

SIEM OFFSHORE INC.
REPORT FOR THE SECOND QUARTER AND FIRST HALF 2018



23 August 2018 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the second quarter and first half ended 30 June 2018.

SELECTED FINANCIAL INFORMATION

<i>(Amounts in USD millions)</i>	2018	2017	2018	2017	2017
	2Q	2Q*	1H	1H*	Fiscal*
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	82.7	78.9	148.6	148.6	306.9
Operating margin	29.1	32.0	51.2	56.5	125.2
Operating margin, %	35 %	41 %	34 %	38 %	41 %
Operating profit (loss)	(6.5)	(65.3)	(10.2)	(72.1)	(123.9)
Profit (loss) before taxes	0.2	(87.3)	(29.7)	(107.4)	(197.7)
Net profit (loss) from continuing operations	0.1	(87.8)	(29.3)	(108.3)	(199.4)
Net profit (loss) from discontinued operations	90.3	0.1	87.2	2.8	(4.7)
Net profit (loss)	90.4	(87.6)	57.9	(105.5)	(204.0)
Net profit (loss) attributable to shareholders	93.7	(71.4)	66.7	(85.0)	(164.3)

* The 2Q 2017, First Half 2017 and Fiscal Year 2017 amounts above have been restated to present the discontinued operations related to the sale of Siem Offshore Contractors GmbH and the reclassification of the vessels “Siem Aimery” and “Siem Moxie” separately. Please see note 9 for further details.

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.

SUBSEQUENT EVENTS

- In preparation for a prolonged downturn in the offshore supply market, agreement was reached with our banks for a revised Finance Plan.
- Secunda Canada LP, a wholly owned subsidiary of Siem Offshore Inc., sold the PSV "Scotian Sea"(built 1997). The Company recorded an impairment of USD 9.1 million related to the sale.

MARKET AND OUTLOOK

The North Sea offshore support vessel market showed continued weakness in the second quarter. Our expectation for the North Sea spot market for the quarter was not met due to lack of drilling campaigns and rig moves.

AHTS and PSV fleets continue to suffer from oversupply on a world-wide basis. Offshore construction vessels have experienced an improved utilization for the period, but at soft day rates.

We believe that the market rates will remain volatile and generally at low levels in second half 2018. Owners will need to scrap older, less efficient vessels and put more vessels into lay-up in order to balance the supply and demand for offshore supply vessels.

The timing of a significant sustainable improvement in utilization and rates remains uncertain and this situation will continue to place financial pressure on owners and lenders.

RISKS AND GOING CONCERN

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 USD70 per barrel over time would 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 thus depressing charter rates and vessel utilizations. The imbalance between supply and demand for offshore vessels is expected to remain for several years and will continue to put pressure on the charter rates and our cashflow.

The Finance Plan 2017

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

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, Brazilian vessels and the two Helix vessels) with a cash sweep mechanism, and an easing of certain debt covenant requirements for the next 4.5 years.

Also, the Company agreed with its bondholders in SIOFF02 to exchange their bonds into a 5½ year convertible bond at 80% of par value, a fixed interest at 2.75% and a conversion price at NOK 3.00 per share. The Company has 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.

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

RESULTS AND FINANCE

Income Statements (2Q 2018 over 2Q 2017)

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.

Operating revenues were USD82.7 million (2017: USD78.9 million). The operating margin was USD29.1 million (2017: USD32.0 million) and the operating margin as a percentage of revenues was 35% (2017: 41 %). The increase in revenues from 2Q 2017 is mainly due to higher revenues from the AHTS segment. Administration expenses were USD5.8 million (2017: USD7.2 million).

Operating profit/(loss) was USD(6.5) million (2017: USD(65.3) million) after depreciation and amortisation expenses of USD27.3 million (2017: USD29.3 million) and after impairment of certain vessels of USD9.4 million (2017: USD67.1 million). The net currency exchange gains/(loss) of USD1.0 million (2017: USD(0.9) million) were recorded on currency derivative contracts of which USD0.5 million was an unrealised gain/(loss) (2017: USD(0.5) million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD6.5 million (2017: USD(22.2) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(5.5) million (2017: USD(8.2) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial income includes a gain from the amended agreement with the bondholders of SIOFF01 and SIOFF02 of USD23.6 million. The financial expenses of USD17.8 million included a net unrealised gain/(loss) of USD0.2 million for interest swap-agreements which are entered to hedge long-term interest rate exposure on floating rate borrowings.

Net profit/(loss) from discontinued operations was USD90.3 million (2017: USD0.1 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 future is highly dependent on SOC performance in the period 2019 to 2023

The net profit/(loss) attributable to shareholders was USD93.7 million (2017: USD(71.4) million), or USD0.10 per share (2017: USD(0.08) per share).

Income Statements (1H 2018 over 1H 2017)

The figures below related to previous reporting periods have been restated to present the discontinued operations separately.

Operating revenues were USD148.6 million (2017: USD148.6 million). The operating margin was USD51.2 million (2017: USD56.5 million) and the operating margin as a percentage of revenues was 34% (2017: 38%). Administration expenses were USD11.9 million (2017: USD13.8 million).

Operating profit/(loss) was USD(10.2) million (2017: USD(72.1) million) after depreciation and amortisation expenses of USD55.5 million (2017: USD60.3 million) and after impairment of certain vessels of USD9.4 million (2017: USD67.2 million). The net currency exchange gains/(loss) of USD3.0 million (2017: USD(1.2) million) were recorded on currency derivative contracts of which USD2.7 million was an unrealised gain/(loss) (2017: USD(0.5) million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(19.7) million (2017: USD(35.6) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(20.0) million (2017: USD(8.5) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial income includes a gain from the amended agreement with the bondholders of SIOFF01 and SIOFF02 of USD23.6 million. The financial expenses of USD33.6 million included a net unrealised gain/(loss) of USD0.1 million for interest swap-agreements which are entered to hedge long-term interest rate exposure on floating rate borrowings.

Tax benefit of USD0.4 million includes a USD0.6 million tax refund from a foreign jurisdiction related to prior year's taxation.

Net profit/(loss) from discontinued operations was USD87.2 million (2017: USD2.8 million). The profit includes an estimate for a contingent consideration from the sale of SOC of USD26.4 million.

The net profit/(loss) attributable to shareholders was USD66.7 million (2017: USD(85.0) million), or USD0.07 per share (2017: USD(0.10) per share).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD498 million at 30 June 2018 (31 December 2017: USD426 million), equivalent to USD0.53 per share (2017: USD0.45 per share). Net cash flow from operations for the first half 2018 was USD(4.7) million and the cash position at 30 June 2018 was USD89.8 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.1 billion. The Company made principal repayments of USD141.5 million.

The weighted average cost of debt for the Company was approximately 4.1% p.a. at 30 June 2018, including the effect of fixed interest rate swap agreements.

The share capital is USD9,420,214 representing a total of 942,021,380 shares with a nominal value of USD0.01 per share.

Health, Safety, Environment & Quality (HSEQ)

The Company did not experience any serious injuries or discharges to sea in the second quarter of 2018. There has been an increase in number of reported safety observations and near-misses. We believe this is the result of a good and assertive focus from management and crews on the importance of good reporting culture. High-focus areas in the third quarter will be General Safety mind-set campaigns and sharing of knowledge throughout the fleet.

The Fleet

At 30 June 2018, the fleet totalled 41 vessels (2017: 44 vessels), including partly-owned vessels. Four vessels were in lay-up at the end of the quarter.

Results for the Second Quarter 2018

Platform Supply Vessels (PSVs)

The Company had eleven PSVs in the fleet at the end of the quarter (2017: eleven). These PSVs recorded operating revenues of USD14.1 million and had 94% utilisation excluding vessels in lay-up (2017: USD15.1 million and 76%). The operating margin before administration expenses for these PSVs was USD6.1 million (2017: USD6.4 million) and the operating margin as a percentage of revenues was 43% (2017: 42%).

Two vessels were in lay-up at the end of the quarter.

Offshore Subsea Construction Vessels (OSCVs) and Well Intervention Vessels (WIVs)

The Company had five OSCVs and two WIVs at the end of the quarter (2017: five OSCVs and two WIVs). The OSCVs and WIVs earned operating revenues of USD32.9 million and had 99% utilisation (2017: USD31.9 million and 97%). The operating margin before administration expense was USD19.9 million (2017: USD21.8 million) and the operating margin as a percentage of revenues was 60% (2017: 68%).

Anchor Handling Tug Supply (AHTS) Vessels

The Company had ten AHTS vessels at the end of the quarter (2017: ten). The AHTS fleet earned operating revenues of USD15.4 million based on 70% utilisation excluding vessels in lay-up (2017: USD10.0 million and 48%). The operating margin before administration expense was USD0.4 million (2017: USD(2.7) million) and the operating margin as a percentage of revenues was 2% (2017:(27 %)).

One vessels was in lay-up at the end of the quarter.

Other Vessels

The Company had a fleet of six smaller Brazilian-flagged vessels (fast supply vessels, crew vessels and oil-spill recovery vessels) at the end of the quarter (2017: six). One vessel was in lay-up at the end of the quarter. The remaining five vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD5.4 million and had 99% utilisation excluding vessels in lay-up (2017: USD7.0 million and 100%). The operating margin before administration expense for the fleet was USD2.1 million (2017: USD2.1 million) and the operating margin as a percentage of revenues was 40% (2017: 55%).

The Company had a Canadian-owned fleet of five offshore support vessels operating offshore Canada. The fleet earned operating revenues of USD7.2 million and had 79% utilisation (2017: USD8.6 million and 91%). The operating margin before administration expenses for the fleet was USD3.5 million (2017: USD4.7 million) and the operating margin as a percentage of revenues was 48% (2017: 55%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit/(loss) of USD0.2 million (2017: USD0.2 million). These results are recorded in accordance with the equity method.

The 100%- ownership in the scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD7.0 million (2017: USD6.7 million) and an operating margin before administration expenses of USD4.3 million (2017: USD3.8 million). The operating margin as a percentage of revenue was 61% (2017: 57%).

Results for the First Half 2018

Platform Supply Vessels (PSVs)

These PSVs recorded operating revenues of USD28.7 million and had 97% utilisation excluding vessels in lay-up (2017: USD31.6 million and 82%). The operating margin before administration expenses for these PSVs was USD12.9 million (2017: USD13.3 million) and the operating margin as a percentage of revenues was 45% (2017: 42%).

Offshore Subsea Construction Vessels (OSCVs) and Well Intervention Vessels (WIVs)

The OSCVs and WIVs earned operating revenues of USD59.4 million and had 95% utilisation (2017: USD60.2 million and 94%). The operating margin before administration expense was USD34.3 million (2017: USD38.2 million) and the operating margin as a percentage of revenues was 58% (2017: 63%).

Anchor Handling Tug Supply (AHTS) Vessels

The AHTS fleet earned operating revenues of USD19.6 million based on 56% utilisation excluding vessels in lay-up (2017: USD17.0 million and 30%). The operating margin before administration expense was USD(6.2) million (2017: USD(5.2) million) and the operating margin as a percentage of revenues was (32)% (2017:(30 %)).

Other Vessels

The fleet of Brazilian flagged vessels earned operating revenues of USD11.4 million and had 98% utilisation excluding vessels in lay-up (2017: USD13.4 million and 83%). The operating margin before administration expense for the fleet was USD5.5 million (2017: USD7.9 million) and the operating margin as a percentage of revenues was 48% (2017: 59%).

The Canadian-owned fleet earned operating revenues of USD14.4 million and had 84% utilisation (2017: USD15.0 million and 79%). The operating margin before administration expenses for the fleet was USD6.8 million (2017: USD7.1 million) and the operating margin as a percentage of revenues was 47% (2017: 48%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit/(loss) of USD0.2 million (2017: USD0.3 million). These results are recorded in accordance with the equity method.

The 100%- ownership in the scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD13.7 million (2017: USD13.3 million) and an operating margin before administration expenses of USD8.4 million (2017: USD7.5 million). The operating margin as a percentage of revenue was 61% (2017: 57%).

GROUP CONTRACT BACKLOG

The total backlog at 30 June 2018 was USD0.7 billion and is allocated as follows:

<i>(Amounts in USD millions)</i>	2018	2019	2020 onwards	Total
OSVs	105	162	446	713
Other	13	20	-	33
Total Backlog	118	182	446	746

On behalf of the Board of Directors of Siem Offshore Inc.

23 August 2018

Eystein Eriksrud, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

	Note	Restated*		Restated*		Restated*
		2018 2Q	2017 2Q	2018 1H	2017 1H	2017 Jan-Dec
<i>(Amounts in USD 1 000)</i>						
Operating revenue	4	Unaudited 82 690	Unaudited 78 920	Unaudited 148 562	Unaudited 148 572	Unaudited 306 911
Operating expenses		-47 855	-39 684	-85 485	-78 247	-153 649
Administration expenses		-5 771	-7 208	-11 904	-13 832	-28 087
Operating margin		29 064	32 028	51 173	56 494	125 175
Depreciation and amortization	5	-27 292	-29 326	-55 506	-60 337	-113 600
Impairment of vessels	5,8	-9 385	-67 119	-9 385	-67 151	-111 611
Impairment related to long-term receivables, projects	8	-	-	-	-	-24 000
Gain/(loss) on sales of fixed assets	5	77	-47	274	-92	13
Gain on sale of interest rate derivatives (CIRR)	6	92	92	184	184	368
Gain/(loss) on currency derivative contracts		978	-931	3 046	-1 190	-264
Operating profit/(loss)	4	-6 467	-65 302	-10 213	-72 092	-123 918
Financial income		29 844	1 092	33 856	2 136	7 462
Financial expenses	8	-17 794	-15 089	-33 554	-29 267	-66 381
Net currency gain/(loss) on revaluation		-5 505	-8 171	-19 965	-8 463	-15 427
Net financial items		6 545	-22 168	-19 662	-35 594	-74 345
Result from associated companies		123	189	165	267	580
Profit/(loss) before taxes		201	-87 281	-29 711	-107 420	-197 683
Tax benefit / (expense)	7	-122	-483	414	-920	-1 670
Net profit/(loss) from continuing operations		80	-87 763	-29 297	-108 339	-199 353
Net profit/(loss) from discontinued operations	9	90 297	146	87 242	2 815	-4 691
Net profit/(loss)		90 377	-87 617	57 945	-105 525	-204 044
Attributable to non-controlling interest		-3 294	-16 247	-8 783	-20 491	-39 720
Attributable to shareholders of the Company		93 671	-71 370	66 728	-85 034	-164 324
Weighted average number of outstanding shares(000's)		942 021	850 813	942 021	846 441	894 624
Earnings/(loss) per share (basic and diluted)		0,10	-0,08	0,07	-0,10	-0,18
Comprehensive Income Statement		2018	2017	2018	2017	2017
<i>(Amounts in USD 1 000)</i>		2Q	2Q	1H	1H	Jan-Dec
Net profit/(loss)		90 377	-87 617	57 945	-105 525	-204 044
Other comprehensive income/(expense):						
Items that will not be reclassified to profit or loss:						
Pension remeasurement gain/(loss)		-	-	-	-	-491
Items that may be subsequently reclassified to profit or loss:						
Currency translation differences		3 841	-20	5 212	86	8 261
Total comprehensive loss for the period		94 218	-87 637	63 157	-105 439	-196 274
Attributable to non-controlling interest		-3 427	-16 317	-8 916	-20 557	-39 700
Attributable to shareholders of the Company:		97 645	-71 320	72 073	-84 882	-156 575
Total comprehensive income for the period attributable to shareholders arises from:						
Continuing operations		7 348	-71 466	-15 168	-87 696	-151 883
Discontinued operations		90 297	146	87 242	2 815	-4 691
Attributable to shareholders of the Company:		97 645	-71 320	72 073	-84 882	-156 575

* The 2Q 2017, 1H 2017 and Jan-Dec 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 9 for further details.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	30.06.2018	31.12.2017
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets			
Vessels and equipment	5, 8	1 558 615	1 739 684
Capitalized project cost	5	6 103	7 029
Investment in associates and other long-term receivables		41 189	15 462
CIRR loan deposit 1)	6	77 134	65 346
Deferred tax asset		10 986	11 125
Intangible assets	5, 8	1 098	18 766
Total non-current assets		1 695 125	1 857 413
Debtors, prepayments and other current assets		104 993	124 152
Asset held for sale		1 161	-
Cash and cash equivalents	6	89 828	63 511
Total current assets		195 981	187 662
Total assets		1 891 106	2 045 075
Equity			
Paid-in capital		647 313	647 313
Other reserves		-33 443	-38 813
Retained earnings		-115 898	-182 626
Shareholders' equity		497 972	425 874
Non-controlling interest		38 820	47 737
Total equity		536 792	473 611
Liabilities			
Borrowings	6	987 194	1 210 558
CIRR loan 1)	6	77 134	65 346
Derivative financial instruments		5 044	-
Other non-current liabilities		55 556	70 743
Total non-current liabilities		1 124 928	1 346 648
Borrowings	6	151 510	92 442
Accounts payable and other current liabilities	7	77 876	132 375
Total current liabilities		229 385	224 816
Total liabilities		1 354 314	1 571 464
Total equity and liabilities		1 891 106	2 045 075

1) Commercial Interest Reference Rate

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Amounts in USD 1 000)</i>	2018 1H	2017 Jan-Dec
	<i>Unaudited</i>	<i>Audited</i>
Cash flow from operations		
Net profit/(loss)	-29 297	-204 044
Interest expense	31 612	56 833
Interest paid	-35 737	-57 088
Interest income	-8 020	-8 461
Tax expense	-414	9 087
Taxes paid	1 445	-945
Results from associated companies	-165	-580
Loss/(gain) on sale of assets	-234	-46
Employee share scheme expenses	25	223
Impairment of vessels, projects, intangibles, long-term receivables	9 385	150 299
Depreciation and amortization	55 506	122 032
Effect of unreal. gain on currency exchange forward contracts	-2 701	-350
Changes in short-term receivables and payables	-27 697	15 832
CIRR gain	-184	-368
Other changes	1 748	17 515
Net cash flow from operations	-4 728	99 938
Cash flow from investing activities		
Interest received	8 005	7 691
Investments in fixed assets	-5 317	-20 031
Proceeds from sale of fixed assets	111 216	31 880
Net cash from sale of SOC	76 684	-
Cash flow from investing activities	190 587	19 541
Cashflow from financing activities		
Proceeds from issue of new equity	-	22 094
Gain from restatement of bonds to convertible bonds	-23 580	-
Effect from derivatives related to bond restatement	-5 044	-
Proceeds from new long-term borrowing	-	31 097
Repayment of long-term borrowing	-141 511	-220 678
Cash flow from financing activities	-170 135	-167 488
Net change in cash	15 725	-48 009
Cash at bank start of period	63 511	101 323
Effect of exchange rate differences	10 591	10 197
Cash at bank at end of period	89 828	63 511
Details of continuing and discontinued operations:		
Cash balance related to discontinued operations	-	17 726
Cash balance related to continuing operations	89 828	45 785
Total cash balance end of period	89 828	63 511
Net change in cash from discontinued operations	-17 726	-27 364
Net change in cash from continuing operations	33 451	-20 645
Total net change in cash	15 725	-48 009

Figures above include discontinued operations unless explicitly stated.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non- Controlling interest	Total equity
Equity on 1 January 2017	842 021 380	8 420	616 799	-47 276	-28 836	549 107	98 878	647 985
Change previous periods	-	-	-	-	-414	-414	-3	-416
Net profit to shareholders	-	-	-	-	-164 324	-164 324	-39 720	-204 044
Employee share scheme -Value of employee services	-	-	-	223	-	223	-	223
Pension remeasurement	-	-	-	-	-491	-491	-	-491
Currency translation differences	-	-	-	8 240	-	8 241	20	8 261
Acquisition of shares from minority interests	-	-	-	-	11 439	11 439	-11 439	-
Shares issues in Siem Offshore Inc	100 000 000	1 000	21 094	-	-	22 094	-	22 094
Equity on 31 December 2017	942 021 380	9 420	637 893	-38 813	-182 626	425 874	47 737	473 611

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non- Controlling interest	Total equity
Equity on 1 January 2018	942 021 380	9 420	637 893	-38 813	-182 626	425 874	47 737	473 610
Net profit to shareholders	-	-	-	-	66 728	66 728	-8 783	57 945
Employee share scheme -Value of employee services	-	-	-	25	-	25	-	25
Currency translation differences	-	-	-	5 345	-	5 345	-133	5 212
Equity on 30 June 2018	942 021 380	9 420	637 893	-33 443	-115 898	497 972	38 820	536 792

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

23 August 2018

Eystein Eriksrud
Chairman (sign.)

Kristian Siem
(sign.)

John C. Wallace
(sign.)

Michael Delouche
(sign.)

Alexander Monnas
(sign.)

Bernt Omdal
CEO (sign.)

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017 which have been prepared in accordance with IFRS.

Note 2 – Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017 and with new standards, amendments to standards and interpretations that have become effective in 2018. The adoption of these amendments had no material impact on the reported income or net assets of the Company.

Note 3 – Financial Risks

3.1 Interest Risk

The Company is exposed to changes in interest rates as approximately 50% of the long-term interest-bearing debt was subject to floating interest rates at the end of June 2018, consideration effects of hedging agreements. The remaining portion of the debt is subject to fixed interest rates.

3.2 Currency Risk

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

3.3 Liquidity Risk

The Company is financed by 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. Further, there is no assurance that the Company will be able to raise new equity or arrange new credit facilities on favourable terms and in amounts necessary to conduct its ongoing and future operations should this be required.

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Segment Reporting

<i>(Amounts in USD 1 000)</i>	2018	Restated*	2018	Restated*	Restated*
	2Q	2017	2018	2017	2017
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue by segments					
Platform Supply Vessels	14 113	15 057	28 689	31 553	57 930
Offshore Subsea Construction Vessels and WIV	32 945	31 922	59 363	60 218	118 143
Anchor Handling Tug Supply Vessels	15 413	10 049	19 594	17 043	46 659
Other vessels in Brazil	5 377	7 009	11 446	13 359	28 177
Canadian Fleet	7 215	8 558	14 384	15 032	29 154
Other/Intercompany elimination	628	-382	1 407	-1 961	-390
Scientific Core-Drilling	6 999	6 707	13 679	13 328	27 237
Total operating revenue from continuing operations	82 690	78 920	148 562	148 572	306 911
Total operating revenue from discontinued operations	1 889	38 781	14 490	76 686	108 398
Total operating revenue	84 579	117 701	163 052	225 258	415 309
Operating profit by segments					
Platform Supply Vessels	220	-30 125	2 450	-28 237	-45 315
Offshore Subsea Construction Vessels and WIV	12 062	2 678	18 667	9 566	22 557
Anchor Handling Tug Supply Vessels	-9 514	-28 095	-25 937	-40 814	-78 859
Other vessels in Brazil	553	-976	2 470	1 193	6 879
Canadian Fleet	-7 735	2 842	-6 503	3 442	1 179
Other/Intercompany elimination	-621	-6 697	861	-8 497	-14 823
Scientific Core-Drilling	3 191	3 165	6 178	6 185	12 433
Total operating profit from segments	-1 843	-57 208	-1 814	-57 162	-95 948
Administration expenses	-5 771	-7 208	-11 904	-13 832	-28 087
Gain (loss) on sale of fixed assets	77	-47	274	-92	13
Gain of sale of interest rate derivatives (CIRR)	92	92	184	184	368
Gain (loss) on currency exchange forward contracts	978	-931	3 046	-1 190	-264
Total operating profit from continuing operations	-6 467	-65 302	-10 213	-72 092	-123 918
Total operating profit from discontinued operations	132	2 374	-2 471	7 223	4 635
Total operating profit	-6 335	-62 927	-12 684	-64 869	-119 283

* The 2Q 2017, 1H 2017 and Jan-Dec 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 9 for further details.

NOTES TO THE FINANCIAL STATEMENTS

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

<i>(Amounts in USD 1 000)</i>	Land and buildings	Vessels and equipment	Capitalized project cost	Total
Purchase cost on 1 January 2018	341	2 658 387	17 556	2 676 284
Capital expenditure	-	5 317	-	5 317
The year's disposal at cost	-	-155 714	-5 975	-161 689
Effect of exchange rate differences	-36	-4 394	-	-4 430
Purchase cost on 30 June 2018	304	2 503 596	11 581	2 515 481
Accumulated depreciation on 1 January 2018	-46	-602 991	-10 527	-613 564
Accumulated impairment on 1 January 2018	-	-316 007	-	-316 007
The year's depreciation	-5	-54 557	-944	-55 506
The year's impairment	-	-9 385	-	-9 385
The year's disposal of accumulated depreciation	-	36 935	5 975	42 911
Effect of exchange rate differences	1	770	16	787
Accumulated depreciation on 30 June 2018	-50	-945 234	-5 478	-950 763
Net book value on 30 June 2018	254	1 558 362	6 103	1 564 718

The balance of capitalised project costs relates to specific contracts. The costs are amortized over the term of the specific charter contracts.

<i>(Amounts in USD 1 000)</i>	Goodwill	Research and Development	Trademarks and licences	Total
Intangible assets				
Purchase cost on 1 January 2018	18 229	12 285	404	30 918
Business combination	-16 719	-503	-35	-17 256
The year's disposal at cost	-	-11 782	-	-11 782
Effect of exchange rate differences	-412	-	-	-412
Purchase cost on 30 June 2018	1 098	-	370	1 468
Accumulated depreciation on 1 January 2018	-	-5 077	-370	-5 447
Accumulated impairment on 1 January 2018	-	-6 705	-	-6 705
The year's disposal of accumulated depreciation	-	5 077	-	5 077
The year's disposal of accumulated impairment	-	6 705	-	6 705
Accumulated depreciation on 30 June 2018	-	-	-370	-370
Net book value on 30 June 2018	1 098	-	-	1 098

Goodwill was recorded following Siem Offshore's purchase of Secunda Holdings.

Research and Development, Trademarks and licences referred to Siem WIS AS' patented technology for the drilling industry. Siem WIS has been sold.

Impairment in previous periods has been identified for vessels, capitalized equipment and intangibles. See note 8 for further details.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 – Net Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	30.06.2018	31.12.2017
	<i>Unaudited</i>	<i>Audited</i>
Total cash	89 828	63 511
Short-term interest bearing-debt	-151 510	-92 442
Long-term interest bearing-debt	-987 194	-1 210 558
Total interest-bearing debt	-1 138 704	-1 302 999
Net interest-bearing debt	-1 048 877	-1 239 489

Unearned CIRR	30.06.2018	31.12.2017
Beginning of year	682	1 050
Recognized in the profit and loss account	-184	-368
End of period	498	682

The interest-bearing debt is denominated in currencies as follows: USD 81.0%, NOK 16.6 % and CAD 2.4%.

Note 7 – Taxes

The Company is subject to taxes in several jurisdictions where significant judgement 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 tax cost for the period relates to corporate tax, withholding tax for operating both in Norway and other jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Exceptional items

<i>(Amounts in USD 1 000)</i>	Restated*		Restated*		Restated*
	2018 2Q	2017 2Q	2018 1H	2017 1H	2017 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating items					
Impairment charge relating to vessel segments:					
PSV	-	32 151	-	32 151	51 526
OSCV and WIV	-	10 000	-	10 000	15 450
AHTS vessels	-	15 000	-	15 000	40 146
Canadian fleet	9 107	-	9 107	-	4 130
Brazilian flagged vessels	279	-	279	-	-
Other vessels	-	9 968	-	10 000	359
Total impairment charge for vessels and equipment	9 386	67 119	9 386	67 151	111 611
Impairment related to long-term receivables and loans (1)	-	-	-	-	14 565
Impairment related to Standstill agreement and Convertible loan to Daya Materials Berhad	-	-	-	-	19 000
Impairment related to other assets	-	-	-	-	5 000
Total charge for impairments	9 386	67 119	9 386	67 151	150 176

(1) The 2017 impairment related to long-term loans is included in the Financial expenses.

At June 30, 2018, impairment tests were performed for vessels and capitalized equipment and investments in subsidiaries and the company identified possible impairment for certain assets. Valuation was received from accredited brokers for all vessels.

*The 2Q 2017 figures, 1H 2017 figures and 31 December 2017 figures above are restated to be exclusive of discontinued operations. The discontinued operations related to the sale of SOC and the vessels “Siem Aimery” and “Siem Moxie” are presented separately. Please see note 9 for further details.

NOTES TO THE FINANCIAL STATEMENTS

Note 9 - 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 has 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 that transaction had been completed. Financial information relating to the discontinued operations for the second quarter 2018 and 1H 2018 is set out below. The discontinued operations includes 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>	2018	2017	2018	2017	2017
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	1 889	38 781	14 490	76 686	108 398
Operating expenses	-1 661	-29 404	-13 539	-59 297	-75 429
Administration expenses	-77	-1 190	-1 442	-2 161	-5 247
Operating margin	152	8 186	-492	15 228	27 722
Depreciation and amortization	-20	-2 166	-1 991	-4 359	-8 432
Impairment of vessels	-	-3 645	-	-3 645	-14 688
Gain (loss) on sales of assets	-	-	12	-	33
Operating profit	132	2 374	-2 471	7 223	4 635
Financial income	-64	326	282	493	1 225
Financial expenses	-3 224	-836	-3 924	-1 561	-3 268
Net currency gain (loss)	-69	-20	-167	-47	135
Net financial items	-3 357	-531	-3 810	-1 115	-1 909
Result from associated companies	-	-	-	-	-
Profit/(loss) before taxes	-3 225	1 844	-6 280	6 109	2 726
Tax benefit / (expense)	-	-1 697	-	-3 294	-7 418
Profit/(loss) after taxes from discontinued operations	-3 225	146	-6 280	2 815	-4 691
Gain on sale of subsidiary and vessels	93 522	-	93 522	-	-
Net profit/(loss) from discontinued operations	90 297	146	87 242	2 815	-4 691

Details on sale of subsidiary and vessels:

(Amounts in USD 1 000)

Consideration:	Total
Cash:	172 812
Non-cash	47 279
Contingent consideration	26 401
Total consideration	246 492
Book value of assets sold	-152 971
Net gain on sale	93 522

Assets and liabilities related to discontinued operations:

(Amounts in USD 1 000)

	30.06.2018	31.12.2017
Assets related to discontinued operations		
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
Total assets related to discontinued operations	-	183 189

(Amounts in USD 1 000)

	30.06.2018	31.12.2017
Liabilities related to discontinued operations		
Non-current Borrowings	-	60 474
Other non-current liabilities	-	21 479
Current Borrowings	-	6 146
Accounts payable and other current liabilities	-	49 600
Liabilities related to discontinued operations	-	137 699



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