

**SIEM OFFSHORE INC.  
REPORT FOR FOURTH QUARTER AND FISCAL YEAR 2017**



22 February 2018 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the fourth quarter and the fiscal year ended 31 December 2017.

**SELECTED FINANCIAL INFORMATION**

<i>(Amounts in USD millions)</i>	2017	2016	2017	2016
	4Q	4Q	Jan-Dec	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	88.8	132.6	415.3	469.1
Operating margin	35.8	30.3	152.9	128.3
Operating margin, %	40 %	23 %	37 %	27 %
Operating profit (loss)	(49.7)	(86.0)	(100.3)	(49.6)
Profit (loss) before taxes	(69.1)	(137.2)	(176.0)	(156.5)
Net profit (loss)	(71.5)	(138.0)	(185.0)	(155.9)
Net profit (loss) attributable to shareholders	(52.2)	(129.6)	(145.3)	(142.4)

**HIGHLIGHTS FOR THE FOURTH QUARTER**

- Agreed a 2-year bareboat contract with options for the vessel “Siem Stingray”.
- Agreed a 1-year extension for the well stimulation vessel “Big Orange XVIII”.
- Agreed a 1-year contract for the vessel “Siem N-Sea”.
- Agreed a 6 month contract for each of the vessels “Siem Atlas” and “Siem Giant”.
- Conducted a review of vessel valuations and long term receivables and recorded aggregate impairments of USD61.7 million.

**SUBSEQUENT EVENTS**

- Agreed a 6 month contract for the vessel “Siem Marlin”.

**MARKET AND OUTLOOK**

The North Sea offshore support vessel (OSV) market continued to be volatile during the fourth quarter with small peaks in day rates caused mainly by the weather. Several vessels returned to the North Sea after the seasonal campaigns further exacerbating the excess capacity situation during these winter months.

Although we expect an uptick in the activity level during the summer period, we believe that the market rates will remain volatile and generally low in 2018.

Despite indications of increased activity, the timing of a significant sustainable improvement in utilization and rates is uncertain and this situation will continue to put financial pressure on owners and lenders.

Siem Offshore Contractors (SOC) continues to experience a high level of tendering activity related to contracts for the installation of submarine cable systems within the offshore wind farm (OWF) market. The experience gained by the OWF industry has reduced costs. Continued technological advances have contributed to cutting costs and more efficient energy generation thus lowering the costs per MW. These developments have made offshore wind power more economically competitive with the more traditional

sources of power generation and improved the medium- and long-term outlook with an increasing number of OWF projects announced on a global scale. SOC, with its purpose-built vessels, its experience and track record, is well-positioned for these projects. The nature of the SOC operation is different to our core OSV operation. Also, vertical integration and consolidation would benefit all stakeholders in the OWF industry. The Company is considering strategic options for SOC.

## **RISKS, FINANCE PLAN AND GOING CONCERN**

The Company is exposed to a number of risks, among which the most important is the demand for its services. The oil price increased during 2017 and ended at USD 66 per barrel at year end 2017. A stable oil price at current levels over time would increase exploration and production spending and related drilling activities. There are positive signs that the activity in the offshore market will increase in the coming years. However, the significant excess capacity in the offshore service vessel fleet has increased the competition amongst owners for any vessel requirements thus depressing charter rates and vessel utilizations. The imbalance between supply and demand for offshore vessels is expected to remain for several years and will continue to put pressure on the charter rates and our income.

The Company has continued cost measures in 2017 to reduce the Company's cost base and to preserve liquidity for ongoing operations.

### **The Finance Plan 2016**

Following the completion of the rights issue for NOK 190 million in June 2017, all conditions were satisfied related to the bond agreements and to the Finance Plan previously agreed by the Company's lenders in 2016.

The agreements included a three-year extension of the final bullet payments of all mortgage debt due before 31 December 2019, deferral of instalments for the fleet of AHTS vessels for 2.5 years with a cash sweep mechanism, and the easing of certain debt covenant requirements from the Company's banks for the next three years.

The Company has undertaken a new initiative with its lenders to prepare for a possible extended downturn in the offshore supply market and has requested instalment relief and certain other changes to its bank loan facilities. This will ensure that the Company remains able to service its debt obligations during the extended uncertain duration of this downturn.

Also, the Company will issue notices for a bondholder meetings in the two unsecured bond issues SIOFF01 and SIOFF02 for the bondholders to consider a new proposal for a restructuring of the two HY bonds.

## **RESULTS AND FINANCE**

### **Income Statements (4Q 2017 over 4Q 2016)**

Operating revenues were USD88.8 million (2016: USD132.6 million). The operating margin was USD35.8 million (2016: USD30.3 million) and the operating margin as a percentage of revenues was 40% (2016: 23%). The reduction in revenues from 4Q 2016 is mainly due to lower revenues from project in SOC. The improved operating margin is attributed to the release of project contingencies and warranty provisions from completed projects by SOC.

Administration expenses were USD9.8 million (2016: USD10.4 million). Operating profit/(loss) was USD(49.7) million (2016: USD(86.0) million) after depreciation and amortisation expenses of USD30.6

million (2016: USD27.6 million) and after impairment of certain vessels of USD51.1 million (2016: USD 59.0 million). The net currency exchange gains/(losses) of USD(3.8) million (2016: USD(14.4) million) were recorded on currency derivative contracts of which USD(3.7) million was an unrealised gain/(loss) (2016: USD(1.9) million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(19.6) million (2016: USD(51.2) million) and included a net revaluation gain/(loss) of non-USD currency items of USD1.0 million (2016: USD(40.7) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD24.4 million included an impairment of USD 10.6 million on long term receivables and 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 USD2.4 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(52.2) million (2016: USD(129.6) million), or USD(0.06) per share (2016: USD(0.15) per share).

#### **Income Statements (YTD 31 December 2017 over YTD 31 December 2016)**

Operating revenues were USD415.3 million (2016: USD469.1 million). The operating margin was USD152.9 million (2016: USD128.3 million) and the operating margin as a percentage of revenues was 37% (2016: 27%).

Administration expenses were USD33.3 million (2016: USD33.1 million).

Operating profit/(loss) was USD(100.3) million (2016: USD(49.6) million) after depreciation and amortization expenses of USD126.2 million (2016: USD111.8 million) and after impairment of vessel values of USD122.2 million (2016: USD60.2 million) and impairment of other assets of USD 5.0 million. Net currency exchange gains/(losses) of USD(0.3) million (2016: USD(7.8) million) were recorded on currency derivative contracts of which USD0.4 million was unrealised gain (2016: USD0.9 million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(76.3) million (2016: USD(107.0) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(15.3) million (2016: USD(64.2) million) due to changes in currency exchange rates during 2017. Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD(69.6) million included a net unrealised gain of USD0.1 million for interest swap agreements which are entered into to hedge long-term interest rate exposure on floating rate borrowings and impairment on long term loans of USD14.6 million.

The net profit/(loss) attributable to shareholders was USD(145.3) million (2016: USD(142.4) million).

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

Shareholders' equity was USD454.8 million at 31 December 2017 (31 December 2016: USD549.1 million), equivalent to USD0.48 per share (2016: USD0.65 per share). Net cash flow from operations for the fiscal year 2017 was USD 107.6 million and the cash position at 31 December 2017 was USD63.5 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.3 billion. The Company made total drawings of the equivalent of USD31.1 million and made principal repayments of USD220.7 million.

The weighted average cost of debt for the Company was approximately 4.0% p.a. at 31 December 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.

### **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.

## **OFFSHORE SUPPORT VESSELS SEGMENT**

### **The Fleet**

At 31 December 2017, the fleet totalled 43 vessels (2016: 46 vessels), including partly-owned vessels and three vessels operating in the Industrial Segment. Five vessels were in lay-up at the end of the fourth quarter.

### **Results for the Fourth Quarter 2017**

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

The Company had eleven PSVs in the fleet at the end of the quarter (2016: thirteen). These PSVs recorded operating revenues of USD12.4 million and had 79% utilisation (2016: USD12.6 million and 64%). The operating margin before administration expense for these PSVs was USD5.9 million (2016: USD3.2 million) and the operating margin as a percentage of revenues was 48% (2016: 25%).

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

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

The Company had five OSCVs and two WIVs at the end of the quarter (2016: five OSCVs and two WIVs).

The OSCVs and WIVs earned operating revenues of USD24.0 million and had 91% utilisation (2016: USD29.6 million and 88%). The operating margin before administration expense was USD15.4 million (2016: USD13.1 million) and the operating margin as a percentage of revenues was 64% (2016: 44%).

#### **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 USD9.7 million based on 62% utilisation (2016: USD8.3 million and 33%). The operating margin before administration expense was USD(0.9) million (2016: USD(0.8) million) and the operating margin as a percentage of revenues was (9)% (2016: (10)%).

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). One vessel was in lay-up at the end of the quarter. The remaining five vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD6.9 million and had 96% utilisation (2016: USD5.6 million and 79%). The operating margin before administration expense for the fleet was USD3.4 million (2016: USD2.5 million) and the operating margin as a percentage of revenues was 49% (2016: 45%).

The Company had a Canadian-owned fleet of five offshore support vessels operating offshore Canada. The fleet earned operating revenues of USD6.7 million and had 69% utilisation (2016: USD8.9 million and 88%). The operating margin before administration expenses for the fleet was USD2.6 million (2016: USD4.2 million) and the operating margin as a percentage of revenues was 39% 2016: 48%).

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.

## **Results for the Year ended 31 December 2017**

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

The PSV fleet recorded operating revenues of USD 57.9 million and had 94% utilisation (2016: USD62.1 million and 77%). The operating margin before administration expense for these PSVs was USD26.4 million, (2016: USD28.1 million) and the operating margin as a percentage of revenues was 46% (2016: 45%).

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

The OSCV and WIV fleet earned operating revenues of USD118.1 million and had 92% utilisation (2016: USD97.2 million and 92%). The operating margin before administration expense for the OSCVs and WIVs was USD72.0 million (2016: USD44.5 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 USD46.7 million and had 64% utilisation (2016: USD48.3 million and 39%). The operating margin before administration expense was USD2.5 million (2016: USD10.8 million) and the operating margin as a percentage of revenues was 5% (2016: 22%). The operating expenses included scheduled dry-docking, reactivation costs for vessels taken out from lay-up and mobilisation expenses for new contracts.

### **Other Vessels**

The fleet of smaller Brazilian-flagged vessels earned operating revenues of USD28.2 million and had 96% utilisation (2016: USD20.1 million and 73%). The operating margin before administration expense for the fleet was USD15.3 million (2016: USD8.6 million) and the operating margin as a percentage of revenues was 54% (2016: 43%).

The Canadian-owned fleet earned operating revenues of USD29.2 million and had 75% utilisation (2016: USD24.5 million and 73%). The operating margin before administration expense for the fleet was USD13.6 million (2016: USD12.5 million) and the operating margin as a percentage of revenues was 47% (2016: 51%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit (loss) of USD0.6 million (2016: USD0.4 million). These results are recorded in accordance with the equity method.

## **INDUSTRIAL SEGMENT**

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

#### **Results for the Fourth Quarter 2017**

SOC generated operating revenues of USD21.3 million in the fourth quarter 2017 (2016: USD64.3 million). The operating margin before administration expenses was USD11.8 million (2016: USD13.1 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. The relative margin has improved as SOC released project contingencies and warranty provision for completed projects.

#### **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 Offshore 1 wind farm.

#### **Results for the Year ended 31 December 2017**

SOC generated gross revenues of USD108.2 million (2016: USD193.8 million) and recorded USD23.8 million (2016: USD30.0 million) in margin from its various projects, before administrative expenses.

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

#### **Results for the Fourth Quarter 2017**

Siem WIS recorded operating revenues of USD0.5 million (2016: USD1.0 million) and recorded USD0.4 million (2016: USD0.5 million) in margin from its various projects, before administration expenses.

#### **Results for the Year ended 31 December 2017**

Siem WIS recorded operating revenues of USD1.5 million (2016: USD3.6 million) and recorded USD0.9 million (2016: USD1.5 million) in margin from its various projects, before administration expenses.

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

#### **Results for the Fourth 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 USD4.1 million (2016: USD3.6 million). The operating margin as a percentage of revenue was 59% (2016: 54%).

#### **Results for the Year ended 31 December 2017**

The “JOIDES Resolution” recorded operating revenues of USD27.2 million (2016: USD26.4 million) and an operating margin before administration expenses of USD15.5 million (2016: USD15.1 million). The operating margin as a percentage of revenue was 57% (2016: 57%).

## GROUP CONTRACT BACKLOG

The total backlog at 31 December 2017 was USD 1.0 billion and is allocated as follows:

<i>(Amounts in USD millions)</i>	2018	2019	2020 onwards	Total
OSVs	186	160	434	780
Siem Offshore Contractors	112	32	-	144
Other	27	20	-	47
<b>Total Backlog</b>	<b>325</b>	<b>212</b>	<b>434</b>	<b>971</b>

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

22 February 2018

Eystein Eriksrud, Chairman

Bernt Omdal, Chief Executive Officer

## CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2017	2016	2017	2016
		4Q	4Q	Jan-Dec	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue	4	88 786	132 614	415 309	469 123
Operating expenses		-43 162	-91 843	-229 078	-307 769
Administration expenses		-9 775	-10 425	-33 334	-33 059
<b>Operating margin</b>		<b>35 849</b>	<b>30 346</b>	<b>152 897</b>	<b>128 295</b>
Depreciation and amortization	5	-30 596	-27 629	-126 162	-111 771
Impairment of vessels	5,8	-51 148	-58 971	-122 168	-60 180
Impairment of intangibles	5,8	-	-1 015	-	-1 015
Impairment related to long-term receivables	8	-	-13 979	-	-13 979
Impairment related to other assets	8	-	-	-5 000	-1 400
Gain/(loss) on sales of fixed assets	5	-154	-594	46	-423
Net gain on bargain purchase		-	188	-	18 312
Gain on sale of interest rate derivatives (CIRR)	6	92	92	368	368
Gain/(loss) on currency derivative contracts		-3 768	-14 444	-264	-7 762
<b>Operating profit/(loss)</b>	4	<b>-49 725</b>	<b>-86 005</b>	<b>-100 283</b>	<b>-49 555</b>
Financial income		3 912	1 391	8 687	12 471
Financial expenses	8	-24 420	-11 896	-69 649	-55 312
Net currency gain/(loss) on revaluation		951	-40 685	-15 292	-64 154
<b>Net financial items</b>		<b>-19 557</b>	<b>-51 190</b>	<b>-76 254</b>	<b>-106 994</b>
Result from associated companies		197	-11	580	19
<b>Profit/(loss) before taxes</b>		<b>-69 085</b>	<b>-137 206</b>	<b>-175 957</b>	<b>-156 531</b>
Tax benefit / (expense)	7	-2 387	-775	-9 087	626
<b>Net profit/(loss)</b>		<b>-71 472</b>	<b>-137 981</b>	<b>-185 044</b>	<b>-155 905</b>
Attributable to non-controlling interest		-19 223	-8 416	-39 720	-13 469
<b>Attributable to shareholders of the Company</b>		<b>-52 249</b>	<b>-129 565</b>	<b>-145 324</b>	<b>-142 436</b>
Weighted average number of outstanding shares(000's)		942 021	842 021	894 624	842 021
Earnings/(loss) per share (basic and diluted)		-0,06	-0,15	-0,16	-0,17

<b>Comprehensive Income Statement</b>	2017	2016	2017	2016
<i>(Amounts in USD 1 000)</i>	4Q	4Q	Jan-Dec	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Net profit/(loss)</b>	<b>-71 472</b>	<b>-137 981</b>	<b>-185 044</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)	-491	230	-491	230
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Cash flow hedges	-	60 025	-	60 319
Currency translation differences	8 154	-2 357	8 240	-23
<b>Total comprehensive loss for the period</b>	<b>-63 809</b>	<b>-80 083</b>	<b>-177 295</b>	<b>-95 379</b>
Attributable to non-controlling interest	-19 137	-8 357	-39 700	-12 268
<b>Attributable to shareholders of the Company</b>	<b>-44 672</b>	<b>-71 727</b>	<b>-137 596</b>	<b>-83 111</b>



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	31.12.2017	31.12.2016
		<i>Unaudited</i>	<i>Audited</i>
<b>Non-current assets</b>			
Vessels and equipment	5, 8	1 739 684	1 980 228
Vessels under construction	5	-	8 258
Capitalized project cost	5	7 029	5 623
Investment in associates and other long-term receivables		34 462	33 884
CIRR loan deposit 1)	6	65 346	76 215
Deferred tax asset		11 125	11 467
Intangible assets	5, 8	18 766	16 977
<b>Total non-current assets</b>		<b>1 876 413</b>	<b>2 132 652</b>
Debtors, prepayments and other current assets		124 152	178 316
Asset held for sale		-	1 099
Cash and cash equivalents	6	63 511	101 323
<b>Total current assets</b>		<b>187 662</b>	<b>280 738</b>
<b>Total assets</b>		<b>2 064 075</b>	<b>2 413 390</b>
<b>Equity</b>			
Paid-in capital		647 313	625 219
Other reserves		-38 813	-47 276
Retained earnings		-153 718	-28 836
<b>Shareholders' equity</b>		<b>454 782</b>	<b>549 107</b>
Non-controlling interest		37 830	98 878
<b>Total equity</b>		<b>492 612</b>	<b>647 985</b>
<b>Liabilities</b>			
Borrowings	6	1 210 558	1 293 059
CIRR loan 1)	6	65 346	76 215
Other non-current liabilities		70 743	51 421
<b>Total non-current liabilities</b>		<b>1 346 647</b>	<b>1 420 695</b>
Borrowings	6	92 442	177 834
Accounts payable and other current liabilities	7	132 374	166 876
<b>Total current liabilities</b>		<b>224 816</b>	<b>344 710</b>
<b>Total liabilities</b>		<b>1 571 463</b>	<b>1 765 405</b>
<b>Total equity and liabilities</b>		<b>2 064 075</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-Dec</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Cash flow from operations</b>		
Net profit/(loss)	-185 044	-155 905
Interest expense	55 484	50 115
Interest paid	-55 739	-52 338
Interest income	-8 461	-8 487
Interest received	7 691	8 501
Cash flow hedge	-	60 319
Tax expense	9 087	-626
Taxes paid	-945	-603
Results from associated companies	-580	-19
Loss/(gain) on sale of assets	-64	423
Net gain from bargain purchase	-	-18 312
Employee share scheme expenses	223	516
Impairment of vessels, projects, intangibles, long-term receivables	122 168	76 574
Depreciation and amortization	126 162	111 771
Effect of unreal. gain on currency exchange forward contracts	-350	-871
Changes in short-term receivables and payables	15 832	-20 938
CIRR gain	-368	-368
Other changes	22 532	23 590
<b>Net cash flow from operations</b>	<b>107 629</b>	<b>73 342</b>
<b>Cash flow from investing activities</b>		
Investments in fixed assets	-20 031	-414 802
Proceeds from sale of fixed assets	31 520	9 751
Proceeds from sale of shares	359	-
Cash acquired in Business Combination	-	3 314
Investment in subsidiaries	-	-201
<b>Cash flow from investing activities</b>	<b>11 849</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	31 097	455 706
Repayment of long-term borrowing	-220 678	-188 360
<b>Cash flow from financing activities</b>	<b>-167 488</b>	<b>268 232</b>
<b>Net change in cash</b>	<b>-48 010</b>	<b>-60 364</b>
Cash at bank start of period	101 323	148 753
Effect of exchange rate differences	10 197	12 935
<b>Cash at bank at end of period</b>	<b>63 511</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>-28 836</b>	<b>549 106</b>	<b>98 878</b>	<b>647 985</b>
Change previous periods	-	-	-	-	-412	-412	-3	-415
Net profit to shareholders	-	-	-	-	-145 324	-145 324	-39 720	-185 044
Employee share scheme -Value of employee services	-	-	-	223	-	223	-	223
Pension remeasurement	-	-	-	-	-491	-491	-	-491
Currency revaluation	-	-	-	-	-	-	-	-
Cash flow hedge	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	8 240	-	8 240	20	8 260
<b>Total comprehensive income/(expense)</b>	-	-	-	<b>8 463</b>	<b>-146 227</b>	<b>-137 764</b>	<b>-39 703</b>	<b>-177 467</b>
Acquisition of shares in partially owned subsidiary	-	-	-	-	21 346	21 346	-21 346	-
Shares issues in Siem Offshore Inc	100 000 000	1 000	21 094	-	-	22 094	-	22 094
<b>Equity on 31 December 2017</b>	<b>942 021 380</b>	<b>9 420</b>	<b>637 893</b>	<b>-38 813</b>	<b>-153 718</b>	<b>454 782</b>	<b>37 830</b>	<b>492 612</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	1 169
<b>Total comprehensive income/(expense)</b>	-	-	-	<b>60 875</b>	<b>-143 983</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>-28 836</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 31 December 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 68% of the long-term interest-bearing debt was subject to floating interest rates at the end of December 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
	4Q	4Q	Jan-Dec	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating revenue by business area</b>				
Platform Supply Vessels (1)	12 394	12 599	57 930	62 058
Offshore Subsea Construction Vessels and WIV (1)	24 030	29 642	118 143	97 232
Anchor Handling Tug Supply Vessels (1)	9 652	8 299	46 659	48 326
Other vessels in Brazil	6 923	5 611	28 177	20 143
Canadian Fleet	6 688	8 858	29 154	24 474
Other/Intercompany elimination	334	-4 315	-1 727	-9 256
<b>Operating revenue, OSV segment</b>	<b>60 020</b>	<b>60 694</b>	<b>278 336</b>	<b>242 976</b>
Combat Management Systems	-	-150	-	2 410
Submarine Power Cable Installation	21 287	64 348	108 243	193 774
Scientific Core-Drilling	6 949	6 745	27 237	26 376
Siem WIS	529	977	1 493	3 587
<b>Operating revenue, Industrial Segment</b>	<b>28 766</b>	<b>71 920</b>	<b>136 973</b>	<b>226 147</b>
<b>Total operating revenue</b>	<b>88 786</b>	<b>132 614</b>	<b>415 309</b>	<b>469 123</b>
<i>(Amounts in USD 1 000)</i>	2017	2016	2017	2016
	4Q	4Q	Jan-Dec	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating profit by business area</b>				
Platform Supply Vessels (1)	-17 826	-47 857	-45 315	-43 081
Offshore Subsea Construction Vessels and WIV (1)	1 240	-4 287	22 557	7 406
Anchor Handling Tug Supply Vessels (1)	-36 381	-11 119	-78 859	-29 496
Other vessels in Brazil	1 811	1 067	6 879	3 184
Canadian Fleet	-4 095	394	1 179	5 739
Other/Intercompany elimination	2 746	-14 989	-4 803	-11 996
<b>Operating profit, OSV segment</b>	<b>-52 506</b>	<b>-76 791</b>	<b>-98 362</b>	<b>-68 244</b>
Combat Management Systems	-	-597	-	31
Submarine Power Cable Installation	13 021	14 909	24 080	30 540
Scientific Core-Drilling	3 274	2 677	12 433	11 391
Siem WIS	91	-831	-251	-710
Other/Intercompany elimination	-	-	-5 000	-
<b>Operating profit, Industrial segment</b>	<b>16 386</b>	<b>16 157</b>	<b>31 263</b>	<b>41 253</b>
Administration expenses	-9 775	-10 425	-33 334	-33 059
Gain (loss) on sale of fixed assets	-154	-594	46	-423
Net Gain from Bargain Purchase	-	-	-	18 312
Gain on sale of interest rate derivatives	92	92	368	368
Currency gain/(loss)	-3 768	-14 444	-264	-7 762
<b>Total operating profit</b>	<b>-49 725</b>	<b>-86 005</b>	<b>-100 283</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 1 January 2017</b>	302	2 709 408	10 024	14 732	2 734 466
Capital expenditure	-	17 232	-	2 784	20 016
The year's disposal at cost	-	-82 127	-10 024	-	-92 151
Effect of exchange rate differences	38	13 914	-	-5	13 948
<b>Purchase cost on 31 december 2017</b>	<b>341</b>	<b>2 658 428</b>	<b>-</b>	<b>17 512</b>	<b>2 676 280</b>
<b>Accumulated depreciation on 1 January 2017</b>	<b>-32</b>	<b>-497 072</b>	<b>-</b>	<b>-9 110</b>	<b>-506 214</b>
<b>Accumulated impairment on 1 January 2017</b>	<b>-</b>	<b>-232 379</b>	<b>-1 766</b>	<b>-</b>	<b>-234 145</b>
The year's depreciation	-12	-124 555	-	-1 371	-125 937
The year's impairment	-	-122 168	-	-	-122 168
The year's disposal of accumulated depreciation	-	59 558	-	-	59 558
The year's disposal of accumulated impairment	-	18 238	1 766	-	20 004
Effect of exchange rate differences	-3	-20 659	-	-2	-20 664
<b>Accumulated depreciation on 31 December 2017</b>	<b>-47</b>	<b>-919 037</b>	<b>-</b>	<b>-10 483</b>	<b>-929 567</b>
<b>Net book value on 31 December 2017</b>	<b>294</b>	<b>1 739 390</b>	<b>-</b>	<b>7 029</b>	<b>1 746 713</b>

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

<i>(Amounts in USD 1 000)</i>	Goodwill	Research and Development	Trademarks and licences	Total
<b>Purchase cost on 1 January 2017</b>	16 097	12 125	387	28 609
Investments	-	14	-	14
Effect of exchange rate differences	2 132	144	18	2 294
<b>Purchase cost on 31 december 2017</b>	<b>18 229</b>	<b>12 283</b>	<b>405</b>	<b>30 917</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	-	-370	145	-225
Effect of exchange rate differences	-	-135	-161	-296
<b>Accumulated depreciation on 31 December 2017</b>	<b>-</b>	<b>-11 782</b>	<b>-370</b>	<b>-12 152</b>
<b>Net book value on 31 December 2017</b>	<b>18 229</b>	<b>502</b>	<b>35</b>	<b>18 766</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 6 – Net Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	31.12.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
<b>Total cash</b>	<b>63 511</b>	<b>101 323</b>
Short-term interest bearing-debt	-92 442	-177 834
Long-term interest bearing-debt	-1 210 558	-1 293 059
<b>Total interest-bearing debt</b>	<b>-1 303 000</b>	<b>-1 470 893</b>
<b>Net interest-bearing debt</b>	<b>-1 239 489</b>	<b>-1 369 569</b>

<b>Unearned CIRR</b>	31.12.2017	31.12.2016
Beginning of year	1 050	1 418
Recognized in the profit and loss account	-368	-368
<b>End of period</b>	<b>682</b>	<b>1 050</b>

The interest-bearing debt is denominated in currencies as follows: USD 76.0%, NOK 21.7 % and CAD 2.3%.

### 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 USD7.8 million provision relating to Corporate tax for Siem Offshore Contractors in Germany.

### Note 8 – Exceptional items

<i>(Amounts in USD 1 000)</i>	2017 4Q	2016 4Q	2017 Jan-Dec	2016 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating items</b>				
Impairment charge relating to vessel segments:				
PSV	19 375	46 396	51 526	47 605
OSCV and WIV	6 493	10 750	16 493	10 750
AHTS vessels	25 146	-	40 146	-
Canadian fleet	-	1 824	-	1 824
Other vessels	134	-	14 003	-
<b>Total impairment charge for vessels and equipment</b>	<b>51 148</b>	<b>58 971</b>	<b>122 168</b>	<b>60 180</b>
Impairment charge relating to intangibles	-	1 015	-	1 015
Impairment related to long-term receivables and loans (1)	10 565	13 979	14 565	13 979
Impairment related to other assets	-	-	5 000	1 400
<b>Total charge for impairments</b>	<b>61 713</b>	<b>73 965</b>	<b>141 733</b>	<b>76 574</b>

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

At 31 December 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.



**Siem Offshore Inc.**

**c/o Siem Offshore Management AS**

Nodeviga 14  
4610 Kristiansand  
Norway

**Postal address:**

P.O. Box 425  
N-4664 Kristiansand S, Norway

**Telephone:**

+47 38 60 04 00

**Telefax:**

+47 37 40 62 86

**E-mail:**

[siemoffshore@siemoffshore.com](mailto:siemoffshore@siemoffshore.com)

**[www.siemoffshore.com](http://www.siemoffshore.com)**