

SIEM OFFSHORE INC.
REPORT FOR SECOND QUARTER AND FIRST HALF YEAR 2017



24 August 2017 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the second quarter and first half ended 30 June 2017.

SELECTED FINANCIAL INFORMATION

<i>(Amounts in USD millions)</i>	2017	2016	2017	2016	2016
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	117.7	99.6	225.3	170.3	469.1
Operating margin	40.2	18.6	71.7	42.5	128.3
Operating margin, %	34 %	19 %	32 %	25 %	27 %
Operating profit (loss)	(62.9)	1.3	(64.9)	10.3	(49.6)
Profit (loss) before taxes	(85.4)	(7.7)	(101.3)	(19.2)	(156.5)
Net profit (loss)	(87.6)	(7.9)	(105.5)	(17.5)	(155.9)
Net profit (loss) attributable to shareholders	(71.4)	(6.6)	(85.0)	(15.6)	(142.4)

HIGHLIGHTS FOR THE SECOND QUARTER

- NOK190 million Rights Issue successfully completed in June.
- Secunda Canada LP, a wholly-owned subsidiary of the Company, agreed a 2-year contract, plus 12 monthly options, for the anchor-handling tug supply vessels (AHTS vessels) “Burin Sea” and “Trinity Sea”.
- Several medium term charter parties agreed for AHTS vessels, PSV vessels and OSCV vessels.
- Siem Offshore acquired 49% of Siem Meling Offshore DA (SMODA) to increase its ownership to 100%. As part of the transaction, the vessel “Siddis Mariner” was sold. SMODA will continue its ownership of the “Siem Pilot” which commenced a 4-year firm contract offshore Canada during July 2017.
- The Company’s Board of Directors appointed Bernt Omdal as chief executive officer with effect from 15 May 2017.
- Conducted a periodic review of vessel values and recorded aggregated impairments of USD70.8 million which is a result of reduced vessel utilization arising from excess capacity.

SUBSEQUENT EVENTS

- Concluded the sale of the Brazilian-based defense business, Consub Defesa e Tecnologia S.A., formerly a 100%-owned subsidiary of Siem Offshore.

MARKET AND OUTLOOK

Despite the North Sea spot market having experienced increased activity due to the reactivation of rigs, the day rates remained low during the 2nd quarter because of continued excess supply in the market.

The demand side has recently improved, however, an oversupply of both AHTS vessels and PSVs still remains. We believe the market will remain challenging for the next couple of years as well-based rig contracts expire and vessels continue to arrive from other regions. Many competitors that have a weak balance sheet will struggle to maintain safe and predictable service as cash for operations is reduced.

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 to be laid in the offshore windfarm market for scheduled marine installation activities scheduled to commence in 2019, 2020 and 2021.

RESULTS AND FINANCE

Income Statements (2Q 2017 over 2Q 2016)

Operating revenues were USD117.7 million (2016: USD99.6 million). The operating margin was USD40.2 million (2016: USD18.6 million) and the operating margin as a percentage of revenues was 34% (2016: 19%).

Administration expenses were USD8.4 million (2016: USD8.4 million). Operating profit (loss) was USD(62.9) million (2016: USD1.3 million) after depreciation and amortisation expenses of USD31.5 million (2016: USD27.6 million) and after impairment of certain vessels of USD70.8 million (2016: USD1.2 million). The net currency exchange gains (losses) of USD(0.9) million (2016: USD(7.1) million) were recorded on currency derivative contracts of which USD(0.5) million was an unrealised loss (2016: USD(10.0) million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(22.7) million (2016: USD(8.4) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(8.2) million (2016: (0.6) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD15.9 million included a net unrealised loss of USD0.6 million for interest swap agreements which are entered to hedge long-term interest rate exposure on floating rate borrowings.

Tax expense of USD2.2 million includes a USD3.2 million tax provision for corporate tax related to the operations of the subsidiary "Siem Offshore Contractors".

The net profit/(loss) attributable to shareholders was USD(71.4) million (2016: USD(6.6) million), or USD(0.08) per share (2016: USD(0.01) per share).

Income Statements (1H 2017 over 1H 2016)

Operating revenues were USD225.3 million (2016: USD170.3 million). The operating margin was USD71.7 million (2016: USD42.5 million) and the operating margin as a percentage of revenues was 32% (2016: 25%).

Administration expenses were USD16.0 million (2016: USD14.8 million).

Operating profit/(loss) was USD(64.9) million (2016: USD10.3 million) after depreciation and amortization expenses of USD64.7 million (2016: USD53.1 million) and impairment expenses of USD70.8 million (2016: USD1.2 million) related to certain vessels. Net currency exchange gains/(losses) of USD(1.2) million (2016: USD3.1 million) were recorded on currency derivative contracts of which USD(0.5) million was unrealised (2016: USD(0.8) million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(36.7) million (2016: USD(29.4) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(8.5) million (2016: USD(11.0) million) due to changes in currency exchange rates during the first half. Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD30.8 million included a net unrealised loss of

USD0.5 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(85.0) million (2016: USD(15.6) million).

Statements of Financial Position and Cash Flows

With the completion of the Rights Issue of NOK 190 million in June 2017, all conditions have now been satisfied related to the bond agreement and to the Finance Plan that was presented to the Company's lenders in July 2016. The agreements with the bondholders and the Company's lenders provide the Company a stronger financial platform to meet the current downturn and to continue safe and predictable operations.

Shareholders' equity was USD486.6 million at 30 June 2017 (31 December 2016: USD549.1 million), equivalent to USD0.51 per share (2016: USD0.65 per share). Net cash flow from operations for first half 2017 was USD54.3 million and the cash position at 30 June 2017 was USD73.2 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.35 billion. The Company made no drawings under credit facilities during first half 2017 and made principal repayments of USD130.5 million.

The weighted average cost of debt for the Company was approximately 3.7% p.a. at 30 June 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 June 2017, the fleet totalled 44 vessels (2016: 46 vessels), including partly-owned vessels. Five vessels were in lay-up at the end of the quarter.

Results for the Second Quarter 2017

Platform Supply Vessels (PSVs)

The Company had eleven PSVs in the fleet, consolidated on a 100% basis, at the end of the quarter (2016: thirteen). These PSVs recorded operating revenues of USD15.1 million and had 76% utilisation (2016: USD16.1 million and 82%). The operating margin before administration expense for these PSVs was USD6.4 million (2016: USD7.7 million) and the operating margin as a percentage of revenues was 42% (2016: 48%).

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 in the fleet at the end of the quarter (2016: five OSCVs).

The OSCVs and WIVs earned operating revenues of USD31.9 million and had 97% utilisation (2016: USD18.1 million and 96%). The operating margin before administration expense was USD21.8 million (2016: USD6.5 million) and the operating margin as a percentage of revenues was 68% (2016: 36%).

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 USD10.0 million based on 48% utilisation (2016: USD13.8 million and 45%). The operating margin before administration expense was USD(2.7) million (2016: USD2.3

million) and the operating margin as a percentage of revenues was (27%) (2016: 17%). 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 USD7.0 million and had 100% utilisation (2016: USD5.3 million and 70%). The operating margin before administration expense for the fleet was USD4.2 million (2016: USD USD2.1 million) and the operating margin as a percentage of revenues was 60% (2016: 40%).

The Company had a Canadian owned fleet of five offshore support vessels operating offshore Canada. The fleet earned operating revenues of USD8.6 million and had 91% utilisation. The operating margin before administration expenses for the fleet was USD4.7 million and the operating margin as a percentage of revenues was 55%.

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit (loss) of USD0.2 million (2016: USD0.5 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 Half 2017

Platform Supply Vessels (PSVs)

The PSV fleet recorded operating revenues of USD31.6 million and had 82% utilisation (2016: USD33.7 million and 80%). The operating margin before administration expense for these PSVs was USD13.3 million, (2016: USD18.2 million) and the operating margin as a percentage of revenues was 42% (2016: 54%).

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

The OSCV and WIV fleet earned operating revenues of USD60.2 million and had 92% utilisation (2016: USD37.3 million and 94%). The operating margin before administration expense for the OSCVs and WIVs was USD38.2 million (2016: USD14.7 million) and the operating margin as a percentage of revenues was 63% (2016: 39%).

Anchor Handling Tug Supply (AHTS) Vessels

Siem Offshore’s interest in the AHTS fleet earned operating revenues of USD17.0 million and had 40% utilisation (2016: USD27.1 million and 40%). The operating margin before administration expense was USD(5.2) million (2016: USD2.3 million) and the operating margin as a percentage of revenues was (30)% (2016: 17%).

Other Vessels

The fleet of smaller Brazilian flagged vessels earned operating revenues of USD13.4 million and had 83% utilisation (2016: USD9.0 million and 62%). The operating margin before administration expense for the fleet

was USD7.9 million (2016: USD3.5 million) and the operating margin as a percentage of revenues was 59% (2016: 36%).

The Canadian owned fleet earned operating revenues of USD15.0 million and had 79% utilisation (2016: USD4.0 million and 90%). The operating margin before administration expense for the fleet was USD7.1 million (2016: USD3.9 million) and the operating margin as a percentage of revenues was 48% (2016: 25%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit (loss) of USD0.3 million (2016: USD1.1 million). These results are recorded in accordance with the equity method.

INDUSTRIAL SEGMENT

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

Results for the Second Quarter 2017

SOC generated gross revenues of USD38.7 million in the second quarter 2017 (2016: USD36.9 million). The operating margin before administration expenses was USD6.4 million (2016: USD(1.5) 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 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 Half 2017

SOC generated gross revenues of USD76.6 million (2016: USD44.6 million) and recorded USD12.0 million (2016: USD(0.8) million) in margin from its various projects, before administrative expenses.

Technology Investment – Siem WIS,

Results for the Second Quarter 2017

Siem WIS recorded gross revenues of USD0.5 million (2016: USD0.2 million) and recorded USD0.3 million (2016: USD(0.2) million) in margin from its various projects, before administration expenses.

The offshore operation that commenced in the North Sea in March was completed end of April and the demobilisation has been completed. The next operation which was scheduled for start-up late June has been postponed by the client and is re-scheduled to commence in Q4 2017.

Results for the First Half 2017

Siem WIS recorded gross revenues of USD0.9 million (2016: USD1.2 million) and recorded USD0.5 million (2016: USD0.4 million) in margin from its various projects, before administration expenses.

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

Results for the Second Quarter 2017

The scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD6.7 million (2016: USD6.4 million) and an operating margin before administration expenses of USD3.8 million (2016: USD4.0 million). The operating margin as a percentage of revenue was 57% (2016: 62%).

Results for the First Half 2017

The “JOIDES Resolution” recorded operating revenues of USD13.3 million (2016: USD13.0 million) and an operating margin before administration expenses of USD7.5 million (2016: USD7.8 million). The operating margin as a percentage of revenue was 56% (2016: 60%).

TOTAL CONTRACT BACKLOG

The total backlog at 30 June 2017 was USD1.11 billion and is allocated as follows:

<i>(Amounts in USD millions)</i>	2017	2018	2019 onwards	Total
OSVs	109	171	590	870
Siem Offshore Contractors	54	94	32	180
Other	13	27	20	60
Total Backlog	176	292	642	1,110

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

23 August 2017

Eystein Eriksrud, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2017	2016	2017	2016	2016
		2Q	2Q	1H	1H	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue	4	117 701	99 557	225 258	170 314	469 123
Operating expenses		-69 088	-72 518	-137 544	-112 992	-307 769
Administration expenses		-8 399	-8 418	-15 992	-14 796	-33 059
Operating margin		40 214	18 621	71 722	42 526	128 295
Depreciation and amortization	5	-31 492	-27 608	-64 696	-53 135	-111 771
Impairment of vessels	5,9	-70 764	-1 209	-70 796	-1 209	-60 180
Impairment of intangibles	5,9	-	-	-	-	-1 015
Impairment related to long-term receivables		-	-	-	-	-13 979
Impairment related to projects		-	-	-	-	-1 400
Gain/(loss) on sales of fixed assets	5,9	-47	213	-92	568	-423
Net gain on bargain purchase		-	18 269	-	18 269	18 312
Gain on sale of interest rate derivatives (CIRR)	6	92	92	184	184	368
Gain/(loss) on currency derivative contracts		-931	-7 081	-1 190	3 054	-7 762
Operating profit/(loss)	4	-62 927	1 297	-64 869	10 257	-49 555
Financial income		1 418	5 630	2 630	8 153	12 471
Financial expenses		-15 926	-13 446	-30 828	-26 483	-55 312
Net currency gain/(loss) on revaluation		-8 191	-627	-8 510	-11 042	-64 154
Net financial items		-22 699	-8 443	-36 708	-29 372	-106 994
Result from associated companies		189	-511	267	-49	19
Profit/(loss) before taxes		-85 437	-7 657	-101 311	-19 164	-156 531
Tax benefit / (expense)	7	-2 180	-227	-4 214	1 710	626
Net profit/(loss)		-87 617	-7 884	-105 525	-17 454	-155 905
Attributable to non-controlling interest		-16 247	-1 314	-20 491	-1 892	-13 469
Attributable to shareholders of the Company		-71 370	-6 570	-85 034	-15 562	-142 436
Weighted average number of outstanding shares(000's)		850 813	842 021	846 441	842 021	842 021
Earnings/(loss) per share (basic and diluted)		-0,08	-0,01	-0,10	-0,02	-0,17

Comprehensive Income Statements		2017	2016	2017	2016	2016
<i>(Amounts in USD 1 000)</i>		2Q	2Q	1H	1H	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net profit/(loss)		-87 617	-7 884	-105 525	-17 454	-155 905
Other comprehensive income/(expense):						
Items that will not be reclassified to profit or loss:						
Pension remeasurement gain/(loss)		-	231	-	231	230
Items that may be subsequently reclassified to profit or loss:						
Cash flow hedges		-	-2 721	-	31 317	60 319
Currency translation differences		-20	-1 065	86	-27 707	-23
Total comprehensive loss for the period		-87 637	-11 439	-105 439	-13 614	-95 379
Attributable to non-controlling interest		-16 317	-1 287	-20 557	-1 878	-9 729
Attributable to shareholders of the Company		-71 320	-10 152	-84 882	-11 736	-85 650

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	30.06.2017	30.12.2016
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets			
Vessels and equipment	5, 9	1 847 823	1 980 228
Vessels under construction	5, 8	-	8 258
Capitalized project cost	5	5 055	5 623
Investment in associates and other long-term receivables		13 543	33 884
CIRR loan deposit 1)	6	71 084	76 215
Deferred tax asset		11 550	11 467
Intangible assets	5, 9	33 368	16 977
Total non-current assets		1 982 424	2 132 652
Debtors, prepayments and other current assets		152 419	178 316
Asset held for sale		-	1 099
Cash and cash equivalents	6	73 150	101 323
Total current assets		225 569	280 738
Total assets		2 207 993	2 413 390
Equity			
Paid-in capital		647 562	625 219
Other reserves		-47 068	-47 276
Retained earnings		-113 871	-28 836
Shareholders' equity		486 624	549 107
Non-controlling interest		78 322	98 878
Total equity		564 946	647 985
Liabilities			
Borrowings	6, 8	1 256 158	1 293 059
CIRR loan 1)	6	71 084	76 215
Other non-current liabilities		58 418	51 421
Total non-current liabilities		1 385 660	1 420 695
Borrowings	6	93 366	177 834
Accounts payable and other current liabilities	7	164 022	166 875
Total current liabilities		257 388	344 709
Total liabilities		1 643 047	1 765 404
Total equity and liabilities		2 207 993	2 413 390

1) Commercial Interest Reference Rate

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Amounts in USD 1 000)</i>	2017 1H	2016 1H	2016 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash flow from operations			
Net profit/(loss)	-105 525	-17 454	-155 905
Interest expense	29 141	22 059	50 115
Interest paid	-29 191	-23 602	-52 338
Interest income	-4 071	-6 007	-8 487
Interest received	4 071	6 004	8 501
Cash flow hedge	-	-	60 319
Tax expense	4 214	-1 710	-626
Taxes paid	-630	850	-603
Results from associated companies	-267	49	-19
Loss/(gain) on sale of assets	75	-568	423
Net gain from bargain purchase	-	-18 269	-18 312
Employee share scheme expenses	124	265	516
Impairment of vessels, projects, intangibles, long-term receivables	70 796	1 209	76 574
Depreciation and amortization	64 696	53 135	111 771
Effect of unreal. gain on currency exchange forward contracts	523	805	-871
Changes in short-term receivables and payables	21 347	-7 813	-20 938
CIRR gain	-184	-184	-368
Other changes	-842	-4 581	23 590
Net cash flow from operations	54 276	4 190	73 342
Cash flow from investing activities			
Investments in fixed assets	-8 821	-194 985	-414 802
Proceeds from sale of fixed assets	27 517	568	9 751
Cash acquired in Business Combination	-24	4 599	3 314
Investment in subsidiaries	-	-286	-201
Dividend from associated companies	-	-	-
Cash flow from investing activities	18 672	-190 104	-401 938
Cashflow from financing activities			
Proceeds from issue of new equity	22 343	-	-
Contribution from non-controlling interests of consolidated subsidiaries	-	-	885
Proceeds from new long-term borrowing	-	194 082	455 706
Repayment of long-term borrowing	-130 520	-127 098	-188 360
Cash flow from financing activities	-108 177	66 984	268 232
Net change in cash	-35 229	-118 930	-60 364
Cash at bank start of period	101 323	148 753	148 753
Effect of exchange rate differences on cash	7 056	50 227	12 934
Cash at bank at end of period	73 150	80 050	101 323

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	-28 837	549 106	98 878	647 985
Net profit to shareholders	-	-	-	-	-85 034	-85 034	-20 491	-105 525
Employee share scheme -Value of employee services	-	-	-	124	-	124	-	124
Pension remeasurement	-	-	-	-	-	-	-	-
Currency revaluation	-	-	-	-	-	-	-	-
Cash flow hedge	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	86	-	86	-66	20
Total comprehensive income/(expense)	-	-	-	209	-85 034	-84 825	-20 557	-105 381
Share issue in partially owned subsidiary	-	-	-	-	-	-	-	-
Shares issues in Siem Offshore Inc	100 000 000	1 000	21 343	-	-	22 343	-	22 343
Equity on 30 June 2017	942 021 380	9 420	638 142	-47 068	-113 871	486 624	78 322	564 946

<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 2016	842 021 380	8 420	616 799	-108 151	115 147	632 215	33 293	665 508
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
Total comprehensive income/(expense)	-	-	-	60 875	-143 984	-83 109	-12 368	-95 477
Share issue in partially owned subsidiary	-	-	-	-	-	-	77 953	77 953
Equity on 31 December 2016	842 021 380	8 420	616 799	-47 276	-28 837	549 106	98 878	647 985

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 2017 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 2017

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 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 June 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
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue by business area					
Platform Supply Vessels (1)	15 057	16 067	31 553	33 674	62 058
Offshore Subsea Construction Vessels and WIV	31 922	18 130	60 218	37 288	97 232
Anchor Handling Tug Supply Vessels (1)	10 049	13 815	17 043	27 112	48 326
Other vessels in Brazil	7 009	5 299	13 359	9 017	20 143
Canadian Fleet	8 558	3 987	15 032	3 987	24 474
Other/Intercompany elimination	-566	-2 093	-2 784	-1711	-9 256
Operating revenue, OSV segment	72 028	55 205	134 420	109 367	242 976
Combat Management Systems	-271	805	-	2 211	2 410
Submarine Power Cable Installation	38 705	36 941	76 610	44 567	193 774
Scientific Core-Drilling	6 707	6 445	13 328	12 979	26 376
Siem WIS	532	161	900	1 191	3 587
Operating revenue, Industrial Segment	45 673	44 352	90 838	60 947	226 147
Total operating revenue	117 701	99 557	225 258	170 314	469 123
<i>(Amounts in USD 1 000)</i>	2017	2016	2017	2016	2016
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating profit by business area					
Platform Supply Vessels 1)	-30 125	122	-28 237	4 257	-43 081
Offshore Subsea Construction Vessels and WIV	2 678	125	9 566	2 554	7 406
Anchor Handling Tug Supply Vessels 1)	-28 095	-7 537	-40 814	-12 645	-29 496
Other vessels in Brazil	-976	761	1 193	871	3 184
Canadian Fleet	2 842	1 234	3 442	1 234	5 739
Other/Intercompany elimination	-9 617	2 956	-10 212	2 725	-11 996
Operating profit, OSV segment	-63 293	-2 339	-65 062	-1 004	-68 244
Combat Management Systems	474	-57	-	-43	31
Submarine Power Cable Installation	5 971	-1 931	11 218	-1 719	30 540
Scientific Core-Drilling	3 165	3 047	6 185	5 961	11 391
Siem WIS	39	-498	-119	-216	-710
Operating profit, Industrial segment	9 650	561	17 284	3 983	41 252
Administration expenses	-8 399	-8 418	-15 992	-14 795	-33 059
Gain (loss) on sale of fixed assets	-47	213	-92	568	-423
Net Gain from Bargain Purchase	-	18 269	-	18 269	18 312
Gain on sale of interest rate derivatives	92	92	184	184	368
Currency gain/(loss)	-931	-7 081	-1 190	3 054	-7 762
Total operating profit	-62 927	1 298	-64 869	10 258	-49 555

(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
Purchase cost on 1 January, 2017	302	2 709 408	10 024	14 732	2 734 466
Capital expenditure	-	8 701	-	116	8 817
The year's disposal at cost	-	-47 951	-10 024	-	-57 975
Effect of exchange rate differences	23	8 943	-	-	8 966
Purchase cost on 30 June, 2017	325	2 679 101	-	14 848	2 694 275
Accumulated depreciation on 1 January, 2017	-32	-497 072	-	-9 110	-506 214
Accumulated impairment on 1 January, 2017	-	-232 379	-1 766	-	-234 145
The year's depreciation	-6	-60 811	-	-677	-61 494
The year's impairment	-	-70 796	-	-	-70 796
The year's disposal of accumulated depreciation	-	16 891	-	-	16 891
The year's disposal of accumulated impairment	-	14 953	1 766	-	16 719
Effect of exchange rate differences	-1	-2 349	-	-7	-2 357
Accumulated depreciation on 30 June, 2017	-40	-831 564	-	-9 793	-841 397
Net book value on 30 June, 2017	286	1 847 537	-	5 055	1 852 878

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
Purchase cost on 1 January, 2017	16 097	12 125	387	-	28 609
Correction previous periods	-	-	-	18 363	18 363
Investments	-	4	-	-	4
Effect of exchange rate differences	1 283	80	10	-	1 372
Purchase cost on 30 June, 2017	17 380	12 209	397	18 363	48 348
Accumulated depreciation on 1 January, 2017	-	-4 572	-354	-	-4 926
Accumulated impairment on 1 January, 2017	-	-6 705	-	-	-6 705
The year's ordinary depreciation	-	-222	-13	-2 967	-3 202
Effect of exchange rate differences	-	-57	-90	-	-147
Accumulated depreciation on 30 June, 2017	-	-11 556	-456	-2 967	-14 980
Net book value on 30 June, 2017	17 380	653	-60	15 396	33 368

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>(Amount in USD 1 000)</i>	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Total cash	73 150	101 323
Short-term interest bearing-debt	-93 366	-177 834
Long-term interest bearing-debt	-1 256 158	3 059
Total interest-bearing debt	-1 349 524	-1 470 893
Net interest-bearing debt	-1 276 374	-1 369 569

Unearned CIRR	30.06.2017	31.12.2016
Beginning of year	1 050	1 418
Recognized in the profit and loss account	-184	-368
End of period	866	1 050

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 USD3.2 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>	30.06.2017	30.06.2016	31.12.2016
Combined contract value end of period for the vessels	-	490 062	-
Instalments paid	-	260 968	-
Unpaid instalments	-	229 094	-

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 2Q	2016 2Q	2017 1H	2016 1H	2016 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	1 209	32 151	1 209	47 605
OSCV and WIV	10 000	-	10 000	-	10 750
AHTS vessels	15 000	-	15 000	-	-
Canadian fleet	-	-	-	-	1 824
Other vessels	13 645	-	13 645	-	-
Total impairment charge for vessels and equipment	70 796	1 209	70 796	1 209	60 179
Impairment related to long-term receivables/projects					15 379
Impairment charge relating to intangibles	-	-	-	-	1 015
Total charge for impairments	70 796	1 209	70 796	1 209	76 574

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