-351</b>	<b>-351</b>	<b>351</b>	<b>351</b>
<b>Total increase/decrease before tax</b>		<b>-3,851</b>	<b>-3,851</b>	<b>3,851</b>	<b>3,851</b>
<b>Allocation per currency</b>					
NOK		-11,431	-11,431	11,431	11,431
EUR		7,684	7,684	-7,684	-7,684
GBP		-103	-103	103	103
<b>Total increase/ decrease before tax</b>		<b>-3,851</b>	<b>-3,851</b>	<b>3,851</b>	<b>3,851</b>

## 2.3 Credit risks, Concentration risks

The Company's credit risk is primarily attributable to its trade and other short-term receivables and asset derivative positions. The derivative counterparties are large established financial institutions, and the counterparty risk for the asset derivative positions are regarded as limited.

The exposure to credit risk for trade and other short-term receivables is measured on an ongoing basis and credit evaluations are performed for customers identified to be risky. The Company's debtors are mainly major oil companies and offshore service companies, which are considered to be creditworthy third parties. His-

torically, the loss percentage has been low but due to the market development caused by the low oil price, the counterparty risk has increased significantly during the year). Despite the increased counterparty risk, the provision for bad debt decreased significant compared with 2017 because of realized loss, and due to reversed provision previous year as payments of old accounts receivable were received. Ongoing provisions are made and, on December 31, 2018, the provision for certain accounts receivable which may not be paid in full was USD 1.8 million for the Company (2017: USD 15.5 million) and nil for the Parent (2017: nil).

The table below presents the concentration risks for 2018 and 2017.

	PARENT COMPANY		CONSOLIDATED	
	USD	% of total	USD	% of total
<i>(Amounts in USD 1,000)</i>				
<b>Receivables on December 31, 2018</b>				
1 to 5 largest	105	100 %	20,102	51.2 %
6 to 10 largest	-	-	7,201	18.3 %
Others	-	-	11,996	30.5 %
Provision for bad debt	-	-	-1,754	-
<b>Total accounts receivable</b>	<b>105</b>	<b>100%</b>	<b>37,544</b>	<b>100%</b>

	PARENT COMPANY		CONSOLIDATED	
	USD	% of total	USD	% of total
<i>(Amounts in USD 1,000)</i>				
<b>Receivables on December 31, 2017</b>				
1 to 5 largest	-	-	28,770	41.5 %
6 to 10 largest	-	-	12,343	17.8 %
Others	-	-	28,263	40.7 %
Provision for bad debt	-	-	-15,546	-
<b>Total accounts receivable</b>	<b>-</b>	<b>-</b>	<b>53,830</b>	<b>100%</b>

Changes in the provision for bad debt can be summarised as follow:

	PARENT COMPANY		CONSOLIDATED	
	2018	2017	2018	2017
<i>(Amounts in USD 1,000)</i>				
<b>Provision bad debt</b>				
Opening balance January 1	-	-	15,546	23,872
Realized loss	-	-	-7,099	-
Reversal provision previous year	-	-	-6,712	-9,125
Provision current year	-	-	100	798
Currency translation differences	-	-	-80	-
<b>Closing balance December 31</b>	<b>-</b>	<b>-</b>	<b>1,755</b>	<b>15,546</b>



## NOTES TO THE ACCOUNTS

### Trade and receivables

The table below presents an aging analysis of the outstanding receivables at year-end 2018 and 2017. Overdue receivables are monitored continually by Management. The Management considers the outstanding amounts to be recoverable.

	PARENT COMPANY		CONSOLIDATED	
(Amounts in USD 1,000)	USD	% of total	USD	% of total
<b>Aging on December 31, 2018</b>				
Not due	65	61.9 %	23,676	63.1 %
Due up to 1 month	-	-	12,740	33.9 %
Due 1-4 months	-	-	430	1.1 %
Due more than 4 months	40	38.1 %	699	1.9 %
<b>Total accounts receivable</b>	<b>105</b>	<b>100%</b>	<b>37,544</b>	<b>100%</b>
(Amounts in USD 1,000)	USD	% of total	USD	% of total
<b>Aging on December 31, 2017</b>				
Not due	-	-	25,404	47,2%
Due up to 1 month	-	-	17,474	32,5%
Due 1-4 months	-	-	8,231	15,3%
Due more than 4 months	-	-	2,721	5,1%
<b>Total accounts receivable</b>	<b>-</b>	<b>-</b>	<b>53,830</b>	<b>100%</b>

The carrying amounts of the Company's and Parent's accounts receivable are denominated in the following currencies:

	PARENT COMPANY		CONSOLIDATED	
(Amounts in USD 1,000)	2018	2017	2018	2017
<b>Currency</b>				
USD	105	-	21,452	28,162
NOK	-	-	2,075	5,674
EUR	-	-	3,297	6,924
GBP	-	-	1,242	5,533
CAD	-	-	2,667	2,690
AUD	-	-	4,075	3,452
BRL	-	-	2,736	1,395
<b>Total accounts receivable</b>	<b>105</b>	<b>-</b>	<b>37,544</b>	<b>53,830</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of accounts receivable mentioned above.

## 2.4 Cash flow, interest risk and fair value

The Company is financed by debt and equity. If the Company fails to repay or refinance its loan facilities, additional equity financing may be required. There can be no assurance that the Company will be able to repay its debts or extend re-payment schedules through re-financing of its loan agreements or avoid net cash flow shortfalls exceeding the Company's available funding sources or comply with minimum cash requirements. Further, there can be no assurance that the Company will be able to raise new equity, or arrange new borrowing facilities, on favourable terms and in amounts necessary to conduct its ongoing and future operations, should this be required.

In the event of insolvency, liquidation or similar event relating to a subsidiary of the Company, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before the Company, as a shareholder, would be entitled to any payments. Defaults by, or the insolvency of, a subsidiary of the Company could

result in the obligation of the Company to make payments under Parent Company guarantees issued in favour of such subsidiary.

The Company is moreover exposed to changes in interest rates, which may affect the Company's financial results.

These risks are mainly related to the Company's long term borrowings with floating interest rates.

Further details of the Company's borrowings are set out in Note 12.

The Company has no significant interest-bearing assets other than cash and cash equivalents and therefore the Company's income and operating cash flows are substantially independent of changes in market interest rates. Cash and cash equivalents are invested for short maturity periods, generally from 1 day to 3 months, which mitigates some of the potential interest rate risk.

The following sensitivity tables demonstrate the impact on the Company's profit before tax and equity from a potential shift in interest rates, all other variables held constant.

CONSOLIDATED			Interest rate risk (IR)		
(Amounts in USD 1,000)			-1% movements		+1% movements
December 31, 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	63,413	-634	-634	634	634
<b>Impact on financial assets before tax</b>	<b>63,413</b>	<b>-634</b>	<b>-634</b>	<b>634</b>	<b>634</b>
<b>Financial liabilities</b>					
Borrowings	674,284	742	742	-1,009	-1,009
<b>Impact on financial liabilities before tax</b>	<b>674,284</b>	<b>742</b>	<b>742</b>	<b>-1,009</b>	<b>-1,009</b>
<b>Total increase/decrease before tax</b>		<b>108</b>	<b>108</b>	<b>-375</b>	<b>-375</b>

CONSOLIDATED			Interest rate risk (IR)		
(Amounts in USD 1,000)			-1% movements		+1% movements
December 31, 2017	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	63,511	-635	-635	635	635
<b>Impact on financial assets before tax</b>	<b>63,511</b>	<b>-635</b>	<b>-635</b>	<b>635</b>	<b>635</b>
<b>Financial liabilities</b>					
Borrowings	919,001	10,161	10,161	-9,915	-9,915
<b>Impact on financial liabilities before tax</b>	<b>919,001</b>	<b>10,161</b>	<b>10,161</b>	<b>-9,915</b>	<b>-9,915</b>
<b>Total increase/decrease before tax</b>		<b>9,526</b>	<b>9,526</b>	<b>-9,280</b>	<b>-9,280</b>

Borrowings in the tables above include only borrowings with floating interest.

Above movements also include the effect of interest rate swaps entered into in order to hedge the floating interest risk. Market-to-market effects in relation to the interest rate swaps impacts the profit and loss following a change of +/- 1% in the interest rate.

For more details, see Note 12.

# NOTES TO THE ACCOUNTS

## PARENT COMPANY

## Interest rate risk (IR)

(Amounts in USD 1,000)

-1% movements

+1% movements

December 31, 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	163,302	-1,633	-1,633	1,633	1,633
<b>Impact on financial assets before tax</b>	<b>163,302</b>	<b>-1,633</b>	<b>-1,633</b>	<b>1,633</b>	<b>1,633</b>
<b>Financial liabilities</b>					
Borrowings	40,283	403	403	-403	-403
<b>Impact on financial liabilities before tax</b>	<b>40,283</b>	<b>403</b>	<b>403</b>	<b>-403</b>	<b>-403</b>
<b>Total increase/decrease before tax</b>		<b>-1,230</b>	<b>-1,230</b>	<b>1,230</b>	<b>1,230</b>

## PARENT COMPANY

## Interest rate risk (IR)

(Amounts in USD 1,000)

-1% movements

+1% movements

December 31, 2017	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	203,832	-2,038	-2,038	2,038	2,038
<b>Impact on financial assets before tax</b>	<b>203,832</b>	<b>-2,038</b>	<b>-2,038</b>	<b>2,038</b>	<b>2,038</b>
<b>Financial liabilities</b>					
Borrowings	171,095	1,711	1,711	-1,711	-1,711
<b>Impact on financial liabilities before tax</b>	<b>171,095</b>	<b>1,711</b>	<b>1,711</b>	<b>-1,711</b>	<b>-1,711</b>
<b>Total increase/decrease before tax</b>		<b>-327</b>	<b>-327</b>	<b>327</b>	<b>327</b>

The Company's financial assets are classified into the categories: assets at fair value through the profit and loss, loans and receivables, and available for sale. Financial liabilities are classified as liabilities at fair value through the profit and loss, and other financial liabilities. For further information about comparison by category, see Note 28.

The value of forward exchange contracts is set by comparing forward exchange rate and the rate on the reporting date. The Company's following financial instruments are not evaluated at fair value: accounts receivable, cash and cash equivalents, other short-term receivables, accounts payable and long-term liabilities with floating interest.

Because of the short term to maturity, the value of cash and cash equivalents entered into the Statements of Financial Position is almost the same as the fair value of these. Accordingly, the values of accounts receivable and accounts payables are almost the same as their fair values since they are entered on "normal" conditions.

The fair value of the Company's non-current liabilities subjected to fixed interest rates is calculated by comparing the Company's terms and market terms for liabilities with the same terms to maturity and credit risk.

The following tables display the booked value and the fair value of financial assets and obligations.

		CONSOLIDATED		
(Amounts in USD 1,000)		12/31/2018	12/31/2017	
Financial assets	Book value	Fair value	Book value	Fair value
CIRR loan deposit	68,730	74,687	65,346	63,961
Long-term receivables	34,069	35,356	13,927	13,927
Accounts receivable	37,544	37,544	53,830	53,830
Other short-term receivables	49,206	49,206	60,510	60,510
Financial assets held for sale	16,950	16,950	-	-
Derivative financial instruments	3,150	3,150	2,938	2,938
Cash and cash equivalents	63,413	63,413	63,511	63,511
<b>Total</b>	<b>273,062</b>	<b>280,306</b>	<b>260,062</b>	<b>258,677</b>
Financial liabilities	Book value	Fair value	Book value	Fair value
Borrowings	1,074,888	1,081,674	1,302,999	1,324,295
CIRR loan	68,730	74,687	65,346	63,961
Other non-current liabilities	53,150	53,150	66,926	66,926
Accounts payable	13,945	13,945	21,110	21,110
Derivative financial instruments	18,216	18,216	9,562	9,562
Other current liabilities	43,194	43,194	91,110	91,110
<b>Total</b>	<b>1,272,123</b>	<b>1,284,866</b>	<b>1,557,052</b>	<b>1,576,963</b>

# NOTES TO THE ACCOUNTS

## PARENT COMPANY

(Amounts in USD 1,000)		12/31/2018		12/31/2017	
Financial assets	Book value	Fair value	Book value	Fair value	
CIRR loan deposit	4,869	4,979	10,311	10,658	
Long-term loan	80,707	80,707	73,987	73,987	
Accounts receivable	105	105	-	-	
Other short-term receivables	4,946	4,946	-	-	
Cash and cash equivalents	163,302	163,302	203,832	203,832	
<b>Total</b>	<b>253,928</b>	<b>254,039</b>	<b>288,130</b>	<b>288,478</b>	
<b>Financial liabilities</b>					
Borrowings	122,514	126,862	171,095	170,100	
CIRR loan	4,869	4,979	10,311	10,658	
Derivative financial instrument	2,727	2,727	-	-	
Accounts payable	136	136	16	16	
Other current liabilities	66,769	66,769	57,491	57,491	
<b>Total</b>	<b>197,015</b>	<b>201,473</b>	<b>238,913</b>	<b>239,265</b>	

## 2.5 Liquidity risk

The Company monitors its cash flow from operations closely and optimizes the working capital level of the individual companies and the Company as a whole. The Company funds are used for investment opportunities in the business, scheduled repayments and repayments of debt and to general working capital purposes.

The Company seeks to fix the majority of its fleet on long-term contracts. Vessels not fixed on long-term contracts are typically exposed to the volatility in the short to medium term market.

The Company will from time to time require additional capital to take advantage of business opportunities. Historically the Company has managed to obtain necessary financing in a timely manner on acceptable terms when needed.

On April 10, 2018 the sale of Siem Offshore Contractors (SOC) and the sale of the cable lay vessel "Siem Aimery" and the walk-to-work

vessel "Siem Moxie" to a company in the Subsea Seven group was completed for an initial consideration of EUR 140 million subject to usual adjustment for net cash and working capital. In addition, the Company estimates that the additional contingent consideration for future periods (2019-2024) will amount to between EUR 25-40 million. The initial proceeds from the sale was applied to pay down the bank loan on "Siem Aimery" and "Siem Moxie" which amounted to around EUR 60 million. The excess cash generated by the transaction was applied to, among other, increased amortization and prepayment of debt. We refer to note 31 – Discontinued operations to the consolidated financial statements for further information.

The tables below summarize the maturity profile of the Company's financial liabilities including interest.

CONSOLIDATED						
(Amounts in USD 1,000)	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Thereafter	Total
<b>December 31, 2018</b>						
Interest-bearing loans and borrowings	33,457	129,032	194,065	644,210	337,686	1,338,450
Trade and other payables	13,945	-	-	-	-	13,945
<b>Total</b>	<b>47,402</b>	<b>129,032</b>	<b>194,065</b>	<b>644,210</b>	<b>337,685</b>	<b>1,352,395</b>
<b>December 31, 2017</b>						
Interest-bearing loans and borrowings	29,872	140,305	220,401	903,575	349,140	1,643,293
Trade and other payables	21,110	-	-	-	-	21,110
<b>Total</b>	<b>50,982</b>	<b>140,305</b>	<b>220,401</b>	<b>903,575</b>	<b>349,140</b>	<b>1,664,403</b>
PARENT COMPANY						
(Amounts in USD 1,000)	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Thereafter	Total
<b>December 31, 2018</b>						
Interest-bearing loans and borrowings	1,112	8,355	44,722	94,688	-	148,878
Trade and other payables	136	-	-	-	-	136
<b>Total</b>	<b>1,249</b>	<b>8,355</b>	<b>44,722</b>	<b>94,688</b>	<b>-</b>	<b>149,014</b>
<b>December 31, 2017</b>						
Interest-bearing loans and borrowings	2,311	12,650	91,073	112,533	-	218,567
Trade and other payables	16	-	-	-	-	16
<b>Total</b>	<b>2,327</b>	<b>12,650</b>	<b>91,073</b>	<b>112,533</b>	<b>-</b>	<b>218,583</b>



# NOTES TO THE ACCOUNTS

## 2.6 Capital risk management

The Company seeks to obtain long-term financing supported by long-term contracts, in order to reduce the frequency and risk associated with the refinancing of loans. Long-term charter parties at acceptable charter rates will also enable a higher degree of debt-financing.

The low oil price and the excess capacity of offshore service vessels have increased the competition amongst owners which further put pressure on fixture rates. As a consequence owners have placed more vessels into lay-up. End of year the Company had four vessels in lay-up.

## 2.7 Risks related to loan agreements, restrictions on dividends and distribution

The Company's loan agreements include terms, conditions and covenants which impose restrictions on the operations of the Company. These restrictions may negatively affect the Company's operations including, but not limited to, the Company's ability to meet the fierce competition in the market in which it operates.

## 2.8 Risks related to possible tax liabilities

The Company seeks to optimize its tax structure to minimize withholding taxes when operating vessels abroad, avoiding double taxation, and minimizing corporate tax paid by making optimal use of the shipping taxation rules that apply. It is, however, a challenging task to optimize taxation, and there is always a risk that the Company may end up paying more taxes than the theoretical minimum, which may in turn affect the financial results negatively.

## 2.9 Long term contracts

The Company used the percentage-of-completion method in accounting for its fixed price construction contracts related to the segment Submarine Power Cable Installation. Significant estimates were the percentage of complete and the overall margin. The following sensitivity table demonstrates the impact on the Company's profit and equity before tax from potential changes to the percentage of completion and margin, all other variables held constant.

As the business of Siem Offshore Contractors was sold in April 2018, the Company has no long term contracts at year-end.

## CONSOLIDATED

## Interest rate risk (IR)

(Amounts in USD 1,000)

-1% movements

+1% movements

December 31, 2017	Estimated total revenue	Profit/(loss)	Equity	Profit/(loss)	Equity
Total value of contracts	584,013				
Progress reporting, effect from movement		5,840	5,840	-5,840	-5,840
Margin estimate, effect from movement		5,840	5,840	-5,840	-5,840

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## Note 3 – Critical Accounting Estimates and Judgements

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IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, as well as income and expenses in the financial statements. The final reported outcomes may deviate from the original estimates.

Certain amounts included in, or that have an effect on, the accounts and the associated notes require estimation, which in turn entails that the Company must make assessments related to values and circumstances that are not known at the point in time when the accounts are prepared.

A significant accounting estimate is an estimate that is important to provide a complete picture of the Company's financial position, which at the same time is the result of difficult, subjective and complex assessments performed by the management. Such estimates are often uncertain by nature.

Management evaluates such estimates continuously based on historical data and experience, consultation with experts, trend analysis and other factors that are relevant for the individual estimate, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as well as judgments made by management, in the process of applying the Company's accounting policies, that have the most significant effect on the amounts recognized in the financial statements, are discussed below.

### Revenue recognition – percentage-of-completion for off-shore cable contracts

The Company used the percentage-of-completion method in accounting for its fixed price construction contracts related to the segment Submarine Power Cable Installation. The company that operated in this segment was sold 10 April 2018.

Were the progress to differ by +/- 10% from management's estimates, the amount of revenue recognized in 2018 would be +/- USD 0 million (2017: USD 20.3 million).

### Vessels

#### Impairment of vessels

On the reporting date, the Company has assessed whether there are any indicators of impairment related to its vessels. Indicators include external broker estimates, significant changes in charter hire contracts, day rates, operating costs, weighted average cost of capital or adverse market conditions.

When such indications exist, an impairment test is performed in accordance with Company policy. The recoverable amount of the

vessel is estimated. An impairment loss is recognized at the amount by which the vessel's carrying value exceeds its recoverable amount.

The recoverable amount for vessels is estimated by means of broker estimates and value-in-use calculations based on projected discounted cash flows for the remaining charter hire period or over the next ten years if no charter contract exists, together with an assumption of a terminal value of the vessel.

The market for offshore service vessels is expected to remain weak for several years. For vessels fixed on firm contracts during the period from 2019 through 2025, the assumption is that the contract remains unchanged during the remaining contract period, and that the rate levels will remain low, but will increase gradually towards 2028. Options, included in charter hire agreements, to extend the charter party are not considered in the value-in-use calculations.

The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed and further explained in Note 5.

### Contingent consideration

During 2018, the Company sold its shares in Siem Offshore Contractors GmbH and the vessels "Siem Aimery" and "Siem Moxie", refer note 31 for further details. Part of the consideration is contingent upon future performance of the business and vessels sold. The contingent consideration has a cable-installed component and a vessel performance component. As at 31 December 2018 USD 25.6 million was recognized as contingent consideration and included in Long-term receivables, refer note 9. If the estimated components were reduced by 10 %, the consideration would decrease by USD 8.7 million. If the estimated components were increased by 10 %, the consideration would increase by USD 11.9 million.

# NOTES TO THE ACCOUNTS

## Note 4 – Segment Reporting

The Company identifies its reportable segments and disclose segment information under IFRS8 Operating Segments which requires Siem Offshore Inc to identify its segments according to the organization and reporting structure used by management. Operating Segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources.

The Company's chief operating decision maker is the management board, comprised of the CEO, CFO, CHRO and COO. Generally, financial information is required to be disclosed on the same basis that is used by the chief operating decision maker. The Company's operating segments represent separately managed business areas with unique products serving different markets. The reportable business area is OSV with the segments PSV, OSCV and WIV, AHTS Vessels, Canadian fleet, Scientific Core-Drilling and Other Vessels in Brazil.

The PSV segment includes 11 Platform Supply Vessels. The OSCV and WIV segment includes five Offshore Subsea Construction Vessels and two Well Intervention Vessels. The AHTS segment includes ten Anchor Handling and Tug Supply Vessels. The Canadian fleet

Segment consist of four offshore support vessels operating offshore Canada . The Segment of Other Vessels in Brazil consists of two Oilspill Recovery Vessels and four smaller fast supply vessels and crew vessels. In addition, the Company own of 41% of one vessel that is reflected under the line "Result from associated companies", and hence not included below. Scientific Core-Drilling is comprised of the activity of one scientific drillship which performs core-drilling. Siem Offshore Inc uses three measures of segment results, Operating Revenue, Operating Margin and Net Profit.

Intersegment sales and transfers reflect arm's length prices as if sold or transferred to third parties at the time of inception of the internal contract, which may cover several years. Transfers of business or fixed assets within or between the segments are reported without recognizing gains or losses. Results of activities not considered part of Siem Offshore Inc.'s main operations as well as unallocated revenues, expenses, liabilities and assets are reported together with Other under the Caption Other and eliminations

The following tables include information about the Company's operating segments.

	<b>CONSOLIDATED Restated*</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Operating revenue by business area</b>		
PSV	62,155	57,930
OSCV and WIV	120,034	118,143
AHTS Vessels	43,911	46,659
Other Vessels in Brazil	22,295	28,177
Canadian fleet	28,878	29,154
Scientific Core-Drilling	28,384	27,237
Other/Intercompany elimination	2,079	-390
<b>Operating revenue</b>	<b>307,736</b>	<b>306,911</b>
Total operating revenue from discontinued operations (note 31)	14,490	108,398
<b>Total operating revenue from continuing/discontinued operations</b>	<b>322,226</b>	<b>415,309</b>

	<b>CONSOLIDATED Restated*</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Depreciation and amortization by business area</b>		
PSV	20,601	19,155
OSCV and WIV	31,208	32,726
AHTS Vessels	38,976	41,252
Other Vessels in Brazil	4,477	5,203
Canadian fleet	7,988	8,217
Scientific Core-Drilling	4,209	3,038
Other/Intercompany elimination	1,463	4,009
<b>Depreciation and amortization OSV segment</b>	<b>108,922</b>	<b>113,600</b>
Total Depreciation and amortization from discontinued operations	1,991	8,432
<b>Total Depreciation and amortization from continuing/discontinued operations</b>	<b>110,913</b>	<b>122,032</b>

	<b>Restated*</b>	
	<b>2018</b>	<b>2017</b>
<b>Impairment by business area</b>		
PSV	4,047	51,830
OSCV and WIV	-	15,450
AHTS Vessels	43,558	40,146
Other Vessels in Brazil	525	-
Canadian fleet	9,940	4,130
Other/Intercompany elimination	-	55
<b>Impairment OSV Segment</b>	<b>58,070</b>	<b>111,611</b>
Total Impairment from discontinued operations	-	14,688
<b>Total Impairment from continuing/discontinued operations</b>	<b>58,070</b>	<b>126,299</b>

# NOTES TO THE ACCOUNTS

	<b>CONSOLIDATED Restated*</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Operating profit/(loss) by business area</b>		
PSV	2,698	-45,315
OSCV and WIV	38,013	22,557
AHTS Vessels	-85,505	-78,859
Other Vessels in Brazil	5,068	6,879
Canadian fleet	-4,300	1,179
Scientific Core-Drilling	14,937	12,433
Other/Intercompany elimination	-5,942	-14,541
<b>Operating profit OSV segment</b>	<b>-35,031</b>	<b>-95,666</b>
Administration expenses	-24,105	-28,369
Gain (loss) from sale of fixed assets	249	13
Gain sale of interest rate derivatives	368	368
Currency gain/ (loss)	-8,344	-264
<b>Total operating profit / (loss)</b>	<b>-66,863</b>	<b>-123,918</b>
Total Operating profit from discontinued operations	-2,471	4,635
<b>Total Operating profit from continuing/discontinued operations</b>	<b>-69,334</b>	<b>-119,283</b>

Other operating profit/(loss) includes, among others, gain of sale of interest rate derivatives (CIRR), gain/(loss) on currency exchange forward contracts and general and administration expenses.

	<b>CONSOLIDATED Restated*</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Capital expenditures by business area for tangible assets</b>		
PSV	1,837	3,159
OSCV and WIV	1,519	5,249
AHTS Vessels	2,744	5,461
Other Vessels in Brazil	628	648
Canadian fleet	1,305	1,015
Scientific Core-Drilling	2,858	1,741
Other/Intercompany elimination	77	874
<b>OSV Segment</b>	<b>10,968</b>	<b>18,147</b>
Total Capital expenditures from discontinued operations	-	1,869
<b>Total Capital expenditures from continuing/discontinued operations</b>	<b>10,968</b>	<b>20,016</b>

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	<b>CONSOLIDATED</b>	
	<b>Restated*</b>	
<b>Book value by business area for tangible assets, including vessel held for sale</b>	<b>2018</b>	<b>2017</b>
PSV	233,980	274,233
OSCV and WIV	609,096	629,205
AHTS Vessels	501,578	583,869
Other Vessels in Brazil	34,873	32,667
Canadian fleet	71,791	87,274
Scientific Core-Drilling	16,787	18,139
Other/Intercompany elimination	4,479	5,973
<b>OSV Segment</b>	<b>1,472,583</b>	<b>1,631,360</b>
Total book value related to discontinued operations	-	115,353
<b>Total</b>	<b>1,472,583</b>	<b>1,746,713</b>

\* The 2017 amounts above are restated to present the discontinued operation related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie" separately. Please see note 31 for further details.



# NOTES TO THE ACCOUNTS

## Note 5 – Vessels, Equipment, Project Cost and Intangible Assets

TANGIBLE ASSETS				CONSOLIDATED	
(Amounts in USD 1,000)	Land and buildings	Vessels under construction	Vessels and equipment	Drydocking	Capitalised project cost
Purchase cost on January 1, 2017	302	10,024	2,639,079	70,328	14,732
Correction opening balances January 1, 2017	-	-	4,558	-4,558	-
Capital expenditure	-	-	14,282	2,911	2,824
The year's disposal at cost	-	-10,024	-55,720	-26,407	-
Effect of exchange rate differences	38	-	13,437	478	-
<b>Purchase cost on December 31, 2017</b>	<b>341</b>	<b>-</b>	<b>2,615,636</b>	<b>42,751</b>	<b>17,556</b>
Accumulated depreciation on January 1, 2017	-32	-	-475,286	-46,216	-9,111
Accumulated impairment on January 1, 2017	-	-1,766	-207,946	-	-
Correction opening balances January 1, 2017	-	-	-7,329	7,329	-
The year's depreciation	-12	-	-113,042	-7,340	-1,412
Impairment of vessels	-	-	-126,299	-	-
The year's disposal of accumulated depreciation	-	-	31,660	24,575	-
The year's disposal of accumulated impairment	-	1,766	18,238	-	-
Effect of exchange rate differences	-3	-	-15,627	-1,713	-3
<b>Accumulated depreciation on December 31, 2017</b>	<b>-46</b>	<b>-</b>	<b>-895,631</b>	<b>-23,366</b>	<b>-10,527</b>
<b>Net book value on December 31, 2017</b>	<b>294</b>	<b>-</b>	<b>1,720,005</b>	<b>19,385</b>	<b>7,029</b>
Purchase cost on January 1, 2018	341	-	2,615,636	42,751	17,556
Capital expenditure	-	-	6,869	4,099	-
Movement between groups	-10	-	9,803	3,327	-1,467
The year's disposal at cost	-34	-	-211,254	-3,787	-4,554
Effect of exchange rate differences	-10	-	-2,970	-556	-163
<b>Purchase cost on December 31, 2018</b>	<b>287</b>	<b>-</b>	<b>2,418,085</b>	<b>45,834</b>	<b>11,372</b>

<b>TANGIBLE ASSETS</b>	<b>CONSOLIDATED</b>				
<i>(Amounts in USD 1,000)</i>	<b>Land and buildings</b>	<b>Vessels under construction</b>	<b>Vessels and equipment</b>	<b>Drydocking</b>	<b>Capitalised project cost</b>
Accumulated depreciation on January 1, 2018	-46	-	-579,624	-23,366	-10,527
Accumulated impairment on January 1, 2018	-	-	-316,007	-	-
Movement between groups	10	-	-9,967	-3,163	1,467
The year's depreciation	-9	-	-97,722	-9,331	-1,859
Impairment of vessels	-	-	-56,990	-	-
The year's disposal of accumulated depreciation	7	-	26,398	3,364	4,554
The year's disposal of accumulated impairment	-	-	48,858	-	-
Effect of exchange rate differences	1	-	3,749	223	39
<b>Accumulated depreciation on December 31, 2018</b>	<b>-39</b>	<b>-</b>	<b>-981,306</b>	<b>-32,274</b>	<b>-6,326</b>
<b>Net book value on December 31, 2018</b>	<b>248</b>	<b>-</b>	<b>1,436,779</b>	<b>13,561</b>	<b>5,046</b>

The balance of capitalized project costs relate to specific contracts. The costs are amortized over the term of the specific charter contracts. The vessels are divided into the following components and economical lives:

<b>Component</b>	<b>Percentage of total</b>	<b>Economic life</b>
Hull	27.00%	30 years
Cargo equipment	17.00%	30 years
Marine equipment	10.00%	15 years
Crew equipment	9.00%	15 years
Engine	18.00%	30 years
Engine system	6.00%	30 years
Combined sewerage system	13.00%	30 years
Docking		5 years
Equipment		3 years

<b>INTANGIBLE ASSETS</b>	<b>CONSOLIDATED</b>			
<i>(Amounts in USD 1,000)</i>	<b>Goodwill</b>	<b>Research and development</b>	<b>Trademarks and licences</b>	<b>Total</b>
Purchase cost on January 1, 2017	16,097	12,125	388	28,608
Investments	-	15	-	15
Effect of exchange rate differences	2,132	146	17	2,295
<b>Purchase cost on December 31, 2017</b>	<b>18,229</b>	<b>12,285</b>	<b>405</b>	<b>30,918</b>
Accumulated depreciation on January 1, 2017	-	-11,277	-354	-11,632
The year's ordinary depreciation	-	-370	145	-225
Effect of exchange rate differences	-	-135	-161	-296
<b>Accumulated depreciation on December 31, 2017</b>	<b>-</b>	<b>-11,782</b>	<b>-370</b>	<b>-12,152</b>
<b>Net book value on December 31, 2017</b>	<b>18,229</b>	<b>503</b>	<b>35</b>	<b>18,766</b>

# NOTES TO THE ACCOUNTS

## INTANGIBLE ASSETS

## CONSOLIDATED

<i>(Amounts in USD 1,000)</i>	Goodwill	Research and development	Trademarks and licences	Total
Purchase cost on January 1, 2018	18,229	12,285	404	30,918
The year's disposal at cost	-16,719	-12,285	-35	-29,039
Effect of exchange rate differences	-443	-	-	-443
<b>Purchase cost on December 31, 2018</b>	<b>1,067</b>	<b>-</b>	<b>369</b>	<b>1,436</b>
Accumulated depreciation on January 1, 2018	-	-5,077	-370	-5,447
Accumulated impairment on January 1, 2018	-	-6,705	-	-6,705
The year's impairment	-1,080	-	-	-1,080
The year's disposal of accumulated depreciation	-	5,077	-	5,077
The year's disposal of accumulated impairment	-	6,705	-	6,705
Effect of exchange rate differences	13	-	-	13
<b>Accumulated depreciation on December 31, 2018</b>	<b>-1,067</b>	<b>-</b>	<b>-370</b>	<b>-1,436</b>
<b>Net book value on December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Goodwill was mainly related to Siem Offshore Contractors, the shares in this company was sold in April 2018. The effects of the sale have been restated under Result from Discontinued Operations, see note 31. The goodwill booked in Secunda was impaired following an impairment testing. Trademarks and licences referred to Siem WIS AS' patented technology for the drilling industry. Siem WIS AS was sold in April 2018.

### Impairment vessels

Tangible and intangible assets with finite lives are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceed the recoverable amount. The Group performs an assessment to determine any indicators of impairment. An impairment loss is recognized if the carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCD) and value in use (VIU) and each vessel is considered a separate cash generating unit (CGU).

As of December 31, 2018, impairment indicators were identified for all OSV vessels, mainly due to lower freight rates. Based on this, impairment testing has been performed for all OSV vessels as of 31 December 2018.

### Value in use (VIU)

VIU is based on the present value of discounted cash flows for each separate CGU for its remaining life based on market views for future periods.

### Discount rate

The discount rate used in the value-in-use calculation is a real average cost of capital after tax ranging from 7.65%–9.81%.

### Operating expenses

Operational expenses that are directly attributable to the CGU are based on budget with an annual escalation as applicable. Dry-docking costs are included as scheduled.

### Fair value less cost of disposal

FVLCD (level 3) is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on an average of third party valuation reports from two independent ship brokers. The company understand that shipbrokers apply newbuilding price parity as basis for their appraisals. Newbuilding prices have been adjusted for building supervision costs and other additional costs, which results in an estimated delivered cost of a newbuilding with prompt delivery adjusted for age of each vessel.

### Impairment testing

Based on the assessment an impairment charge of USD 57.0 million has been recognized which represents a write down of OSV vessels to their recoverable amount. The recoverable amount was based on the higher of FVLCD and VIU calculation with each vessel as a separate cash generating unit. Impairment of USD 57.0 million is related to 15 vessels in the Group's fleet.

(Amounts in USD 1,000)

		2018	12/31/2018
Vessel	Valuation Method	Impairment recognized	Recoverable amount
PSV 1	VIU	17	5,650
PSV 2	VIU	657	5,650
PSV 3	VIU	207	5,650
PSV 4	VIU	3,166	35,312
AHTS 1	VIU	5,672	49,949
AHTS 2	VIU	5,672	49,949
AHTS 3	VIU	3,263	49,949
AHTS 4	VIU	5,339	49,949
AHTS 5	VIU	6,011	49,949
AHTS 6	VIU	1,490	45,192
AHTS 7	VIU	3,110	49,949
AHTS 8	VIU	6,517	49,949
AHTS 9	VIU	6,484	49,949
CAN 1	VIU	8,860	886
FCV 1	VIU	526	300
<b>Total</b>		<b>56,990</b>	<b>498,232</b>

### Sensitivities

Impairment of USD57.0 million was recognized as of December 31, 2018. The VIU calculation is mainly affected by changes in WACC and freight rate assumptions. The WACC used for vessels financed in USD was 8.31% (2017: 7.97%) and for the vessels financed in NOK the WACC was 7.65% (2017: 7.24%). The WACC used for vessels financed in USD in Brazil was 9.81% (2017: 9.51%).

A reduction of freight rate assumption of USD 1,000 per day for remaining life for each vessel would increase the impairment by approximately USD 49.1 million, applicable for 26 vessels. An increase in freight rate assumption of USD 1,000 per day would reduce the impairment by approximately USD 21.9 million, relevant for 12 of the vessels. With an increase in freight rate assumptions of USD 1,000 day, VIU would become higher than FVLCOD for certain vessels.

An increase in WACC of 0.5% would increase the total impairment by approximately USD28.0 million. A decrease in WACC of 0.5% would decrease the total impairment by approximately USD14.8 million related to only 12 of the vessels. With a decrease in WACC of 0.5%, VIU would become higher than FVLCOD for certain vessels.

# NOTES TO THE ACCOUNTS

## Note 6 – Investment in Subsidiaries

COMPANY (Amounts in USD 1,000)	Registered office	Ownership and voting share	Revenue	Net profit
Siem Offshore AS	Kristiansand, Norway	100%	8,931	1,779
Siem Offshore Invest AS	Kristiansand, Norway	100%	8,230	101,460
Siem Offshore Rederi AS	Kristiansand, Norway	100%	117,777	-21,300
Siem Offshore Construction Vessels AS	Kristiansand, Norway	100%	22,444	379
Siem Offshore do Brasil SA	Rio de Janeiro, Brazil	100%	35,984	-15,481
Siem Offshore US Inc.	Delaware, USA	100%	-	-3
Siem AHTS Pool AS	Kristiansand, Norway	78%	22,693	-103,208
DSND Subsea Ltd	London, England	100%	-	23
Siem Offshore Services AS	Kristiansand, Norway	100%	218	155
Siem Offshore Management AS	Kristiansand, Norway	100%	8,874	58
Siem Offshore Management (US) Inc	Texas, USA	100%	142	42
Siem Offshore US Holding AS	Kristiansand, Norway	100%	-	52
Siem Offshore Thiima AS	Kristiansand, Norway	100%	-	-4
Siem Offshore Crewing (CI) Inc	Cayman Islands	100%	269	213

### Total value recorded in the statement of financial position of the Parent Company

The above companies are owned by the Parent. In addition, the subsidiaries own the following companies:

COMPANY	Registered office	Share and voting rights
Consul Delaware LLC	Delaware, USA	100%
Aracaju Serviços Auxiliares Ltda	Rio de Janeiro, Brazil	100%
Siem Offshore Crewing AS	Kristiansand, Norway	100%
Siem Pilot DA	Kristiansand, Norway	100%
Siem Offshore Maritime Personnel AS	Kristiansand, Norway	100%
Siem Offshore Contractors EPS BV	Glimmen, The Netherlands	100%
Overseas Drilling Ltd	Groningen, The Netherlands	100%
Siem Offshore Canada Inc	Halifax, Canada	100%
Siem Offshore Poland Sp.z.O.O	Gdynia, Poland	100%
Siem Offshore Australia Pty Ltd	Perth, Australia	100%
Siem Real Estate GmbH	Leer, Germany	100%
Siem Offshore Ghana International AS	Kristiansand, Norway	100%
Siem Offshore LLC	Delaware, USA	100%
Secunda Holdings SLH	Halifax, Canada	100%
Siem AHTS Pool Australia PTY LTD	Perth, Australia	100%
Siem Offshore Crewing Australia PTY Ltd	Perth, Australia	100%

Siem WIS AS, Siem Offshore Contractors GmbH and Siem Offshore Contractors UK Ltd were sold in 2018.



Share capital	Book equity	Cost price	Book value	Minority share of net profit/(loss)	Minority share of net equity	Impairments made in 2018
35	8,935	8,943	8,943	-	-	-
898	138,958	97,408	77,408	-	-	-
6,175	164,945	310,500	182,500	-	-	45,000
4	-3,487	17,156	-	-	-	-
159,519	-40,147	135,978	-	-	-	30,610
-	5,285	-	-	-	-	-
139	132,275	275,825	204,825	-23,237	27,898	34,000
-	-192	18,352	-	-	-	-
18	605	6,286	1,219	-	-	-
17	2,211	7,246	2,546	-	-	-
1	314	1	1	-	-	-
5	139	961	961	-	-	-
4	-5	4	4	-	-	-
50	2,047	50	50	-	-	-
	<b>411,883</b>	<b>878,711</b>	<b>478,457</b>	<b>-23,237</b>	<b>27,898</b>	<b>109,610</b>



# NOTES TO THE ACCOUNTS

## Note 7 – Investment in Associated Companies

Figures for associated companies included in the consolidated accounts are based on the equity accounting.

December 31, 2018	CONSOLIDATED			
COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Siem Offshore Ghana Ltd	Total
<b>Profit and loss account</b>				
Operating revenues	5,710	447	-	6,156
Operating expenses	-4,710	-23	-14	-4,747
<b>EBITDA</b>	<b>999</b>	<b>424</b>	<b>-14</b>	<b>1,410</b>
Depreciation and Amortization	-74	-	-1	-75
<b>Operating profit (EBIT)</b>	<b>926</b>	<b>424</b>	<b>-15</b>	<b>1,335</b>
Net financial items	107	6	-	112
Taxes	-	-	-	-
<b>The year's net profit after tax</b>	<b>1,033</b>	<b>430</b>	<b>-15</b>	<b>1,448</b>
<b>This year's share of net profit after tax</b>	<b>427</b>	<b>178</b>	<b>-7</b>	<b>597</b>
<b>Statement of financial position</b>				
Non-current assets	168	-	5	173
Current assets	985	-	10	995
Cash	2,260	892	8	3,160
<b>Total assets</b>	<b>3,413</b>	<b>892</b>	<b>23</b>	<b>4,328</b>
Equity	3,240	872	-119	3,993
Current liabilities	174	20	142	336
<b>Total equity and liabilities</b>	<b>3,413</b>	<b>892</b>	<b>23</b>	<b>4,328</b>
<b>Siem Offshore's share of booked equity</b>	<b>1,339</b>	<b>360</b>	<b>-58</b>	<b>1,641</b>
<b>Added/reduced in the period</b>				
Adjustments IFRS and fair value in excess of book value for vessel and goodwill as of December 31	-1	-	58	57
<b>Net book value in Siem Offshore as of December 31</b>	<b>1,338</b>	<b>360</b>	<b>-</b>	<b>1,698</b>
<b>Ownership interest</b>	<b>41.3 %</b>	<b>41.3 %</b>	<b>49.0 %</b>	

December 31, 2018

CONSOLIDATED

COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Siem Offshore Ghana Ltd	Total
<b>Specification of changes net book value in Siem Offshore's accounts</b>				
Net book value as of January 1	993	542	-	1,535
This year's share of net profit/(loss)	427	178	-7	597
Adjustments	-	-360	-	-360
Effect of exchange rate differences	-82	-	7	-75
<b>Net book value as of December 31</b>	<b>1,338</b>	<b>360</b>	<b>-</b>	<b>1,698</b>

Of which:

Adjustments IFRS and fair value in excess of book value for vessel and goodwill as of January 1	-	338	56	394
Amortisation of fair value in excess of book value for vessels and goodwill	-	-338	-	-338
<b>Fair value in excess of book value for vessels and goodwill as of December 31 2018</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>56</b>

COMPANY NAME	Registered office	Consolidation	Voting rights	Paid in capital	Issued, not paid in capital
PR Tracer Offshore ANS	Kristiansand, Norway	Equity accounting	41.33%	1,633	-
KS Big Orange XVIII	Kristiansand, Norway	Equity accounting	41.33%	8	5
Siem Offshore Ghana Ltd	Accra, Ghana	Equity accounting	49.00%	200	-
<b>Total</b>				<b>1,840</b>	<b>5</b>

# NOTES TO THE ACCOUNTS

December 31, 2017

CONSOLIDATED

COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Rovde Ind.park AS	Siem Offshore Ghana Ltd	Total
<b>Profit and loss account</b>					
Operating revenues	6,436	461	-	-	6,897
Operating expenses	-4,509	-22	-	-114	-4,645
<b>EBITDA</b>	<b>1,927</b>	<b>439</b>	<b>-</b>	<b>-114</b>	<b>2,251</b>
Depreciation and Amortisation	-808	-	-	-	-808
<b>Operating profit (EBIT)</b>	<b>1,119</b>	<b>439</b>	<b>-</b>	<b>-114</b>	<b>1,443</b>
Net financial items	-24	6	-	-	-18
Taxes	-	-	-	-	-
<b>The year's net profit after tax</b>	<b>1,095</b>	<b>444</b>	<b>-</b>	<b>-114</b>	<b>1,425</b>
<b>Siem Offshore's share of net profit</b>	<b>453</b>	<b>184</b>	<b>-</b>	<b>-56</b>	<b>580</b>
<b>This year's share of net profit after tax</b>	<b>453</b>	<b>184</b>	<b>-</b>	<b>-56</b>	<b>580</b>
<b>Statement of financial position</b>					
Non-current assets	73	-	-	7	80
Current assets	698	-	-	6	704
Cash	1,631	513	-	1	2,145
<b>Total assets</b>	<b>2,403</b>	<b>513</b>	<b>-</b>	<b>14</b>	<b>2,930</b>
<b>Equity</b>	<b>2,403</b>	<b>496</b>	<b>-</b>	<b>-114</b>	<b>2,784</b>
Non-current liabilities	-	18	-	-	18
Current liabilities	-	-	-	128	128
<b>Total liabilities</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>128</b>	<b>146</b>
<b>Total equity and liabilities</b>	<b>2,403</b>	<b>513</b>	<b>-</b>	<b>14</b>	<b>2,930</b>
<b>Siem Offshore's share of booked equity</b>	<b>993</b>	<b>205</b>	<b>-</b>	<b>-56</b>	<b>1,142</b>
<b>Added/reduced in the period</b>					
Adjustments IFRS and fair value in excess of book value for vessels and gooswill as of December 31	-	338	-	56	394
<b>Net book value in Siem Offshore as of December 31</b>	<b>993</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>1,535</b>
<b>Ownership interest</b>	<b>41.3 %</b>	<b>41.3 %</b>	<b>-</b>	<b>49.0 %</b>	

December 31, 2017

CONSOLIDATED

COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Rovde Ind.park AS	Siem Offshore Ghana Ltd	Total
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**Specification of changes net book value in Siem Offshore's accounts**

Net book value as of January 1	1,503	782	432	-	2,717
This year's share of net profit/(loss)	453	184	-	-56	580
Adjustments consolidated accounts	-	-	-	56	56
Change of ownership% or sale	-	-	-432	-	-432
Dividends	-999	-450	-	-	-1,449
Effect of exchange rate differences	36	26	-	-	62
<b>Net book value as of December 31</b>	<b>993</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>1,535</b>

**Of which:**

Adjustments IFRS and fair value in excess of book value for vessels and goodwill as of January 1	-	314	-	56	370
Effect of exchange rate differences	-	24	-	-	24

<b>Fair value in excess of book value for vessels and goodwill as of December 31</b>	<b>-</b>	<b>338</b>	<b>-</b>	<b>56</b>	<b>394</b>
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COMPANY NAME	Registered office	Consolidation	Owner interest	Voting rights	Paid in capital	Issued, not paid in capital
PR Tracer Offshore ANS	Kristiansand, Norway	Equity accounting	41.33%	41.33%	1,633	-
KS Big Orange XVIII	Kristiansand, Norway	Equity accounting	41.33%	41.33%	8	5
Siem Offshore Ghana Ltd	Accra, Ghana	Equity accounting	49.00%	49.00%	200	-
<b>Total</b>					<b>1,840</b>	<b>5</b>

# NOTES TO THE ACCOUNTS

## Note 8 – Pension Costs and Obligations

	CONSOLIDATED	
(Amounts in USD 1,000)	2018	2017
<b>The amount recognized in the income statement is as follows:</b>		
Service cost	1,956	1,768
Interest expense	296	289
Expected return on plan assets	-225	-237
Administration cost	43	35
Social contribution	237	236
Impact of curtailment/settlement	-393	-180
<b>Net periodic pension cost (see Note 18)</b>	<b>1,914</b>	<b>1,911</b>

### The development in the defined benefit obligation is as follows:

At January 1	12,900	11,498
Current service cost	1,956	1,768
Interest expense	296	289
Benefits paid	-699	-417
Remeasurements loss/(gain)	-573	-835
Exchange differences	-1,242	597
<b>At December 31</b>	<b>12,638</b>	<b>12,900</b>

### The development in the fair value of plan assets is as follows:

At January 1	11,063	10,005
Expected return on plan assets	225	237
Employer's contribution	1,933	2,030
Benefits paid	-425	-416
Remeasurements loss/(gain)	-727	-1,302
Exchange differences	-1,141	509
<b>At December 31</b>	<b>10,928</b>	<b>11,063</b>



	CONSOLIDATED	
(Amounts in USD 1,000)	2018	2017
Present value of funded obligations	12,638	12,900
Fair value of plan assets	-10,928	-11,063
<b>Present value of funded obligations</b>	<b>1,710</b>	<b>1,837</b>
Present value of unfunded obligations	21	156
<b>Liability in the statement of financial position</b>	<b>1,731</b>	<b>1,993</b>

**Financial assumptions:**

Discount rate	2.60%	2.40%
Expected return on funds	2.60%	2.40%
Expected wage adjustment	2.75%	2.50%
Adjustment of the basic National Insurance amount	2.50%	2.25%
Expected pension increase	0.80%	0.50%
Number of employees in defined benefit scheme	318	338

# NOTES TO THE ACCOUNTS

## Note 9 – Receivables

PARENT COMPANY			CONSOLIDATED	
12/31/2018	12/31/2017	(Amounts in USD 1,000)	12/31/2018	12/31/2017
<b>Long-term receivables</b>				
4,185	4,418	Employee loans, see Note 18	4,185	4,418
76,522	69,570	Intercompany receivables	-	-
-	-	Contingent consideration related to the sale of SOC (4)	25,555	-
-	-	Standstill agreement with Customer (1)	-	677
-	-	Convertible loan to Customer (2)	-	4,734
-	-	Other long term receivables	4,330	4,097
<b>80,707</b>	<b>73,987</b>	<b>Total long-term receivables</b>	<b>34,069</b>	<b>13,927</b>
<b>Other short-term receivables</b>				
-	-	Prepaid expenses	24,118	26,886
-	-	Unbilled revenue	10,439	26,796
-	-	Outstanding insurance claims (3)	2,477	2,670
-	-	Prepaid income taxes and other taxes	2,748	1,589
-	-	VAT	-216	1,028
4,062	-	Receivables from related party	4,062	-
885	-	Intercompany receivables	-	-
-	-	Other short-term receivables	5,578	1,541
<b>4,947</b>	<b>-</b>	<b>Total other short-term receivables</b>	<b>49,206</b>	<b>60,510</b>

- (1) Standstill Agreement with Daya Materials Berhad regarding outstanding hire related to the vessels Siem Daya 1 & 2 to be subject to a moratorium payment period of two years. An impairment of USD 7.9 million was recorded in 2017. The remaining part of the receivable was impaired in 2018.
- (2) The Sale of "Daya1" was partly financed by Seller's credit from Siem Offshore Rederi AS in the form of a Convertible Bond with four years duration. Following an impairment test of the Convertible Bond, an impairment of USD 14.0 million was recorded in 2016 and an additional impairment of USD 11.1 million was recorded in 2017. The remaining part of the receivable was impaired in 2018.
- (3) Outstanding insurance claims refer to vessel's breakdown expenses qualifying for insurance reclaim. The amount is net of own deductibles.
- (4) In addition to the consideration received, a contingent consideration is payable based on the number of cables laid and vessel performance for the period 2019 to 2023. Management has estimated the possible outcome of these components and discounted the estimated cash

## Note 10 – Restricted Cash

USD14.0 million of the Company's cash balance at year-end were restricted funds of which USD1.2 million was for tax withholdings and USD12.8 million represented security for bank guarantees, loans and disputes.



## Note 11 – Taxes

		CONSOLIDATED	
(Amounts in USD 1,000)		2018	2017
<b>Temporary differences</b>			
<b>Deferred tax</b>	<b>Time frame</b>		
Participation in limited liability companies	Long	-2,701	-2,701
Operating assets	Long	-31,149	-26,726
Pension funds/obligations	Long	-1,811	-1,785
<b>Net temporary differences as of December 31</b>		<b>-35,661</b>	<b>-31,211</b>
Tax loss carried forward		-30,557	-30,557
<b>Basis for deferred tax (tax asset)</b>		<b>-66,218</b>	<b>-61,768</b>
Deferred tax (tax asset) Norway		-7,825	-8,060
Deferred tax (tax asset) Holland		-3,065	-3,065
<b>Deferred tax (tax asset)</b>		<b>-10,890</b>	<b>-11,125</b>
<b>Deferred tax asset recognized in statement of financial position as of December 31</b>		<b>-10,890</b>	<b>-11,125</b>

There are no tax assets in the Parent Company. Deferred tax assets are recognized as intangible assets as it is probable through prospective earnings that it can be utilized.

The Company is subject to taxes in several jurisdictions, where significant judgment is required in calculating the tax provision for the Company. There are several transactions for which the ultimate tax cost is uncertain and for which the Company makes provisions based on an assessment of internal estimates, tax treaties and tax regulations in countries of operation and appropriate external advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the tax charge in the period in which the outcome is determined.

The Company decided to exit the Norwegian Tonnage Tax regime effective 1 January 2015. Formally, the decision was made as part of filing of the 2015 corporate tax return. The decision was made to ensure that the Company is fully capable of complying with current legislation. Additionally, exiting the Norwegian Tonnage Tax regime will provide more flexibility to the Company. The Norwegian Tonnage tax Regime is a ring-fence regime which is not flexible with regards to which assets and activities that can be operated under the regime.

### Tonnage tax in subsidiaries

(Amounts in USD 1,000)		2018	2017
Tonnage tax regime in subsidiaries, as of January 1		-	5
Paid		-	-5
<b>Total tonnage tax in subsidiaries, as of December 31</b>		<b>-</b>	<b>-</b>

# NOTES TO THE ACCOUNTS

12/31/2018

Total tax liabilities			CONSOLIDATED
(Amounts in USD 1,000)	Tonnage tax regime	Other tax regime	Total tax liabilities
Long term tax liabilities falling due after 1 year	-	1,721	1,721
Payable taxes falling due within 1 year	-	4,295	4,295
<b>Tax liabilities</b>	<b>-</b>	<b>6,016</b>	<b>6,016</b>
Tax expense			2018
(Amounts in USD 1,000)	Tonnage tax regime	Other tax regime	Total tax expense
Taxes payable	-	-294	-294
Change in deferred tax/deferred tax asset	-	-294	-294
<b>Total</b>	<b>-</b>	<b>-588</b>	<b>-588</b>

12/31/2017

Total tax liabilities			CONSOLIDATED
(Amounts in USD 1,000)	Tonnage tax regime	Other tax regime	Total tax expense
Long term tax liabilities falling due after 1 year	-	1,142	1,142
Payable taxes falling due within 1 year	-	10,594	10,594
<b>Tax liabilities</b>	<b>-</b>	<b>11,736</b>	<b>11,736</b>
Tax expense			Restated*
(Amounts in USD 1,000)	Tonnage tax regime	Other tax regime	Total tax expense
Taxes payable	-	-1,666	-1,666
Change in deferred tax/deferred tax asset	-	-4	-4
<b>Total</b>	<b>-</b>	<b>-1,670</b>	<b>-1,670</b>

There is no tax amount related to the items under Other Comprehensive Income.

\* The 2017 amounts above are restated to present the discontinued operation related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie" separately. Please see note 31 for further details.

Total tax – other tax regime		PARENT COMPANY	
(Amounts in USD 1,000)		12/31/2018	12/31/2017
Payable taxes falling due within 1 year		-	20
<b>Tax liabilities</b>		<b>-</b>	<b>20</b>
Tax expense			
(Amounts in USD 1,000)		2018	2017
Taxes payable		1,078	-79
<b>Total</b>		<b>1,078</b>	<b>-79</b>

## Note 12 – Borrowings

Drawn amount - excluding CIRR				CONSOLIDATED		
(Amounts in USD 1,000)				2018	2017	
Secured	Current	Non-current	Total	Current	Non-current	Total
Bank Loans	103,900	854,892	958,792	92,442	1,047,958	1,140,400
Loans from related parties (1)	-	-	-	-	12,747	12,747
<b>Total secured borrowings</b>	<b>103,900</b>	<b>854,892</b>	<b>958,792</b>	<b>92,442</b>	<b>1,060,705</b>	<b>1,153,147</b>
Unsecured	Current	Non-current	Total	Current	Non-current	Total
Fixed rate notes / Bonds	-	82,236	82,236	-	-	-
Floating rate notes / Bonds	-	40,283	40,283	-	158,440	158,440
<b>Total unsecured borrowings</b>	<b>-</b>	<b>122,519</b>	<b>122,519</b>	<b>-</b>	<b>158,440</b>	<b>158,440</b>
<b>Total borrowings</b>	<b>103,900</b>	<b>977,410</b>	<b>1,081,310</b>	<b>92,442</b>	<b>1,219,145</b>	<b>1,311,587</b>
Fees and expenses	-	-6,422	-6,422	-	-8,588	-8,588
<b>Total borrowings incl. fees</b>	<b>103,900</b>	<b>970,988</b>	<b>1,074,888</b>	<b>92,442</b>	<b>1,210,557</b>	<b>1,302,999</b>

Fair value - excluding CIRR				CONSOLIDATED		
(Amounts in USD 1,000)				2018	2017	
Secured	Current	Non-current	Total	Current	Non-current	Total
Bank Loans	103,900	861,678	965,578	92,442	1,069,254	1,161,696
Loans from related parties (1)	-	-	-	-	12,747	12,747
<b>Total secured borrowings</b>	<b>103,900</b>	<b>861,678</b>	<b>965,578</b>	<b>92,442</b>	<b>1,082,001</b>	<b>1,174,443</b>
Unsecured	Current	Non-current	Total	Current	Non-current	Total
Fixed rate notes / Bonds	-	82,236	82,236	-	-	-
Floating rate notes / Bonds	-	40,283	40,283	-	158,440	158,440
<b>Total unsecured borrowings</b>	<b>-</b>	<b>122,519</b>	<b>122,519</b>	<b>-</b>	<b>158,440</b>	<b>158,440</b>
<b>Total borrowings</b>	<b>103,900</b>	<b>984,196</b>	<b>1,088,096</b>	<b>92,442</b>	<b>1,240,441</b>	<b>1,332,883</b>
Fees and expenses	-	-6,422	-6,422	-	-8,588	-8,588
<b>Total</b>	<b>103,900</b>	<b>977,774</b>	<b>1,081,674</b>	<b>92,442</b>	<b>1,231,853</b>	<b>1,324,295</b>

# NOTES TO THE ACCOUNTS

Drawn amount - excluding CIRR				PARENT COMPANY		
(Amounts in USD 1,000)				2018		
				2017		
Secured	Current	Non-current	Total	Current	Non-current	Total
Loans from related parties (1)	-	-	-	-	12,747	12,747
<b>Total secured borrowings</b>	-	-	-	-	<b>12,747</b>	<b>12,747</b>
Unsecured	Current	Non-current	Total	Current	Non-current	Total
Fixed rate notes / Bonds	-	82,236	82,236	-	-	-
Floating rate notes / Bonds	-	40,283	40,283	-	158,440	158,440
<b>Total unsecured borrowings</b>	-	<b>122,519</b>	<b>122,519</b>	-	<b>158,440</b>	<b>158,440</b>
<b>Total borrowings</b>	-	<b>122,519</b>	<b>122,519</b>	-	<b>171,187</b>	<b>171,187</b>
Fees and expenses	-	-5	-5	-	-92	-92
<b>Total borrowings incl. fees</b>	-	<b>122,514</b>	<b>122,514</b>	-	<b>171,095</b>	<b>171,095</b>

Fair value - excluding CIRR				PARENT COMPANY		
(Amounts in USD 1,000)				2018		
				2017		
Secured	Current	Non-current	Total	Current	Non-current	Total
Loans from related parties (1)	-	-	-	-	12,747	12,747
<b>Total secured borrowings</b>	-	-	-	-	<b>12,747</b>	<b>12,747</b>
Unsecured	Current	Non-current	Total	Current	Non-current	Total
Fixed rate notes / Bonds	-	82,236	82,236	-	-	-
Floating rate notes / Bonds	-	40,283	40,283	-	158,445	158,445
<b>Total unsecured borrowings</b>	-	<b>122,519</b>	<b>122,519</b>	-	<b>158,445</b>	<b>158,445</b>
<b>Total borrowings</b>	-	<b>122,519</b>	<b>122,519</b>	-	<b>171,192</b>	<b>171,192</b>
Fees and expenses	-	-5	- 5	-	-92	-92
<b>Total</b>	-	<b>122,514</b>	<b>122,514</b>	-	<b>171,100</b>	<b>171,100</b>

The Company has a portfolio of bank loans secured with mortgage in vessels. The creditors and guarantors are in general first class commercial banks and state-owned financial institutions with ratings on or above BBB- and AAA.

As of year end, the Company had issued two high-yield unsecured bonds of NOK350 million and NOK760 million respectively. The NOK760 million bond is a convertible bond. The Company has a call option at 120% of par value. The high-yield unsecured bonds are listed on Oslo Stock Exchange, have no amortization and mature in 2020 and 2023.

(1) At year-end the Company held a secured revolving credit facility with Siem Industries Inc at USD12 million. The credit facility remains undrawn at year-end.

Instalments falling due over the next 5 years - excluding CIRR			CONSOLIDATED
(Amounts in USD 1,000)			
	Mortgage debt	Other interest bearing debt	Total
2019	103,900	-	103,900
2020	107,292	40,283	147,575
2021	98,305	-	98,305
2022	288,492	-	288,492
2023	67,729	87,472	155,201
Thereafter	293,073	-	293,073
<b>Total</b>	<b>958,792</b>	<b>127,755</b>	<b>1,086,547</b>

Instalments falling due over the next 5 years - excluding CIRR			PARENT COMPANY
(Amounts in USD 1,000)			
	Mortgage debt	Other interest bearing debt	Total
2019	-	-	-
2020	-	40,283	40,283
2021	-	-	-
2022	-	-	-
2023	-	87,472	87,472
<b>Total</b>	<b>-</b>	<b>127,755</b>	<b>127,755</b>

The book value of mortgaged assets consist of non-current tangible assets and a portion of the accounts receivable that amounts to USD 1.4 billion at year end.

There are various financial covenants related to the Company's debt agreements. The main prevailing covenants are:

- Value adjusted book equity ratio in excess of 20%.
- USD50 million of freely available cash, bank deposit balance and undrawn credit facilities.
- Leverage and credit ratios.

The Company and Parent Company are in compliance with the financial covenants as per December 31, 2018.

## NOTES TO THE ACCOUNTS

PARENT COMPANY		CIRR Commitment	CONSOLIDATED	
12/31/2018	12/31/2017	(Amounts in USD 1,000)	12/31/2018	12/31/2017
4,869	10,311	Total CIRR loan commitment	68,730	65,346
4,869	10,311	CIRR loan drawn	68,730	65,346
-	-	<b>Net Commitment</b>	-	-

Prior to ordering vessels from Norwegian yards, the Company applied for fixed 12-year interest rate options related to the long-term financing of such vessels. The Company was granted such options for each of the relevant vessel by the Norwegian Export Credit Agency. The Company made certain sale of the right to exercise such options to a first class international bank (the "Bank"). Long-term loans drawn from the Norwegian Export Credit Agency are placed as corresponding deposits in the Bank as financial security for the loans drawn. Recognition of the gain, related to each option, is recorded over the term of any drawn loans. In relation to sale of a vessel in 2015, which had a fixed 12-year USD interest rate associated with its mortgage debt financing, the receipt from the sale equivalent to the amount and remaining term of the outstanding long-term loan from the Norwegian Export Credit Agency was placed on deposits in the Bank as financial security for the drawn loan at the date when the sale was concluded.

PARENT COMPANY		Unearned CIRR	CONSOLIDATED	
2018	2017	(Amounts in USD 1,000)	2018	2017
682	1,050	Beginning of the year	682	1,050
-368	-368	Recognized in the profit and loss account	-368	-368
<b>314</b>	<b>682</b>	<b>Net unearned CIRR as of December 31</b>	<b>314</b>	<b>682</b>

## Movements in net debt

	CONSOLIDATED	
(Amounts in USD 1,000)	12/31/2018	12/31/2017
Cash and cash equivalents	63,413	63,511
Borrowings, repayable within one year	-103,900	-92,442
Borrowings, repayable after one year	-970,988	-1,210,558
<b>Net debt</b>	<b>-1,011,475</b>	<b>-1,239,489</b>
Cash and cash equivalents	63,413	63,511
Gross debt - fixed interest rates	-408,995	-424,233
Gross debt - floating interest rates	-665,893	-878,766
<b>Net debt</b>	<b>-1,011,475</b>	<b>-1,239,489</b>

(Amounts in USD 1,000)	Cash and equivalents	Borrowings due within one year	Borrowings due after one year	Total
Net debt as at January 1, 2018	63,511	-92,442	-1,210,558	-1,239,488
Cash flows	617	-11,458	248,151	237,310
Foreign exchange adjustments	-715	-	-8,581	-9,296
<b>Net debt as at December 31, 2018</b>	<b>63,413</b>	<b>-103,900</b>	<b>-970,988</b>	<b>-1,011,475</b>

	PARENT COMPANY	
(Amounts in USD 1,000)	12/31/2018	12/31/2017
Cash and cash equivalents	163,302	203,832
Borrowings, repayable within one year	-	-
Borrowings, repayable after one year	-122,514	-171,095
<b>Net debt</b>	<b>40,788</b>	<b>32,737</b>
Cash and cash equivalents	163,302	203,832
Gross debt - fixed interest rates	-82,233	-55,705
Gross debt - floating interest rates	-40,282	-115,389
<b>Net debt</b>	<b>40,788</b>	<b>32,737</b>

(Amounts in USD 1,000)	Cash and equivalents	Borrowings due within one year	Borrowings due after one year	Total
Net debt as at January 1, 2018	203,832	-	-171,095	32,737
Cash flows	-32,676	-	54,851	22,175
Foreign exchange adjustments	-7,855	-	-6,271	-14,126
<b>Net debt as at December 31, 2018</b>	<b>163,302</b>	<b>-</b>	<b>-122,514</b>	<b>40,788</b>



# NOTES TO THE ACCOUNTS

## Note 13 - Other Current Liabilities

PARENT COMPANY			CONSOLIDATED	
12/31/2018	12/31/2017	(Amounts in USD 1,000)	12/31/2018	12/31/2017
-	-	Social security tax, etc.	2,385	3,004
-	-	Unearned income	4,642	16,894
1,289	1,498	Accrued interest	6,499	12,538
859	80	Other accrued cost, mainly regarding operating expenses vessels	19,404	7,086
-	-	Accrued expenses on long-term contracts	-	14,778
64,234	55,231	Intercompany liabilities	-	-
387	683	Other current liabilities	10,264	36,809
<b>66,769</b>	<b>57,491</b>	<b>Total other current liabilities</b>	<b>43,194</b>	<b>91,110</b>

Other accrued cost includes accrued commission and accruals for purchase orders.

Other current liabilities includes accrued salaries and incentive program, provision for operating expenses and other short term liabilities.

## Note 14 – Related Party Transactions

The Company's largest shareholder Siem Europe S.a r.l, with a holding of 83 %, and its Parent Company, Siem Industries Inc., are defined as a related parties.

The Company is obligated to Siem Industries Inc., for a fee of USD 250 for 2018 (2017 USD250). This fee is the remuneration for the services of two of the Board members. This fee also covers office in the Cayman Islands and administrative costs.

Details related to transactions, loans and remuneration to the executive Management and the board of directors are set out in Note 18. For the Parent, all subsidiaries listed in Note 6 are also defined as related parties.

For other related parties, the following transactions were carried out:

Sales of services	CONSOLIDATED	
(Amounts in USD 1,000)	2018	2017
Service to entity where director has ownership	15,891	23,570
<b>Total</b>	<b>15,891</b>	<b>23,570</b>

Above service is provided to companies in which a Board member has an interest. Kristian Siem is the Chairman of Siem Industries Inc., which is controlled by a trust whose potential beneficiaries include members of Kristian Siem's immediate family. Siem Industries holds an interest in Subsea 7. Siem Offshore Rederi AS, 100% owned by the Company and Siem AHTS Pool AS, 78% owned by the Company, have chartered vessels to Subsea 7 during 2018 and 2017.

The amounts for 2018 and 2017 also include management services and crew service to subsidiaries of Siem Europe S.a r.l. and to Subsea 7 companies.

<b>Purchase of service</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Service from related parties	-	2,394
Service from entity where director has ownership	351	933
<b>Total</b>	<b>351</b>	<b>3,327</b>

Services delivered from related parties for 2017 was mainly cost for technical management, corporate management and crew. The service was supported to Siem Meling Offshore DA, 51% owned by the Company, and was delivered by its partner in Siem Meling Offshore DA. The Company acquired the remaining 49% of Siem Meling Offshore DA from its partner in 2017, thus no services purchased from the partner in 2018.

Service from entity where director has ownership consist of service from the yard Flensburger Schiffbau GmbH and management fees from Siem Capital UK Ltd and Siem Kapital AS, all three 100% owned by Siem Europe S.a r.l.

<b>Sales of vessel</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Sale of vessel	111,249	19,581
Sale of shares	134,766	-
<b>Total</b>	<b>246,015</b>	<b>19,581</b>

First Half 2018 two large transactions were executed with Subsea 7 S.A. Siem Offshore Invest AS, 100% owned by the Company, sold 100% of the shares in the wholly owned subsidiary Siem Offshore Contractors GmbH, and Siem Offshore Rederi AS, 100% owned by the Company, sold two specialized vessels for renewable operations. For further information related to these transactions, please see Note 31.

During First Half 2017 Siem Offshore Invest AS, 100% owned by the Company, acquired 49% of Siem Meling Offshore DA (SMODA). Following the acquisition, Siem Offshore Rederi AS, 100% owned by the Company, owns 100% of SMODA. SMODA changed the name to Siem Pilot DA.

Prior to the purchase of the 49% of Siem Pilot DA, the vessel "Siddis Mariner" owned by Siem Pilot DA was sold to a company controlled by the previous partner in SMODA. These transactions were at arm's length.

<b>Balance sheet items following purchase and sale of service</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Accounts receivable	590	2,455
Accounts payable	73	261

<b>Loans to related parties</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Loan to associates</b>		
At January 1	43	153
Instalments	-43	-117
Interest charged	-	3
Interest received	-	-3
Exchange rate variations	-	7
<b>At December 31</b>	<b>-</b>	<b>43</b>

# NOTES TO THE ACCOUNTS

The company held a long-term loan to Rovde Industripark AS, which was owned 50% by Siem Offshore Invest AS until December 2017, when the shares were sold to the other shareholder of Rovde Industripark AS. The loan was repaid in 2018.

<b>Loans to related parties</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Short-term loan to related parties</b>		
At January 1	6,400	6,070
Drawings	6,823	-
Instalments	-2,823	-
Interest expenses	72	330
Interest paid	-10	-
Remission of debt	-6,400	-
<b>At December 31</b>	<b>4,062</b>	<b>6,400</b>

In 2015 the Company provided a short-term loan to Research Development & Financial Consultant Ltd. (RDFC). The borrower was the 49% owner of Siem Offshore Ghana International AS. A remission of debt agreement has been agreed in 2018 for 100% of the loan, as part of a share purchase agreement where Siem Offshore Rederi purchased the all of the shares owned by RDFC (49%) in Siem Offshore Ghana International AS.

Two new short-term loan have been provided to associated companies during 2018. Siem Oil Service Invest AS, 20% owned by Siem Europe S.a r.l., was provided with a short-term loan of USD 2,823 which also has been fully repaid during 2018. Siem OCV, 100% owned by Siem Europe S.a r.l. has ben provided with a loan of USD 4 million. All loans are at market terms of interest.

At year end 2017 a provision for 100% of outstanding loan to RDFC was made, but not reflected in the table above.

<b>Liability to related parties</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Long-term liability to related parties</b>		
At January 1	25,983	70,679
Drawings	6,989	13,954
Instalments	-12,746	-59,187
Interest expenses	1,241	1,668
Interest paid	-351	-1,179
Exchange rate variations	-	48
<b>At December 31</b>	<b>21,115</b>	<b>25,983</b>

## Long-term liability

The long-term liability consists of two facilities. The Company holds a long-term credit facility provided by Siem Industries Inc. Siem AHTS Pool AS has drawn a shareholder loan from the 22% shareholder Singa Star PTE LTD. The amount drawn under the facility provided by Siem Industries Inc. was repaid First Half 2018. The long-term loan facility which was drawn by Siem Pilot DA from its previous partner was repaid as part of the acquisition in 2017 when Siem Offshore Invest AS purchased 49% of the shares of Siem Pilot DA, ref. comments above.

The liability is at markets term of interest.

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**Following transactions with related parties were carried out for the Parent Company**

<b>Sales of service</b>	<b>PARENT COMPANY</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Service to subsidiaries	1,442	1,766
Service to associates	471	2,800
<b>Total</b>	<b>1,913</b>	<b>4,566</b>

<b>Purchase of service</b>	<b>PARENT</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Service to subsidiaries	5,216	5,480
Service to associates	-	-
<b>Total</b>	<b>5,216</b>	<b>5,480</b>

Sales to subsidiaries and associates consists of guarantee commissions to Siem Offshore Rederi AS, Siem Offshore Contractors GmbH and Secunda Canada LP.

Service from subsidiaries consists of administrative and corporate services provided by Siem Offshore Management AS.  
All terms used for above transactions are at arm's length.

<b>Year-end balance sheet items arising from sales and purchases</b>	<b>PARENT COMPANY</b>	
<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
<b>Receivables from related parties</b>		
Subsidiaries	586	2,223
Associates	298	179
<b>Total</b>	<b>885</b>	<b>2,402</b>
<b>Payables to related parties</b>		
Subsidiaries	64,234	2,660
Associates	-	-
<b>Total</b>	<b>64,234</b>	<b>2,660</b>

# NOTES TO THE ACCOUNTS

<b>Loans to related parties</b>	<b>PARENT COMPANY</b>	
	<b>2018</b>	<b>2017</b>
<i>(Amounts in USD 1,000)</i>		
<b>Long-term loan to subsidiaries</b>		
At January 1	69,570	55,732
Drawings	25,000	11,490
Interest charged	3,401	2,238
Provision for bad debt	-21,316	-
Exchange rate variations	-133	110
<b>At December 31</b>	<b>76,522</b>	<b>69,570</b>

The long-term loan to subsidiaries on 31 December 2018, is with Siem Offshore do Brasil SA and Siem AHTS Pool AS. Provision for 100% of outstanding amount for the long-term loan to Siem Offshore do Brasil SA (USD 21,316) has been made and is reflected above.

All loans are at market terms of interest.

<b>Current loan to related parties</b>	<b>PARENT COMPANY</b>	
	<b>2018</b>	<b>2017</b>
<i>(Amounts in USD 1,000)</i>		
At January 1	7,797	7,417
Drawings	6,823	-
Instalments	-2,823	-
Interest charged	136	380
Interest received	-10	-
Remission of debt	-6,400	-
Provision for bad debt	-1,462	-
<b>At December 31</b>	<b>4,061</b>	<b>7,797</b>

The short-term loan to related parties at January 1st 2018 is held against Siem Offshore do Brasil SA and Research Developement & Financial Consultant Ltd. (RDFC). RDFC was the 49% owner of Siem Offshore Ghana International AS. A remission of debt agreement has been agreed in 2018 for 100% of the loan, as part of a share purchase agreement where Siem Offshore Rederi purchased the 49% shareholding held by RDFC in Siem Offshore Ghana International AS.

Provision for 100% of the outstanding loan towards Siem Offshore do Brasil SA (USD 1,462) is made at year-end and is reflected in the overview above.

Two new short-term loans have been provided to associated companies in 2018. Siem Oil Service Invest AS, 20% owned by Siem Europe S.a r.l., was provided with a short-term loan of USD 2,823 which also has been fully repaid in 2018. Siem OCV, 100% owned by Siem Europe S.a r.l. has ben provided with a loan of USD 4 million. All loans are on market terms of interest.

The short-term loan to related parties on 31 December 2017, is held against Siem Offshore do Brasil SA and Research Developement & Financial Consultant Ltd. (RDFC). Provision for 100% of the outstanding loan to RDFC has been made at year-end and is reflected in the above figures.

All loans are at market terms of interest.

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**Non-current liability to related parties****PARENT COMPANY***(Amounts in USD 1,000)***2018****2017**

At January 1	12,746	60,000
Drawings	-	10,744
Instalments	-12,746	-57,997
Interest charged	351	1,164
Interest paid	-351	-1,164
<b>At December 31</b>	<b>-</b>	<b>12,746</b>

The revolving credit facility is provided by Siem Industries Inc. and was fully repaid in 2018.  
The liability is at market terms of interest.







## Note 15 – Derivative Financial Instruments – Assets (Liabilities)

PARENT COMPANY					CONSOLIDATED			
12/31/2018		12/31/2017		(Amounts in USD 1,000)	12/31/2018		12/31/2017	
Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities
-	2,727	-	-	Derivatives related to the Senior Unsecured Convertible Bond Issue 2018/2023	-	2,727	-	-
-	-	-	-	Forward currency contracts - cash flow hedges	157	745	-	187
-	-	-	-	Interest rate swaps	2,993	372	1,521	-
-	-	-	-	Cross currency swaps	-	14,373	1,417	9,375
-	2,727	-	-	<b>Total derivative financial instruments</b>	<b>3,150</b>	<b>18,216</b>	<b>2,938</b>	<b>9,562</b>

### Derivatives related to the Senior Unsecured Convertible Bond Issue 2018/2023

The Parent Company raised a NOK760 million unsecured convertible bond in May 2018. Embedded in the bond loan is a call option and a conversion right. These are closely related, and are accounted for as a net liability as per December 31, 2018. The liability component and the embedded derivatives were initially recognized at their fair value. The liability component is subsequently stated at amortized cost, while the embedded derivatives are market to market at each balance sheet date, with changes to the fair value recognized in the statement of comprehensive income within finance cost/income.

### Forward currency contracts:

The nominal principal amount of the outstanding forward currency contracts on 31 December 2018 was USD 25.1 million (2017: 3.9 million) of which USD 20.5 million refers to USD/NOK contracts, and USD 4.6 million refers to EUR/USD contracts. The forward currency contracts have been entered into in order to hedge revenues and operating expenses in other currencies than USD.

### Currency options:

The group has no currency option contracts at year-end.

For further information regarding profit and loss effect on forward currency contracts and currency options, please see Note 27.

### Interest rate swaps:

The nominal amounts of the outstanding interest rate swaps contracts on 31 December 2018 were USD 140.0 million (2017: USD 140.0 million). All swaps convert floating interest rate on debt to fixed interest rate. At 31 December 2018, the fixed rates vary from 1.75% to 3.15%. The floating rate leg of the interest rate swaps is 3 month USD LIBOR. Gains and losses are recognized in the profit and loss under financial expenses.

### Cross currency swaps:

Outstanding amount 31 December 2018 is USD 95.4 million (2017: 113.6 million). Cross currency swaps have been entered into in order to hedge both interest and principal payments on long-term debt financings denominated in other currencies than USD.

# NOTES TO THE ACCOUNTS

## Note 16 – Guarantees

PARENT COMPANY			CONSOLIDATED	
12/31/2018	12/31/2017	(Amounts in USD 1,000)	12/31/2018	12/31/2017
-	-	Guarantees related to tax-disputes, Brazil	10,672	9,958
-	56,477	Contractual guarantees Submarine Power Cable segment	-	56,477
1,086,548	1,298,614	Guarantees for debt in subsidiaries	-	-
<b>1,086,548</b>	<b>1,355,091</b>	<b>Total guarantees</b>	<b>10,672</b>	<b>66,435</b>

Guarantees related to disputes and ongoing tax-cases have been raised per request from Brazilian tax-authorities.

Guarantees given by the Submarine Power Cable segment were in favour of Siem Offshore Contractors GmbH's clients as security for advance payments received and for contractual obligations. The SOC business has been sold.

Contractual guarantees provided by Parent are security to clients of Siem Offshore Contractors GmbH.

## Note 17 – Operating Expenses

PARENT COMPANY			CONSOLIDATED <i>Restated*</i>	
2018	2017	(Amounts in USD 1,000)	2018	2017
-	-	Vessel crew expenses	105,863	102,762
-	-	Other vessel operating expenses	62,712	50,605
7,025	6,762	General and administration	24,105	28,369
<b>7,025</b>	<b>6,762</b>	<b>Total operating expenses</b>	<b>192,680</b>	<b>181,736</b>

\* The 2017 amounts above have been restated to present the discontinued operations related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie".

## Note 18 – Salaries and Wages, Number of Employees

			CONSOLIDATED <i>Restated*</i>	
(Amounts in USD 1,000)			2018	2017
<b>Personnel expenses (1)</b>				
Salaries and wages			73,193	79,123
Government grants - net wages arrangement in Norway			-3,711	-4,017
Payroll tax			5,787	8,083
Pension costs, see Note 8			3,284	1,688
Other benefit			12,293	9,252
<b>Total personnel expenses</b>			<b>90,846</b>	<b>94,130</b>

\* The 2017 amounts above are restated to present the discontinued operation related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie" separately. Please see note 31 for further details.

(1) Personnel expenses include vessel crew expenses and part of general and administrative expenses, see Note 17.

Government grants is a special Norwegian seaman payroll and tax refund scheme given to Norwegian shipping companies.

The average number of employees in the Company was 1,258 for 2018 (2017: 1,230), including onshore and offshore employees. No employees are employed in the Parent Company.

**Payroll registered to the executive management:**

<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Salary and other short term compensation	1,861	1,811
<b>Total</b>	<b>1,861</b>	<b>1,811</b>

Employees included in the above payroll in 2018 were five (2017: five).

Corporate management salaries and other benefits are presented in the table below:

<b>Name</b>	<b>Salary paid</b>	<b>Pension premium</b>	<b>Other benefits</b>	<b>Share options held</b>
<b>2018</b>				
CEO Bernt Omdal	478.7	30.2	4.1	2,400,000
CFO Dagfinn B. Lie	384.9	24.5	9.2	2,400,000
COO Tore Lillestø	311.8	22.5	4.2	-
CHRO Tore B. Johannessen	284.6	33.3	5.8	2,400,000
Chartering Dir. Andreas Hageli	239.3	24.3	3.7	-
<b>2017</b>				
CEO/CCO Bernt Omdal 1)	378.2	29.6	4.7	2,400,000
CEO Idar Hillersøy 1)	389.4	22.1	2.8	-
CFO Dagfinn B. Lie	309.8	24.5	9.4	2,400,000
COO Tore Lillestø 2)	232.0	22.3	4.0	-
CHRO Tore B. Johannessen	342.9	33.4	6.3	2,400,000

1) Bernt Omdal replaced Idar Hillersøy as CEO with effect from May 2017.

2) Tore Lillestø was appointed as COO with effect from May 2017.

# NOTES TO THE ACCOUNTS

The Board of Directors of Siem Offshore Inc. has authorized the award of two programs of Share Options to three key employees of the Company. The total cost for the two programs is USD 34 for 2018 (USD 221 for 2017). See Note 30 for more information.

## Loan to executive management (1)

<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Balance January 1	982	971
Capitalized interest	11	11
<b>Balance December 31</b>	<b>993</b>	<b>982</b>

(1) Share loan: The loans are repayable by the employee when the employee's shares in the company are realized or if the employee leaves the Company. Total share loans to employees amounts to USD 1.0 million and are secured by pledges in relevant shares.

The Remuneration paid to the Board of Directors in 2018 was USD 455 (2017: USD 455).

## Auditor's remuneration

<b>PARENT COMPANY</b>			<b>CONSOLIDATED</b>	
<b>2018</b>	<b>2017</b>	<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
84	64	Audit Fee	437	445
35	1	Audit Fee Other	41	89
137	48	Tax/Legal Assistance	144	56
-	-	Other consultants, Fees	62	48
<b>256</b>	<b>113</b>	<b>Total auditor's remuneration</b>	<b>684</b>	<b>638</b>

## Note 19 – Leases

The Company has entered into various operating leases for office premises, office machines and communication satellite equipment for the vessels. The lease period for the lease agreements varies and most of the leases contain an option for extension.

The lease costs were as follows:

<b>PARENT COMPANY</b>			<b>CONSOLIDATED</b>	
<b>2018</b>	<b>2017</b>	<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
-	-	Annual lease payment on operational leases	2,077	2,674

\* The 2017 amounts above have been restated to present the discontinued operations related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie".

As of 31 December 2018, the Company had commitments relating to lease agreements which fall due as follows:

<b>PARENT COMPANY</b> <i>(Amounts in USD 1,000)</i>	<b>Fall due</b>	<b>CONSOLIDATED</b>
-	2019	2,179
-	2020	2,159
-	2021 and thereafter	5,329
-	<b>Total</b>	<b>9,666</b>

Net present value of future commitments relating to lease agreements are calculated to be USD8,030 for the Company. There are no lease agreements for the Parent. The interest rate in the calculation of net present value is ranging from 3-13% depending on the base currency and the length of leasing agreement.

#### ESTIMATED EFFECT BY IMPLEMENTATION OF IFRS 16

<i>(Amounts in USD 1,000)</i>	<b>Estimated value balance sheet as per 01.01.2019</b>	<b>Estimated value Income Statements 2019</b>
Right of use assets	8,030	N/A
Lease liability	8,030	N/A
Amortization	N/A	1,863
Interest	N/A	540
Lease cost (negative amount)	N/A	-2,179

#### Operating Leases as Lessor of vessels:

The table below shows future minimum lease payments for vessels fixed on operational leases (in total 22 Time Charter contracts and 2 Bare Boat contracts as of December 31, 2018). For the Time Charter contracts, the service element related to operations of the vessels (crewing, maintenance etc.) is also included in the amounts presented below. Optional periods are not included in the amounts below.

<b>PARENT COMPANY</b> <i>(Amounts in USD 1,000)</i>			<b>CONSOLIDATED</b>	
<b>2018</b>	<b>2017</b>	<b>Fall due</b>	<b>2018</b>	<b>2017</b>
-	-	Within 1 year	204,586	214,460
-	-	1 to 5 years	463,588	540,280
-	-	After 5 years	19,766	74,411
-	-	<b>Total</b>	<b>687,940</b>	<b>829,151</b>

# NOTES TO THE ACCOUNTS

## Note 20 – Financial Items

PARENT COMPANY			CONSOLIDATED <i>Restated*</i>	
2018	2017	(Amounts in USD 1,000)	2018	2017
<b>Financial income</b>				
8,406	5,097	Interest income	15,397	7,391
29,484	-	Other financial income	28,077	71
<b>37,890</b>	<b>5,097</b>	<b>Total financial income</b>	<b>43,474</b>	<b>7,462</b>
<b>Financial expenses</b>				
-9,243	-10,784	Interest expenses	-57,747	-54,242
-132,388	-225,029	Impairment of shares and receivables from subsidiaries	-	-
-123	-6,477	Other financial expenses	-5,397	-12,139
<b>-141,754</b>	<b>-242,290</b>	<b>Total financial expenses</b>	<b>-63,144</b>	<b>-66,381</b>
<b>Other financial items</b>				
7,154	-2,108	Net currency gain/(loss)	-7,530	-15,427
<b>7,154</b>	<b>-2,108</b>	<b>Total currency gain/(loss)</b>	<b>-7,530</b>	<b>-15,427</b>

\* The 2017 amounts above are restated to present the discontinued operation related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie" separately. Please see note 31 for further details.

The financial income includes a gain from the amended agreement with the bondholders of Siem Offshore Inc. Senior Unsecured Bond Issue 2013/2018 ("SIOFF01") and Siem Offshore Inc. Senior Unsecured Bond Issue 2014/2019 ("SIOFF02") of USD23.6 million.

Net currency gain/(loss) includes an unrealized loss of USD 0.1 related to intercompany transactions.

The net currency gain/(loss) for the Parent of USD7,154 includes an intercompany realized currency loss of USD385.

The weighted average cost of debt for the Company was approximately 4.3% at 31 December 2018, including the effect of fixed interest rate swap agreements.

## Note 21 – Earnings/(loss) per Share

(Amounts in USD 1,000)	2018	2017
Weighted average number of shares outstanding (1,000)	942,021	894,624
Weighted average number of shares diluted (1,000)	949,221	894,624
<b>Result attributable to shareholders</b>	<b>15,951</b>	<b>-164,324</b>
<b>Earnings/(loss) per share attributable to equity shareholders</b>	<b>0.02</b>	<b>-0.18</b>
<b>Earnings/(loss) per share diluted attributable to equity shareholders</b>	<b>0.02</b>	<b>-0.18</b>

Share Option programs to executive management, see notes 18 and 30.

## Note 22 – Contracts in Progress

	CONSOLIDATED	
	Recognized 2018	Accumulated per 12/31/2018
<i>(Amounts in USD 1,000)</i>		
Revenue	12,553	-
Cost	15,442	-
<b>Total</b>	<b>-2,890</b>	<b>-</b>

The business of Siem Offshore Contractors GmbH was sold 10 April 2018. The revenues and cost related to this business have been restated to Results from Discontinued Operations. See note 31.

	Recognized 2017	Accumulated per 12/31/2017
<i>(Amounts in USD 1,000)</i>		
Revenue	84,309	370,883
Cost	49,381	284,526
<b>Total</b>	<b>34,928</b>	<b>86,357</b>

Assets / liabilities	December 31 2017			
	Prepaid project cost	Unearned revenue	Accrued project cost	Unbilled revenue
Revenue	-	10,488	-	18,520
Cost	1,710	-	7,540	-
<b>Total</b>	<b>1,710</b>	<b>10,488</b>	<b>7,540</b>	<b>18,520</b>

- Contracts in progress refer to activity within the Submarine Power Cable Installation Segment, see Note 4.
- The business of Siem Offshore Contractors GmbH was sold in 2018. The revenues and cost recognized for the owning period in 2018 have been reclassified to result from Discontinued Operations, see note 31.
- There are no contracts in progress in the Parent.
- See note 2.9 for analysis of sensitivity.



# NOTES TO THE ACCOUNTS

## Note 23 – Asset Held for Sale

(Amounts in USD 1,000)	CONSOLIDATED	
	2018	2017
Net book value per January 1	-	1,099
Moved from Fixed asset	16,950	-
The year's disposal at cost	-	-1,099
<b>Net book value on December 31</b>	<b>16,950</b>	<b>-</b>

### 2018

The net book value for the vessels "Siem Sasha", "Siem Louisa" and "Sophie Siem" was transferred from fixed asset to asset held for sale in December 2018. The sale of these three PSV vessels was concluded 26 February 2019.

### 2017

The net book value for the vessel "Siem Supplier" was transferred from fixed assets to asset held for sale in December 2016. The sale of the PSV "Siem Supplier" was concluded in Q1 2017.

## Note 24 – Other Gain/(Loss) on Sale of Assets

			Restated*	
PARENT COMPANY			CONSOLIDATED	
2018	2017	(Amounts in USD 1,000)	2018	2017
-	-	Gain/(loss) on sale of assets, net	249	13
-	-	<b>Total</b>	<b>249</b>	<b>13</b>

### 2018

The net gain for the Company on sale of assets of USD 0.05 million is from the sale of an accommodation module, one car and other equipment.

### 2017

The net gain for the Company on sale of assets of USD 0.01 million is from the sale of a living unit, 3 cars and other equipment.

\* The 2017 amounts above are restated to present the discontinued operation related to the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie" separately. Please see note 31 for further details.

## Note 25 – Listing of the 20 Largest Shareholders as of December 31, 2018

SHAREHOLDER	NUMBER OF SHARES	OWNER INTEREST
SIEM EUROPE S.A R.L	782,094,365	83.02%
ACE CROWN INTERNATIONAL LIMITED	95,565,454	10.14%
ROY TORVILD MOSVOLD	15,500,000	1.65%
EGD CAPITAL AS	6,000,000	0.64%
TERJE SØRENSEN	4,404,442	0.47%
MERRILL LYNCH, PIERCE, FENNER & SM	3,717,644	0.39%
ROVDEFRAKT AS	2,550,000	0.27%
UBS SWITZERLAND AG	1,682,955	0.18%
TONGA INVEST AS	1,678,050	0.18%
DG-INVEST AS	1,538,161	0.16%
SVEIN ERIK MYKLAND	1,350,000	0.14%
FORSVARETS PERSONELLSERVICE	953,976	0.10%
CORTEX AS	952,000	0.10%
OPSAHL	863,687	0.09%
OSLOKANALEN AS	850,000	0.09%
LARS BRUUN	699,656	0.07%
MACAMA AS	529,704	0.06%
BARRUS CAPITAL AS	515,697	0.05%
LEROLI AS	500,000	0.05%
KEBI AS	500,000	0.05%
<b>Total 20 largest shareholders</b>	<b>922,445,791</b>	<b>97.92%</b>
Other shareholders	19,575,589	2.08%
<b>Total number of outstanding shares</b>	<b>942,021,380</b>	<b>100.00%</b>

Siem Europe S.a r.l. is the main shareholder of Siem Offshore Inc. and is controlled by a trust whose potential beneficiaries include members of Kristian Siem's immediate family. Kristian Siem, who is a Director of the Company, is also the Chairman of Siem Industries Inc., who is the Parent Company of Siem Europe S.a r.l.

## NOTES TO THE ACCOUNTS

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### Note 26 – Subsequent Events

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- Completed the sale and delivery of the three PSVs, "Siem Sasha", "Siem Louisa" and "Sophie Siem". The vessels were sold at book values. The net result from the sale was nil.
- Agreed a 90-day contract with a 50-day option for each of two AHTS vessels with commencement in June 2019.
- Agreed one contract for well-supply-duties for the PSV "Siem Symphony" with commencement in February 2019.
- Reached an agreement with the financing banks of the subsidiary, "Siem AHTS Pool AS", for a revised repayment schedule for a 12-months period.

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### Note 27 – Gain/(Loss) on Currency Derivative Contracts

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PARENT COMPANY			CONSOLIDATED	
2018	2017	(Amounts in USD 1,000)	2018	2017
-	-	Unrealized gain/(loss)	-7,413	350
-60	-	Realized gain/(loss)	-932	-614
<b>-60</b>	<b>-</b>	<b>Total</b>	<b>-8,344</b>	<b>-264</b>

Further details related to the currency derivative contracts are set out in Note 15.

## Note 28 – Financial Instruments by Category

Below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments.

CONSOLIDATED			
(Amounts in USD 1,000) December 31, 2018	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>Assets as per statement of financial position</b>			
Derivative financial instruments	-	3,150	3,150
Accounts receivable	37,544	-	37,544
Other short term receivables	25,088	-	25,088
CIRR Loan deposits	68,730	-	68,730
Long term receivables	34,069	-	34,069
Cash and cash equivalents	63,413	-	63,413
<b>Total</b>	<b>228,844</b>	<b>3,150</b>	<b>231,994</b>

Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to USD 26,866, see Note 9.

CONSOLIDATED			
(Amounts in USD 1,000) December 31, 2018	Liabilities at fair value through the profit or loss	Other financial liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Accounts payable	-	13,945	13,945
Borrowings	-	1,074,888	1,074,888
CIRR Loans	-	68,730	68,730
Other non-current liabilities	-	53,150	53,150
Other current liabilities	-	43,194	43,194
Adjustments for liabilities that do not qualify as a financial instrument	-	-14,774	-14,774
Derivative financial instruments	18,216	-	18,216
<b>Total</b>	<b>18,216</b>	<b>1,239,133</b>	<b>1,257,349</b>

Non-financial liabilities do not qualify as a financial instrument and are not included in above amount. Excluded liabilities amount to USD 14,774 consisting of USD 4,596 in Taxes Payable, USD 1,731 in Pension Liability, USD 2,385 in Social Security Payable, USD 1,419 in Tax Liability and USD 4,641 in Unearned Income. See Note 13 for information about Social Security Payable and Unearned Income.

# NOTES TO THE ACCOUNTS

## CONSOLIDATED

<i>(Amounts in USD 1,000)</i> <b>December 31, 2017</b>	<b>Loans and receivables</b>	<b>Assets at fair value through the profit and loss</b>	<b>Total</b>
<b>Assets as per statement of financial position</b>			
Derivative financial instruments	-	2,938	2,938
Accounts receivable	53,830	-	53,830
Other short term receivables	33,624	-	33,624
CIRR Loan deposits	65,346	-	65,346
Long term receivables	13,927	-	13,927
Cash and cash equivalents	63,511	-	63,511
<b>Total</b>	<b>230,237</b>	<b>2,938</b>	<b>233,176</b>

Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to USD 26,886, see Note 9.

## CONSOLIDATED

<i>(Amounts in USD 1,000)</i> <b>December 31, 2017</b>	<b>Liabilities at fair value through the profit or loss</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>Liabilities as per statement of financial position</b>			
Accounts payable	-	21,110	21,110
Borrowings	-	1,302,999	1,302,999
CIRR Loans	-	65,346	65,346
Other non-current liabilities	-	66,926	66,926
Other current liabilities	-	91,110	91,110
Adjustments for liabilities that do not qualify as a financial instrument (1)	-	-33,604	-33,604
Derivative financial instruments	9,562	-	9,562
<b>Total</b>	<b>9,562</b>	<b>1,513,887</b>	<b>1,523,449</b>

(1) Non-financial liabilities do not qualify as a financial instrument and are not included in above amount. Excluded liabilities amount to USD 33,603 consisting of USD 11,735 in Taxes Payable, USD 1,993 in Pension Liability, USD 3,004 in Social Security Payable and USD 16,894 in Unearned Income. See Note 13 for information about Social Security Payable and Unearned Income.

## PARENT COMPANY

<i>(Amounts in USD 1,000)</i> <b>December 31, 2018</b>	<b>Loans and receivables</b>	<b>Assets at fair value through the profit and loss</b>	<b>Total</b>
<b>Assets as per statement of financial position</b>			
Trade and other instruments (1)	90,626	-	90,626
Cash and cash equivalents	163,302	-	163,302
<b>Total</b>	<b>253,928</b>	<b>-</b>	<b>253,928</b>

(1) Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to nil. See Note 9.

PARENT COMPANY			
(Amounts in USD 1,000)	Liabilities at fair value	Other financial	
December 31, 2018	through the profit and loss	liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Borrowings falling due after 1 year	-	122,514	122,514
Accounts payable	-	136	136
CIRR Loan	-	4,869	4,869
Other non-current liabilities	-	6,716	6,716
Derivatives	2,727	-	2,727
Other current liabilities	-	66,769	66,769
<b>Total</b>	<b>2,727</b>	<b>201,004</b>	<b>203,731</b>

PARENT COMPANY			
(Amounts in USD 1,000)	Loans and	Assets at fair value	
December 31, 2017	receivables	through the profit and loss	Total
<b>Assets as per statement of financial position</b>			
Trade and other instruments (1)	84,298	-	84,298
Cash and cash equivalents	203,832	-	203,832
<b>Total</b>	<b>288,130</b>	<b>-</b>	<b>288,130</b>

(1) Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to nil. See Note 9.

PARENT COMPANY			
(Amounts in USD 1,000)	Liabilities at fair value	Other financial	
December 31, 2017	through the profit and loss	liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Borrowings falling due after 1 year	-	171,095	171,095
Accounts payable	-	16	16
CIRR Loan	-	10,311	10,311
Other current liabilities	-	57,491	57,491
<b>Total</b>	<b>-</b>	<b>238,913</b>	<b>238,913</b>

## Note 29 – Inventories

PARENT COMPANY			CONSOLIDATED	
2018	2017	(Amounts in USD 1,000)	2018	2017
-	-	Fuel	1,223	2,613
-	-	Spareparts	3,767	4,259
-	-	<b>Total inventories</b>	<b>4,990</b>	<b>6,873</b>

## Note 30 – Share-based Payments

The Company has entered into two Share option agreements with selected employees. On January 13, 2013, the Company entered into a Share option agreement as follows:

The Board of Directors of Siem Offshore Inc. has authorized the award of 14,000,000 share options to eight key employees of the Company. The exercise price is NOK 8.45 per share.

The exercise price of the granted options is equal to the market price of the shares on the date of the grant.

The Options can be exercised as follows:

### 2014

20% of the total number beginning on January 18, 2014.

### 2015

40% of the total number beginning on January 18, 2015, less any options previously issued.

### 2016

60% of the total number beginning on January 18, 2016, less any options previously issued.

### 2017

80% of the total number beginning on January 18, 2017, less any options previously issued.

### 2018

100% of the total number beginning on June 18, 2018, less any options previously issued. The exercise period shall in no event be later than the date falling 10 years after the award date. The Company has no legal or constructive obligation to repurchase or settle the options in cash. No options were exercised during 2017 or 2018.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was nil per option.

The significant inputs into the model were weighted average share price of NOK 8.45 at the grant date, exercise price of NOK 8.45, volatility of 61%, dividend yield of 0%, an expected option life of 10 years and an annual risk-free interest rate of 2.76% (2.38%).

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

See note 18 for the total expense recognized in the income statement for share options granted to certain employees.

Value of employee services as per December 31, 2018 are recognized under Retained earnings at USD 5 thousand.

On April 2, 2014, the Company entered into a Share option agreement with selected employees.

The Board of Directors of Siem Offshore Inc. has authorized the award of 3,000,000 share options to ten key employees of the Company. The exercise price is NOK 9.07 per share.

The exercise price of the granted options is equal to the market price of the shares on the date of the grant.

The Options can be exercised as follows:

### 2017

60% of the total number beginning on April 2, 2017, less any options previously issued.

### 2018

80% of the total number beginning on April 2, 2018, less any options previously issued.

### 2019

100% of the total number beginning on April 2, 2019, less any options previously issued.

The exercise period shall in no event be later than the date falling 10 years after the award date.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was nil per option.

The significant inputs into the model were weighted average share price of NOK 9.07 at the grant date, exercise price of NOK 9.07, volatility of 61%, dividend yield of 0%, an expected option life of 10 years and an annual risk-free interest rate of 2.76% (2.38%).

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

Value of employee services as per December 31, 2018 are recognized under Retained earnings at USD 29 thousand.

Since the share option programs were awarded, seven members of the option programs have left the Company. See note 18 for the total expense recognized in the income statement for share options granted to certain employees.

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	Excercise price per share option, NOK (*weighted average)	Options outstanding
At 1 January 2015	8,56*	17,000,000
Forfeited		-7,200,000
<b>At 31 December 2015</b>	<b>8,56*</b>	<b>9,800,000</b>
At 1 January 2016	8,56*	9,800,000
<b>At 31 December 2016</b>	<b>8,56*</b>	<b>9,800,000</b>
At 1 January 2017	8,56*	9,800,000
Forfeited	8,56*	-1,200,000
<b>At 31 December 2017</b>	<b>8,56*</b>	<b>8,600,000</b>
At 1 January 2018	8,56*	8,600,000
Forfeited	8,56*	-1,400,000
<b>At 31 December 2018</b>	<b>8,56*</b>	<b>7,200,000</b>

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# NOTES TO THE ACCOUNTS

## Note 31 – Discontinued operations

On March 1, 2018 the Company announced that it had entered into an agreement with a subsidiary of Subsea 7 S.A to sell all its shares in Siem Offshore Contractors GmbH ("SOC") subject to German competition clearance. Simultaneously, the Company also announced that it had agreed to sell the cable lay vessel "Siem Aimery" and the installation support vessel "Siem Moxie" to a company in the Subsea 7 Group. The Company and Subsea 7 are related parties.

On April 11, 2018, the Company announced that the transaction had been completed. Financial information relating to the discontinued operations for 2017 and 2018 is set out below. The discontinued operations include SOC, "Siem Aimery" and "Siem Moxie" and the gain from the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie".

### FINANCIAL PERFORMANCE

<i>(Amounts in USD 1,000)</i>	<b>2018</b>	<b>2017</b>
Operating revenues	14,490	108,398
Operating expenses	-14,981	-80,676
<b>Operating margin</b>	<b>-492</b>	<b>27,722</b>
Depreciation and amortization	-1,991	-8,432
Impairment of vessels	-	-14,688
Gain (loss) on sales of assets	12	33
<b>Operating profit</b>	<b>-2,471</b>	<b>4,635</b>
Financial income	282	1,225
Financial expenses	-3,924	-3,268
Net currency gain (loss)	-167	135
<b>Net financial items</b>	<b>-3,810</b>	<b>-1,909</b>
<b>Profit/(loss) before taxes</b>	<b>-6,280</b>	<b>2,726</b>
Tax benefit / (expense)	-	-7,418
<b>Profit/(loss) after taxes from discontinued operations</b>	<b>-6,280</b>	<b>-4,691</b>
Gain on sale of subsidiary and vessels	93,045	-
<b>Net profit/(loss) from discontinued operations</b>	<b>86,765</b>	<b>-4,691</b>

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**DETAILS ON SALE OF SUBSIDIARY AND VESSELS***(Amounts in USD 1,000)*

<b>Consideration:</b>	<b>Total</b>
Cash	172,812
Non-cash	46,802
Contingent consideration	26,401
<b>Total consideration</b>	<b>246,016</b>
Book value of assets sold	-152,971
<b>Net gain on sale</b>	<b>93,045</b>

**ASSETS AND LIABILITIES RELATED TO DISCONTINUED OPERATIONS***(Amounts in USD 1,000)*

	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Assets related to discontinued operations</b>		
Vessels and equipment	-	115,353
Investment in associates and other long-term receivables	-	1,599
Deferred tax asset	-	152
Intangible assets	-	17,085
Debtors, prepayments and other current assets	-	31,275
Cash and cash equivalents	-	17,726
<b>Total assets related to discontinued operations</b>	<b>-</b>	<b>183,189</b>

*(Amounts in USD 1,000)*

	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Liabilities related to discontinued operations</b>		
Non-current Borrowings	-	60,474
Other non-current liabilities	-	21,479
Current Borrowings	-	6,146
Accounts payable and other current liabilities	-	49,600
<b>Liabilities related to discontinued operations</b>	<b>-</b>	<b>137,699</b>

## CORPORATE SOCIAL RESPONSIBILITY

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**As a company incorporated in the Cayman Islands,** Siem Offshore Inc. ("The Company") is an exempted company duly incorporated under the laws of the Cayman Islands and subject to Cayman Islands' laws and regulations with respect to corporate governance.

**C**ayman Islands Corporate Law is to a great extent based on English Law. In addition, due to the Company being a Norwegian Tax Resident, the Norwegian Accounting law applies to The Company. According to the Norwegian Accounting Act §3-3c The Company should provide a statement on social responsibility. The statement should include which actions are taken by The Company to integrate human rights, employee's rights and social conditions, external environment and the fight against corruption in its business strategies, daily operations and in relation to its interested parties.

The Board of Directors has reviewed this statement. It is the opinion of the Board of Directors that The Company complies with regulations in the Norwegian Accounting law with respect to Social Responsibility reporting.

### Code of Business Conduct

The Company has established a Code of Conduct policy expressing its non-tolerance on corruption as well as dealing with ethical principles of the Company. The Company is fully committed to perform its business with integrity and transparency throughout its global operations. As stated in the Code of Conduct Policy it is the policy of the Company to conduct its business in accordance with all applicable laws and regulations and in an ethically responsible manner.

Protection of health, safety and the prevention of pollution to the environment are primary goals of The Company. All of our employees and representatives must conduct their duties and responsibilities in compliance with The Company's policy on Health, Safety and Environment, applicable law and industry standards relating to health and safety in the workplace and prevention of pollution to the environment.

The Company has implemented policies and control procedures



Siem Sapphire. Photo by Tom Eirik Haug

to ensure that only proper transactions are entered into by The Company, that such transactions have proper management approval, that such transactions are properly accounted for in the books and records of The Company, and the reports and financial statements of The Company are prepared in a timely manner, understandable and fully, fairly and accurately reflect such transactions.

The Company observes fair employment practices in every aspect of its business.

The Company conducts its business with honesty and integrity and competes fairly and ethically within the framework of the law. The Company expects that all of its business partners have the same approach to business dealing.

## **Improper payments**

The Code of Conduct does also include policies on improper payments. The Company does not tolerate any actions or payments which could be viewed as improper payments.

No gift, hospitality or travel benefit may be offered to or requested or accepted from any third party if that benefit could be seen to be disproportionately generous or otherwise be seen as something which may induce or make the recipient feel obliged to reciprocate by way of improperly performing his or her function.

The Company and its directors, officers and employees will not accept any gift, hospitality or travel benefit either directly or indirectly from business partners, against making commitment, recommending or promoting a certain conduct or position by The Company or otherwise seek to gain personal benefit in relation to The Company's business dealings.

Likewise, the Company does not itself offer inducements to anyone associated with business partners to promote a certain conduct or position by such business partner.

The Company and any of its people shall not pay money or provide gifts, entertainment, hospitality or any other thing or service of value to any Government Official. This prohibition extends to payments to consultants, agents or other intermediaries when the payer knows or has reason to believe that some part of the payment will be used to bribe or otherwise influence a public official.

Political contributions are not authorized.

## **Corporate Social Responsibility**

The Company respects and promotes harmonious working relationship with the local communities where it operates, but refrains

from participating in local politics. The Company seeks to foster a sustainable business for its many stakeholders.

The Company is fully committed to comply with local laws and regulations throughout its global operations.

The Company is committed to employ local staff where applicable and possible in all countries where it is operating and conducting business. The Company is committed to providing equal opportunity and fair treatment to all individuals on the basis of merit, without discrimination on the grounds of race, colour, religion, national origin, sex, pregnancy, age, disability, marital status or other characteristics protected by applicable law.

The Company is dedicated in creating a high-quality working environment under which its people respect and trust each other such that everyone acts in an honest, friendly and proactive way with a responsible attitude and high moral standards. The Company prohibits bullying and harassment in any form including sexual, racial, ethnic and other forms of harassment.

The Company has made donations to the Norwegian Salvation Army, Redningsselskapet and the street magazine "Klar".

The Company supports the work of Norwegian Church Abroad, a non-profit organization with a commission from the Parliament to serve Norwegians abroad. 29 churches serve as social and cultural meeting places for around 700,000 people annually. In addition, seven chaplains cover around 80 countries visiting Norwegian communities and students.



To the General Meeting of Siem Offshore Inc.

## **Independent Auditor's Report**

### **Opinion**

We have audited the financial statements of Siem Offshore Inc., which comprise:

- The financial statements of the parent company Siem Offshore Inc. (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, comprehensive income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Siem Offshore Inc. and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, the income statement, comprehensive income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### **Basis for Opinion**

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the first half of 2018 the Company sold its subsidiary Siem Offshore Contractors GmbH along with two vessels. The transaction involved the estimation of contingent consideration which has been included as a key audit matter. Following the sale, contract revenue using the percentage-of-completion method is no longer considered a key audit matter. During the year, the Company completed a bond refinancing which has been included as a key audit matter. Impairment assessment

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



of vessels involves nearly the same complexity and risk as last year and remains a key audit matter for 2018.

Key Audit Matter	How our audit addressed the Key Audit Matter
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*Impairment assessment vessels*

Refer to note 3 (critical accounting estimates and judgment) and note 5 (vessels, equipment, project cost and intangible assets), where management give further detail and explain their impairment testing.

As of December 31, 2018, the Group owns or operates Offshore Support Vessels ("OSV") with a combined carrying amount of USD 1,445 million, which constitutes approximately 83% of total asset values.

Impairment indicators were considered present as of December 31, 2018 as OSV freight rates have been at historically low levels during 2018. During 2018, the Group recognized an impairment of the vessels of USD 57 million.

We focused on this area due to the significant carrying value of the vessels and the judgement inherent in the impairment review. Management made judgements on the discounted future cash flow forecasts in the value in use model and certain key inputs including discount rate, future freight rates and terminal values of the vessels.

The fair value less costs of disposal is determined by management based on external broker valuations. We concentrated some of our audit effort on understanding how the brokers arrived at the estimate for the fair value and the judgement management made regarding the costs to sell.

We note that impairment assessment is sensitive to any changes to the assumptions above.

We evaluated and challenged managements' impairment assessment and the process by which this was performed. We assessed managements accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met. We also satisfied ourselves regarding the consistency year on year of the application of the accounting policy.

In order to assess each of the assumptions in management's value in use forecast, we interviewed management and challenged their assessments. For certain key assumptions we specifically used;

- External market data to assess the assumptions used to build the discount rate. We considered that the discount rate used was within an appropriate range. We checked the consistency of the use of the discount rate against all vessels and ensured the mathematical accuracy of its application in the value in use calculations.
- Current and historical external market data to corroborate the freight rates used by management. We challenged management on their assessment of market rates, including expected timing and extent of increase in charter rates. Further, we tested the freight rates used by management for reasonableness by comparing these rates with historical average rates. We also corroborated managements' assessment with external market reports where possible. We considered that freight rates used by management were within an appropriate range.

In order to assess the estimates for fair value less costs of disposal, management compiled broker valuation certificates for the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. In order to assess this we corroborated that under the terms of the bank lending facilities, specific brokers are identified as being approved for use, for purposes of minimum value clause



covenant reporting. Management used brokers from this approved list. We obtained an understanding of how selected brokers estimated fair value for the vessels. We also satisfied ourselves that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. No matters of consequence arose from the procedures above.

We evaluated the appropriateness of the related disclosures and satisfied ourselves that the disclosures appropriately explained the valuation.

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*Estimate of contingent consideration*

On April 11, 2018 the Group completed the sale of Siem Offshore Contractors GmbH (SOC) and two cable-lay vessels. The sale of the combined operations have been accounted for in accordance with IFRS 5.

The consideration received by the Group included a contingent element based on future performance of SOC and the two vessels. The contingent consideration was estimated to USD 26 million.

We focused on this area due to the materiality, the level of judgment needed by management to arrive at the estimate, and the inherent uncertainty in this estimate.

Refer to note 3 to the financial statements for a description of estimation uncertainty and note 31 for a description of the transaction.

We obtained and understood the sale and purchase agreement. We used our understanding to challenge management's overall application of IFRS 5 to account for the transaction and their expectations of future performance of the assets sold. We assessed the appropriateness of the discount rate used by comparing the key assumptions used to relevant internal sources and external sources where possible. We found this to be within an acceptable range. Furthermore, we corroborated the carrying amount of contingent consideration against what was recorded in the financial statements of the buyer. Our procedures did not uncover material deviations.

Finally, we considered management's disclosures and found these to be in accordance with the relevant requirements.

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*Refinancing of bonds*

In the first half of 2018, the Group completed a full refinancing of one senior unsecured bond and a part refinancing on a second unsecured bond. The refinanced bonds were combined into one convertible bond.

For accounting purposes, the refinancing was considered by management to involve extinguishment of the existing bonds. The

We obtained and understood the amended agreements with the bondholders and assessed whether the refinancing should be regarded as an extinguishment in relation to IFRS 9. We found management's assessment of extinguishment to be appropriate.

Furthermore, we assessed the terms of the new bondholder agreements in relation to haircut, bondholder's conversion option and issuer's call option. We satisfied ourselves that the gain recorded on





refinancing involved a haircut of 20% of par value and a reduced interest rate. Further, the new convertible bonds include both a conversion right for the bond holders and a call option for the Group as issuer. The Group recognised a gain of USD 23.6 million on extinguishment of the existing bonds. The gain is presented as financial income.

The conversion right and the call option are embedded derivatives and have been split from the bonds and recognised separately at fair value. The fair value was estimated based on the Black-Scholes option pricing model.

We focused on this area due to the general complexity of the refinancing, the materiality of the gain recorded on extinguishment of the existing bonds and the judgement used to estimate the value of the conversion right and call option.

Refer to note 15 to the financial statements for a description of the embedded derivatives and note 20 for a description of the gain on extinguishment of the existing bonds.

extinguishment was accurately calculated. Also, we verified input to the Black-Scholes option pricing estimates against external data. In total, our procedures did not identify material deviations.

Finally, we evaluated the appropriateness of the related disclosures and satisfied ourselves that the disclosures were appropriate.

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#### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.





In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 12 April 2019

**PricewaterhouseCoopers AS**

A handwritten signature in blue ink, appearing to read "Bjørn Lund", with a horizontal line extending to the right.

Bjørn Lund

State Authorised Public Accountant

## RESPONSIBILITY STATEMENT

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We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

12 April 2019

**Eystein Eriksrud**

Chairman  
(Sign.)

**Kristian Siem**

Director  
(Sign.)

**John C. Wallace**

Director  
(Sign.)

**Michael Delouche**

Director  
(Sign.)

**Alexander Monnas**

Director  
(Sign.)

**Bernt Omdal**

Chief Executive Officer  
(Sign.)

## BOARD OF DIRECTORS

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The Company has a Board of five Directors. Members of the Company's management are not members of the Board, but the Company's management does attend Board meetings.

### **Eystein Eriksrud (born 1970), Chairman**

Mr. Eriksrud joined the Board of Directors of Siem Offshore in May 2010 and became Chairman in May 2012. Mr. Eriksrud is the Deputy CEO of the Siem Industries Group. Prior to joining Siem Industries in October 2011, Mr. Eriksrud was a partner in the Norwegian law firm Wiersholm from 2005, working as a business lawyer, particularly in the shipping, offshore and oil service sectors. Mr. Eriksrud was Group Company Secretary of the Kvaerner Group from 2000–2002 and served as Group General Counsel of the Siem Industries Group from 2002–2005. He is a candidate of jurisprudence from the University of Oslo. Mr. Eriksrud is the Chairman of Flensburger Schiffbau-Gesellschaft mbH & Co. KG and Electromagnetic Geoservices ASA and a Director of Subsea 7 SA and a director of several subsidiaries in the Siem Industries Group. Mr. Eriksrud is a Norwegian citizen.

### **Kristian Siem (born 1949), Board Member**

Mr. Siem is Chairman of Siem Industries Inc., Subsea 7 SA and Siem Shipping Inc. and is a Director of Siem Offshore Inc. and Frupor S.A. Mr. Siem has an extensive knowledge of the offshore oil and gas services business worldwide from previous senior executive and non-executive roles combined with long-standing experience as chairman of public companies listed in the USA, UK and Norway. Mr. Siem is the founder of the Siem Industries Group and has been Director and Chairman of Siem Industries since 1982. Prior to joining the Group, he held several management positions with the Fred. Olsen Group in the US and Norway. Mr. Siem has previously held directorships at Kvaerner ASA, Transocean Inc. and Norwegian Cruise Line. He holds a degree in Business Economics. Mr. Siem is a Norwegian citizen.

### **Michael Delouche (born 1957), Board Member**

Mr. Delouche is the president and the secretary of Siem Industries Inc. and is in charge of the Company's operations at the head office in George Town, Cayman Islands. He is a director of Siem Shipping Inc. Mr. Delouche received degrees in civil engineering (structural) and business and was previously an audit manager with KPMG Peat Marwick LLP. He is a member of the Audit Committee for Siem Offshore Inc. Mr. Delouche is a US citizen.

### **John C. Wallace (born 1938), Board Member**

John C. Wallace is a Chartered Accountant having qualified with PricewaterhouseCoopers in Canada in 1963, after which he joined Baring Brothers & Co., Limited in London, England. Prior to his retirement in 2010, he served for over twenty-five years as Chairman of Fred Olsen Ltd., a London-based corporation that he joined in 1968 and which specializes in the business of shipping, renewable energy and property development. He received his B. Comm. degree majoring in Accounting and Economics from McGill University in 1959. In November 2004, he successfully completed the International Uniform Certified Public Accountant Qualification Examination and has received a CPA Certificate from the State of Illinois. Mr. Wallace also retired from the board of directors of Bonheur ASA, Oslo, a publicly-traded shipping company with interests in offshore energy services and renewable energy. He was a Director of Callon Petroleum Co, USA where he was Chairman of the Audit Committee. Mr. Wallace is also a member of the Audit Committee for Siem Offshore Inc. He was inducted as a 2011 Industry Pioneer by the Offshore Energy Centre in Houston. Mr. Wallace is a Canadian citizen.

### **Alexander Monnas (born 1951), Board Member**

Mr. Monnas is a non-executive advisor to Daiwa Capital Markets Europe Ltd., and attends the Board Risk Committee and the Audit Committee. Mr. Monnas is also an advisor on investment and financial matters in Geneva, and on the board of a private trust company. He is a board member of Siem Offshore Inc. Mr. Monnas has spent over 40 years in the commercial and investment banking industries, specializing in financial markets. He was CEO of Daiwa Securities' European operations from 1994 to 2001, and was a board member of Veripos Inc. from 2012 to 2014. He has a degree in Chemistry. Mr. Monnas is a British citizen.

# FINANCIAL CALENDAR 2019

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Siem Offshore Inc. will release financial figures on the following dates in 2019:

<b>Q1 2019</b>	Monday 13 May
<b>Q2 2019</b>	Friday 23 August
<b>Q3 2019</b>	Thursday 31 October

The Annual General Meeting of the Company will be held on Friday 10 May 2019.



**Siem Offshore Inc**

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