



SIEM OFFSHORE INC.
REPORT FOR THE THIRD QUARTER 2016

27 October 2016 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the third quarter and first nine months ended 30 September 2016.

SELECTED FINANCIAL INFORMATION

	2016	2015	2016	2015	2015
<i>(Amounts in USD millions)</i>	3Q	3Q	Jan-Sep	Jan-Sep	Jan - Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	166.2	82.0	336.5	332.4	422.4
Operating margin	55.4	24.9	97.9	104.7	118.5
Operating margin, %	33 %	30 %	29 %	32 %	28 %
Operating profit (loss)	26.2	(1.9)	36.5	(56.4)	(168.7)
Profit (loss) before taxes	(0.2)	(9.5)	(19.3)	(77.5)	(191.7)
Net profit (loss)	(0.5)	(9.8)	(17.9)	(80.4)	(196.4)
Net profit (loss) attributable to shareholders	2.7	(8.9)	(12.9)	(78.4)	(186.7)

HIGHLIGHTS FOR THE THIRD QUARTER

- Received approval from all of its financing banks for a financial platform to position the Company for the challenging market expected in the coming years. The approvals, which are subject to the restructuring of the two public bonds issued by the Company, include 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 for the next three years.
- Established a stand-alone AHTS vessel company, Siem AHTS Pool AS (“SAP”), holding ownership in 10 AHTS vessels and in which Siem Offshore holds a 78.16% interest.
- Secunda was awarded 3-year term contracts plus options for two of its PSVs, the “Venture Sea” and the “Siem Hanne”, by a major oil company.
- Sold and delivered the PSV “Siem Carrier”.
- Extended the bareboat contract for MV “Hugin Explorer” by 15 months to 1 July 2019 and agreed a purchase obligation by the charterer at the end of the period.
- Recorded aggregate backlog for the Offshore Support Vessels (“OSV”) segment and the Industrial Segment of USD1.34 billion at 30 September 2016.

SUBSEQUENT EVENTS

- Entered into an agreement with Bravo Industries to sell the defence business, Consub Defesa e Tecnologia S.A., a 100%-owned subsidiary of Siem Offshore. The sale is scheduled to be concluded in fourth quarter 2016.

MARKET AND OUTLOOK

The OSV market continued to decline during the third quarter and more rigs went into lay-up. Furthermore, continued declining activity within the oil service industry led to reduction in chartering rates and increased idle periods. Going forward, we believe the market will remain difficult and owners might be forced to put more vessels in to lay-up.

In the energy renewables market, SOC is experiencing a high level of tendering activity for 2018 and 2019 contracts for the installation of both medium- and high-voltage power cables in the offshore wind-farm market and the operations and maintenance service market.

RESULTS AND FINANCE

Income Statements (3Q 2016 over 3Q 2015)

Operating revenues were USD166.2 million (2015: USD82.0 million). The operating margin was USD55.4 million (2015: USD24.9 million) and the operating margin as a percentage of revenues was 33% (2015: 30%).

Administration expenses were USD7.8 million (2015: USD8.0 million).

Operating profit/(loss) was USD26.2 million (2015: USD(1.9) million) after depreciation and amortisation expenses of USD31.0 million (2015: USD28.5 million). The net currency exchange gains/(losses) of USD3.6 million (2015: USD1.5 million) were recorded on currency derivative contracts of which USD3.6 million was an unrealised gain (2015: USD9.0 million). The currency derivative contracts are entered into in order to hedge future non-USD yard instalments and non-USD operating expenses. The net loss on sale of fixed assets was USD0.5 million (2015: nil).

Net financial items were USD(26.4) million (2015: USD(8.2) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(12.4) million (2015: USD7.4 million) due to changes in currency exchange rates during the quarter. Non-USD currency items are held to match short- and long-term liabilities, including off-balance sheet liabilities, in similar currencies. The financial expenses of USD16.9 million included a net unrealised gain of USD0.7 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 USD2.7 million (2015: USD(8.9) million), or USD(0.00) per share (2015: USD(0.02) per share).

Income Statements (YTD 30 September 2016 over YTD September 30 2015)

Operating revenues were USD336.5 million (2015: USD332.4 million). The operating margin was USD97.9 million (2015: USD104.7 million) and the operating margin as a percentage of revenues was 29% (2015: 32%).

Administration expenses were USD22.6 million (2015: USD29.1 million).

Operating profit/(loss) was USD36.5 million (2015: USD(56.4) million) after depreciation and amortization expenses of USD84.1 million (2015: USD81.6 million) and impairment costs for vessels of USD1.2 million (2015: USD56.0 million). Net currency exchange gains/(losses) of USD6.7 million (2015: USD(23.8) million) were recorded on currency derivative contracts of which USD3.6 million was unrealised (2015: USD2.1 million). The currency derivative contracts are entered into in order to hedge future non-USD yard instalments and non-USD operating expenses.

Net financial items were USD55.8 million (2015: USD(21.7) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(23.5) million (2015: USD14.0 million) due to changes in currency

exchange rates during the first half. Non-USD currency items are held to match short- and long-term liabilities, including off-balance sheet liabilities, in similar currencies. The financial expenses of USD43.4 million included a net unrealised loss of USD0.2 million for interest swap agreements (mark-to-market adjustment), which are entered into to hedge long-term interest rate exposure on floating rate borrowings.

The net profit/(loss) attributable to shareholders was USD(12.9) million (2015: USD(78.4) million), or USD(0.02) per share (2015: USD(0.19) per share).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD622.3 million at 30 September 2016 (31 December 2015: USD632.2 million), equivalent to USD0.74 per share (2015: USD0.75 per share). Net cash flow from operations for first nine months 2016 was USD2.8 million and the cash position at 30 September 2016 was USD88.3 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.4 billion. The Company made total drawings of the equivalent of USD251.1 million under credit facilities during first nine months 2016 and made principal repayments of USD135.2 million. The weighted average cost of debt for the Company was approximately 3.9% p.a. at 30 September 2016, including the effect of fixed interest rate swap agreements.

The Company has four vessels under construction at the end of the quarter. Total future yard instalments for vessels under construction were equivalent to USD230.6 million at the end of third quarter 2016. All of the instalments fall due in 2016.

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

OFFSHORE SUPPORT VESSELS SEGMENT

The Fleet

The fleet in operation at the end of the third quarter totalled 45 vessels (2015: 45 vessels), including partly-owned vessels. Nine vessels were in lay-up during the quarter.

Results for the Third Quarter 2016

Platform Supply Vessels (PSVs)

The Company had 12 PSVs in operation, consolidated on a 100% basis, at the end of the quarter (2015: 12). These PSVs recorded operating revenues of USD15.8 million and had an 81% utilisation (2015: USD16.4 million and 68%). The operating margin before administration expense was USD6.7 million (2015: USD7.5 million) and the operating margin as a percentage of revenues was 42% (2015: 46%).

Three PSVs are employed offshore West Africa, one PSV was employed offshore Brazil and came off contract at end of the quarter, four PSVs are employed in the North Sea/Europe and two PSVs are on a bareboat contract. Three vessels were in lay-up at the end of third quarter.

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

The Company had five OSCVs and one WIV in operation at the end of the quarter (2015: six).

The OSCVs and WIV earned operating revenues of USD30.3 million and had 93% utilisation (2015: USD26.3 million and 88%). The operating margin before administration expense for the OSCVs and WIV were USD16.7 million (2015: USD15.8 million) and the operating margin as a percentage of revenues was

55% (2015: 60%). Three OSCVs operated on long-term contracts, with one operating in the US Gulf of Mexico and two vessels operating in the North Sea/Europe. One vessel operated on short-term employment within the renewable market and one vessel operated on a short-term contract performing walk-to-work duties in the North Sea/UK sector. The WIV operated under a long-term contract with operations in Brazil.

Anchor Handling Tug Supply (AHTS) Vessels

The Company had ten AHTS vessels at the end of the quarter (2015: ten). The ten vessels were operated under a pool agreement where revenues and costs were shared in accordance with the pool agreement until the pool agreement was terminated on 30 June 2016. With effect 1 July 2016, the Company and its pool partner sold their ten AHTS vessels into a new AHTS vessel company, Siem AHTS Pool AS (“SAP”). Commencing 1 July 2016, “SAP AS” will be 100% consolidated into the group accounts.

The AHTS vessel fleet earned operating revenues of USD12.9 million based on 44% utilisation (2015: USD14.2 million and 56%). The operating margin before administration expense was USD4.6 million (2015: USD3.5 million) and the operating margin as a percentage of revenues was 35% (2015: 24%).

Two vessels were on term contracts in Australia at the end of the quarter. Three vessels operated in the spot market in the North Sea/Europe and five vessels were in lay-up during the third 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 (2015: eight). Five vessels operated under term contracts in Brazil and one vessel was in lay-up at the end of the quarter. The fleet earned operating revenues of USD5.5 million and had 80% utilisation (2015: USD5.0 million and 94%). The operating margin before administration expense for the fleet was USD2.8 million (2015: USD1.4 million) and the operating margin as a percentage of revenues was 50% (2015: 28%).

Secunda Canada LP has a fleet of six offshore support vessels operating offshore Canada. The fleet earned operating revenues of USD11.6 million and had 98% utilisation (2015: USD9.5 million and 98%). The operating margin before administration expense for the fleet was USD6.3 million (2015: USD3.9 million) and the operating margin as a percentage of revenues was 54% (2015: 39%).

The results for Secunda were recorded in accordance with the equity method for the first five months in 2016 and included under results from associated companies. After the acquisition of the remaining 50% ownership interest in Secunda Canada LP, Siem Offshore became the 100% owner of Secunda and its accounts are now fully-consolidated into the group accounts.

The 41%-ownership in the “Big Orange XVIII” recorded operating revenues of USD0.6 million (2015: USD0.7 million) and an operating margin of USD0.1 million (2015: USD0.3 million). The operating margin as a percentage of revenue was 17% (2015: 39%). These results are recorded in accordance with the equity method.

Results for the First Nine Months ended 30 September 2016

Platform Supply Vessels (PSVs)

The PSV fleet recorded operating revenues of USD49.5 million and had 80% utilisation (2015: USD62.9 million and 80%). The operating margin before administration expense for these PSVs was USD24.9 million, (2015: USD33.8 million) and the operating margin as a percentage of revenues was 50% (2015: 54%).

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

The OSCV fleet and the WIV vessel earned operating revenues of USD67.6 million and had 93% utilisation (2015: USD87.3 million and 98%). The operating margin before administration expense for the OSCVs and WIV were USD31.3 million (2015: USD58.7 million) and the operating margin as a percentage of revenues was 46% (2015: 67%).

Anchor Handling Tug Supply (AHTS) Vessels

Siem Offshore's interest in the AHTS fleet represents operating revenues of USD40.0 million based on 42% utilisation (2015: USD43.8 million and 60%). The operating margin before administration expense was USD11.6 million (2015: USD11.0 million) and the operating margin as a percentage of revenues was 29% (2015: 25%).

Other Vessels

The fleet of smaller Brazilian flagged vessels earned operating revenues of USD14.5 million and had 71% utilisation (2015: USD17.7 million and 94%). The operating margin before administration expense for the fleet was USD6.0 million (2015: USD6.0 million) and the operating margin as a percentage of revenues was 41% (2015: 34%).

Secunda earned operating revenues of USD15.6 million and had 93% utilisation (2015: USD25.1 million and 83%). The operating margin before administration expense for the fleet was USD10.2 million (2015: USD9.0 million) and the operating margin as a percentage of revenues was 36% (2015: 36%). The results for Secunda were recorded in accordance with the equity method for the first five months in 2016 and were fully consolidated commencing with effect from 1 June 2016.

The 41%-ownership in the "Big Orange XVIII" recorded operating revenues of USD1.7 million (2015: USD2.1 million) and an operating margin of USD0.3 million (2015: USD0.6 million). The operating margin as a percentage of revenue was 18% (2015: 28%). These results are recorded in accordance with the equity method.

Contract Backlog for Offshore Support Vessels

The Contract Backlog as a percentage of each of the above categories of vessels is as follows:

<u>Contract Backlog,</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
PSVs	71%	42%	34%
OSCVs and WIV	67%	60%	49%
AHTS vessels	18%	8%	-
Brazilian-flagged vessels	71%	71%	63%
Secunda fleet	61%	46%	45%
Big Orange XVIII	100%	100%	8%

The total contract backlog of firm contracts for the OSV segment at 30 September 2016 was USD1.1 billion, including "Big Orange XVIII", Secunda and the vessels under-construction, and is allocated as follows:

<u>(Amounts in USD million)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Backlog	57	231	762 onwards

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 safety records this year report no serious injury to personnel or discharges to the environment.

Newbuilding Program

The Company, including subsidiaries, had four vessels under construction at 30 September 2016. Three vessels were under construction in Poland and one in Germany. These four vessels included three dual-fuelled PSVs and one Well-Intervention Vessel ("WIV"). All vessels are scheduled for delivery in 2016. The Company has secured long-term employment for one of the three dual-fuelled PSVs and for the WIV.

INDUSTRIAL SEGMENT

Submarine Power Cable Activities – Siem Offshore Contractors ("SOC")

Results for the Third Quarter 2016

Siem Offshore Contractors ("SOC") generated gross revenues of USD84.9 million in the third quarter 2016 (2015: USD17.2 million). The projects within SOC are accounted for using the percentage-of-completion method and profit margin will not be recorded until the respective project's offshore operation has commenced and the project has reached 25% technical progress. SOC recorded a profit margin of USD17.7 million (2015: USD1.7 million) with respect to its various projects in the third quarter before administrative expense. Subject to the margin being forecasted as positive and prior to the project reaching a percentage-of-completion where margin is recognized, project revenues are recorded to match the costs of progress of execution.

Project Overview

SOC is currently working on the following projects:

- The Nordsee One OWF (Inner Array Grid) project is on track for completion by the fourth quarter 2016. The offshore cable installation has been completed.
- The Nordsee One OWF (Export Cable) project has started the offshore works in the second quarter.
- The Veja Mate OWF (Inner Array Grid) project is on track and the offshore operation commenced in early October 2016. The project is planned for completion in the second quarter 2017.
- The Beatrice OWF (Inner Array Grid) project is progressing in engineering and procurement phase. The project is planned to start offshore operation in 2017.
- The Ocean Breeze Energy walk-to-work charter is serviced by the "Siem Marlin" with planned replacement by the "Siddis Mariner" in the fourth quarter 2016.

Results for the First Nine Months ended 30 September 2016

SOC generated gross revenues of USD129.4 million (2015: USD103.3 million). SOC recorded USD16.9 million (2015: USD 18.2 million) in margin from its various projects, before administrative expense.

Technology Investment – Siem WIS

Results for the Third Quarter 2016

Siem WIS recorded operating revenues of USD1.4 million (2015: USD1.8 million) and an operating margin before administration expenses of USD0.6 million (2015: USD0.4 million).

In the third quarter of 2016, Siem WIS had two offshore operations working concurrently. . The two operations with the pressure control device (“PCD”) services were delivered to Total EP Norway during drilling of the HP/HT well on Solaris and to Statoil’s Gullfaks field on Gullfaks A. Both operations were completed in August. In early September, a PCD system was mobilised for another Gullfaks well for Statoil. Siem WIS has not had any lost time incidents in 2016. Siem WIS has tendered for several frame agreements with awards in fourth quarter 2016.

Results for the First Nine Months ended 30 September 2016

Siem WIS recorded operating revenues of USD2.6 million (2015: USD4.1 million) and an operating margin before administration expenses of USD1.0 million (2015: USD2.0 million). The operating margin as a percentage of revenue was 38% (2015: 49%).

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

Results for the Third Quarter 2016

The scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD6.7 million (2015: USD6.5 million) and an operating margin before administration expenses of USD3.7 million (2015: USD3.6 million). The operating margin as a percentage of revenue was 55% (2015: 55%).

Results for the First Nine Months ended 30 September 2016

The “JOIDES Resolution” recorded operating revenues of USD19.6 million (2015: USD19.5 million) and an operating margin before administration expenses of USD11.4 million (2015: USD10.6 million). The operating margin as a percentage of revenue was 58% (2015: 55%).

Contract Backlog for the Industrial Segment

The total Contract Backlog for the Industrial Segment at 30 September 2016 was USD 289 million and is allocated as follows:

<i>(Amounts in USD million)</i>	2016	2017	2018 onwards
Siem Offshore Contractors	50	90	71
“JOIDES Resolution”	7	26	45

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

26 October 2016

Eystein Eriksrud, Chairman

Idar Hillersøy, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2016	2015	2016	2015	2015
		3Q	3Q	Jan-Sep	Jan-Sep	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue	4	166 196	82 018	336 509	332 439	422 449
Operating expenses		-102 934	-49 087	-215 927	-198 599	-265 326
Administration expenses		-7 839	-8 009	-22 635	-29 092	-38 575
Operating margin		55 422	24 922	97 948	104 748	118 548
Depreciation and amortization	5	-31 007	-28 447	-84 142	-81 623	-107 025
Impairment of vessels	5,9	-	-	-1 209	-56 000	-159 465
Impairment of intangibles	5,9	-	-	-	-	-6 705
Impairment related to subsidiaries	9	-1 400	-	-1 400	-	-
Gain/(loss) on sales of fixed assets	5,9	-542	13	26	13	16 317
Gain on bargain purchase	10	-	-	18 269	-	-
Gain on sale of interest rate derivatives (CIRR)	6	92	92	276	276	368
Gain/(loss) on currency derivative contracts		3 628	1 476	6 682	-23 796	-30 775
Operating profit/(loss)	4	26 193	-1 944	36 450	-56 382	-168 735
Financial revenues		2 927	1 165	11 080	5 822	11 184
Financial expenses		-16 932	-16 742	-43 415	-41 543	-54 677
Net currency gain/(loss) on revaluation		-12 427	7 416	-23 469	14 018	22 110
Net financial items		-26 433	-8 161	-55 805	-21 702	-21 384
Result from associated companies		79	639	30	611	-1 560
Profit/(loss) before taxes		-161	-9 465	-19 325	-77 474	-191 679
Tax benefit / (expense)	7	-309	-296	1 401	-2 893	-4 737
Net profit/(loss)		-469	-9 761	-17 923	-80 367	-196 416
Attributable to non-controlling interest		-3 161	-857	-5 053	-2 013	-9 729
Attributable to shareholders		2 692	-8 904	-12 870	-78 354	-186 687
Weighted average number of outstanding shares('000)		842 021	446 868	842 021	417 390	518 318
Earnings(loss) per share (basic and diluted)		0,00	-0,02	-0,02	-0,19	-0,36

Comprehensive Income Statements	2016	2015	2016	2015	2015
<i>(Amounts in USD 1 000)</i>	3Q	3Q	Jan-Sep	Jan-Sep	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net profit/(loss)	-469	-9 761	-17 923	-80 367	-196 416
Other comprehensive income (expense):					
Items that will not be reclassified to profit or loss:					
Pension remeasurement gain/(loss)	-	-	-	-	-1 178
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges	-88	-33 240	32 735	-59 580	-51 245
Currency translation differences	-3 821	29 300	-28 598	49 148	-9 687
Total comprehensive income for the period	-4 379	-13 701	-13 786	-90 799	-258 526
Attributable to non-controlling interest	-2 036	-747	-3 914	-1 805	-9 520
Attributable to shareholders of the Company	-2 343	-12 954	-9 872	-88 994	-249 006

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	30.09.2016	31.12.2015
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets			
Vessels and equipment	5, 9	1 856 785	1 391 695
Vessels under construction	5, 8	80 343	185 064
Capitalized project cost	5	5 958	5 381
Investment in associates and other long-term receivables		66 831	68 258
CIRR loan deposit 1)	6	80 302	88 002
Deferred tax asset	7	11 916	11 668
Intangible assets	5, 9	18 073	16 849
Total non-current assets		2 120 208	1 766 916
Debtors, prepayments and other current assets		155 733	115 994
Assets held-for-sale		-	3 459
Cash and cash equivalents	6	88 344	148 753
Total current assets		244 077	268 206
Total assets		2 364 285	2 035 122
Equity			
Paid-in capital		625 219	625 219
Other reserves		-105 066	-108 151
Retained earnings		102 190	115 147
Shareholders' equity		622 343	632 215
Non-controlling interest		106 448	33 293
Total equity		728 791	665 508
Liabilities			
Borrowings	6, 8	1 209 658	1 007 925
CIRR loan 1)	6	80 302	88 002
Other non-current liabilities		48 098	43 238
Total non-current liabilities		1 338 058	1 139 165
Borrowings	6	166 855	114 660
Accounts payable and other current liabilities		130 581	115 788
Total current liabilities		297 436	230 448
Total liabilities		1 635 494	1 369 613
Total equity and liabilities		2 364 285	2 035 122

1) Commercial Interest Reference Rate

CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(Amounts in USD 1 000)</i>	2016	2015	2015
	Jan-Sep	Jan-Sep	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash flow from operations			
Net profit/(loss)	-17 923	-80 367	-196 416
Interest expense	36 021	39 339	51 796
Interest income	-7 264	-3 119	-4 223
Tax expense	-1 401	2 893	4 737
Interest paid	-34 282	-38 275	-50 649
Taxes paid	1 162	-2 163	-2 272
Results from associated companies	-30	-611	1 560
Loss/(gain) on sale of assets	-26	-13	-16 317
Gain from bargain purchase	-18 269	-	-
Value of employee services	414	1 043	-1 728
Impairment of vessels	1 209	56 000	159 465
Impairment of intangibles	-	-	6 705
Impairment related to subsidiaries	1 400	-	-
Depreciation and amortization	84 142	81 623	107 025
Effect of unreal. currency exchange forward contracts	-2 816	-2 134	-2 074
Changes in short-term receivables and payables	-36 421	-21 528	-25 149
CIRR	-276	-276	-368
Other changes	-2 861	3 687	10 373
Net cash flow from operations	2 779	36 100	42 462
Cash flow from investing activities			
Interest received	7 278	3 114	4 233
Investments in fixed assets	-252 294	-98 834	-149 631
Proceeds from sale of fixed assets	1 316	-12	122 193
Proceeds from sale of shares	-	-	2 620
Investment in subsidiaries	-299	-	-2 510
Cash received from acquisition of subsidiary	4 583	-	-
Dividend from associated companies	-	945	1 355
Investment in associated companies	-	-2 149	-3 576
Cash flow from investing activities	-239 416	-96 936	-25 315
Cash flow from financing activities			
Proceeds from issue of new equity	-	98 999	98 983
Contribution from non-controlling interests	-	6 309	4 744
Proceeds from bank overdraft	-	-1 747	-4 014
Proceeds from new long-term borrowing	251 066	104 845	109 583
Repayment of long-term borrowing	-135 181	-87 809	-182 820
Cash flow from financing activities	115 884	120 597	26 476
Net change in cash	-120 753	59 761	43 623
Cash at bank start of period	148 753	117 623	117 623
Effect of exchange rate differences	60 344	-19 541	-12 494
Cash at bank at end of period	88 344	157 842	148 753

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 September 2016 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 2015 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 2015 and with new standards, amendments to standards and interpretations that have become effective in 2016. 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 58% of the long-term interest-bearing debt was subject to floating interest rates at the end of September 2016. 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 due to future yard instalments in relation to shipbuilding contracts and 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.

3.4 Yard Risk

The process for construction of new vessels is associated with numerous risks. Among the most critical risk factors in relations to such construction is the risk of not receiving the vessels on time, at budget and with agreed specifications. In addition, there is the risk of yards experiencing financial or operational difficulties resulting in bankruptcy or otherwise adversely affecting the construction process. The Company has obtained certain guarantees of financial compensation including refund guarantees in case of delays and non-delivery. Further, the Company has the right to cancel contracts if delivery of vessels is significantly delayed. However, no assurance can be given that all risks have been fully covered.

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Segment Reporting by Business Area

<i>(Amounts in USD 1 000)</i>	2016 3Q	2015 3Q	2016 Jan-Sep	2015 Jan-Sep	2015 Jan - Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue by business area					
Platform Supply Vessels (1)	15 785	16 432	49 459	62 918	76 455
Offshore Subsea Construction Vessels and Well Intervention Vessels (1)	30 302	26 339	67 590	87 263	111 315
Anchor Handling Tug Supply Vessels (1)	12 915	14 201	40 027	43 841	54 692
Other vessels in Brazil	5 515	5 034	14 532	17 674	21 326
Canadian fleet	11 629	-	15 616	-	-
Other/Intercompany eliminations	-3 231	-6 196	-4 942	-10 086	-9 323
Operating revenue, OSV segment	72 915	55 810	182 282	201 610	254 465
Combat Management Systems	350	711	2 560	3 897	4 741
Submarine Power Cable activities	84 859	17 213	129 426	103 307	132 307
Scientific Core-Drilling	6 653	6 540	19 631	19 531	26 164
Siem WIS	1 419	1 761	2 610	4 110	4 773
Other/Intercompany eliminations	-	-17	-	-16	-
Operating revenue, Industrial Segment	93 280	26 207	154 227	130 829	167 984
Total operating revenue	166 196	82 018	336 509	332 439	422 449

<i>(Amounts in USD 1 000)</i>	2016 3Q	2015 3Q	2016 Jan-Sep	2015 Jan-Sep	2015 Jan - Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating profit by business area					
Platform Supply Vessels (1)	709	-1 159	4 966	-7 749	-28 980
Offshore Subsea Construction Vessels and Well Intervention Vessels (1)	9 139	9 944	11 693	16 804	19 998
Anchor Handling Tug Supply Vessels (1)	-5 732	-7 155	-18 377	-42 800	-134 230
Other vessels in Brazil	1 246	533	2 118	3 170	3 478
Canadian fleet	4 111	-	5 345	-	-
Other/Intercompany eliminations	268	491	2 992	3 602	-3 413
Operating profit, OSV segment	9 741	2 654	8 736	-26 973	-143 147
Combat Management Systems	672	199	629	-293	-208
Submarine Power Cable activities	17 350	-1 071	15 631	14 643	15 856
Scientific Core-Drilling	2 754	2 738	8 715	8 113	10 709
Siem WIS	338	-35	121	726	720
Other/Intercompany eliminations	-	-	-	-	-
Operating profit, Industrial segment	21 113	1 831	25 096	23 190	27 076
Administration expenses	-7 839	-8 009	-22 635	-29 092	-38 575
Gain from sale of fixed assets	-542	13	171	13	16 317
Gain from bargain purchase	-	-	18 124	-	-
Gain sale of interest rate derivatives	92	92	276	276	368
Currency gain/(loss)	3 628	1 476	6 682	-23 796	-30 775
Total operating profit	26 193	-1 944	36 450	-56 382	-168 735

(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	Capitalised project costs	Total
Purchase cost on January 1, 2016	310	2 002 474	192 564	12 676	2 208 024
Capital expenditure	-	151 631	175 204	2 951	329 327
Business combinations	-	111 312	-	-871	110 441
Delivery of vessels	-	287 450	-287 450	-	-
The year's disposal at cost	-	-6 356	-	-27	-6 383
Effect of exchange rate differences	4	7 658	25	-	7 683
Purchase cost on January 1, 2016	314	2 553 709	80 343	14 729	2 649 096
Accumulated depreciation on January 1, 2016	-20	-437 104	-	-7 296	-444 420
Accumulated impairment on January 1, 2016	-	-173 965	-7 500	-	-181 465
Movement between groups	-	-7 500	7 500	-	-
The year's depreciation	-8	-82 263	-	-1 502	-83 774
The year's disposal of accumulated depreciation	-	6 456	-	27	6 483
Effect of exchange rate differences	-	-2 833	-	-	-2 833
Accumulated depreciation on September 30, 2016	-28	-697 209	-	-8 771	-706 010
Net book value on September 30, 2016	285	1 856 500	80 343	5 958	1 943 086

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

Intangible assets

<i>(Amounts in USD 1 000)</i>	Goodwill	Research and development	Trademarks and licences	Total
Purchase cost on January 1, 2016	15 555	12 026	380	27 961
Business combinations	1 123	-	-	1 123
Investments	-	36	-	36
Effect of exchange rate differences	327	262	32	621
Purchase cost on January 1, 2016	17 005	12 324	412	29 740
Accumulated depreciation on January 1, 2016	-	-10 764	-347	-11 112
The year's ordinary depreciation	-	-368	-	-368
Effect of exchange rate differences	-	-159	-29	-188
Accumulated depreciation on September 30, 2016	-	-11 291	-376	-11 667
Net book value on September 30, 2016	17 005	1 033	36	18 073

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

Trademarks and licences refer to Siem WIS AS patented technology for the drilling industry. The figures include assets under development and developed assets, and the depreciation refers to assets that are not yet commercialized.

Impairment has been indicated for vessels, capitalized equipment and intangibles. See note 9 for further details.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Trademarks and licences refer to Siem WIS AS patented technology for the drilling industry. The figures include assets under development and developed assets, and the depreciation refers to assets that are not yet commercialized.

Note 6 – Net Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	30.09.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Total cash	88 344	148 753
Short-term interest-bearing debt	166 855	114 660
Long-term interest-bearing debt	1 209 658	1 007 925
Gross interest-bearing debt	1 376 512	1 122 585
Net interest-bearing debt	1 288 168	973 832

Unearned CIRR *)	30.09.2016	31.12.2015
Beginning of year	1 418	1 786
Recognized in the profit and loss account	-276	-368
End of period	1 142	1 418

The interest-bearing debt is denominated in currencies as follows: USD 86.8%, NOK 12.2 % and CAD 1.0%.

*) Commercial Interest Reference Rate

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Committed capital

Committed capital expenses to be paid in future period:

<i>(Amounts in USD 1 000)</i>	30.09.2016	31.12.2015
Combined contract value end of period for the vessels	492 953	596 594
Instalments paid	262 355	200 694
Unpaid instalments	230 598	395 900

Instalments falling due over the next two years

<i>(Amounts in USD 1 000)</i>	USD
2016	230 598
2017	-
Total	230 598

The Company had four vessels under construction at the end of the quarter.

Three of these vessels are under construction in Poland and one in Germany. These four vessels include three dual-fuel PSVs and one Well-Intervention Vessel. All vessels are scheduled for delivery in 2016.

Note 9 – Exceptional items

<i>(Amounts in USD 1 000)</i>	2016 3Q	2015 3Q	2016 Jan-Sep	2015 Jan-Sep	2015 Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating items					
Impairment charge relating to vessel-segments:					
AHTS vessels	-	-	-	13 000	39 507
PSV	-	-	1 209	20 000	24 849
OSCV	-	-	-	23 000	95 109
Total impairment charge for vessels and equipment	-	-	1 209	56 000	159 465
Impairment charge relating to intangibles	-	-	-	-	6 705
Impairment charge related to subsidiaries	1 400	-	1 400	-	-
Total charge for impairments	1 400	-	2 609	56 000	166 170

At 30 June 2016 impairment tests were performed for vessels and capitalized equipment and investments in subsidiaries and the company identified possible impairment for such assets. Valuation was received from accredited brokers for all vessels. In addition, value-in-use calculations were performed for all vessels to test broker's values. Value-in-use calculations have been based on residual values.

Note 10 – Gain from Bargain Purchase

During the second quarter, the Company acquired the remaining 50% interest in Secunda from the previous owner, a private equity partnership. The former owner had considered and determined that it did not wish to continue the ongoing financial commitments and obligations that are required of owners in the offshore shipping industry and sold its interest to the Company. As a result of the acquisition, the Company recognized a bargain purchase gain of USD 18.3 million.

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