

**SIEM OFFSHORE INC.**  
**REPORT FOR THIRD QUARTER AND FIRST NINE MONTHS 2017**



26 October 2017 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the third quarter and nine months ended 30 September 2017.

**SELECTED FINANCIAL INFORMATION**

<i>(Amounts in USD millions)</i>	2017	2016	2017	2016	2016
	3Q	3Q	Jan-Sep	Jan-Sep	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	101.3	166.2	326.5	336.5	469.1
Operating margin	45.3	55.4	117.0	97.9	128.3
Operating margin, %	45 %	33 %	36 %	29 %	27 %
Operating profit (loss)	14.0	26.2	(50.6)	36.5	(49.6)
Profit (loss) before taxes	(5.8)	(0.2)	(106.9)	(19.3)	(156.5)
Net profit (loss)	(8.3)	(0.5)	(113.6)	(17.9)	(155.9)
Net profit (loss) attributable to shareholders	(8.3)	2.7	(93.1)	(12.9)	(142.4)

**HIGHLIGHTS FOR THE THIRD QUARTER**

- Completed the sale of the Brazilian-based defense business, Consub Defesa e Tecnologia S.A.
- Recorded a USD5.0 million impairment on an investment in a subsidiary.

**MARKET AND OUTLOOK**

The North Sea spot market was more volatile during the third quarter than the previous quarters, due to an increased chartering of tonnage for seasonal campaigns and increased number of rig moves.

The Company believes that the next 12-18 months will remain a very challenging period for the offshore support vessel (OSV) industry globally due to the excess supply of vessels and relatively low drilling activity.

There are indications in the market that the tendering activity for drilling contracts is improving. However, unless there is a sharp, unexpected increase in drilling activity, it is unlikely that these early signs of improvement will create sufficient demand to absorb enough tonnage to approach a more balanced supply-and-demand market for OSVs. Consequently, low charter rates will continue to pressure the financial stability of vessel owners.

Siem Offshore Contractors continues to experience a high level of tendering activity for EPIC-based contracts for submarine power cables to be laid in the offshore windfarm (OWF) market. The market trend is for contracts to cover a larger scope of services. The long-term outlook is promising due to reduced LCOE (leveraged cost of energy) as demonstrated by recent OWF development announcements. SOC, with its purpose-built assets, experience and track record, is well-positioned to capture additional market share.

## RESULTS AND FINANCE

### Income Statements (3Q 2017 over 3Q 2016)

Operating revenues were USD101.3 million (2016: USD166.2 million). The operating margin was USD45.3 million (2016: USD55.4 million) and the operating margin as a percentage of revenues was 45% (2016: 33%). The difference in revenues and operating margin from Q3 2016 is mainly due to lower revenues and operating margin in SOC, partly compensated by higher revenues and earnings from the offshore vessel business.

Administration expenses were USD7.6 million (2016: USD7.8 million). Operating profit (loss) was USD14.0 million (2016: USD26.2 million) after depreciation and amortisation expenses of USD31.2 million (2016: USD31.0 million) and after impairment of certain vessels of USD0.2 million (2016: USD nil) and impairment of an investment in a subsidiary of USD5.0 million. The net currency exchange gains (losses) of USD4.6 million (2016: USD3.6 million) were recorded on currency derivative contracts of which USD4.6 million was an unrealised gain (2016: USD3.6 million gain). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(20.0) million (2016: USD(26.4) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(7.7) million (2016: USD(12.4) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD14.4 million included a net unrealised gain of USD0.3 million for interest swap-agreements which are entered to hedge long-term interest rate exposure on floating rate borrowings.

Tax expense of USD2.5 million includes a USD2.1 million tax provision for corporate tax related to Siem Offshore Contractors.

The net profit/(loss) attributable to shareholders was USD(8.3) million (2016: USD2.7 million), or USD(0.01) per share (2016: USD nil per share).

### Income Statements (YTD 30 September 2017 over YTD 30 September 2016)

Operating revenues were USD326.5 million (2016: USD336.5 million). The operating margin was USD117.0 million (2016: USD97.9 million) and the operating margin as a percentage of revenues was 36% (2016: 29%).

Administration expenses were USD23.6 million (2016: USD22.6 million).

Operating profit/(loss) was USD(50.6) million (2016: USD36.5 million) after depreciation and amortization expenses of USD95.6 million (2016: USD84.1 million) and after impairment of vessel values of USD71.0 million (2016: USD1.2 million) and a USD5 million impairment of an investment in a subsidiary. Net currency exchange gains/(losses) of USD3.5 million (2016: USD6.7 million) were recorded on currency derivative contracts of which USD4.1 million was unrealised gain (2016: USD3.6 million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(56.7) million (2016: USD(55.8) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(16.2) million (2016: USD(23.5) million) due to changes in currency exchange rates during the first nine months. Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD45.2 million included a net unrealised loss of USD0.2 million for interest swap agreements which are entered into to hedge long-term interest rate exposure on floating rate borrowings.

The net profit/(loss) attributable to shareholders was USD(93.1) million (2016: USD(12.9) million).

## **Statements of Financial Position and Cash Flows**

Shareholders' equity was USD494.0 million at 30 September 2017 (31 December 2016: USD549.1 million), equivalent to USD0.52 per share (2016: USD0.65 per share). Net cash flow from operations for first nine months 2017 was USD65.9 million and the cash position at 30 September 2017 was USD78.6 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.35 billion. The Company made no drawings under credit facilities during first nine months 2017 and made principal repayments of USD147.0 million.

The weighted average cost of debt for the Company was approximately 3.8% p.a. at 30 September 2017, 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.

## **OFFSHORE SUPPORT VESSELS SEGMENT**

### **The Fleet**

At 30 September 2017, the fleet totalled 43 vessels (2016: 45 vessels), which includes partly-owned vessels and three vessels operating in the Industrial Segment. Six vessels were in lay-up at the end of the quarter.

### **Results for the Third Quarter 2017**

#### **Platform Supply Vessels (PSVs)**

The Company had eleven PSVs in the fleet at the end of the quarter (2016: twelve). These PSVs recorded operating revenues of USD14.0 million and had 68% utilisation (2016: USD15.8 million and 81%). The operating margin before administration expense for these PSVs was USD6.9 million (2016: USD6.7 million) and the operating margin as a percentage of revenues was 49% (2016: 42%).

Four 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 (2016: five OSCVs and one WIV).

The OSCVs and WIVs earned operating revenues of USD33.9 million and had 95% utilisation (2016: USD30.3 million and 93%). The operating margin before administration expense was USD20.2 million (2016: USD16.7 million) and the operating margin as a percentage of revenues was 60% (2016: 55%).

#### **Anchor Handling Tug Supply (AHTS) Vessels**

The Company had ten AHTS vessels at the end of the quarter (2016: ten).

The AHTS fleet earned operating revenues of USD20.0 million based on 75% utilisation (2016: USD12.9 million and 44%). The revenue includes an insurance payment of USD3 million. The operating margin before administration expense was USD8.6 million (2016: USD4.6 million) and the operating margin as a percentage of revenues was 43% (2016: 35%). The operating expenses included scheduled dry-docking, reactivation costs for vessels taken out from lay-up and mobilisation expenses for new contracts.

Two vessels were 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 (2016: six). All six vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD7.9 million and had 100% utilisation (2016: USD5.5 million and 80%). The operating margin before administration expense for the fleet was USD4.1 million (2016: USD2.8 million) and the operating margin as a percentage of revenues was 51% (2016: 50%).

The Company had a Canadian-owned fleet of five offshore support vessels operating offshore Canada. The fleet earned operating revenues of USD7.4 million and had 68% utilisation (2016: USD11.6 million and 93%). The operating margin before administration expenses for the fleet was USD3.8 million (2016: USD10.2 million) and the operating margin as a percentage of revenues was 52% (2016: 36%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit (loss) of USD0.2 million (2016: USD0.1 million). These results are recorded in accordance with the equity method.

### **Health, Safety, Environment & Quality (HSEQ)**

The Company’s target includes zero personal injuries, no harm to the environment and no damage to or loss of equipment and property. The good HSEQ performance continued with no serious incidents throughout the fleet. The safety records this year report no serious injury to personnel or discharges to the environment.

### **Results for the First Nine Months 2017**

#### **Platform Supply Vessels (PSVs)**

The PSV fleet recorded operating revenues of USD45.5 million and had 77% utilisation (2016: USD49.5 million and 80%). The operating margin before administration expense for these PSVs was USD20.5 million, (2016: USD24.9 million) and the operating margin as a percentage of revenues was 45% (2016: 50%).

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

The OSCV and WIV fleet earned operating revenues of USD94.1 million and had 93% utilisation (2016: USD67.6 million and 93%). The operating margin before administration expense for the OSCVs and WIVs was USD57.7 million (2016: USD31.3 million) and the operating margin as a percentage of revenues was 61% (2016: 46%).

#### **Anchor Handling Tug Supply (AHTS) Vessels**

The AHTS fleet earned operating revenues of USD37.0 million and had 52% utilisation (2016: USD40.0 million and 42%). The operating margin before administration expense was USD3.5 million (2016: USD11.6 million) and the operating margin as a percentage of revenues was 9% (2016: 29%).

### **Other Vessels**

The fleet of smaller Brazilian-flagged vessels earned operating revenues of USD21.3 million and had 88% utilisation (2016: USD14.5 million and 71%). The operating margin before administration expense for the fleet was USD11.9 million (2016: USD6.0 million) and the operating margin as a percentage of revenues was 56% (2016: 41%).

The Canadian-owned fleet earned operating revenues of USD22.5 million and had 77% utilisation (2016: USD15.6 million and 93%). The operating margin before administration expense for the fleet was USD11.0 million (2016: USD10.2 million) and the operating margin as a percentage of revenues was 49% (2016: 36%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit (loss) of USD0.3 million (2016: USD0.6 million). These results are recorded in accordance with the equity method.

## **INDUSTRIAL SEGMENT**

### **Submarine Power Cable Activities – Siem Offshore Contractors (“SOC”),**

#### **Results for the Third Quarter 2017**

SOC generated operating revenues of USD10.3 million in the third quarter 2017 (2016: USD84.9 million). The operating margin before administration expenses was USD2.7 million (2016: USD17.6 million). SOC’s projects are accounted for using the percentage-of-completion method and profit margins will not be recorded until the respective project’s offshore operation has commenced and the project has reached 25% technical progress. Subject to the margin being forecasted as positive and prior to the project reaching a 25% percentage-of-completion, project revenues are recorded to match the costs of progress of execution. SOC has given financial performance guarantees in favor of its clients. Siem Offshore Inc. has given counter-guarantees to the financial institutions who have issued such guarantees.

#### **Project Overview**

SOC is currently working on the following projects:

- The Beatrice OWF (Inner Array Grid), the Hornsea One OWF (Inner Array Grid) and the Trianel Windpark Borkum II OWF (Inner Array Grid). All projects are progressing according to contract.
- Walk-to-work vessel charter for the Bard field.

#### **Results for the First Nine Months 2017**

SOC generated gross revenues of USD87.0 million (2016: USD129.4 million) and recorded USD12.1 million (2016: USD16.9 million) in margin from its various projects, before administrative expenses.

### **Technology Investment – Siem WIS**

#### **Results for the Third Quarter 2017**

Siem WIS recorded operating revenues of USD0.1 million (2016: USD1.4 million) and recorded USD(0.1) million (2016: USD0.6 million) in margin from its various projects, before administration expenses.

The next operation, originally scheduled for start-up in late June 2017, has been postponed by the client and is re-scheduled to commence in Q4 2017.

#### **Results for the First Nine Months 2017**

Siem WIS recorded operating revenues of USD1.0 million (2016: USD2.6 million) and recorded USD0.5 million (2016: USD1.0 million) in margin from its various projects, before administration expenses.

### **Scientific Core-Drilling – Overseas Drilling Ltd, owner of the “JOIDES Resolution”**

#### **Results for the Third Quarter 2017**

The scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD7.0 million (2016: USD6.7 million) and an operating margin before administration expenses of USD3.9 million (2016: USD3.7 million). The operating margin as a percentage of revenue was 56% (2016: 55%).

## Results for the First Nine Months 2017

The “JOIDES Resolution” recorded operating revenues of USD20.3 million (2016: USD19.6 million) and an operating margin before administration expenses of USD11.4 million (2016: USD11.4 million). The operating margin as a percentage of revenue was 56% (2016: 58%).

## GROUP CONTRACT BACKLOG

The total backlog at 30 September 2017 was USD1.03 billion and is allocated as follows:

<i>(Amounts in USD millions)</i>	2017	2018	2019 onwards	Total
OSVs	53	173	593	819
Siem Offshore Contractors	37	92	31	160
Other	6	27	20	53
<b>Total Backlog</b>	<b>96</b>	<b>292</b>	<b>644</b>	<b>1,032</b>

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

26 October 2017

Eystein Eriksrud, Chairman

Bernt Omdal, Chief Executive Officer

## CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2017 3Q	2016 3Q	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue	4	101 265	166 196	326 523	336 509	469 123
Operating expenses		-48 372	-102 934	-185 916	-215 927	-307 769
Administration expenses		-7 567	-7 839	-23 559	-22 635	-33 059
<b>Operating margin</b>		<b>45 326</b>	<b>55 422</b>	<b>117 048</b>	<b>97 948</b>	<b>128 295</b>
Depreciation and amortization	5	-31 159	-31 007	-95 566	-84 142	-111 771
Impairment of vessels	5,9	-224	-	-71 020	-1 209	-60 180
Impairment of intangibles	5,9	-	-	-	-	-1 015
Impairment related to long-term receivables		-	-1 400	-	-1 400	-13 979
Impairment related to subsidiaries		-5 000	-	-5 000	-	-1 400
Gain/(loss) on sales of fixed assets	5,9	293	-542	201	171	-423
Net gain on bargain purchase		-	-	-	18 124	18 312
Gain on sale of interest rate derivatives (CIRR)	6	92	92	276	276	368
Gain/(loss) on currency derivative contracts		4 695	3 628	3 505	6 682	-7 762
<b>Operating profit/(loss)</b>	<b>4</b>	<b>14 023</b>	<b>26 193</b>	<b>-50 557</b>	<b>36 450</b>	<b>-49 555</b>
Financial income		2 145	2 927	4 775	11 080	12 471
Financial expenses		-14 401	-16 932	-45 229	-43 415	-55 312
Net currency gain/(loss) on revaluation		-7 733	-12 427	-16 243	-23 469	-64 154
<b>Net financial items</b>		<b>-19 988</b>	<b>-26 433</b>	<b>-56 697</b>	<b>-55 805</b>	<b>-106 994</b>
Result from associated companies		116	79	383	30	19
<b>Profit/(loss) before taxes</b>		<b>-5 849</b>	<b>-161</b>	<b>-106 871</b>	<b>-19 325</b>	<b>-156 531</b>
Tax benefit / (expense)	7	-2 487	-309	-6 701	1 401	626
<b>Net profit/(loss)</b>		<b>-8 336</b>	<b>-469</b>	<b>-113 572</b>	<b>-17 923</b>	<b>-155 905</b>
Attributable to non-controlling interest		-5	-3 161	-20 496	-5 053	-13 469
<b>Attributable to shareholders of the Company</b>		<b>-8 330</b>	<b>2 692</b>	<b>-93 075</b>	<b>-12 870</b>	<b>-142 436</b>
Weighted average number of outstanding shares(000's)		942 021	842 021	878 651	842 021	842 021
Earnings/(loss) per share (basic and diluted)		-0,01	0,00	-0,11	-0,02	-0,17

<i>(Amounts in USD 1 000)</i>	2017 3Q	2016 3Q	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Net profit/(loss)</b>	<b>-8 336</b>	<b>-469</b>	<b>-113 572</b>	<b>-17 923</b>	<b>-155 905</b>
<b>Other comprehensive income/(expense):</b>					
Items that will not be reclassified to profit or loss:					
Pension remeasurement gain/(loss)	-	-	-	-	230
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Cash flow hedges	-	-88	-	32 735	60 319
Currency translation differences	-	-3 821	86	-28 598	-23
<b>Total comprehensive loss for the period</b>	<b>-8 336</b>	<b>-4 379</b>	<b>-113 486</b>	<b>-13 786</b>	<b>-95 379</b>
Attributable to non-controlling interest	-5	-2 036	-20 562	-3 914	-9 729
<b>Attributable to shareholders of the Company</b>	<b>-8 330</b>	<b>-2 343</b>	<b>-92 923</b>	<b>-9 872</b>	<b>-85 650</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	30.09.2017	30.12.2016
		<i>Unaudited</i>	<i>Audited</i>
<b>Non-current assets</b>			
Vessels and equipment	5, 9	1 825 346	1 980 228
Vessels under construction	5, 8	-	8 258
Capitalized project cost	5	4 713	5 623
Investment in associates and other long-term receivables		10 140	33 884
CIRR loan deposit 1)	6	68 300	76 215
Deferred tax asset		11 658	11 467
Intangible assets	5, 9	33 762	16 977
<b>Total non-current assets</b>		<b>1 953 919</b>	<b>2 132 652</b>
Debtors, prepayments and other current assets		149 251	178 316
Asset held for sale		1 122	1 099
Cash and cash equivalents	6	78 567	101 323
<b>Total current assets</b>		<b>228 940</b>	<b>280 738</b>
<b>Total assets</b>		<b>2 182 858</b>	<b>2 413 390</b>
<b>Equity</b>			
Paid-in capital		647 313	625 219
Other reserves		-46 994	-47 276
Retained earnings		-106 295	-28 836
<b>Shareholders' equity</b>		<b>494 024</b>	<b>549 107</b>
Non-controlling interest		62 699	98 878
<b>Total equity</b>		<b>556 722</b>	<b>647 985</b>
<b>Liabilities</b>			
Borrowings	6, 8	1 256 620	1 293 059
CIRR loan 1)	6	68 300	76 215
Other non-current liabilities		56 609	51 421
<b>Total non-current liabilities</b>		<b>1 381 528</b>	<b>1 420 695</b>
Borrowings	6	97 203	177 834
Accounts payable and other current liabilities	7	147 404	166 875
<b>Total current liabilities</b>		<b>244 608</b>	<b>344 709</b>
<b>Total liabilities</b>		<b>1 626 136</b>	<b>1 765 404</b>
<b>Total equity and liabilities</b>		<b>2 182 858</b>	<b>2 413 390</b>

1) Commercial Interest Reference Rate



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Amounts in USD 1 000)</i>	<b>2017</b>	<b>2016</b>
	<b>Jan-Sep</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Cash flow from operations</b>		
Net profit/(loss)	-113 572	-155 905
Interest expense	40 672	50 115
Interest paid	-38 726	-52 338
Interest income	-4 775	-8 487
Interest received	4 775	8 501
Cash flow hedge	-	60 319
Tax expense	6 701	-626
Taxes paid	-839	-603
Results from associated companies	-383	-19
Loss/(gain) on sale of assets	-218	423
Net gain from bargain purchase	-	-18 312
Employee share scheme expenses	195	516
Impairment of vessels, projects, intangibles, long-term receivables	76 020	76 574
Depreciation and amortization	95 566	111 771
Effect of unreal. gain on currency exchange forward contracts	-4 080	-871
Changes in short-term receivables and payables	5 228	-20 938
CIRR gain	-276	-368
Other changes	-340	23 590
<b>Net cash flow from operations</b>	<b>65 948</b>	<b>73 342</b>
<b>Cash flow from investing activities</b>		
Investments in fixed assets	-11 682	-414 802
Proceeds from sale of fixed assets	28 829	9 751
Cash acquired in Business Combination	-	3 314
Investment in subsidiaries	-	-201
<b>Cash flow from investing activities</b>	<b>17 147</b>	<b>-401 938</b>
<b>Cashflow from financing activities</b>		
Proceeds from issue of new equity	22 094	-
Contribution from non-controlling interests of consolidated subsidiaries	-	885
Proceeds from new long-term borrowing	-	455 706
Repayment of long-term borrowing	-146 950	-188 360
<b>Cash flow from financing activities</b>	<b>-124 856</b>	<b>268 232</b>
<b>Net change in cash</b>	<b>-41 760</b>	<b>-60 364</b>
Cash at bank start of period	101 323	148 753
Effect of exchange rate differences	19 005	12 934
<b>Cash at bank at end of period</b>	<b>78 567</b>	<b>101 323</b>

## 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
<b>Equity on 1 January 2017</b>	<b>842 021 380</b>	<b>8 420</b>	<b>616 799</b>	<b>-47 276</b>	<b>-28 837</b>	<b>549 106</b>	<b>98 878</b>	<b>647 985</b>
Net profit to shareholders		-	-		-93 075	-93 075	-20 496	-113 572
Employee share scheme -Value of employee services		-	-	195	-	195	-	195
Currency translation differences		-	-	86	-	86	-66	20
<b>Total comprehensive income/(expense)</b>		-	-	<b>281</b>	<b>-93 076</b>	<b>-92 795</b>	<b>-20 562</b>	<b>-113 357</b>
Acquisition of shares in partially owned subsidiary		-	-	-	15 617	15 617	-15 617	-
Shares issues in Siem Offshore Inc	100 000 000	1 000	21 094	-	-	22 094	-	22 094
<b>Equity on 30 September 2017</b>	<b>942 021 380</b>	<b>9 420</b>	<b>637 893</b>	<b>-46 994</b>	<b>-106 295</b>	<b>494 024</b>	<b>62 699</b>	<b>556 722</b>

<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
<b>Equity on 1 January 2016</b>	<b>842 021 380</b>	<b>8 420</b>	<b>616 799</b>	<b>-108 151</b>	<b>115 147</b>	<b>632 215</b>	<b>33 293</b>	<b>665 508</b>
Change previous periods		-	-	-	-1 682	-1 682	-100	-1 782
Net profit to shareholders		-	-	-	-142 436	-142 436	-13 469	-155 905
Employee share scheme -Value of employee services		-	-	516	-	516	-	516
Pension remeasurement		-	-	-	230	230	-	230
Currency translation differences		-	-	-23	-	-23	-	-23
Reclassification to profit or loss		-	-	60 319	-	60 319	-	60 319
Other		-	-	63	-96	-33	1 201	1 168
<b>Total comprehensive income/(expense)</b>		-	-	<b>60 875</b>	<b>-143 984</b>	<b>-83 109</b>	<b>-12 368</b>	<b>-95 477</b>
Share issue in partially owned subsidiary		-	-	-	-	-	77 953	77 953
<b>Equity on 31 December 2016</b>	<b>842 021 380</b>	<b>8 420</b>	<b>616 799</b>	<b>-47 276</b>	<b>-28 837</b>	<b>549 106</b>	<b>98 878</b>	<b>647 985</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 September 2017 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 2016 which have been prepared in accordance with IFRSs.

### Note 2 – Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016 and with new standards, amendments to standards and interpretations that have become effective in 2017. 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 67% of the long-term interest-bearing debt was subject to floating interest rates at the end of September 2017. 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 by Business Area

<i>(Amounts in USD 1 000)</i>	2017	2016	2017	2016	2016
	3Q	3Q	Jan-Sep	Jan-Sep	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating revenue by business area</b>					
Platform Supply Vessels (1)	13 983	15 785	45 536	49 459	62 058
Offshore Subsea Construction Vessels and WIV	33 895	30 302	94 113	67 590	97 232
Anchor Handling Tug Supply Vessels (1)	19 964	12 915	37 007	40 027	48 326
Other vessels in Brazil	7 895	5 515	21 254	14 532	20 143
Canadian Fleet	7 435	11 629	22 466	15 616	24 474
Other/Intercompany elimination	723	-3 231	-2 061	-4 942	-9 256
<b>Operating revenue, OSV segment</b>	<b>83 896</b>	<b>72 915</b>	<b>218 316</b>	<b>182 282</b>	<b>242 976</b>
Combat Management Systems	-	350	-	2 560	2 410
Submarine Power Cable Installation	10 346	84 859	86 956	129 426	193 774
Scientific Core-Drilling	6 960	6 653	20 288	19 631	26 376
Siem WIS	64	1 419	963	2 610	3 587
<b>Operating revenue, Industrial Segment</b>	<b>17 369</b>	<b>93 280</b>	<b>108 207</b>	<b>154 227</b>	<b>226 147</b>
<b>Total operating revenue</b>	<b>101 266</b>	<b>166 196</b>	<b>326 523</b>	<b>336 510</b>	<b>469 123</b>

<i>(Amounts in USD 1 000)</i>	2017	2016	2017	2016	2016
	3Q	3Q	Jan-Sep	Jan-Sep	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating profit by business area</b>					
Platform Supply Vessels 1)	748	709	-27 489	4 966	-43 081
Offshore Subsea Construction Vessels and WIV	11 751	9 139	21 316	11 693	7 406
Anchor Handling Tug Supply Vessels 1)	-1 664	-5 732	-42 478	-18 377	-29 496
Other vessels in Brazil	3 875	1 246	5 069	2 118	3 184
Canadian Fleet	1 832	4 111	5 274	5 345	5 739
Other/Intercompany elimination	2 660	268	-7 551	2 992	-11 996
<b>Operating profit, OSV segment</b>	<b>19 203</b>	<b>9 741</b>	<b>-45 860</b>	<b>8 736</b>	<b>-68 244</b>
Combat Management Systems	0	672	-	629	31
Submarine Power Cable Installation	-159	17 350	11 059	15 631	30 540
Scientific Core-Drilling	2 975	2 754	9 159	8 715	11 391
Siem WIS	-223	338	-342	121	-710
Other/Intercompany elimination	-5 286	-	-4 996	-	-
<b>Operating profit, Industrial segment</b>	<b>-2 693</b>	<b>21 113</b>	<b>14 881</b>	<b>25 096</b>	<b>41 252</b>
Administration expenses	-7 567	-7 839	-23 559	-22 635	-33 059
Gain (loss) on sale of fixed assets	293	-542	201	171	-423
Net Gain from Bargain Purchase	-	0	-	18 124	18 312
Gain on sale of interest rate derivatives	92	92	276	276	368
Currency gain/(loss)	4 695	3 628	3 505	6 682	-7 762
<b>Total operating profit</b>	<b>14 023</b>	<b>26 193</b>	<b>-50 557</b>	<b>36 450</b>	<b>-49 555</b>

(1) Platform Supply Vessel category and Anchor Handling Tug Supply Vessel category include Intercompany revenue from contracting work for the 100% owned subsidiary "Siem Offshore Contractors GmbH" which is included in the Intercompany eliminations in the table above.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 – Vessels Under Construction and Vessels and Equipment

<i>(Amounts in USD 1 000)</i>	Land and buildings	Vessels and equipment	Vessels under construction	Capitalized project cost	Total
<b>Purchase cost on January 1, 2017</b>	302	2 709 408	10 024	14 732	2 734 466
Capital expenditure	-	10 797	-	119	10 915
The year's disposal at cost	-	-58 590	-10 024	-	-68 614
Effect of exchange rate differences	32	18 946	-	-	18 978
<b>Purchase cost on September 30, 2017</b>	<b>334</b>	<b>2 680 561</b>	<b>-</b>	<b>14 851</b>	<b>2 695 746</b>
<b>Accumulated depreciation on January 1, 2017</b>	<b>-32</b>	<b>-497 072</b>	<b>-</b>	<b>-9 110</b>	<b>-506 214</b>
<b>Accumulated impairment on January 1, 2017</b>	<b>-</b>	<b>-232 379</b>	<b>-1 766</b>	<b>-</b>	<b>-234 145</b>
The year's depreciation	-8	-90 486	-	-1 021	-91 516
The year's impairment	-	-71 020	-	-	-71 020
The year's disposal of accumulated depreciation	-	27 436	-	-	27 436
The year's disposal of accumulated impairment	-	-	1 766	-	1 766
Effect of exchange rate differences	-2	8 016	-	-7	8 007
<b>Accumulated depreciation on Sept. 30, 2017</b>	<b>-42</b>	<b>-855 506</b>	<b>-</b>	<b>-10 138</b>	<b>-865 687</b>
<b>Net book value on September 30, 2017</b>	<b>292</b>	<b>1 825 055</b>	<b>-</b>	<b>4 713</b>	<b>1 830 059</b>

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

#### Intangible assets

<i>(Amounts in USD 1 000)</i>	Goodwill	Research and development	Trademarks and licences	Bargain purchase gain	Total
<b>Purchase cost on January 1, 2017</b>	16 097	12 125	387	-	28 609
Correction previous periods	-	-	-	18 363	18 363
Investments	-	7	-	-	7
Effect of exchange rate differences	1 891	234	28	761	2 914
<b>Purchase cost on September 30, 2017</b>	<b>17 988</b>	<b>12 366</b>	<b>415</b>	<b>19 124</b>	<b>49 893</b>
<b>Accumulated depreciation on January 1, 2017</b>	<b>-</b>	<b>-4 572</b>	<b>-354</b>	<b>-</b>	<b>-4 926</b>
<b>Accumulated impairment on January 1, 2017</b>	<b>-</b>	<b>-6 705</b>	<b>-</b>	<b>-</b>	<b>-6 705</b>
The year's ordinary depreciation	-	-282	-19	-3 749	-4 051
Effect of exchange rate differences	-	-208	-90	-151	-449
<b>Accumulated depreciation on Sept. 30, 2017</b>	<b>-</b>	<b>-11 767</b>	<b>-463</b>	<b>-3 900</b>	<b>-16 131</b>
<b>Net book value on September 30, 2017</b>	<b>17 988</b>	<b>599</b>	<b>-48</b>	<b>15 224</b>	<b>33 762</b>

## NOTES TO THE FINANCIAL STATEMENTS

Goodwill was recorded following Siem Offshore's purchase of Siem Offshore Contractors.

Trademarks and licenses refer to Siem WIS AS' patented technology for the drilling industry. The figures include assets under development and developed assets, and the depreciation refers to assets that are not yet commercialized. Correction previous periods refers to a bargain purchase gain following the acquisition of the remaining 50% shares in Secunda. The bargain purchase gain has been allocated to the value of the long-term charter party for the "Avalon Sea". The amount is depreciated over the life-time of the firm contract.

Impairment has been identified for vessels and capitalized equipment. See note 9 for further details.

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

### Note 6 – Net Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	<b>30.09.2017</b>	<b>31.12.2016</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Total cash</b>	<b>78 567</b>	<b>101 323</b>
Short-term interest bearing-debt	-97 203	-177 834
Long-term interest bearing-debt	-1 256 620	-1 293 059
<b>Total interest-bearing debt</b>	<b>-1 353 823</b>	<b>-1 470 893</b>
<b>Net interest-bearing debt</b>	<b>-1 275 256</b>	<b>-1 369 569</b>

<b>Unearned CIRR</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Beginning of year	1 050	1 418
Recognized in the profit and loss account	-276	-368
<b>End of period</b>	<b>774</b>	<b>1 050</b>

The interest-bearing debt is denominated in currencies as follows: USD 76.9%, NOK 22.3 % and CAD 0.8%.

### 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 and includes a USD5.6 million provision relating to Siem Offshore Contractors in Germany.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 8 – Committed capital

#### Committed capital expenses to be paid in future period:

<i>(Amounts in USD 1 000)</i>	30.09.2017	30.09.2016	31.12.2016
Combined contract value end of period for the vessels	-	492 953	-
Instalments paid	-	262 355	-
<b>Unpaid instalments</b>	-	<b>230 598</b>	-

The Company had no vessels under construction at the end of the quarter.

### Note 9 – Exceptional items

<i>(Amounts in USD 1 000)</i>	2017 3Q	2016 3Q	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating items</b>					
Impairment charge relating to vessel segments:					
PSV	-	-	32 151	1 209	47 605
OSCV and WIV	-	-	10 000	-	10 750
AHTS vessels	-	-	15 000	-	-
Canadian fleet	-	-	-	-	1 824
Other vessels	224	-	13 869	-	-
<b>Total impairment charge for vessels and equipment</b>	<b>224</b>	<b>-</b>	<b>71 020</b>	<b>1 209</b>	<b>60 180</b>
Impairment related to long-term receivables/projects	5 000	1 400	5 000	-	15 379
Impairment charge relating to intangibles	-	-	-	-	1 015
<b>Total charge for impairments</b>	<b>5 224</b>	<b>1 400</b>	<b>76 020</b>	<b>1 209</b>	<b>76 574</b>

At 30 June 2017, 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.

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