

**SIEM OFFSHORE INC.  
REPORT FOR THE FIRST QUARTER 2015**



20 May 2015 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for the first quarter 2015.

**SELECTED FINANCIAL INFORMATION**

<i>(Amounts in USD millions)</i>	Quarter Ended 31 March		Fiscal
	2015	2014	2014
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	126.0	94.4	491.3
Operating margin	38.7	36.9	194.1
Operating margin, %	31%	39%	40%
Operating profit (loss)	(24.0)	28.6	84.3
Profit (loss) before taxes	(24.2)	18.6	73.4
Net profit (loss)	(25.6)	17.8	70.7
Net profit (loss) attributable to shareholders	(25.6)	15.0	58.1

**HIGHLIGHTS FOR THE FIRST QUARTER**

- Reorganized the Company’s operations by segregating the activities into the Offshore Supply Vessels segment and the Industrial Investments segment to bring greater focus on the separate operations.
- Contracts for four of the anchor-handling tug supply (“AHTS”) vessels with Petrobras in Brazil were not renewed and vessels were returned to North Sea.
- Agreed a one-year contract with Petrobras for the platform supply vessel (“PSV”) “Siem Giant” with commencement latest September 2015.
- Signed a USD350 million loan and guarantee facility for two well-intervention vessels under construction in Germany.
- Signed a EUR96 million loan and guarantee facility for three dual-fuelled PSVs under construction in Poland.
- Placed one AHTS vessel in lay-up.
- Aggregate backlog for the Offshore Supply Vessels segment and the Industrial Investments segment is USD1.57 billion at the end of first quarter.

**SUBSEQUENT EVENTS**

- Agreed a 6-month contract with options for the PSV “Siem Pilot”
- Agreed sale of the PSV “Siem Sasha” to Siem Offshore Ghana International, a company owned 51% by Siem Offshore.
- Signed a loan and guarantee facility for the AHTS vessel under construction in Poland for Secunda Canada LP, a company owned 50% by Siem Offshore.
- Reached a new agreement with Daya Materials Berhad for the sale of the Offshore Subsea Construction Vessel (“OSCV”) “Siem Daya 1” for USD120 million and a profit-split limited to an additional USD10 million.
- Entered into a 5-year charter for the OSCV “Siem Marlin” commencing in September 2015 with purchase options available after each of first 4 years and a purchase obligation at end of charter.
- The Nordsee One offshore windfarm project reached financial close. The marine installation works for the inner array grid and cable system, previous awarded to Siem Offshore Contractors as a turnkey supply and installation contract, are currently scheduled to commence in second quarter 2016.

Siem Offshore Contractors awarded a turnkey supply and installation contract for the inner array grid cable system for the Veja Mate Offshore Windfarm project. The marine installation works are scheduled to commence in 2016.

## **MARKET AND OUTLOOK**

The North Sea PSV and AHTS vessel markets continued to experience soft rates and utilization throughout the first quarter. Additional vessels have entered the North Sea from other regions and as rig activity is reduced, which places pressure on vessel utilization and fixture rates. Vessel owners have placed vessels in lay-up and owners are considering additional lay-ups. The outlook for the OSV market is expected to remain soft for several years due to a number of factors affecting the offshore oil and gas industry.

Siem Offshore Contractors experience steady tendering activity in the offshore windfarm market (“OWF”) with scheduled marine installation activities taking place in 2017 and 2018 and for operations and maintenance contracts to be awarded in 2015.

## **RESULTS AND FINANCE**

### **Income Statements (Q1 2015 over Q1 2014)**

Operating revenues were USD126.0 million (2014: USD94.4 million). The operating margin was USD38.7million (2014: USD36.9 million) and the operating margin as a percentage of revenues was 31% (2014: 39%).

Administration expenses were USD10.2 million (2014: USD11.0 million).

Operating profit (loss) was USD(24.0) million (2014: USD28.6 million) after depreciation and amortisation of USD26.8 million (2014: USD21.4 million). All vessels delivered from yards since 2005 are depreciated linearly based on a 27-year lifetime. Net currency exchange gains (losses) of USD(36.1) million (2014: USD6.4 million) were recorded on currency forward contracts of which USD(27.3) million was unrealised (2014: USD6.4 million). The currency forward contracts are entered into in order to hedge future non-USD yard instalments and non-USD operating expenses.

Net financial items were USD(0.2) million (2014: USD(10.0) million) and included a net revaluation gain (loss) of non-USD currency items of USD10.0 million (2014: USD(0.3) 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 USD11.9 million included a net unrealised loss of USD0.6 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(25.6) million ( 2014: USD15.0 million).

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

Shareholders’ equity was USD718.5 million at 31 March 2015 (31 December 2014: USD785 million), equivalent to USD1.85 per share (2014: USD2.03 per share). Net cash flow from operations for the first quarter was USD27.8 million and the cash position at 31 March 2015 was USD89.7 million.

The balance sheet included gross interest-bearing debt equivalent to USD1.2 billion. The Company made total drawings in the equivalent of USD1.3 million under credit facilities during first quarter and made

principal repayments of USD25.5 million. The weighted average cost of debt for the Company was approximately 4.5% p.a. at 31 March, including the effect of interest rate swaps.

The Company has nine vessels under construction and all vessels have secured debt-financing. One of the vessels under construction is owned by Secunda, which is owned 50% by Siem Offshore.

The Company's debt facility for six AHTS vessels has a balloon repayment in fourth quarter 2015. The term for this debt facility shall either be automatically extended or renegotiated subject to certain requirements regarding vessel employment. The Company obtained a USD 60 million revolving credit facility in 2014 to bridge late payments from operations in Kara Sea and Brazil. The facility was provided by Siem Industries at market terms and with maturity at end 2015. Discussions are ongoing to agree on an extension of the maturity date.

Total future yard instalments for vessels under construction were equivalent to USD503 million at the end of the quarter. These instalments fall due with USD124 million in 2015 and USD379 million in 2016.

## **OFFSHORE SUPPORT VESSELS SEGMENT**

### **The Fleet**

The fleet in operation at the end of the first quarter totalled 44 vessels (2014: 40 vessels), including partly-owned vessels and two vessels operated on behalf of a pool member.

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

The Company had twelve PSVs in operation, consolidated on a 100% basis, at the end of the quarter (2014: twelve). These PSVs recorded operating revenues of USD24.6 million and had 89% utilisation (2014: USD22.8 million and 94%). The operating margin before administration expense for these PSVs was USD12.4 million, (2014: USD9.9 million) and the operating margin as a percentage of revenues was 55% (2014: 43%).

Three of the PSVs are employed offshore West Africa, four are employed offshore Brazil, three are employed in the North Sea region and one PSV is on a bareboat contract. One vessel that came off a contract in West Africa in late 2014 has been utilized as a replacement for the PSV "Siem Hanne", which has undergone an interim scheduled dry-docking during the period.

### **Offshore Subsea Construction Vessels (OSCVs)**

The Company had six OSCVs in operation at the end of the quarter (2014: four).

The OSCVs earned operating revenues of USD30.4 million and had 98% utilisation (2014: USD19.5 million and 94%). The operating margin before administration expense for the OSCVs was USD21.4 million (2014: USD13.4 million) and the operating margin as a percentage of revenues was 70% (2014: 69%).

The six OSCVs operated on long-term contracts, with two operating in the US Gulf of Mexico, one outside West Africa and three vessels in the North Sea/Europe.

### **Anchor Handling Tug Supply (AHTS) Vessels**

The Company had ten AHTS vessels in operation at the end of the quarter (2014: ten), of which two are owned by a pool partner. All ten vessels are operated under a pool agreement where revenues and costs are shared in accordance with the pool agreement.

Siem Offshore's interest in the AHTS fleet represents operating revenues of USD15.5 million based on 59% utilisation (2014: USD35.1 million and 87%). The operating margin before administration expense

was USD(0.1) million (2014: USD18.6 million) and the operating margin as a percentage of revenues was (1)% (2014: 53%).

One AHTS vessel is operating on a long-term contract in Brazil and one AHTS vessel is operating for Siem Offshore Contractors. During first quarter, four AHTS vessels departed from Brazil after firm contracts expired. Two of these vessels have commenced scheduled dry-docking during the quarter.

The remaining AHTS vessels have been operating in the spot market in the North Sea/Europe during the period. The Company has placed one AHTS vessel in lay-up.

### Other Vessels

The Company had a fleet of nine smaller Brazilian-flagged vessels (fast supply vessels, crew vessels and oil spill recovery vessels) in operation at the end of the quarter (2014: nine). All vessels operated on term contracts in Brazil. The fleet earned operating revenues of USD6.7 million and had 96% utilisation (2014: USD4.0 million and 88%). The operating margin before administration expense for the fleet was USD2.6 million (2014: USD(0.2) million) and the operating margin as a percentage of revenues was 38% (2014: (5)%).

The 50%-owned company, Secunda Canada LP, has a fleet of five offshore support vessels operating offshore Canada. The fleet earned operating revenues of USD10.3 million and had 64% utilisation. The operating margin before administration expense for the fleet was USD2.3 million, and the operating margin as a percentage of revenues was 24%. The results for Secunda are recorded in accordance with the equity method and included as results from associated companies. Siem Offshore's 50% share of the net result for the first quarter was USD 0.4 million.

The 41%-ownership in the "Big Orange XVIII" recorded operating revenues of USD1.7 million (2014: USD2.0 million) and an operating margin of USD0.4 million (2014: USD0.6 million). The operating margin as a percentage of revenue was 24% (2014: 30%). These results are recorded in accordance with the equity method.

### Utilization and Contract Backlog for Offshore Support Vessels

The utilization of each of the above categories of vessels is as follows:

Utilization, %	2015	2016	2017
PSVs	64%	43%	23%
OSCVs *	89%	80%	72%
AHTS vessels	13%	5%	
Brazilian-flagged vessels	90%	89%	89%
Secunda	90%	35%	18%
Big Orange XVIII	100%	8%	-

\* Utilization reflects the sale of "Siem Daya 1" in August 2015.

The total contract backlog of firm contracts for the Offshore Support Vessels segment at 31 March 2015 was USD1.41 billion, including Big Orange XVIII, Secunda and the vessels under-construction, and is allocated as follows:

(Amounts in USD millions)	2015	2016	2017 onwards
Backlog	194	258	955

## **Quality, Health, Safety & Environment (QHSE)**

The safety culture within the Siem Offshore group of companies is a top priority.

The good QHSE performance continued into the first quarter with no serious incidents throughout the fleet. The safety records report no serious injury to personnel. There was no harmful discharge to the environment.

## **Newbuilding Program**

The Company had 9 vessels under construction at 31 March 2015. Six vessels were under construction in Poland, two in Germany and one in Brazil. These 9 vessels included one oil spill recovery vessel (“OSRV”) for delivery in 2015, four dual-fuel PSVs with one for delivery in 2015 and three in 2016, one Cable-Lay Vessel (“CLV”) for delivery in 2016, one AHTS vessel for delivery in 2015 and two Well-Intervention Vessels (“WIVs”) for delivery in 2016. The Company has secured long-term employment for the OSRV, one of the four dual-fuelled PSVs, and for the two WIVs. The CLV shall be utilised by Siem Offshore Contractors for project work within the submarine power cable installation, repair and maintenance segment.

## **INDUSTRIAL INVESTMENTS SEGMENT**

### **Submarine power cable activities – Siem Offshore Contractors (“SOC”)**

SOC generated gross revenues of USD41.0 million in first quarter 2015 and a margin of USD3.5 million before administration expense.

The Amrumbank West OWF project for E.ON Kraftwerke GmbH involves the installation, post-lay trenching, termination and testing of cables within the German Bight sector of the North Sea. All cables have been installed with cable-termination, testing and post-lay trenching works ongoing. The project is scheduled to be completed and fully documented within Q2 2015 and with a positive margin.

The Baltic 2 OWF project for EnBW Baltic 2 GmbH involves the installation, post-lay trenching, termination and testing of cables within the German sector of the Baltic Sea. The project was delayed, but the offshore execution commenced in early Q3 2014. By 31 March 2015, all cables have been installed and cable-termination, testing and post-lay trenching works were completed in May. The project is scheduled to be completed and fully documented within Q3 2015 and with a positive margin.

The Nordsee One OWF project for Nordsee One GmbH involves the EPIC-based supply and installation of cables forming the inner array grid of the Nordsee One OWF in addition to post-lay trenching, termination and testing works. The project remains on track for mechanical completion by Q3 2016.

The Nordsee One OWF export cable project for TenneT Offshore GmbH represents the consortium based EPIC-based contract with SOC and J-Power Systems as partners for the Nordsee One export cable system. Commencement of the offshore installation works is now expected in Q3 2016 and completion scheduled in Q4 2016. Since the project will still be in its early stages at the end of the year, no margin is anticipated in 2015.

SOC has established itself as a predictable and reliable turnkey service contractor within the offshore renewable energy industry and its opportunities for growth are positive.

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

The Julius project was mobilised in accordance with plan and the managed pressure drilling (“MPD”) operation onboard the “Maersk Gallant” will commence shortly. Both the pressure control device (“PCD”) and its crew are on-board and ready to start the operation.

The MPD operation planned for the Gudrun project is currently under evaluation to determine if an MPD operation is required.

The formal call-off for the Valemon operation has been received and the current plan is to commence this operation in November 2015.

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

The scientific core-drilling vessel “JOIDES Resolution” recorded operating revenues of USD6.5 million (2014: USD6.4 million) and an operating margin of USD3.4 million (2014: USD3.5 million). The operating margin as a percentage of revenue was 53% (2014: 54%).

The current option period under the existing contract will expire at the end of September 2015 and a series of 1-year option periods can be exercised by the customer.

### **Contract Backlog for Industrial Investments**

The total contract backlog for the Industrial Investments segment at 31 March 2015 was USD 166 million and is allocated as follows:

(Amounts in USD millions)	2015	2016	2017 onwards
Siem Offshore Contractors	69	76	8
JOIDES Resolution	13	-	-

On behalf of the Board of Directors of Siem Offshore Inc.  
20 May 2015

Eystein Eriksrud  
Chairman

Terje Sørensen  
Chief Executive Officer

# CONSOLIDATED INCOME STATEMENTS



	Note	2015	2014	2014
		Jan-Mar	Jan-Mar	Jan-Dec
<i>(Amounts in USD 1 000)</i>				
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	4	125 995	94 377	491 312
Operating expenses		-77 096	-46 518	-250 153
Administration expenses		-10 160	-10 972	-47 033
<b>Operating margin</b>		<b>38 739</b>	<b>36 888</b>	<b>194 125</b>
Depreciation and amortisation	4, 5	-26 750	-21 441	-125 883
Gain (loss) on sales of fixed assets		-15	6 661	18 728
Gain of sale of interest rate derivatives (CIRR)	6	92	92	368
Gain (loss) on currency derivative contracts		-36 052	6 416	-3 023
<b>Operating profit</b>	<b>4</b>	<b>-23 986</b>	<b>28 615</b>	<b>84 316</b>
Financial revenues		2 249	747	9 091
Financial expenses		-11 934	-11 163	-55 868
Result from associated companies		-553	669	1 808
Net currency gain (loss)		10 022	-264	34 092
<b>Net financial items</b>		<b>-216</b>	<b>-10 012</b>	<b>-10 877</b>
<b>Profit/(loss) before taxes</b>		<b>-24 203</b>	<b>18 603</b>	<b>73 439</b>
Tax benefit / (expense)	7	-1 360	-820	-2 729
<b>Net profit/(loss)</b>	<b>6</b>	<b>-25 562</b>	<b>17 783</b>	<b>70 710</b>
Net profit/ (loss) attributable to non-controlling interest		-49	2 802	12 563
<b>Net profit/ (loss) attributable to shareholders</b>		<b>-25 612</b>	<b>14 981</b>	<b>58 147</b>
Weighted average number of shares outstanding ('000)		387 591	387 591	387 591
Earnings(loss) per share (basic and diluted)		-0.07	0.04	0.10
<b>Comprehensive Income Statements</b>				
<i>(Amounts in USD 1 000)</i>				
		<b>2015</b>	<b>2014</b>	<b>2014</b>
		<b>1Q</b>	<b>Jan-Mar</b>	<b>Jan-Dec</b>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net profit/(loss)		-25 562	17 783	70 710
<b>Other comprehensive income (expense)</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Pension remeasurement gain (loss)		-	-	1 510
<b>Items that may be subsequently reclassified to profit or loss</b>				
Cash flow hedges		-32 392	-	-14 622
Currency translation differences		-3 797	8 246	-11 100
<b>Total comprehensive income for the period</b>		<b>-61 751</b>	<b>26 029</b>	<b>46 499</b>
Net profit/ (loss) attributable to non-controlling interest		-48	2 766	12 271
<b>Net profit/ (loss) attributable to shareholders</b>		<b>-61 799</b>	<b>23 263</b>	<b>34 228</b>



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



<i>(Amounts in USD 1 000)</i>	Note	31.03.2015	31.03.2014	31.12.2014
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Non-current assets</b>				
Vessels and equipment	5	1 596 220	1 437 266	1 743 693
Vessels under construction	5,8	127 035	146 341	130 515
Capitalised project cost	5	10 022	14 335	10 965
Investment in associates and other long-term receivables		35 051	27 823	43 654
CIRR loan deposit 1)	6	26 145	42 391	28 453
Deferred tax asset		12 587	11 966	12 591
Intangible assets	5	23 905	29 491	25 937
<b>Total non-current assets</b>		<b>1 830 966</b>	<b>1 709 612</b>	<b>1 995 809</b>
Debtors, prepayments and other current assets		130 875	77 557	147 152
Asset held-for-sale		104 110	-	-
Cash and cash equivalents	6	89 668	210 854	117 623
<b>Total current assets</b>		<b>324 654</b>	<b>288 411</b>	<b>264 774</b>
<b>Total assets</b>		<b>2 155 619</b>	<b>1 998 023</b>	<b>2 260 584</b>
<b>Equity</b>				
Paid-in capital		526 236	526 236	526 236
Other reserves		-86 796	-11 487	-45 491
Retained earnings		279 060	<b>265 629</b>	304 237
<b>Shareholders' equity</b>		<b>718 500</b>	<b>780 378</b>	<b>784 982</b>
Non-controlling interest		36 497	40 828	38 666
<b>Total equity</b>	<b>6</b>	<b>754 997</b>	<b>821 206</b>	<b>823 649</b>
<b>Liabilities</b>				
Borrowings	6,8	971 402	963 742	1 087 757
CIRR loan 1)	6	26 145	42 391	28 453
Other non-current liabilities		40 985	24 557	38 532
<b>Total non-current liabilities</b>		<b>1 038 532</b>	<b>1 030 690</b>	<b>1 154 742</b>
Borrowings	6	192 624	88 772	126 603
Accounts payable and other current liabilities		169 467	<b>57 354</b>	155 590
<b>Total current liabilities</b>		<b>362 091</b>	<b>146 126</b>	<b>282 193</b>
<b>Total liabilities</b>		<b>1 400 623</b>	<b>1 176 817</b>	<b>1 436 935</b>
<b>Total equity and liabilities</b>		<b>2 155 619</b>	<b>1 998 023</b>	<b>2 260 584</b>

1) Commercial Interest Reference Rate



## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Amounts in USD 1 000)</i>	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Cash flow from operations</b>			
Profit before taxes, excluding interest	-12 435	27 198	117 702
Interest paid	-13 092	-10 375	-46 362
Taxes paid	-1 360	1 613	-8 957
Results from associated companies	553	-669	-1 808
Loss/(gain) on sale of assets	15	-6 661	-18 728
Value of employee services	336	487	2 462
Depreciation and amortisation	26 750	21 441	125 883
Effect of unreal currency exchange forward contracts	27 264	-6 472	5 612
Change in short-term receivables and payables	-5 538	-3 230	19 918
CIRR	-92	-92	-368
Other changes	5 400	-401	-11 010
<b>Net cash flow from operations</b>	<b>27 802</b>	<b>22 837</b>	<b>184 345</b>
<b>Cash flow from investing activities</b>			
Interest received	956	688	4 171
Investments in fixed assets	-16 730	-31 679	-525 674
Proceeds from sale of fixed assets	0	25 071	76 290
Dividend from associated companies	-	-	278
Investment in associated companies	-2 251	-	-12 201
<b>Cash flow from investing activities</b>	<b>-18 024</b>	<b>-5 920</b>	<b>-457 136</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of new equity	-	-	1 336
Dividend payment	-	-	-6 533
Contribution from non-controlling interests of consolidated subsidiaries	-	762	-
Proceeds from bank overdraft	-1 309	2 519	5 624
Proceeds from new long-term borrowing	1 335	117 454	447 701
Repayment of long-term borrowing	-25 489	-32 539	-131 936
<b>Cash flow from financing activities</b>	<b>-25 463</b>	<b>88 197</b>	<b>316 192</b>
<b>Net change in cash</b>	<b>-15 686</b>	<b>105 113</b>	<b>43 400</b>
Cash at bank start of period	117 621	101 206	101 206
Effect of exchange rate differences	-12 267	4 534	-26 985
<b>Cash at bank end of period</b>	<b>89 668</b>	<b>210 853</b>	<b>117 621</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY



<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity on January 1, 2015</b>	<b>387 591 380</b>	<b>3 876</b>	<b>522 361</b>	<b>-45 491</b>	<b>304 237</b>	<b>784 983</b>	<b>38 666</b>	<b>823 649</b>
Net profit to shareholders					-25 513	-25 513	-49	-25 562
Value of employee services					336	336		336
Cash flow hedge				-32 392		-32 392		-32 392
Currency translation differences				-8 913		-8 913	1	-8 912
<b>Total comprehensive income / (expense)</b>		-	-	<b>-41 305</b>	<b>-25 177</b>	<b>-66 482</b>	<b>-48</b>	<b>-66 531</b>
Share issues in partially owned subsidiaries						-	152	152
Capital reduction in partially owned subsidiaries							-2 274	-2 274
<b>Equity on March 31, 2015</b>	<b>387 591 380</b>	<b>3 876</b>	<b>522 361</b>	<b>-86 796</b>	<b>279 060</b>	<b>718 501</b>	<b>36 496</b>	<b>754 997</b>
<i>(Amounts in USD 1 000)</i>								
	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity on January 1, 2014</b>	<b>387 591 380</b>	<b>3 876</b>	<b>522 361</b>	<b>-19 769</b>	<b>250 161</b>	<b>756 629</b>	<b>37 260</b>	<b>793 888</b>
Change previous periods					-1 510	-1 510		-1 510
Net profit to shareholders					58 147	58 147	12 563	70 710
Value of employee services					2 462	2 462		2 462
Pension remeasurement					1 510	1 510		1 510
Currency translation differences				-25 721		-25 721	-293	-26 014
<b>Total comprehensive income / (expense)</b>		-	-	<b>-25 721</b>	<b>60 609</b>	<b>34 887</b>	<b>12 271</b>	<b>47 158</b>
Share issues in partially owned subsidiaries						-	1 336	1 336
Capital reduction in partially owned subsidiaries							-12 201	-12 201
Dividend paid					-6 533	-6 533		-6 533
<b>Equity on December 31, 2014</b>	<b>387 591 380</b>	<b>3 876</b>	<b>522 361</b>	<b>-45 491</b>	<b>304 237</b>	<b>784 983</b>	<b>38 666</b>	<b>823 649</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 31 March 2015 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 2014 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 2014. With effect from 1 January 2014, new standards, amendments to standards and interpretations have become effective. 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 34% of the long-term interest-bearing debt was subject to floating interest rates at the end of first quarter 2015. 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>	2015	2014	2014
	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating revenue by business area</b>			
Platform Supply Vessels (1)	24 619	22 830	104 423
Offshore Subsea Construction Vessels	30 356	19 514	104 844
Anchor Handling Tug Supply Vessels (1)	15 480	35 090	142 480
Other vessels in Brazil	6 715	4 032	19 351
Other/Intercompany elimination	-1 496	-294	-15 854
<b>Operating revenue, OSV segment</b>	<b>75 674</b>	<b>81 172</b>	<b>355 244</b>
Submarine Power Cable activities	41 023	4 883	101 479
Combat Management Systems	2 243	1 542	6 075
Scientific Core-Drilling	6 474	6 385	25 914
Siem WIS	580	395	2 601
<b>Operating revenue, Industrial Investments segment</b>	<b>50 321</b>	<b>13 205</b>	<b>136 069</b>
<b>Total operating revenue</b>	<b>125 995</b>	<b>94 377</b>	<b>491 312</b>

<i>(Amounts in USD 1 000)</i>	2015	2014	2014
	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating profit by business area</b>			
Platform Supply Vessels	8 042	5 859	35 437
Offshore Subsea Construction Vessels	14 238	8 973	48 073
Anchor Handling Tug Supply Vessels	-9 974	9 261	39 232
Other vessels in Brazil	1 578	-862	-35 343
Other/Intercompany elimination	2 628	219	2 521
<b>Operating profit, OSV segment</b>	<b>16 512</b>	<b>23 452</b>	<b>89 919</b>
Submarine Power Cable activities	3 069	551	15 581
Combat Management Systems	-25	-11	-8
Scientific Core-Drilling	2 666	2 605	9 429
Siem WIS	-73	-179	355
<b>Operating profit, Industrial Investments segment</b>	<b>5 637</b>	<b>2 966</b>	<b>25 357</b>
Administration expenses	-10 160	-10 972	-47 033
Currency gain / (loss)	-35 976	13 169	16 074
<b>Total operating profit</b>	<b>-23 986</b>	<b>28 615</b>	<b>84 316</b>

- (1) Platform Supply Vessel Category and Anchor Handling Tug Supply Vessel Category includes I/C revenue from contracting work for the 100% owned subsidiary "Siem Offshore Contractors GmbH" which is included in the I/C eliminations 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
Balance on January 1, 2015	4 128	2 138 949	145 015	17 597	2 305 689
Correction Opening balance 01.01.15	-	6 325	-	1 821	8 146
Capital expenditure	-	14 200	2 446	-253	16 393
Movement between groups	-	1 024	-	-1 024	-
The year's disposal at cost	-	-112 652	-	-	-112 652
Effect of exchange rate differences	-344	-43 053	-5 925	-	-49 323
<b>Purchase cost on March 31, 2015</b>	<b>3 784</b>	<b>2 004 793</b>	<b>141 535</b>	<b>18 140</b>	<b>2 168 252</b>
Accumulated depreciation on January 1, 2015	-433	-398 951	-14 500	-6 632	-420 515
The year's depreciation	-22	-25 685	-	-800	-26 506
The year's disposal of accumulated depreciation	-	8 506	-	-	8 506
Effect of exchange rate differences	37	5 592	-	-	5 629
<b>Accumulated depreciation on March 31, 2015</b>	<b>-419</b>	<b>-411 939</b>	<b>-14 500</b>	<b>-8 119</b>	<b>-434 975</b>
<b>Net book value on March 31, 2015</b>	<b>3 366</b>	<b>1 592 854</b>	<b>127 035</b>	<b>10 022</b>	<b>1 733 277</b>
		Economic life 2.5-30 years			

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
Balance on January 1, 2015	17 318	2 704	9 683	29 705
Investments	-	337	-	337
Effect of exchange rate differences	-1 991	-237	-36	-2 265
<b>Purchase cost on March 31, 2015</b>	<b>15 327</b>	<b>2 804</b>	<b>9 647</b>	<b>27 777</b>
Accumulated depreciation on January 1, 2015	-	-2 588	-1 180	-3 768
The year's ordinary depreciation	-	-238	-6	-244
Effect of exchange rate differences	-	107	33	140
<b>Accumulated depreciation on March 31, 2015</b>	<b>-</b>	<b>-2 719</b>	<b>-1 153</b>	<b>-3 872</b>
<b>Net book value on March 31, 2015</b>	<b>15 327</b>	<b>85</b>	<b>8 494</b>	<b>23 905</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 6 – Net Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	<b>31.03.2015</b>	<b>31.12.2014</b>
	<i>Unaudited</i>	<i>Audited</i>
Total cash	89 668	117 623
Short-term interest-bearing debt	-192 624	-126 603
Long-term interest-bearing debt	-971 402	-1 087 757
<b>Total interest-bearing debt</b>	<b>-1 164 026</b>	<b>-1 214 360</b>
<b>Net interest-bearing debt</b>	<b>-1 074 357</b>	<b>-1 096 737</b>

The interest-bearing debt is denominated in currencies as follows: USD 76%, NOK 22 % and EUR 2 %. Long-term loan for the financing of “Siem Daya 1” has been moved to short-term loan in Q1 2015. This corresponds to the reallocation of “Siem Daya 1” from fixed assets to assets held-for-sale.

<b>Unearned CIRR</b>	<b>31.03.2015</b>	<b>31.12.2014</b>
Beginning of year	1 786	2 155
Recognized in the profit and loss account	-92	-368
<b>End of period</b>	<b>1 694</b>	<b>1 786</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### Note 8 – Commitments

#### Committed capital expenses to be paid in future periods

<i>(Amounts in USD 1 000)</i>	<b>31.03.2015</b>	<b>31.12.2014</b>
Combined contract value end of period for the vessels	644 162	678 076
Instalments paid	141 535	127 606
<b>Unpaid instalments</b>	<b>502 627</b>	<b>550 470</b>

#### Instalments falling due over the next two years

<i>(Amounts in USD 1 000)</i>	<b>USD</b>
2015	123 806
2016	378 820
<b>Total</b>	<b>502 627</b>



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