

**SIEM OFFSHORE INC.  
REPORT FOR THE FIRST QUARTER 2017**



8 May 2017 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the first quarter 2017.

**SELECTED FINANCIAL INFORMATION**

<i>(Amounts in USD millions)</i>	2017	2016	2016
	1Q	1Q	Fiscal
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	107.4	70.8	469.1
Operating margin	31.8	23.9	128.3
Operating margin	30%	34%	27%
Operating profit	(1.4)	9.0	(49.6)
Profit/(loss) before taxes	(15.3)	(11.5)	(156.5)
Net profit/(loss)	(17.3)	(9.6)	(155.9)
Net profit/(loss) attributable to shareholders	(13.3)	(9.0)	(142.4)

**HIGHLIGHTS FOR THE FIRST QUARTER**

- Concluded the sale of the 1999-built PSV “Siem Supplier”.
- Cancelled a shipbuilding contract for the 4th and final dual fuel PSV due to delay in delivery. The Company has been repaid all pre-delivery instalments made under the contract, including interest.
- Secunda Canada LP, a wholly-owned subsidiary of Siem Offshore Inc., announced that a major Canadian customer has extended a 4-year firm contract with five 1-year options utilizing a vessel from the North Sea region.
- Company’s backlog is USD1.14 billion at 31 March 2017.

**SUBSEQUENT EVENTS**

- Received approval from the bondholders of its two bond issues to extend each of the original maturity dates by an additional 2.75 years and to amend certain terms, conditions and financial covenants. A condition to the bondholders’ agreement requires the Company to carry out a rights issue for NOK190 million which Siem Europe S.a r.l., the Company’s largest shareholder, has agreed to fully underwrite.
- Several new contracts awarded for eight OSV vessels:
  - AHTS vessels “Siem Aquamarine” and “Siem Amethyst” received contracts for a firm period of 240 days to support drilling operations West of Australia.
  - AHTS vessels “Siem Garnet” and “Siem Sapphire” received a contract for a firm period of 440 days to support drilling operations off Sakhalin.
  - PSVs “Siem Louisa” and “Siem Sasha” each received a firm contract for 290 days to commence this month off the West Coast of Africa.
  - OSCV “Siem Marlin” commenced a contract for a firm period of 150 days in South America.
  - OSCV “Siem Spearfish” commenced a contract for a firm period of 100 days in the Black Sea.

## MARKET AND OUTLOOK

The North Sea spot market for AHTS and PSVs remained soft during the first quarter. More rigs are being re-activated in preparation for the upcoming spring and summer drilling campaigns; however, we believe there will still be an oversupply of AHTS vessels and PSVs and expect the market to remain challenging for several years. The charter rates and margins still remain below what is sustainable.

Siem Offshore Contractors continues to experience a high level of tendering activity for EPIC-based contracts for both medium- and high-voltage submarine power cables in the offshore windfarm market with scheduled marine installation activities to commence in 2019, 2020 and 2021 using the cable-lay vessel “Siem Aimery” and the installation support vessel “Siem Moxie”, now referred to as the “Siem Duo” vessels by the industry.

## RESULTS AND FINANCE

### Income Statements (1Q 2017 over 1Q 2016)

Operating revenues were USD107.4 million (2016: USD70.8 million). The operating margin was USD31.8 million (2016: USD23.9 million) and the operating margin as a percentage of revenues was 30% (2016: 34%).

Administration expenses were USD7.3 million (2016: USD6.4 million). Operating profit (loss) was USD(1.4) million (2016: USD9.0 million) after depreciation and amortisation expenses of USD33.0 million (2016: USD25.5 million). The net currency exchange gains (losses) of USD(0.3) million (2016: USD10.1 million) were recorded on currency derivative contracts of which USD0.1 million was an unrealised loss (2016: USD9.2 million gain). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(14.0) million (2016: USD(20.9) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(0.3) million (2016: (10.4) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD14.9 million included a net unrealised gain of USD0.1 million for interest swap agreements which are entered to hedge long-term interest rate exposure on floating rate borrowings.

Tax expense of USD 2.0 million includes USD1.6 million tax provision cost for corporate tax for the subsidiary “Siem Offshore Contractors”.

The net profit/(loss) attributable to shareholders was USD(13.3) million (2016: USD(9.0) million), or USD(0.02) per share (2016: USD(0.01) per share).

### Statements of Financial Position and Cash Flows

The bondholder meetings of the Company’s two public bonds approved certain amendments to the bond agreement with the requisite majority on 12 April 2017. The amendments included a 2.75 year extension of each of the original maturity dates, the easing of certain financial covenants, a lower interest coupon and an option to pay interest in kind at a higher interest rate. As conditions to the agreement with bondholders, the maturity date for the USD60 million revolving credit facility currently provided to the Company by Siem Industries Inc., Siem Europe’s parent company, has been extended with the funding of drawdown requests under the facility at the sole discretion of the lender and a rights issue for NOK 190 million will be carried out by the Company. The Finance Plan presented to the Company’s bank lenders was approved in mid-July 2016 subject to the condition that the Company reach an agreement with its bondholders on terms that were acceptable to the lenders. This condition has now been satisfied and the terms of the Finance Plan are now firm which include a 2.5 year deferral of instalments for the AHTS vessels, the easing of financial covenants

and a 3-year extension of bullet repayments. These actions provide the Company a stronger financial platform to meet the current downturn and position the Company to comply with its debt covenants.

Shareholders' equity was USD535.9 million at 31 March 2017 (31 December 2016: USD549.1 million), equivalent to USD0.64 per share (2016: USD0.65 per share). Net cash flow from operations for first quarter 2017 was USD34.7 million and the cash position at 31 March 2017 was USD81.0 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.4 billion. The Company made no drawings under credit facilities during first quarter 2017 and made principal repayments of USD67.9 million of which USD50 million was repaid on the USD60 million revolving credit facility made available by Siem Industries Inc.

The weighted average cost of debt for the Company was approximately 3.9% p.a. at 31 March 2017, including the effect of fixed interest rate swap agreements.

The share capital is USD8,420,214 representing a total of 842,021,380 shares with a nominal value of USD0.01 per share.

## **OFFSHORE SUPPORT VESSELS SEGMENT**

### **The Fleet**

At 31 March 2017, the fleet totalled 45 vessels (2016: 45 vessels), including partly-owned vessels. Four vessels were in lay-up at the end of the quarter.

### **Results for the First Quarter 2017**

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

The Company had twelve PSVs in the fleet, consolidated on a 100% basis, at the end of the quarter (2016: thirteen). These PSVs recorded operating revenues of USD16.5 million and had 79% utilisation (2016: USD17.6 million and 79%). The operating margin before administration expense for these PSVs was USD7.2 million (2016: USD10.5 million) and the operating margin as a percentage of revenues was 44% (2016: 60%).

One vessel was 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 in the fleet at the end of the quarter (2016: five).

The OSCVs and WIVs earned operating revenues of USD28.8 million and had 87% utilisation (2016: USD19.2 million and 91%). The operating margin before administration expense was USD15.7 million (2016: USD8.2 million) and the operating margin as a percentage of revenues was 55% (2016: 43%).

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

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

The AHTS fleet earned operating revenues of USD7.0 million based on 32% utilisation (2016: USD13.3 million and 36%). The operating margin before administration expense was USD(2.4) million (2016: USD4.8 million) and the operating margin as a percentage of revenues was (32%) (2016: 35%). The operating expenses included scheduled dry-docking, reactivation costs for vessels taken out from lay-up and mobilisation expense 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: seven). Five vessels operated under term contracts in Brazil and one vessel was in lay-up at the end of the quarter.

The fleet earned operating revenues of USD6.4 million and had 92% utilisation (2016: USD3.7 million and 63%). The operating margin before administration expense for the fleet was USD3.6 million (2016: USD1.2million) and the operating margin as a percentage of revenues was 57% (2016: 31%).

The Company had a Canadian fleet of five offshore support vessels operating offshore Canada at the end of the quarter.

The fleet earned operating revenues of USD6.5 million and had 72% utilisation. The operating margin before administration expenses for the fleet was USD2.5 million and the operating margin as a percentage of revenues was 38%.

The 41%-ownership in the “Big Orange XVIII” recorded share of income (loss) of USD0.1 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.

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

### **Results for the First Quarter 2017**

Siem Offshore Contractors (“SOC”) generated gross revenues of USD37.9 million in the first quarter 2017 (2016: USD7.6 million). The operating margin before administration expenses was USD5.5 million (2016: USD0.7 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.

### **Project Overview**

SOC is currently working on the following projects:

- The SOC contracts covering the Nordsee One OWF (Inner Array Grid), the Nordsee One OWF (Export Cable) and the Veja Mate OWF (Inner Array Grid) projects have reached practical completion and have been handed over to the clients. The contracts are presently being closed out.
- The Beatrice OWF (Inner Array Grid), the Hornsea One OWF (Inner Array Grid) and the Trianel Windpark Borkum II OWF (Inner Array Grid) projects are progressing according to contract.

## **Technology Investment – Siem WIS**

### **Results for the First Quarter 2017**

Siem WIS recorded operating revenues of USD0.2 million (2016: USD1.0 million) and an operating margin before administration expenses of USD0.1 million (2016: USD0.6 million).

Siem WIS mobilized its Pressure Control Device System for a new operation in January. However, the work was suspended and the operation re-started at the end of March 2017. The next contract will commence early in third quarter 2017. There have been no lost time incidents in the reporting period.

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

#### **Results for the First Quarter 2017**

The scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD6.6 million (2016: USD6.5 million) and an operating margin before administration expenses of USD3.7 million (2016: USD3.8 million). The operating margin as a percentage of revenue was 55% (2016: 58%).

### **TOTAL CONTRACT BACKLOG FOR THE COMPANY**

The total backlog at 31 March 2017 was USD 1.14 billion and is allocated as follows:

<i>(Amounts in USD millions)</i>	2017	2018	2019 onwards
OSVs	153	162	576
Siem Offshore Contractors	74	87	28
Other	20	26	19
<b>Total Backlog</b>	<b>247</b>	<b>275</b>	<b>623</b>

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

8 May 2017

Eystein Eriksrud, Chairman

Idar Hillersøy, Chief Executive Officer

## CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2017 1Q	2016 1Q	2016 Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue	4	107 405	70 756	469 123
Operating expenses		-68 312	-40 474	-307 769
Administration expenses		-7 250	-6 378	-33 059
<b>Operating margin</b>		<b>31 842</b>	<b>23 905</b>	<b>128 295</b>
Depreciation and amortization	5	-33 035	-25 526	-111 771
Impairment of vessels, projects and intangibles	5,9	-	-	-62 595
Impairment related to long-term receivables		-	-	-13 979
Gain/(loss) on sales of fixed assets	5,9	-45	355	-423
Net gain on bargain purchase		-	-	18 312
Gain on sale of interest rate derivatives (CIRR)	6	92	92	368
Gain/(loss) on currency derivative contracts		-260	10 135	-7 762
<b>Operating profit/(loss)</b>	4	<b>-1 406</b>	<b>8 960</b>	<b>-49 555</b>
Financial income		1 212	2 523	12 471
Financial expenses		-14 874	-13 037	-55 312
Net currency gain/(loss) on revaluation		-320	-10 415	-64 154
<b>Net financial items</b>		<b>-13 981</b>	<b>-20 929</b>	<b>-106 994</b>
Result from associated companies		77	462	19
<b>Profit/(loss) before taxes</b>		<b>-15 311</b>	<b>-11 506</b>	<b>-156 531</b>
Tax benefit / (expense)	7	-2 034	1 936	626
<b>Net profit/(loss)</b>		<b>-17 344</b>	<b>-9 570</b>	<b>-155 905</b>
Attributable to non-controlling interest		-4 019	-579	-13 469
<b>Attributable to shareholders of the Company</b>		<b>-13 326</b>	<b>-8 992</b>	<b>-142 436</b>
Weighted average number of outstanding shares(000's)		842 021	842 021	842 021
Earnings/(loss) per share (basic and diluted)		-0,02	-0,01	-0,17

<i>(Amounts in USD 1 000)</i>	2017 1Q	2016 1Q	2016 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Net profit/(loss)</b>	<b>-17 344</b>	<b>-9 570</b>	<b>-155 905</b>
<b>Other comprehensive income/(expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Pension remeasurement gain/(loss)	-	-	230
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Cash flow hedges	-	34 038	60 319
Currency translation differences	11	-26 642	-23
<b>Total comprehensive loss for the period</b>	<b>-17 333</b>	<b>-2 174</b>	<b>-95 379</b>
Attributable to non-controlling interest	-4 015	-592	-9 729
<b>Attributable to shareholders of the Company</b>	<b>-13 319</b>	<b>-1 583</b>	<b>-85 650</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	31.03.2017	30.12.2016
		<i>Unaudited</i>	<i>Audited</i>
<b>Non-current assets</b>			
Vessels and equipment	5, 9	1 957 968	1 980 228
Vessels under construction	5, 8	-	8 258
Capitalized project cost	5	5 386	5 623
Investment in associates and other long-term receivables		24 004	33 884
CIRR loan deposit 1)	6	72 750	76 215
Deferred tax asset		11 496	11 467
Intangible assets	5, 9	32 684	16 977
<b>Total non-current assets</b>		<b>2 104 288</b>	<b>2 132 652</b>
Debtors, prepayments and other current assets		123 192	178 316
Asset held for sale		-	1 099
Cash and cash equivalents	6	81 004	101 323
<b>Total current assets</b>		<b>204 196</b>	<b>280 738</b>
<b>Total assets</b>		<b>2 308 483</b>	<b>2 413 390</b>
<b>Equity</b>			
Paid-in capital		625 219	625 219
Other reserves		-47 110	-47 276
Retained earnings		-42 162	-28 836
<b>Shareholders' equity</b>		<b>535 947</b>	<b>549 107</b>
Non-controlling interest		94 864	98 878
<b>Total equity</b>		<b>630 811</b>	<b>647 985</b>
<b>Liabilities</b>			
Borrowings	6, 8	1 286 304	1 293 059
CIRR loan 1)	6	72 750	76 215
Other non-current liabilities		53 812	51 421
<b>Total non-current liabilities</b>		<b>1 412 866</b>	<b>1 420 695</b>
Borrowings	6	118 726	177 834
Accounts payable and other current liabilities	7	146 080	166 875
<b>Total current liabilities</b>		<b>264 806</b>	<b>344 709</b>
<b>Total liabilities</b>		<b>1 677 672</b>	<b>1 765 404</b>
<b>Total equity and liabilities</b>		<b>2 308 483</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 1Q</b>	<b>2016 1Q</b>	<b>2016 Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Cash flow from operations</b>			
Net profit/(loss)	-17 344	-9 570	-155 905
Interest expense	13 381	10 104	50 115
Interest paid	-11 544	-12 159	-52 338
Interest income	-1 188	-1 201	-8 487
Interest received	1 188	1 184	8 501
Cash flow hedge	-	-	60 319
Tax expense	2 034	-1 936	-626
Taxes paid	-103	-	-603
Results from associated companies	-77	-462	-19
Loss/(gain) on sale of assets	45	-355	423
Net gain from bargain purchase	-	-	-18 312
Employee share scheme expenses	61	131	516
Impairment of vessels, projects, intangibles, long-term receivables	-	-	76 574
Depreciation and amortization	33 035	25 526	111 771
Effect of unreal. gain on currency exchange forward contracts	61	-9 237	-871
Changes in short-term receivables and payables	13 652	-1 999	-20 938
CIRR gain	-92	-92	-368
Other changes	1 567	3 022	23 590
<b>Net cash flow from operations</b>	<b>34 674</b>	<b>2 955</b>	<b>73 343</b>
<b>Cash flow from investing activities</b>			
Investments in fixed assets	-6 948	-18 663	-414 802
Proceeds from sale of fixed assets	8 270	355	9 751
Cash acquired in Business Combination	-	-	3 314
Investment in subsidiaries	-	-	-201
Dividend from associated companies	-	-290	-
<b>Cash flow from investing activities</b>	<b>1 322</b>	<b>-18 598</b>	<b>-401 938</b>
<b>Cashflow from financing activities</b>			
Contribution from non-controlling interests of consolidated subsidiaries	-	-	885
Proceeds from new long-term borrowing	-	623	455 706
Repayment of long-term borrowing	-67 864	-55 011	-188 360
<b>Cash flow from financing activities</b>	<b>-67 864</b>	<b>-54 388</b>	<b>268 232</b>
<b>Net change in cash</b>	<b>-31 868</b>	<b>-70 032</b>	<b>-60 363</b>
Cash at bank start of period	101 324	148 753	148 753
Effect of exchange rate differences on cash	11 547	18 720	12 934
<b>Cash at bank at end of period</b>	<b>81 004</b>	<b>97 441</b>	<b>101 324</b>



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Amounts in USD 1 000)*

	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity on January 1, 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>98 879</b>	<b>647 985</b>
Net profit to shareholders				-	-13 326	-13 326	-4 019	-17 344
Employee share scheme -Value of employee services				61	-	61	-	61
Currency translation differences				105	-	106	4	110
<b>Total comprehensive income/(expense)</b>		<b>-</b>	<b>-</b>	<b>167</b>	<b>-13 326</b>	<b>-13 159</b>	<b>-4 015</b>	<b>-17 174</b>
Share issue in partially owned subsidiary		-	-	-	-	-	-	-
<b>Equity on 31 March 2017</b>	<b>842 021 380</b>	<b>8 420</b>	<b>616 799</b>	<b>-47 110</b>	<b>-42 162</b>	<b>535 947</b>	<b>94 864</b>	<b>630 811</b>

*(Amounts in USD 1 000)*

	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity on January 1, 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>-</b>	<b>-</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>98 879</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 31 March 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 69% of the long-term interest-bearing debt was subject to floating interest rates at the end of March 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>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating revenue by business area</b>			
Platform Supply Vessels (1)	16 497	17 607	62 058
Offshore Subsea Construction Vessels and WIV	28 761	19 158	97 232
Anchor Handling Tug Supply Vessels (1)	6 993	13 297	48 326
Other vessels in Brazil	6 350	3 718	20 143
Canadian Fleet	6 474	-	24 474
Other/Intercompany elimination	-2 683	382	-9 256
<b>Operating revenue, OSV segment</b>	<b>62 392</b>	<b>54 162</b>	<b>242 976</b>
Combat Management Systems	271	1 405	2 410
Submarine Power Cable Installation	37 905	7 626	193 774
Scientific Core-Drilling	6 621	6 533	26 376
Siem WIS	215	1 030	3 587
<b>Operating revenue, Industrial Segment</b>	<b>45 013</b>	<b>16 595</b>	<b>226 147</b>
<b>Total operating revenue</b>	<b>107 405</b>	<b>70 756</b>	<b>469 123</b>
<b>Operating profit by business area</b>			
Platform Supply Vessels 1)	1 888	4 135	-43 081
Offshore Subsea Construction Vessels and WIV	6 887	2 429	7 406
Anchor Handling Tug Supply Vessels 1)	-12 719	-5 108	-29 496
Other vessels in Brazil	2 169	110	3 184
Canadian Fleet	600	-	5 739
Other/Intercompany elimination	-594	-231	-11 996
<b>Operating profit, OSV segment</b>	<b>-1 769</b>	<b>1 334</b>	<b>-68 244</b>
Combat Management Systems	-474	14	31
Submarine Power Cable Installation	5 246	212	30 540
Scientific Core-Drilling	3 020	2 913	11 391
Siem WIS	34	282	-710
<b>Operating profit, Industrial segment</b>	<b>7 826</b>	<b>3 422</b>	<b>41 252</b>
Administration expenses	-7 250	-6 378	-33 059
Gain (loss) on sale of fixed assets	-45	-	-423
Net Gain from Bargain Purchase	-	-	18 312
Gain on sale of interest rate derivatives	92	-	368
Currency gain/(loss)	-260	10 582	-7 762
<b>Total operating profit</b>	<b>-1 406</b>	<b>8 960</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>	<b>302</b>	<b>2 709 408</b>	<b>10 024</b>	<b>14 732</b>	<b>2 734 466</b>
Capital expenditure	-	6 844	-	104	6 948
Business combination	-	-	-	-	-3
The year's disposal at cost	-	-	-10 023	-	-10 023
Effect of exchange rate differences	4	1 716	-	-	1 723
<b>Purchase cost on March 31, 2017</b>	<b>306</b>	<b>2 717 968</b>	<b>-</b>	<b>14 836</b>	<b>2 733 111</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>
Movement between groups	-	-	-	-	-
The year's depreciation	-4	-30 498	-	-341	-30 842
The year's disposal of accumulated impairment	-	-	1 766	-	1 766
Effect of exchange rate differences	-	-321	-	-	-321
<b>Accumulated depreciation on March 31, 2017</b>	<b>-36</b>	<b>-760 270</b>	<b>-</b>	<b>-9 450</b>	<b>-769 756</b>
<b>Net book value on March 31, 2017</b>	<b>270</b>	<b>1 957 698</b>	<b>-</b>	<b>5 386</b>	<b>1 963 355</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	Total
<b>Purchase cost on January 1, 2017</b>	<b>16 097</b>	<b>12 125</b>	<b>387</b>	<b>28 609</b>
Correction previous periods	-	0	17 830	17 830
Effect of exchange rate differences	223	15	2	240
<b>Purchase cost on March 31, 2017</b>	<b>16 320</b>	<b>12 140</b>	<b>18 219</b>	<b>46 679</b>
<b>Accumulated depreciation on January 1, 2017</b>	<b>-</b>	<b>-4 572</b>	<b>-354</b>	<b>-4 926</b>
<b>Accumulated impairment on January 1, 2017</b>	<b>-</b>	<b>-6 705</b>	<b>-</b>	<b>-6 705</b>
The year's ordinary depreciation	-	-125	-2 241	-2 366
Effect of exchange rate differences	-	-7	11	3
<b>Accumulated depreciation on March 31, 2017</b>	<b>-</b>	<b>-11 410</b>	<b>-2 584</b>	<b>-13 994</b>
<b>Net book value on March 31, 2017</b>	<b>16 320</b>	<b>730</b>	<b>15 634</b>	<b>32 685</b>

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

Trademarks and licences 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 amortization of assets that are not yet commercialized. Correction previous periods refers to purchase price accounting following the acquisition of the remaining 50% shares in Secunda. A 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.

Impairments during 2016 have been identified for vessels, capitalized equipment and intangibles. See note 9 for further details.

## NOTES TO THE FINANCIAL STATEMENTS

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>	31.03.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
<b>Total cash</b>	<b>81 004</b>	<b>101 323</b>
Short-term interest bearing-debt	-118 726	177 834
Long-term interest bearing-debt	-1 286 304	1 293 059
<b>Total interest-bearing debt</b>	<b>-1 405 030</b>	<b>1 470 893</b>
<b>Net interest-bearing debt</b>	<b>-1 324 026</b>	<b>1 369 570</b>
<b>Unearned CIRR</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
	<i>Unaudited</i>	<i>Audited</i>
Beginning of year	1 050	1 418
Recognized in the profit and loss account	-92	-368
<b>End of period</b>	<b>958</b>	<b>1 050</b>

The interest-bearing debt is denominated in currencies as follows: USD76.4%, NOK 22.7% 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 USD1.6 million provision relating to Siem Offshore Contractors in Germany.

### Note 8 – Committed capital

<i>(Amounts in USD 1 000)</i>	31.03.2017	31.03.2016	31.12.2016
Combined contract value end of period for the vessels	-	573 744	-
Instalments paid	-	165 030	-
<b>Unpaid instalments</b>	<b>-</b>	<b>408 715</b>	<b>-</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9 – Exceptional items

<i>(Amounts in USD 1 000)</i>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating items</b>			
Impairment charge relating to vessel segments:			
PSV	-	-	47 605
OSCV and WIV	-	-	10 750
AHTS vessels	-	-	-
Canadian fleet	-	-	1 824
<b>Total impairment charge for vessels and equipment</b>	<b>-</b>	<b>-</b>	<b>60 180</b>
Impairment related to long-term receivables/projects			15 379
Impairment charge relating to intangibles	-	-	1 015
<b>Total charge for impairments (1)</b>	<b>-</b>	<b>-</b>	<b>76 574</b>
<b>Bargain purchase gain</b>	<b>-</b>	<b>-</b>	<b>18 312</b>

(1) At 31 December 2016, impairment tests were performed for vessels and capitalized equipment at investments in subsidiaries and the company indentified possible impairment for such assets. Valuation was received from accredited brokers for all vessels. In addition, value-in-use calculations were performed for all vessels to test broker's values. Value-in-use calculations have been based on residual values.

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