SIEM OFFSHORE INC.
REPORT FOR THE SECOND QUARTER AND FIRST HALF 2019

23 August 2019 – Siem Offshore Inc. (the "Company"; Oslo Stock Exchange: SIOFF) reports results for the second quarter and first half 2019.

SELECTED FINANCIAL INFORMATION

(Amounts in USD millions)	2019 2Q	2018 2Q	2019 1H	2018 1H	2018 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	74.1	82.7	143.4	148.6	307.7
Operating margin	22.2	29.1	44.2	51.2	115.1
Operating margin, %	30 %	35 %	31 %	34 %	37 %
Operating profit (loss)	(5.5)	(6.5)	(8.5)	(10.2)	(66.9)
Profit (loss) before taxes	(21.0)	0.2	(45.1)	(29.7)	(93.5)
Net profit (loss) from continuing operations	(21.1)	0.1	(45.2)	(29.3)	(94.1)
Net profit (loss) from discontinued operations	5.2	90.3	5.2	87.2	86.8
Net profit (loss)	(15.9)	90.4	(40.0)	57.9	(7.3)
Net profit (loss) attributable to shareholders	(12.2)	93.7	(32.4)	66.7	16.0

HIGHLIGHTS FOR THE SECOND QUARTER

- Recorded an accrual of USD4 million in operating expenses for a potential loss related to legal claims in Brazil.
- Continued weakness in the AHTS North Sea Spot market with fewer activities and projects than expected.

SUBSEQUENT EVENTS

- Completed the sale and delivery of the 2006 built PSV "Hugin Explorer".
- Signed an agreement for the sale of the 2009 built MRSV "Siem Marlin".
- Received extension of the current contract for the scientific research vessel "JOIDES Resolution" until 30 September 2024.
- Siem Offshore Inc. and Subsea 7 S.A. has agreed to settle the contingent consideration that was agreed as part of the sale for the shares in Siem Offshore Contractors GmbH ("SOC") to a subsidiary of Subsea 7 S.A. in March 2018. Siem Offshore will receive EURO 27 million as final payment related to the sale of SOC later this month.
- Elected Kristian Siem as Chairman of the Board, with effect from 1 August 2019.

MARKET AND OUTLOOK

The second quarter of 2019 continued to show signs of improvement within several segments of the OSV market except for the large AHTS fleet. In the North Sea, the large and modern vessels in the PSV segment have seen increasing demand in the spot market and positive developments of rates for contracts for upcoming campaigns during the summer.

For the AHTS segment, the second quarter continued the same as in the previous quarters, with low utilization and low average daily rates worldwide. Term contracts for AHTS vessels are still more or less non-existent and the owners must rely on the spot market which is unbalanced and below expectations.

Offshore construction vessels followed the seasonal trend of higher activity towards the summer season, with both of the Oil & Gas and the Offshore Wind Farm markets active with expected demand throughout the summer to secure vessels for upcoming campaigns. In the long-term, this combined increase in demand will maintain our expectations and result in improved market prospects for the subsea construction vessels in the years ahead.

Our outlook for the second half of 2019 remains cautious for the OSV market in general and the AHTS segment will continue to be the most challenging in particular. Current day rates do not provide any margin to serve the capital.

RESULTS AND FINANCE

Income Statements (2Q 2019 over 2Q 2018)

Operating revenues were USD74.1 million (2018: USD82.7 million). The operating margin was USD22.2 million (2018: USD29.1 million) and the operating margin as a percentage of revenues was 30% (2018: 35%). The decrease in revenues from 2Q 2018 is mainly due to lower revenues from the AHTS and the OSCV fleets. Administrative expenses were USD6.3 million (2018: USD5.8 million).

Operating profit/(loss) was USD(5.5) million (2018: USD(6.5) million) after depreciation and amortisation expenses of USD26.9 million (2018: USD27.3 million). The net currency exchange gain/(loss) of USD0.8 million (2018: USD1.0 million) was recorded on currency derivative contracts of which USD0.6 million was an unrealised gain/(loss) (2018: USD0.5 million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(15.6) million (2018: USD6.5 million) and included a net revaluation gain/(loss) of non-USD currency items of USD0.2 million (2018: USD(5.5) million). A gain at USD6.1 million, recorded partly as finance revenue and partly as net currency gain, is related to the reversal of a contingent liability that has expired. Non-USD currency items are held to match short- and long-term liabilities in similar currencies.

Net profit (loss) from discontinued operations was USD5.2 million and is related to the settlement of the contract for the contingent consideration with Subsea 7 (2018: USD 90.3 million).

The net profit/(loss) attributable to shareholders was USD(12.2) million (2018: USD93.7 million), or USD(0.01) per share (2018: USD0.10 per share). The net profit for 2018 included the profit from the sales of Siem Offshore Contractors GmbH and two purpose-built vessels which were recorded as discontinued operations.

Income Statements (1H 2019 over 1H 2018)

Operating revenues were USD143.4 million (2018: USD148.6 million). The operating margin was USD44.2 million (2018: USD51.2 million) and the operating margin as a percentage of revenues was 31% (2018: 34%). Administration expenses were USD11.6 million (2018: USD11.9 million).

Operating profit/(loss) was USD(8.5) million (2018: USD(10.2) million) after depreciation and amortisation expenses of USD53.8 million (2018: USD55.5 million). No impairment has been recorded in 1H 2019 (2018: USD9.4 million). The net currency exchange gains/(loss) of USD0.8 million (2018: USD3.0 million) were recorded on currency derivative contracts of which USD0.9 million was an unrealised gain/(loss) (2018: USD2.7 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 (2018: USD(19.7) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(4.4) million (2018: USD(20.0) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The financial expenses of USD39.1 million included a net unrealised gain/(loss) of USD(7.1) million for interest swap-agreements which are entered to hedge long-term interest rate exposure on floating rate borrowings.

The net profit/(loss) attributable to shareholders was USD(32.4) million (2018: USD66.7 million), or USD(0.03) per share (2018: USD0.07 per share).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD411.2 million at 30 June 2019 (31 December 2018: USD438.2 million), equivalent to USD0.44 per share (2018: USD0.47 per share). Net cash flow from operating activities for the first half 2019 was USD10.9 million and the cash position at 30 June 2019 was USD66.3 million. The net proceeds from the sale of the three PSVs were USD10 million and net USD1.7 million for the sale of the crane. The Company made an agreement with a related company for a short-term loan of USD20 million with security in charter payments.

The balance sheet included gross interest-bearing debt equivalent to USD1.03 billion. The Company made principal repayments of USD52 million.

The weighted average cost of debt for the Company was approximately 4.2% p.a. at 30 June 2019, including the effect of debt related derivatives such as 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 has not experienced any serious injuries or environmental incidents in the last quarter. The second quarter safety campaign has focused on using the correct Personal Protective Equipment, and the importance this has as the "last defence/barrier".

There has been organized safety workshops on board vessels together with our customers in order to communicate that we are aligned and have a common Zero mind-set towards injuries and serious incidents.

The HSEQ reporting from the global organization is at a stable, reasonable and practical level, which shows a good reporting culture from the vessels.

The Fleet

At 30 June 2019, the fleet totalled 36 vessels (2018: 41 vessels), including partly-owned vessels. One vessel was in lay-up at the end of the quarter. In addition to its own fleet, the Company performs ship-management for three offshore vessels.

Results for the Second Quarter 2019

Platform Supply Vessels (PSVs)

The Company had eight PSVs in the fleet at the end of the quarter (2018: eleven). These PSVs recorded operating revenues of USD14.5 million and had 99% utilisation (2018: USD14.1 million and 94%). The operating margin before administrative expenses for these PSVs was USD6.2 million (2018: USD6.1 million) and the operating margin as a percentage of revenues was 43% (2018: 43%).

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 USD28.0 million and had 97% utilisation (2018: USD32.9 million and 99%). The operating margin before administrative expenses was USD17.5 million (2018: USD19.9 million) and the operating margin as a percentage of revenues was 62% (2018: 60%).

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 USD12.2 million based on 58% utilisation excluding vessels in lay-up (2018: USD15.4 million and 70%). The operating margin before administrative expenses was USD(0.8) million (2018: USD0.4 million) and the operating margin as a percentage of revenues was (-6)% (2018: 2%).

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). 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 USD5.0 million and had 78% utilisation excluding the vessel in lay-up (2018: USD5.4 million and 99%). The operating margin before administrative expenses for the fleet was USD(1.8) million which includes a cost of USD4.0 million related to potential loss related to legal claims in Brazil (2018: USD2.1 million) and the operating margin as a percentage of revenues was (36)% (2018: 40%).

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 79%). The operating margin before administrative expenses for the fleet was USD2.9 million including the cost of USD0.6 million in accruals for potential severance pay related to crew on an old vessel that will come off term contract in third quarter (2018: USD3.5 million) and the operating margin as a percentage of revenues was 41% (2018: 48%).

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

The Company had one scientific core-drilling vessel “JOIDES Resolution” that recorded operating revenues of USD7.0 million (2018: USD7.0 million) and an operating margin before administrative expenses of USD4.1 million (2018: USD4.3 million). The operating margin as a percentage of revenues was 58% (2018: 61%).

Results for the First Half 2019

Platform Supply Vessels (PSVs)

These PSVs recorded operating revenues of USD29.8 million and had 98% utilisation (2018: USD28.7 million and 97%). The operating margin before administrative expenses for these PSVs was USD13.0 million (2018: USD12.9 million) and the operating margin as a percentage of revenues was 44% (2018: 45%). Three PSVs were sold and delivered in 1Q 2019. The sale was done at book value.

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

The OSCVs and WIVs earned operating revenues of USD52.3 million and had 89% utilisation (2018: USD59.4 million and 95%). The operating margin before administrative expenses was USD29.7 million (2018: USD34.3 million) and the operating margin as a percentage of revenues was 57% (2018: 58%).

Anchor Handling Tug Supply (AHTS) Vessels

The AHTS fleet earned operating revenues of USD22.5 million based on 62% utilisation excluding vessels in lay-up (2018: USD19.6 million and 56%). The operating margin before administrative expenses was USD(2.8) million (2018: USD(6.2) million) and the operating margin as a percentage of revenues was (13)% (2018: (32) %).

Other Vessels

The fleet of Brazilian flagged vessels earned operating revenues of USD10.2 million and had 88% utilisation excluding vessels in lay-up (2018: USD11.4 million and 98%). The "Norsul Parnaiba" was sold in 1Q 2019. The operating margin before administrative expenses for the fleet was USD0.6 million, which includes a USD4.0 million cost related to potential legal claims (2018: USD5.5 million) and the operating margin as a percentage of revenues was 6% (2018: 48%).

The Canadian-owned fleet earned operating revenues of USD14.4 million and had 100% utilisation (2018: USD14.4 million and 84%). The operating margin before administrative expenses for the fleet was USD6.4 million (2018: USD6.8 million) and the operating margin as a percentage of revenues was 44% (2018: 47%).

The 41%-ownership in the "Big Orange XVIII" recorded a share of profit/(loss) of USD0.1 million (2018: USD0.2 million). These results are recorded in accordance with the equity method.

The Company had one scientific core-drilling vessel "JOIDES Resolution" that recorded operating revenues of USD13.9 million (2018: USD13.7 million) and an operating margin before administrative expenses of USD8.2 million (2018: USD8.4 million). The operating margin as a percentage of revenues was 59% (2018: 61%).

Contract Backlog

The total backlog at 30 June 2019 was USD722 million and is allocated as follows:

(Amounts in USD millions)	2019	2020	2021 onwards	Total
OSVs	100	140	346	585
Other	14	27	96	137
Total Backlog	**114**	**167**	**442**	**722**

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

23 August 2019

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

(Amounts in USD 1 000)	Note	2019 2Q	2018 2Q	2019 1H	2018 1H	2018 Jan-Dec
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	4	74 097	82 690	143 421	148 562	307 736
Operating expenses		-45 562	-47 855	-87 542	-85 485	-168 575
Adminstrative expenses	10	-6 295	-5 771	-11 642	-11 904	-24 105
Operating margin		**22 240**	**29 064**	**44 238**	**51 173**	**115 056**
Depreciation and amortization	5,10	-26 944	-27 292	-53 800	-55 506	-108 922
Impairment of vessels	5,8	-	-9 385	-	-9 385	-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	-1 718	77	65	274	249
Gain on sale of interest rate derivatives (CIRR)	6	92	92	184	184	368
Gain (loss) on currency derivative contracts		791	978	847	3 046	-8 344
Operating profit/(loss)	4	**-5 539**	**-6 467**	**-8 466**	**-10 213**	**-66 863**
Financial income		6 585	29 844	6 784	33 856	43 474
Financial expenses	10	-22 381	-17 794	-39 096	-33 554	-63 144
Net currency gain (loss) on revaluation		193	-5 505	-4 424	-19 965	-7 530
Net financial items		**-15 603**	**6 545**	**-36 737**	**-19 662**	**-27 200**
Result from associated companies		148	123	92	165	601
Profit (loss) before taxes		**-20 993**	**201**	**-45 111**	**-29 711**	**-93 462**
Tax benefit (expense)	7	-129	-122	-129	414	-588
Net profit (loss) from continuing operations		**-21 122**	**80**	**-45 239**	**-29 297**	**-94 051**
Net profit (loss) from discontinued operations	9	5 246	90 297	5 246	87 242	86 765
Net profit (loss)		**-15 876**	**90 377**	**-39 993**	**57 945**	**-7 286**
Attributable to non-controlling interest		-3 674	-3 294	-7 573	-8 783	-23 237
Attributable to shareholders of the Company		**-12 202**	**93 671**	**-32 420**	**66 728**	**15 951**
Weighted average number of outstanding shares(000's)		942 021	942 021	942 021	942 021	942 021
Earnings (loss) per share (basic and diluted)		-0,01	0,10	-0,03	0,07	0,02

Statement of Comprehensive Income *(Amounts in USD 1 000)*	2019 2Q	2018 2Q	2019 1H	2018 1H	2018 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Net profit (loss)	**-15 876**	**90 377**	**-39 993**	**57 945**	**-7 286**
Other comprehensive income (expense)					
Items that will not be reclassified to the Income Statement:					
Pension remeasurement gain (loss)	-	-	-	-	-145
Items that may be subsequently reclassified to the Income Statement:					
Cash flow hedges	1 378	-	1 999	-	-9 480
Currency translation differences	1 214	3 841	3 392	5 212	9 356
Total comprehensive loss for the period	**-13 284**	**94 218**	**-34 602**	**63 157**	**-7 555**
Attributable to non-controlling interest	-3 682	-3 427	-7 581	-8 916	-23 370
Attributable to shareholders of the Company:	**-9 601**	**97 645**	**-27 021**	**72 073**	**15 815**
Total comprehensive income for the period attributable to shareholders arises from:					
Continuing operations	-14 848	7 348	-32 268	-15 168	-70 950
Discontinued operations	5 246	90 297	5 246	87 242	86 765
Attributable to shareholders of the Company:	**-9 601**	**97 645**	**-27 021**	**72 073**	**15 815**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in USD 1 000)	Note	30.06.2019	31.12.2018
ASSETS		*Unaudited*	*Audited*
Non-current assets			
Vessels and equipment	5,8,10	1 423 073	1 450 588
Capitalized project cost	5	4 414	5 046
Investment in associates and other long-term receivables		9 280	35 768
CIRR loan deposit 1)	6	61 922	68 730
Deferred tax asset		10 914	10 890
Intangible assets	5,8	-	-
Total non-current assets		**1 509 603**	**1 571 021**
Current assets			
Trade receivables and other current assets		132 037	94 890
Cash and cash equivalents	6	66 324	63 413
Total current assets		**198 361**	**158 302**
Assets classified as held for sale	5	-	16 950
Total Assets		**1 707 965**	**1 746 273**
EQUITY			
Paid-in capital		647 313	647 313
Other reserves		-33 299	-38 769
Retained earnings		-202 773	-170 352
Total Shareholders´ equity		**411 241**	**438 192**
Non-controlling interest		20 318	27 898
Total Equity		**431 560**	**466 090**
LIABILITIES			
Non-current liabilities			
Borrowings	6	937 644	970 988
CIRR loan 1)	6	61 922	68 730
Derivative financial instruments		4 538	2 727
Other non-current liabilities	10	70 328	56 915
Total non-current liabilities		**1 074 432**	**1 099 361**
Current liabilities			
Borrowings	6	91 475	103 900
Accounts payable and other current liabilities	7,10	110 498	76 924
Total current liabilities		**201 973**	**180 823**
Total liabilities		**1 276 405**	**1 280 184**
Total Equity and Liabilities		**1 707 965**	**1 746 273**

1) Commercial Interest Reference Rate

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in USD 1 000)	2019 1H	2018 Jan-Dec
	Unaudited	*Audited*
Cash flow from operating activities		
Net profit/(loss) from continuing operations	-45 239	-94 051
Interest expense	35 860	55 932
Interest paid	-30 050	-59 867
Interest income	-3 624	-15 397
Interest received	3 372	15 258
Tax expense	129	588
Taxes paid	-123	1 199
Results from associated companies	-92	-601
Loss/(gain) on sale of assets	-65	-249
Employee share scheme expenses	3	34
Impairment of vessels, projects, intangibles, long-term receivables	-	65 270
Depreciation and amortization	53 800	108 922
Effect of unreal. gain on currency exchange forward contracts	-856	7 413
Changes in short-term receivables and payables	-3 466	-40 753
CIRR gain	-184	-368
Other changes	1 447	-10 599
Net cash flow from operating activities	**10 911**	**32 731**
Cash flow from investing activities		
Capital expenditure in vessels and equipment	-15 517	-10 968
Proceeds from sale of fixed assets	18 747	112 484
Net cash from sale of SOC	5 246	76 684
Cash flow from investing activities	**8 476**	**178 199**
Cashflow from financing activities		
Proceeds from issue of new equity		-
Contribution from non-controlling interests of consolidated subsidiaries	9 910	7 878
Effect from restatement of bonds to convertible bonds	2 646	-23 580
Proceeds from new short-term borrowing	20 000	-
Changes in other non current liabilities	312	-
Repayment of long-term borrowings	-51 695	-194 611
Cash flow from financing activities	**-18 827**	**-210 313**
Net change in cash and cash equivalents	**560**	**617**
Cash and cash equivalents, beginning of period	63 413	63 511
Effect of exchange rate differences	2 351	-715
Cash and cash equivalents, end of period	**66 324**	**63 413**
Details of continuing and discontinued operations:		
Cash balance related to continuing operations	66 324	63 413
Total cash and cash equivalents, end of period	**66 324**	**63 413**
Net change in cash from discontinued operations	-	-17 726
Net change in cash from continuing operations	560	18 343
Total net change in cash and cash equivalents	**560**	**617**

Figures above include discontinued operations unless explicitly stated.
The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in USD 1 000)	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
Equity at 1 January 2018	**942 021 380**	**9 420**	**637 893**	**-38 813**	**-182 626**	**425 874**	**47 737**	**473 611**
Net profit (loss) for the period	-	-	-	-	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	**9 356**
Acquisition of shares from minority interests	-	-	-	-	-3 532	**-3 532**	3 532	**-**
Equity at 31 December 2018	**942 021 380**	**9 420**	**637 893**	**-38 769**	**-170 352**	**438 192**	**27 898**	**466 090**

(Amounts in USD 1 000)	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
Equity at 1 January 2019	**942 021 380**	**9 420**	**637 893**	**-38 769**	**-170 352**	**438 192**	**27 898**	**466 090**
Net profit (loss) for the period	-	-	-	-	-32 420	**-32 420**	-7 573	**-39 993**
Employee share scheme -Value of employee services	-	-	-	3	-	**3**	-	**3**
Cash flow hedge	-	-	-	1 999	-	**1 999**	-	**1 999**
Currency translation differences	-	-	-	3 469	-	**3 469**	-7	**3 462**
Equity at 30 June 2019	**942 021 380**	**9 420**	**637 893**	**-33 299**	**-202 773**	**411 242**	**20 318**	**431 560**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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 2019 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 2019

Kristian Siem Chairman (sign.)	Alexander Monnas (sign.)	John C. Wallace (sign.)
Michael Delouche (sign.)	Bernt Omdal CEO (sign.)	

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 June 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 39% of the long-term interest-bearing debt was subject to floating interest rates at the end of June 2019 and takes 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.

Note 4 – Segment Reporting

(Amounts in USD 1 000)	2019 2Q	2018 2Q	2019 1H	2018 1H	2018 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenue by segments					
Platform Supply Vessels	14 482	14 113	29 812	28 689	62 155
Offshore Subsea Construction Vessels and WIV	28 026	32 945	52 285	59 363	120 034
Anchor Handling Tug Supply Vessels	12 209	15 413	22 458	19 594	43 911
Brazilian Fleet	4 963	5 377	10 197	11 446	22 295
Canadian Fleet	7 213	7 215	14 366	14 384	28 878
Other/Intercompany elimination	188	628	379	1 407	2 079
Scientific Core-Drilling Vessel	7 017	6 999	13 924	13 679	28 384
Total operating revenue	**74 097**	**82 690**	**143 421**	**148 562**	**307 736**
Total operating revenue from discontinued operations	-	1 889	-	14 490	14 490
Total operating revenue from continuing/discontinued operations	**74 097**	**84 579**	**143 421**	**163 052**	**322 226**
Operating profit by segments					
Platform Supply Vessels	1 194	220	2 974	2 450	2 698
Offshore Subsea Construction Vessels and WIV	9 849	12 062	14 259	18 667	38 013
Anchor Handling Tug Supply Vessels	-9 921	-9 514	-21 076	-25 937	-85 505
Brazilian Fleet	-2 805	553	-1 524	2 470	5 068
Canadian Fleet	382	-7 735	1 372	-6 503	-4 300
Other/Intercompany elimination	-295	-621	-346	861	-5 942
Scientific Core-Drilling Vessel	3 187	3 191	6 422	6 178	14 937
Total operating profit from segments	**1 591**	**-1 843**	**2 080**	**-1 814**	**-35 031**
Administration expenses	-6 295	-5 771	-11 642	-11 904	-24 105
Gain (loss) on sale of fixed assets	-1 718	77	65	274	249
Gain of sale of interest rate derivatives (CIRR)	92	92	184	184	368
Gain (loss) on currency exchange forward contracts	791	978	847	3 046	-8 344
Total operating profit /(loss)	**-5 539**	**-6 467**	**-8 466**	**-10 213**	**-66 863**

NOTES TO THE FINANCIAL STATEMENTS

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

(Amounts in USD 1 000)	Land and buildings	Vessels and equipment	Capitalized project cost	Total
Purchase cost at 1 January 2019	**287**	**2 463 919**	**11 372**	**2 475 578**
Capital expenditure	-	15 517	-	**15 517**
Implementation of IFRS 16	3 160	4 884	-	**8 044**
The year's disposal at cost	-	-4 633	-	**-4 633**
Effect of exchange rate differences	-4	4 397	50	**4 444**
Purchase cost at 30 June 2019	**3 443**	**2 484 084**	**11 422**	**2 498 950**
Accumulated depreciation at 1 January 2019	**-38**	**-689 439**	**-6 327**	**-695 804**
Accumulated impairment at 1 January 2019	**-**	**-324 139**	**-**	**-324 139**
The year's depreciation	-449	-52 678	-673	**-53 800**
The year's disposal of accumulated depreciation	-	2 789	-	**2 789**
Effect of exchange rate differences	-	-500	-9	**-509**
Accumulated depreciation at 30 June 2019	**-487**	**-1 063 967**	**-7 008**	**-1 071 463**
Net book value at 30 June 2019	**2 956**	**1 420 117**	**4 414**	**1 427 487**

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

Intangible assets

(Amounts in USD 1 000)	Goodwill	Total
Purchase cost at 1 January 2019	**1 067**	**1 067**
Effect of exchange rate differences	44	**44**
Purchase cost at 30 June 2019	**1 112**	**1 112**
Accumulated depreciation at 1 January 2019	**-**	**-**
Accumulated impairment at 1 January 2019	**-1 067**	**-1 067**
Effect of exchange rate differences	-44	**-44**
Accumulated depreciation at 30 June 2019	**-1 112**	**-1 112**
Net book value at 30 June 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") were classified as assets held for sale as per 31 December 2018. Net book value reflected the net sales price for the vessels.

Note 6 – Net Interest-Bearing Debt

(Amounts in USD 1 000)	**30.06.2019**	**31.12.2018**
	Unaudited	*Audited*
Total cash and cash equivalents	**66 324**	**63 413**
Short-term interest bearing-debt	-91 475	-103 900
Long-term interest bearing-debt	-937 644	-970 988
Gross interest-bearing debt	**-1 029 119**	**-1 074 888**
Net interest-bearing debt	**-962 795**	**-1 011 475**

Unearned CIRR	**30.06.2019**	**31.12.2018**
Balance, beginning of the period	314	682
Recognized in the profit and loss account	-184	-368
Balance, end of the period	**130**	**314**

The interest-bearing debt is denominated in currencies as follows: USD 80.7%, NOK 17.1 % 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.

Note 8 – Impairments

(Amounts in USD 1 000)	2019 2Q	2018 2Q	2019 1H	2018 1H	2018 Jan-Dec
Operating items	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Impairment charge relating to vessel segments:					
PSV	-	-	-		4 047
AHTS vessels	-	-	-		43 558
Canadian fleet	-	9 107	-	9 107	8 859
Brazilian flagged vessels	-	279	-	279	526
Total impairment charge for vessels and equipment	**-**	**9 385**	**-**	**9 385**	**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	**-**	**9 385**	**-**	**9 385**	**65 270**

At 30 June 2019, the Company assessed indicators of impairment for vessels and equipment. Such indicators of impairment are oversupply of vessels, continued low vessel utilization, charter rates that do not generate cash-flow that can support debt instalments in full and a prolonged soft market outlook. Detailed impairment tests were performed consistently with the principles adopted in previous periods. Valuations were received from accredited brokers for all vessels. Following the detailed impairment tests, the Company concluded that there was no need to recognize impairment charges in the second quarter.

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 and 2019 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".

In August 2019 the Company reached an agreement with Subsea 7 regarding settlement of the contingent consideration for the sale of SOC. Based on this settlement, a profit of USD5.4 million has been recorded in 2Q 2019 as Net profit /(loss) from discontinued operation.

There were no assets or liabilities related to discontinued operations as per 30.06.2019 or 31.12.2018. The balance sheet per 30.06.2019 includes a short term receivable at USD30.7million related to the settlement of the contingent consideration. The receivable has been reclassified from long term to short term as per 30.06.2019 based on the settlement.

NOTES TO THE FINANCIAL STATEMENTS

Note 9 - Discontinued operations (continued)

Financial performance:

(Amounts in USD 1 000)	**2019 2Q**	**2018 2Q**	**2019 1H**	**2018 1H**	**2018 Jan-Dec**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	-	1 889	-	14 490	14 490
Operating expenses	-	-1 661	-	-13 539	-13 539
Administrative expenses	-	-77	-	-1 442	-1 442
Operating margin	**-**	**152**	**-**	**-492**	**-492**
Depreciation and amortization	-	-20	-	-1 991	-1 991
Impairment of vessels	-	-	-	-	-
Gain (loss) on sales of assets	-	-	-	12	12
Operating profit	**-**	**132**	**-**	**-2 471**	**-2 471**
Financial income	-	-64	-	282	282
Financial expenses	-	-3 224	-	-3 924	-3 924
Net currency gain (loss)	-	-69	-	-167	-167
Net financial items	**-**	**-3 357**	**-**	**-3 810**	**-3 810**
Result from associated companies	-	-	-		-
Profit (loss) before taxes	**-**	**-3 225**	**-**	**-6 280**	**-6 280**
Tax benefit (expense)	-	-	-		-
Profit (loss) after taxes, from discontinued operations	**-**	**-3 225**	**-**	**-6 280**	**-6 280**
Gain on sale of subsidiary and vessels	5 246	93 522	5 246	93 522	93 045
Net profit (loss) from discontinued operations	**5 246**	**90 297**	**5 246**	**87 242**	**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	31 648
Total consideration	**251 262**
Book value of assets sold	-152 971
Net gain on sale	**98 292**

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 at 01.01.2019	**8 044**
The year's depreciation	-932
Right of use assets at 30.06.2019	**7 113**
Lease liability at 01.01.2019	**8 044**
Lease payments	-1 089
Interest cost	270
Lease liability at 30.06.2019	**7 225**

Consolidated Income Statements :

	2019	**2019**
(Amounts in USD 1 000)	**2Q**	**1H**
Operating expenses	-291	-583
Administrative expenses	-253	-506
Depreciation and amortization	466	932
Financial expenses	135	270
Net effect	**56**	**112**

Operating cash flows have increased and financing cash flows decreased by approximately USD1.1 million for 1H 2019 as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

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