

**SIEM OFFSHORE INC.
REPORT FOR THE FIRST QUARTER 2019**



13 May 2019 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the first quarter 2019.

SELECTED FINANCIAL INFORMATION

<i>(Amounts in USD millions)</i>	2019	2018	2018
	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	69.3	65.9	307.7
Operating margin	22.0	22.1	115.1
Operating margin, %	32 %	34 %	37 %
Operating profit (loss)	(2.9)	(3.7)	(66.9)
Profit (loss) before taxes	(24.1)	(29.9)	(93.5)
Net profit (loss) from continuing operations	(24.1)	(29.4)	(94.1)
Net profit (loss) from discontinued operations	-	(3.1)	86.8
Net profit (loss)	(24.1)	(32.4)	(7.3)
Net profit (loss) attributable to shareholders	(20.2)	(26.9)	16.0

HIGHLIGHTS FOR THE FIRST QUARTER

- Awarded a 3-year frame agreement for the offshore subsea construction vessel “Siem Spearfish”.
- Completed the sale and delivery of the three PSVs, “Siem Sasha”, “Siem Louisa” and “Sophie Siem”.
- The PSV “Siem Symphony” commenced a contract for well-supply-duties.

MARKET AND OUTLOOK

From an overall perspective the first quarter of 2019 showed signs of improvement within certain segments of the OSV market.

In the North Sea the large and modern vessels in the PSV segment have experienced an increase in demand for upcoming campaigns, whereby the rates for term contracts are showing a positive development.

For the AHTS segment the first quarter continued as the previous quarters, with low utilization and low average day-rates on a global basis. Term contracts for AHTS vessels are still more or less non-existing and Owners have to rely on the spot market, which is unbalanced.

Offshore construction vessels follow the yearly trend with higher activity towards the spring, whereby both the Oil & Gas and the Offshore wind market were active with good demand throughout Q1 for securing the more capable vessels for the spring and summer campaigns. This combined increase in demand resulted in an improved market outlook for the Subsea vessel segment.

The outlook for 2019 is improved compared to 2018 for all segments, however, the current charter rates do not offer sufficient earnings for return on capital.

RESULTS AND FINANCE

Income Statements (1Q 2019 over 1Q 2018)

Operating revenues were USD69.3 million (2018: USD65.9 million). The operating margin was USD22.0 million (2018: USD22.1 million) and the operating margin as a percentage of revenues was 32% (2018: 34%). The increase in revenues from 1Q 2018 is mainly due to higher revenues from the AHTS and the PSV fleets. Administrative expenses were USD5.3 million (2018: USD6.1 million).

Operating profit/(loss) was USD(2.9) million (2018: USD(3.7) million) after depreciation and amortisation expenses of USD26.9 million (2018: USD28.2 million). The operating profit includes a gain of USD1.7 million related to a sale of an offshore crane. The net currency exchange gain/(loss) of USD0.01 million (2018: USD2.1 million) was recorded on currency derivative contracts of which USD(0.2) million was an unrealised gain/(loss) (2018: USD2.2 million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(21.1) million (2018: USD(26.2) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(4.6) million (2018: USD(14.5) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies.

The net profit/(loss) attributable to shareholders was USD(20.2) million (2018: USD(26.9) million), or USD(0.02) per share (2018: USD(0.03) per share).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD420.8 million at 31 March 2019 (31 December 2018: USD438.2 million), equivalent to USD0.45 per share (2018: USD0.47 per share). Net cash flow from operations for the first quarter 2019 was USD19.5 million and the cash position at 31 March 2019 was USD76.9 million. The net proceeds from the sale of the three PSVs were USD 10 million and net USD 1.7 million for the sale of the crane.

The balance sheet included gross interest-bearing debt equivalent to USD1,056 million. The Company made principal repayments of USD22 million.

The weighted average cost of debt for the Company was approximately 4.4% p.a. at 31 March 2019, including the effect of debt related derivatives (interest rate swaps and cross currency swaps).

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 continuous focus on safe operations, cooperation and environmental initiatives are resulting in safety and environmental improvements. In 1Q, the safety campaign focusing on "Situational awareness – Risk Perception" was rolled out throughout the fleet globally.

The Company is interacting closely with several clients in Safety Campaigns and Safety and environmental cooperation globally on a continuous basis.

The Fleet

At 31 March 2019, the fleet totalled 36 vessels (2018: 43 vessels), including partly-owned vessels. Two vessels were in lay-up at the end of the quarter.

Results for the First Quarter 2019

Platform Supply Vessels (PSVs)

The Company had eight PSVs in the fleet at the end of the quarter (2018: eleven). Three PSVs were sold and delivered in 1Q 2019. The sale was done at book value. These PSVs recorded operating revenues of USD15.3 million and had 98% utilisation (2018: USD14.6 million and 100%). The operating margin before administrative expenses for these PSVs was USD6.8 million (2018: USD7.0 million) and the operating margin as a percentage of revenues was 44% (2018: 48%).

No 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 (2018: five OSCVs and two WIVs). The OSCVs and WIVs earned operating revenues of USD24.3 million and had 82% utilisation (2018: USD26.4 million and 91%). The operating margin before administrative expenses was USD12.1 million (2018: USD16.4 million) and the operating margin as a percentage of revenues was 50% (2018: 62%).

Anchor Handling Tug Supply (AHTS) Vessels

The Company had ten AHTS vessels at the end of the quarter (2018: ten). The AHTS fleet earned operating revenues of USD10.2 million based on 66% utilisation excluding vessels in lay-up (2018: USD4.2 million and 41%). The operating margin before administrative expenses was USD(2.1) million (2018: USD(6.5) million).

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

Other Vessels

The Company had a fleet of five smaller Brazilian-flagged vessels (fast supply vessels, crew vessels and oil-spill recovery vessels) at the end of the quarter (2018: six). The “Norsul Parnaiba” was sold in 1Q 2019. One vessel was in lay-up at the end of the quarter. Three vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD5.2 million and had 97% utilisation excluding the vessel in lay-up (2018: USD6.1 million and 97%). The operating margin before administrative expenses for the fleet was USD2.4 million (2018: USD3.4 million) and the operating margin as a percentage of revenues was 46% (2018: 55%).

The Company had a Canadian-owned fleet of four offshore support vessels operating offshore Canada at the end of the quarter (2018: five). The fleet earned operating revenues of USD7.2 million and had 100% utilisation (2018: USD7.2 million and 90%). The operating margin before administrative expenses for the fleet was USD3.4 million (2018: USD3.3 million) and the operating margin as a percentage of revenues was 48% (2018: 46%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit/(loss) of USD(0.1) million (2018: USD0.1 million). These results are recorded in accordance with the equity method.

The 100%- ownership in the scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD6.9 million (2018: USD6.7 million) and an operating margin before administrative expenses of USD4.1 million (2018: USD4.1 million). The operating margin as a percentage of revenue was 60% (2018: 61%).

The total backlog at 31 March 2019 was USD654 million and is allocated as follows:

<i>(Amounts in USD millions)</i>	2019	2020	2021 onwards	Total
OSVs	149	142	349	640
Other	14	-	-	14
Total Backlog	163	142	349	654

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

13 May 2019

Eystein Eriksrud, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

		2019	2018	2018
(Amounts in USD 1 000)	Note	1Q	1Q	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue	4	69 324	65 872	307 736
Operating expenses		-41 980	-37 630	-168 575
Administrative expenses	10	-5 347	-6 133	-24 105
Operating margin		21 998	22 110	115 056
Depreciation and amortization	5,10	-26 856	-28 214	-108 922
Impairment of vessels	5,8	-	-	-56 990
Impairment of intangibles	5,8	-	-	-1 080
Impairment related to long-term receivables, projects	8	-	-	-7 200
Gain/(loss) on sales of fixed assets	5	1 783	197	249
Gain on sale of interest rate derivatives (CIRR)	6	92	92	368
Gain/(loss) on currency derivative contracts		56	2 069	-8 344
Operating profit/(loss)	4	-2 927	-3 746	-66 863
Financial income		198	4 013	43 474
Financial expenses	8,10	-16 715	-15 760	-63 144
Net currency gain/(loss) on revaluation		-4 617	-14 460	-7 530
Net financial items		-21 134	-26 207	-27 200
Result from associated companies		-57	42	601
Profit/(loss) before taxes		-24 117	-29 912	-93 462
Tax benefit / (expense)	7	1	536	-588
Net profit/(loss) from continuing operations		-24 117	-29 376	-94 051
Net profit/(loss) from discontinued operations	9	-	-3 056	86 765
Net profit/(loss)		-24 117	-32 432	-7 286
Attributable to non-controlling interest		-3 898	-5 489	-23 237
Attributable to shareholders of the Company		-20 219	-26 943	15 951
Weighted average number of outstanding shares(000's)		942 021	942 021	942 021
Earnings/(loss) per share (basic and diluted)		-0,02	-0,03	0,02
Comprehensive Income Statement		2019	2018	2018
(Amounts in USD 1 000)		1Q	1Q	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net profit/(loss)		-24 117	-32 432	-7 286
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Pension remeasurement gain/(loss)		-	-	-145
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges		621	-	-9 480
Currency translation differences		2 178	1 371	9 356
Total comprehensive loss for the period		-21 318	-31 061	-7 555
Attributable to non-controlling interest		-3 898	-5 489	-23 370
Attributable to shareholders of the Company:		-17 420	-25 572	15 815
Total comprehensive income for the period attributable to shareholders arises from:				
Continuing operations		-17 420	-22 516	-70 950
Discontinued operations		-	-3 056	86 765
Attributable to shareholders of the Company:		-17 420	-25 572	15 815

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



<i>(Amounts in USD 1 000)</i>	Note	31.03.2019	31.12.2018
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets			
Vessels and equipment	5,8,10	1 438 499	1 450 588
Capitalized project cost	5	4 734	5 046
Investment in associates and other long-term receivables		35 582	35 768
CIRR loan deposit 1)	6	65 267	68 730
Deferred tax asset		10 903	10 890
Intangible assets	5,8	-	-
Total non-current assets		1 554 984	1 571 021
Debtors, prepayments and other current assets		102 929	94 890
Assets held for sale	5	-	16 950
Cash and cash equivalents	6	76 926	63 413
Total current assets		179 855	175 252
Total assets		1 734 840	1 746 273
Equity			
Paid-in capital		647 313	647 313
Other reserves		-35 970	-38 769
Retained earnings		-190 570	-170 352
Shareholders' equity		420 773	438 192
Non-controlling interest		23 999	27 898
Total equity		444 772	466 090
Liabilities			
Borrowings	6	969 686	970 988
CIRR loan 1)	6	65 267	68 730
Derivative financial instruments		4 658	2 727
Other non-current liabilities	10	70 037	56 915
Total non-current liabilities		1 109 649	1 099 361
Borrowings	6	86 245	103 900
Accounts payable and other current liabilities	7,10	94 175	76 924
Total current liabilities		180 420	180 824
Total liabilities		1 290 068	1 280 185
Total equity and liabilities		1 734 840	1 746 273

1) Commercial Interest Reference Rate

CONSOLIDATED STATEMENTS OF CASH FLOWS



<i>(Amounts in USD 1 000)</i>	2019 1Q	2018 Jan-Dec
	<i>Unaudited</i>	<i>Audited</i>
Cash flow from operations		
Net profit/(loss)	-24 117	-94 051
Interest expense	13 777	55 932
Interest paid	-9 545	-59 867
Interest income	-250	-15 397
Interest received	353	15 258
Tax expense	-1	588
Taxes paid		1 199
Results from associated companies	57	-601
Loss/(gain) on sale of assets	-1 783	-249
Employee share scheme expenses	1	34
Impairment of vessels, projects, intangibles, long-term receivables	-	65 270
Depreciation and amortization	26 856	108 922
Effect of unreal. gain on currency exchange forward contracts	-223	7 413
Changes in short-term receivables and payables	21 961	-40 753
CIRR gain	-92	-368
Other changes	-7 530	-10 599
Net cash flow from operations	19 463	32 731
Cash flow from investing activities		
Investments in fixed assets	-5 435	-10 968
Proceeds from sale of fixed assets	18 747	112 484
Net cash from sale of SOC	-	76 684
Cash flow from investing activities	13 312	178 199
Cashflow from financing activities		
Contribution from non-controlling interests of consolidated subsidiaries	6 989	7 878
Effect from restatement of bonds to convertible bonds	2 327	-23 580
Repayment of borrowings	-21 817	-194 611
Cash flow from financing activities	-12 501	-210 313
Net change in cash	20 274	617
Cash at bank start of period	63 413	63 511
Effect of exchange rate differences	-6 761	-715
Cash at bank at end of period	76 926	63 413
Details of continuing and discontinued operations:		
Cash balance related to discontinued operations	-	-
Cash balance related to continuing operations	76 926	63 413
Total cash balance end of period	76 926	63 413
Net change in cash from discontinued operations	-	-17 726
Net change in cash from continuing operations	20 274	18 343
Total net change in cash	20 274	617

Figures above include discontinued operations unless explicitly stated.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY



<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
Equity on 1 January 2018	942 021 380	9 420	637 893	-38 813	-182 626	425 874	47 737	473 611
Net profit to shareholders	-	-	-	-	15 951	15 951	-23 237	-7 286
Employee share scheme -Value of employee services	-	-	-	34	-	34	-	34
Pension remeasurement	-	-	-	-	-145	-145	-	-145
Cash flow hedge	-	-	-	-9 480	-	-9 480	-	-9 480
Currency translation differences	-	-	-	9 489	-	9 489	-133	9 357
Acquisition of shares from minority interests	-	-	-	-	-3 532	-3 532	3 532	-
Equity on 31 December 2018	942 021 380	9 420	637 893	-38 769	-170 352	438 192	27 898	466 091

<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 2019	942 021 380	9 420	637 893	-38 769	-170 352	438 192	27 898	466 091
Net profit to shareholders	-	-	-	-	-20 219	-20 219	-3 898	-24 117
Employee share scheme -Value of employee services	-	-	-	1	-	1	-	1
Cash flow hedge	-	-	-	621	-	621	-	621
Currency translation differences	-	-	-	2 178	-	2 178	-	2 178
Equity on 31 March 2019	942 021 380	9 420	637 893	-35 970	-190 570	420 773	23 999	444 772

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 31 March 2019 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 2018 which have been prepared in accordance with IFRS.

Note 2 – Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018 and with new standards, amendments to standards and interpretations that have become effective in 2019. The Company implemented the IFRS 16 with the effect from 1 January 2019. The implementation, presented in note 10, did not have a significant 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 49% of the long-term interest-bearing debt was subject to floating interest rates at the end of March 2019, and taking into consideration the effects of hedging agreements. The remaining portion of the debt is subject to fixed interest rates.

3.2 Currency Risk

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

3.3 Liquidity Risk

The Company is financed by debt and equity. If the Company fails to repay or refinance its credit facilities, additional equity financing may be required. There can be no assurance that the Company will be able to repay its debts or extend the debt repayment schedule through re-financing of credit facilities. There is no assurance that the Company will not experience cash flow shortfalls exceeding the Company's available funding sources or to remain in compliance with minimum cash requirements. Further, there is no assurance that the Company will be able to raise new equity or arrange new credit facilities on favourable terms and in amounts necessary to conduct its ongoing and future operations should this be required.

NOTES TO THE FINANCIAL STATEMENTS



Note 4 – Segment Reporting

<i>(Amounts in USD 1 000)</i>	2019 1Q	2018 1Q	2018 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue by segments			
Platform Supply Vessels	15 330	14 575	62 155
Offshore Subsea Construction Vessels and WIV	24 259	26 418	120 034
Anchor Handling Tug Supply Vessels	10 249	4 181	43 911
Brazilian Fleet	5 234	6 069	22 295
Canadian Fleet	7 154	7 167	28 878
Other/Intercompany elimination	191	781	2 079
Scientific Core-Drilling Vessel	6 907	6 680	28 384
Total operating revenue	69 324	65 872	307 736
Total operating revenue from discontinued operations	-	12 601	14 490
Total operating revenue from continuing/discontinued operations	69 324	78 473	322 226
Operating profit by segments			
Platform Supply Vessels	1 780	2 230	2 698
Offshore Subsea Construction Vessels and WIV	4 410	6 604	38 013
Anchor Handling Tug Supply Vessels	-11 155	-16 423	-85 505
Brazilian Fleet	1 281	1 917	5 068
Canadian Fleet	990	1 231	-4 300
Other/Intercompany elimination	-51	1 482	-5 942
Scientific Core-Drilling Vessel	3 234	2 986	14 937
Total operating profit from segments	489	29	-35 031
Administration expenses	-5 347	-6 133	-24 105
Gain (loss) on sale of fixed assets	1 783	197	249
Gain of sale of interest rate derivatives (CIRR)	92	92	368
Gain (loss) on currency exchange forward contracts	56	2 069	-8 344
Total operating profit / (loss)	-2 927	-3 746	-66 863
Total operating profit / (loss) from discontinued operations	-	-2 603	-2 471
Total operating profit / (loss) from continuing/discontinued operations	-2 927	-6 349	-69 334

NOTES TO THE FINANCIAL STATEMENTS

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

<i>(Amounts in USD 1 000)</i>	Land and buildings	Vessels and equipment	Capitalized project cost	Total
Purchase cost on 1 January 2019	287	2 463 918	11 372	2 475 577
Capital expenditure	-	5 435	-	5 435
Implementation of IFRS 16 (See note 10)	3 138	4 892	-	8 030
The year's disposal at cost	-	-993	-	-993
Effect of exchange rate differences	-6	1 974	28	1 996
Purchase cost on 31 March 2019	3 418	2 475 226	11 400	2 490 045
Accumulated depreciation on 1 January 2019	-38	-689 439	-6 327	-695 804
Accumulated impairment on 1 January 2019	-	-324 139	-	-324 139
The year's depreciation	-252	-26 268	-337	-26 857
The year's disposal of accumulated depreciation	-	975	-	975
Effect of exchange rate differences	2	-989	-2	-988
Accumulated depreciation on 31 March 2019	-288	-1 039 859	-6 666	-1 046 812
Net book value on 31 March 2019	3 131	1 435 367	4 734	1 443 234

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	Total
Purchase cost on 1 January 2019	1 067	1 067
Effect of exchange rate differences	22	22
Purchase cost on 31 March 2019	1 090	1 090
Accumulated depreciation on 1 January 2019	-	-
Accumulated impairment on 1 January 2019	-1 067	-1 067
Effect of exchange rate differences	-22	-22
Accumulated depreciation on 31 March 2019	-1 090	-1 090
Net book value on 31 March 2019	-	-

Goodwill was recorded following Siem Offshore's purchase of Secunda Holdings. The goodwill was written off in 2018.

Impairments in previous periods relate to vessels, capitalized equipment and intangibles. See note 8 for further details. Three PSVs (“Siem Sasha”, “Siem Louisa” and “Sophie Siem”) was reclassified from fixed assets to assets held for sale as per 31 December 2018. Net book value reflected the net sales price for the vessels.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 – Net Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	31.03.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Total cash	76 926	63 413
Short-term interest bearing-debt	-86 245	-103 900
Long-term interest bearing-debt	-969 686	-970 988
Total interest-bearing debt	-1 055 931	-1 074 888
Net interest-bearing debt	-979 004	-1 011 475

Unearned CIRR	31.03.2019	31.12.2018
Beginning of year	314	682
Recognized in the profit and loss account	-92	-368
End of period	222	314

The interest-bearing debt is denominated in currencies as follows: USD 81.1%, NOK 16.7 % and CAD 2.2%.

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 and withholding tax for operating both in Norway and other jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Impairments

<i>(Amounts in USD 1 000)</i>	2019 1Q	2018 1Q	2018 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating items			
Impairment charge relating to vessel segments:			
PSV	-	-	4 047
AHTS vessels	-	-	43 558
Canadian fleet	-	-	8 859
Brazilian flagged vessels	-	-	526
Total impairment charge for vessels and equipment	-	-	56 990
Impairment charge related to intangibles	-	-	1 080
Impairment related to Standstill agreement and Convertible loan to Daya Materials Berhad	-	-	7 200
Total charge for impairments	-	-	65 270

At Dec 31, 2018, impairment tests were performed for vessels and capitalized equipment and investments in subsidiaries and the company identified possible impairment for certain assets. Valuation was received from accredited brokers for all vessels.

Note 9 - Discontinued operations

On March 1, 2018 the Company announced that it had entered into an agreement with a subsidiary of Subsea 7 S.A to sell all its shares in Siem Offshore Contractors GmbH (“SOC”) subject to German competition clearance. Simultaneously, the Company also announced that it has agreed to sell the cable lay vessel "Siem Aimery" and the installation support vessel "Siem Moxie" to a company in the Subsea 7 Group. The Company and Subsea 7 are related parties.

On April 11, 2018, the Company announced that that transaction had been completed. Financial information relating to the discontinued operations for 2018 is set out below. The discontinued operations includes SOC, "Siem Aimery" and "Siem Moxie" and the gain from the sale of SOC and the vessels "Siem Aimery" and "Siem Moxie".

NOTES TO THE FINANCIAL STATEMENTS



Note 9 - Discontinued operations (continued)

Financial performance:

	2019	2018	2018
<i>(Amounts in USD 1 000)</i>	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	-	12 601	14 490
Operating expenses	-	-11 878	-13 539
Administration expenses	-	-1 366	-1 442
Operating margin	-	-643	-492
Depreciation and amortization	-	-1 971	-1 991
Impairment of vessels	-	-	-
Gain (loss) on sales of assets	-	12	12
Operating profit	-	-2 603	-2 471
Financial income	-	346	282
Financial expenses	-	-701	-3 924
Net currency gain (loss)	-	-98	-167
Net financial items	-	-453	-3 810
Result from associated companies	-	-	-
Profit/(loss) before taxes	-	-3 056	-6 280
Tax benefit / (expense)	-	-	-
Profit/(loss) after taxes from discontinued operations	-	-3 056	-6 280
Gain on sale of subsidiary and vessels	-	-	93 045
Net profit/(loss) from discontinued operations	-	-3 056	86 765

Details on sale of subsidiary and vessels:

(Amounts in USD 1 000)

Consideration:	Total
Cash	172 812
Non-cash	46 802
Contingent consideration	26 401
Total consideration	246 016
Book value of assets sold	-152 971
Net gain on sale	93 045

There were no assets or liabilities related to discontinued operations as per 31.03.2019 or 31.12.2018.

NOTES TO THE FINANCIAL STATEMENTS

Note 10 – Implementation of IFRS 16 Leases

IFRS 16 was issued in January 2016. Almost all leases are now recognised in the balance sheet by the lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Exemption is valid for short-term (less than 12 months) and low-value leases.

Siem Offshore implemented the standard from its mandatory adoption date of 1 January 2019. The group has implemented the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets has been measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Siem Offshore has entered into various operating leases for office premises, office machines and communication satellite equipment for the vessels. The lease period for the lease agreements varies and most of the leases contain an option for extension. The interest rate in the calculation of net present value are in the range of 3-13% depending on the base currency, the nature of the lease and the length of the leasing agreement.

Effect related to impementation of IFRS 16:

Consolidated Statements of Financial Position:

(Amounts in USD 1 000)

Right of use assets 01.01.2019	8 030
The year's depreciation	-466
Right of use assets 31.03.2019	7 564
Lease liability 01.01.2019	8 030
Lease payments	-545
Interest cost	136
Lease liability 31.03.2019	7 621

Consolidated Income Statements :

	2019
<i>(Amounts in USD 1 000)</i>	1Q
Operating expenses	-291
Administration expenses	-254
Depreciation and amortization	466
Financial expenses	136
Net effect	57

Operating cash flows have increased and financing cash flows decreased by approximately USD0.5 million for the first quarter as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.



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