SIEM OFFSHORE INC.
REPORT FOR THE FOURTH QUARTER AND FISCAL YEAR 2019

27 February 2020 – Siem Offshore Inc. (the "Company"; Oslo Stock Exchange: SIOFF) reports results for the fourth quarter and the fiscal year ended 31 December 2019.

SELECTED FINANCIAL INFORMATION

(Amounts in USD millions)	2019 4Q	2018 4Q	2019 Jan-Dec	2018 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	71.2	73.1	292.5	307.7
Operating margin	29.4	27.5	109.7	115.1
Operating margin, %	41 %	38 %	38 %	37 %
Operating profit (loss)	(51.2)	(62.6)	(57.5)	(66.9)
Profit (loss) before taxes	(67.6)	(59.5)	(113.1)	(93.5)
Net profit (loss) from continuing operations	(67.1)	(60.5)	(114.5)	(94.1)
Net profit (loss) from discontinued operations	-	-	5.3	86.8
Net profit (loss)	(67.1)	(60.5)	(109.2)	(7.3)
Net profit (loss) attributable to shareholders	(55.6)	(48.9)	(88.2)	16.0

HIGHLIGHTS FOR THE FOURTH QUARTER

- Agreed a 365-day contract with options for 3 x AHTS vessels in Australia.
- Charterer exercised the first of 2 x 6 months options for each of the vessels "Siem Atlas" and "Siem Giant" from 9 December 2019.
- Agreed a contract for a two-wells drilling campaign for "Siem Symphony", with an estimated duration of 150 to 200 days.
- Purchased and cancelled 7,282,603 of its own shares in connection with the termination of an executive incentive share scheme. The number of shares in issue after the cancellation is 934,738,777.
- Conducted a periodic review of vessel valuations and recorded aggregate impairments of USD59 million.

SUBSEQUENT EVENTS

- Issuance of payment-in-kind interest for the SIOFF01 Bond. Elected the margin on the interest charge to be capitalized and added to the principal bond debt.

MARKET AND OUTLOOK

The OSV market was, as expected, relatively quiet during the fourth quarter with the exception of the North Sea AHTS segment, where we experienced fairly good rates and utilization. This was driven primarily by high rig move activity in combination with harsh weather conditions prolonging the duration of work.

Certain AHTS vessels were contracted for up to USD 100,000 per day and in general the market sustained a longer period of strong rate levels, resulting in improved quarterly earnings beyond what has been seen for quite some time. In the world wide AHTS market, the fourth quarter continued in the same manner as the previous quarter with challenging utilization and low average daily rates, and term contracts that are almost non-existent.

In the North Sea, the large modern vessels in the PSV segment experienced a slight dip in activity resulting in reduced rates towards the second half of the quarter. It is, however, expected that the demand for high-end PSVs will increase going forward, with more requirements (medium and long-term) in the market than we have seen in previous years.

Increased rig activity ahead is positive for the segment's development, but there are still too many vessels competing for too few contracts.

The offshore construction vessels within the oil and gas and offshore windfarm segments experienced a reduced demand throughout the quarter. We maintain our expectations for improved market prospects for the subsea construction vessels in the years ahead; however, we note that the short-term market in 2020 will be more challenging than previously expected.

Our outlook for 2020 remains cautious for the OSV market in general as current day-rates do not provide sufficient margin to service debt.

RISKS, FINANCE PLAN AND GOING CONCERN

The Company is exposed to a number of risks, among which the most important is the demand for its services. The OSV market is now in its 5th year of depressed conditions and has taken longer to recover than earlier expected. It is highly uncertain as to when charter rates will offer sufficient earnings for full debt servicing. The Company has been able to reduce its debt from USD1.6 billion to USD1.0 billion during the last five years. This significant debt reduction has been possible due to good cooperation between the Company and its financing banks, significant shareholder support, disposal of older and non-strategic assets and good ship operations.

The Company's existing agreement with the financing banks to service 70% amortization of original repayment schedule commencing effective 1st April 2020 is not sustainable under today's market conditions and with the expected level of earnings going forward. Therefore, the Company has taken the initiative to approach its main lenders to agree on a change in the repayment schedule and the easing of certain financial bank covenants. The majority of the financing banks have responded positively that they will be constructive and assist the Company by providing the necessary relief on the debt service for the next two years. There is no guarantee that an acceptable agreement will be reached with all the banks. Without an agreement with the banks within a relatively short time, the Company risks to be in breach with its cash covenants at 31 March 2020. The Company will also be exposed to liquidity issues in the next six months if a change in the repayment schedule is not agreed.

The conclusion of an agreement with the banks is conditional upon reaching agreement with the bondholders of the NOK350 million high yield bond due 30 October 2020, SIOFF01, to extend the maturity. If the Company is unable to reach an agreement with the SIOFF01 bondholders, then the agreements for financial relief and relaxation of debt covenants will terminate and the Company as a going concern will become less certain.

RESULTS AND FINANCE

Income Statements (4Q 2019 over 4Q 2018)

Operating revenues were USD71.2 million (2018: USD73.1 million). The operating margin was USD29.4 million (2018: USD27.5 million) and the operating margin as a percentage of revenues was 41% (2018: 38%). The decrease in revenues from 4Q 2018 is mainly due to lower revenues from a smaller PSV fleet which has been reduced by the sale of three vessels and lower revenues from the OSCV fleet. The revenues from the AHTS fleet have, however, increased compared to 4Q 2018. Administrative expenses were USD1.0 million (2018: USD6.4 million). The decrease in administrative expenses is mainly due to the net effect from the release of an accrual related to an executive incentive share scheme and the cost related to the acquisition of those shares.

Operating profit/(loss) was USD(51.2) million (2018: USD(62.6) million) after depreciation and amortisation expenses of USD24.8 million (2018: USD26.6 million), after impairment of certain vessel values of USD59.2 million (2018: USD47.6 million). There was no impairment of intangibles (2018: USD1.1. million) and no impairment related to long-term receivables (2018: USD7.2 million). The net currency exchange gain/(loss) of USD3.7 million (2018: USD(7.7) million) was recorded on currency derivative contracts of which USD3.7 million was unrealised (2018: USD(6.6) million). The currency derivative contracts are entered into in order to hedge future non-USD operating expenses.

Net financial items were USD(16.6) million (2018: USD2.9 million) and included a net revaluation gain/(loss) of non-USD currency items of USD(5.1) million (2018: USD16.5 million) of which USD(4.6) million was unrealized (2018: USD17.1 million). The financial expenses of USD13.4 million (2018: USD16.6 million) included an unrealized gain/(loss) from market-to-market valuation of interest rate swap agreements of USD1.5 million (2018: USD(0.4) million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies.

The net (loss) attributable to shareholders was USD(55.6) million (2018: USD(48.9) million).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD353.5 million at 31 December 2019 (31 December 2018: USD438.2 million), equivalent to USD0.38 per share (2018: USD0.47 per share). Net cash flow from operating activities for the fiscal year 2019 was USD91.9 million and the cash position at 31 December 2019 was USD74.5 million.

The gross interest-bearing debt is equivalent to USD1.0 billion. The Company made principal repayments of USD98.7 million and interest payments of USD51.6 million.

The weighted average cost of debt for the Company was approximately 4.6% p.a. at 31 December 2019, including the effect of debt-related derivatives such as interest rate swaps and cross currency swaps.

The share capital is USD9,347,388 representing a total of 934,738,777 shares with a nominal value of USD0.01 per share.

Health, Safety, Environment & Quality (HSEQ)

The Company has not experienced any serious injuries nor any serious environmental incidents in the fourth quarter of 2019. There has been a continuous positive safety and environmental trend throughout 2019.

The Q4 Environmental campaign has been successfully rolled out to the whole fleet and has been well received. The campaign's focus areas are the reduction of plastic and food waste, and more effective operations to reduce the carbon footprint.

The Company interacts closely with several clients and partners in Safety Campaigns globally.

The Fleet

At 31 December 2019, the fleet totalled 35 vessels (2018: 40 vessels), including partly-owned vessels and one vessel hired on a bare-boat contract. Two vessels were sold for recycling in December 2019, with delivery in January 2020. Five vessels were 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 Fourth Quarter 2019

Platform Supply Vessels (PSVs)

The Company had seven PSVs in the fleet at the end of the quarter (2018: eleven). These PSVs recorded operating revenues of USD11.3 million and had 97% utilisation (2018: USD16.1 million and 94%). The operating margin before administrative expenses for these PSVs was USD4.2 million (2018: USD7.1 million) and the operating margin as a percentage of revenues was 37% (2018: 44%).

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 four OSCVs and two WIVs at the end of the quarter (2018: five OSCVs and two WIVs). The OSCVs and WIVs earned operating revenues of USD24.0 million and had 95% utilisation excluding vessels in lay-up (2018: USD30.3 million and 96%). The operating margin before administrative expenses was USD15.8 million (2018: USD17.8 million) and the operating margin as a percentage of revenues was 66% (2018: 59%). Two OSCV vessels were in lay-up at the end of the quarter.

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 USD17.6 million based on 76% utilisation excluding vessels in lay-up (2018: USD9.6 million and 63%). The operating margin before administrative expenses was USD7.4 million (2018: USD0.5 million) and the operating margin as a percentage of revenues was 42% (2018: 5%). Two vessels were in lay-up at the end of the quarter.

Other Vessels

The Company had a fleet of five smaller Brazilian-flagged vessels (fast supply vessels, fast 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 USD5.2 million and had 100% utilisation excluding the vessel in lay-up (2018: USD5.2 million and 95%). The operating margin before administrative expenses for the fleet was USD(4.0) million, which includes a cost of USD6.6 million related to legal claims in Brazil (2018: USD1.9 million) and the operating margin as a percentage of revenues was (78)% (2018: 36%).

The Company had a fleet of four Canadian-owned offshore support vessels and one vessel on a bareboat operating offshore Canada at the end of the quarter (2018: four). The fleet earned operating revenues of USD5.6 million and had 97% utilisation (2018: USD6.9 million and 93%). The operating margin before administrative expenses for the fleet was USD2.3 million (2018: USD3.1 million) and the operating margin as a percentage of revenues was 42% (2018: 44%). Two vessels were sold for recycling in December 2019, with delivery in January 2020.

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

The Company had one scientific core-drilling vessel, the "JOIDES Resolution", that recorded operating revenues of USD7.2 million (2018: USD4.7 million) and an operating margin before administrative expenses of USD3.8 million (2018: USD3.7 million). The operating margin as a percentage of revenues was 52% (2018: 80%). Revenue and operating cost variance from 4Q 2018 are mainly due to reclassification of a settlement of USD3.1 million booked as revenue in 3Q 2018 and reclassified as reduced operating cost in 4Q 2018.

Contract Backlog

The total backlog at 31 December 2019 was USD652 million and is allocated as follows:

(Amounts in USD millions)	2020	2021	2022 onwards	Total
OSVs	172	142	211	526
Other	28	28	70	126
Total Backlog	**200**	**170**	**281**	**652**

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

27 February 2020

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

SIEM OFFSHORE

CONSOLIDATED INCOME STATEMENTS

(Amounts in USD 1 000)	Note	2019 4Q	2018 4Q	2019 Jan-Dec	2018 Jan-Dec
		Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	4	71 226	73 114	292 530	307 736
Operating expenses		-40 806	-39 139	-165 067	-168 575
Adminstrative expenses	10	-979	-6 426	-17 718	-24 105
Operating margin	**4**	**29 441**	**27 549**	**109 744**	**115 056**
Depreciation and amortization	5,10	-24 837	-26 618	-104 672	-108 922
Impairment of vessels	5,8	-59 238	-47 605	-59 238	-56 990
Impairment of intangibles	5,8	-	-1 080	-	-1 080
Impairment related to long-term receivables, projects	8	-	-7 200	-	-7 200
Gain (loss) on sales of fixed assets	5	-318	-19	-2 779	249
Gain on sale of interest rate derivatives (CIRR)	6	38	92	314	368
Gain (loss) on currency derivative contracts		3 705	-7 678	-876	-8 344
Operating profit/(loss)		**-51 210**	**-62 559**	**-57 507**	**-66 863**
Financial income		1 914	2 993	9 765	43 474
Financial expenses	10	-13 391	-16 572	-65 133	-63 144
Net currency gain (loss) on revaluation		-5 115	16 452	-816	-7 530
Net financial items		**-16 592**	**2 873**	**-56 183**	**-27 200**
Result from associated companies		243	199	568	601
Profit (loss) before taxes		**-67 559**	**-59 487**	**-113 123**	**-93 462**
Tax benefit (expense)	7	491	-1 047	-1 383	-588
Net profit (loss) from continuing operations		**-67 068**	**-60 534**	**-114 506**	**-94 051**
Net profit (loss) from discontinued operations	9	-	-	5 260	86 765
Net profit (loss)		**-67 068**	**-60 534**	**-109 246**	**-7 286**
Attributable to non-controlling interest		-11 456	-11 630	-21 017	-23 237
Attributable to shareholders of the Company		**-55 612**	**-48 905**	**-88 229**	**15 951**
Weighted average number of outstanding shares(000's)		941 151	942 021	941 802	942 021
Earnings (loss) per share (basic and diluted)		-0,06	-0,05	-0,09	0,02

Statements of Comprehensive Income *(Amounts in USD 1 000)*	Note	2019 4Q	2018 4Q	2019 Jan-Dec	2018 Jan-Dec
		Unaudited	*Unaudited*	*Unaudited*	*Audited*
Net profit (loss)		**-67 068**	**-60 534**	**-109 246**	**-7 286**
Other comprehensive income (expense)					
Items that will not be reclassified to the Income Statement:					
Pension remeasurement gain (loss)		347	-145	347	-145
Items that may be subsequently reclassified to the Income Statement:					
Cash flow hedges		-2 285	-9 480	650	-9 480
Currency translation differences		7 467	-193	5 530	9 356
Total comprehensive loss for the period		**-61 539**	**-70 352**	**-102 719**	**-7 555**
Attributable to non-controlling interest		-11 414	-11 630	-21 021	-23 370
Attributable to shareholders of the Company:		**-50 125**	**-58 723**	**-81 698**	**15 815**
Total comprehensive income for the period attributable to shareholders arises from:					
Continuing operations		-50 125	-58 723	-86 958	-70 950
Discontinued operations	9	-	-	5 260	86 765
Attributable to shareholders of the Company:		**-50 125**	**-58 723**	**-81 698**	**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	31.12.2019	31.12.2018
ASSETS		*Unaudited*	*Audited*
Non-current assets			
Vessels and equipment	5,8,10	1 288 446	1 450 588
Capitalized project cost	5	3 693	5 046
Investment in associates and other long-term receivables		40 426	35 768
CIRR loan deposit 1)		54 540	68 730
Deferred tax asset		10 321	10 890
Total non-current assets		**1 397 426**	**1 571 021**
Current assets			
Trade receivables and other current assets		68 862	94 890
Cash and cash equivalents	6	74 451	63 413
Total current assets		**143 312**	**158 302**
Assets classified as held for sale	5	715	16 950
Total Assets		**1 541 454**	**1 746 273**
EQUITY			
Paid-in capital		644 307	647 313
Other reserves		-32 580	-38 769
Retained earnings		-258 234	-170 352
Total Shareholders´ equity		**353 493**	**438 192**
Non-controlling interest		6 877	27 898
Total Equity		**360 370**	**466 090**
LIABILITIES			
Non-current liabilities			
Borrowings	6	841 472	970 988
CIRR loan 1)		54 540	68 730
Derivative financial instruments		3 310	2 727
Other non-current liabilities	6,10	53 731	56 915
Total non-current liabilities		**953 054**	**1 099 361**
Current liabilities			
Borrowings	6	136 599	103 900
Accounts payable and other current liabilities	7,10	91 431	76 924
Total current liabilities		**228 030**	**180 823**
Total liabilities		**1 181 084**	**1 280 184**
Total Equity and Liabilities		**1 541 454**	**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 Jan-Dec	2018 Jan-Dec
	Unaudited	*Audited*
Cash flow from operating activities		
Net profit/(loss) from continuing operations	-114 506	-94 051
Interest expense	52 936	55 932
Interest paid	-51 585	-59 867
Interest income	-8 118	-15 397
Interest received	7 904	15 258
Tax expense	1 383	588
Taxes paid	-730	1 199
Results from associated companies	-568	-601
Loss/(gain) on sale of assets	2 779	-249
Employee share scheme expenses	5	34
Impairment of vessels, projects, intangibles, long-term receivables	59 238	65 270
Depreciation and amortization	104 672	108 922
Effect of unrealized gain on currency exchange forward contracts	789	7 413
Changes in short-term receivables and payables	36 360	-40 753
CIRR gain	-314	-368
Other changes	1 675	-10 599
Net cash flow from operating activities	**91 921**	**32 731**
Cash flow from investing activities		
Capital expenditure in vessels and equipment	-35 678	-10 968
Proceeds from sale of fixed assets	50 506	112 484
Net cash from contingent consideration	30 901	76 684
Change in other non-current receivables	-15 256	-
Dividend from associated company	1 067	-
Cash flow from investing activities	**31 539**	**178 199**
Cashflow from financing activities		
Contribution from non-controlling interests of consolidated subsidiaries	12 231	7 878
Effect from restatement of bonds to convertible bonds	618	-23 580
Changes in other non current liabilities	-20 118	-
Repayment of long-term borrowings	-98 670	-194 611
Cash flow from financing activities	**-105 939**	**-210 313**
Net change in cash and cash equivalents	**17 521**	**617**
Cash and cash equivalents, beginning of period	63 413	63 511
Effect of exchange rate differences	-6 483	-715
Cash and cash equivalents, end of period	**74 451**	**63 413**
Details of continuing and discontinued operations:		
Cash balance related to continuing operations	74 451	63 413
Total cash and cash equivalents, end of period	**74 451**	**63 413**
Net change in cash from discontinued operations	-	-17 726
Net change in cash from continuing operations	17 521	18 343
Total net change in cash and cash equivalents	**17 521**	**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	-	-	-	-	-88 229	**-88 229**	-21 017	**-109 246**
Employee share scheme -Value of employee services	-	-	-	5	-	**5**	-	**5**
Pension remeasurement	-	-	-		347	**347**	-	**347**
Cash flow hedge	-	-	-	650	-	**650**	-	**650**
Currency translation differences	-	-	-	5 534	-	**5 534**	-4	**5 530**
Cancellation of own shares	-7 282 603	-73	-2 933			**-3 006**		**-3 006**
Equity at 31 December 2019	**934 738 777**	**9 347**	**634 959**	**-32 580**	**-258 234**	**353 493**	**6 877**	**360 370**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 31 December 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 38% of the long-term interest-bearing debt was subject to floating interest rates at the end of December 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 4Q	2018 4Q	2019 Jan-Dec	2018 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenue by segments				
Platform Supply Vessels	11 260	16 063	52 737	62 155
Offshore Subsea Construction Vessels and WIV	23 978	30 279	105 391	120 034
Anchor Handling Tug Supply Vessels	17 594	9 644	57 985	43 911
Brazilian Fleet	5 184	5 229	20 289	22 295
Canadian Fleet	5 575	6 922	26 851	28 878
Other/Intercompany elimination	392	281	961	2 079
Scientific Core-Drilling Vessel	7 242	4 696	28 316	28 384
Total operating revenue	**71 226**	**73 114**	**292 530**	**307 736**
Total operating revenue from discontinued operations	-	-	-	14 490
Total operating revenue from continuing/discontinued operations	**71 226**	**73 114**	**292 530**	**322 226**
Operating margin by segments				
Platform Supply Vessels	4 152	7 109	22 410	27 346
Offshore Subsea Construction Vessels and WIV	15 795	17 814	65 043	69 463
Anchor Handling Tug Supply Vessels	7 446	483	10 961	-2 971
Brazilian Fleet	-4 026	1 879	-1 642	10 450
Canadian Fleet	2 326	3 078	11 932	13 628
Other/Intercompany elimination	928	-126	2 353	2 098
Scientific Core-Drilling Vessel	3 800	3 738	16 406	19 146
Adminstrative expenses	-979	-6 426	-17 718	-24 105
Total operating margin from segments	**29 441**	**27 549**	**109 744**	**115 056**
Total operating margin from discontinued operations	-	-	-	-492
Total operating margin from continuing/discontinued operations	**29 441**	**27 549**	**109 744**	**114 564**
Depreciation by segments				
Platform Supply Vessels	-3 279	-5 074	-16 324	-20 601
Offshore Subsea Construction Vessels and WIV	-7 536	-7 799	-30 974	-31 208
Anchor Handling Tug Supply Vessels	-9 263	-9 390	-37 047	-38 976
Brazilian Fleet	-1 006	-1 334	-4 178	-4 857
Canadian Fleet	-2 285	-2 987	-10 235	-9 068
Other/Intercompany elimination	-586	826	-2 350	-2
Scientific Core-Drilling Vessel	-882	-860	-3 564	-4 209
Total depreciation by segments	**-24 837**	**-26 618**	**-104 672**	**-108 922**
Total depreciation from discontinued operations	-	-	-	-1 991
Total depreciation from continuing/discontinued operations	**-24 837**	**-26 618**	**-104 672**	**-110 913**
Vessel impairment by segments				
Platform Supply Vessels	-10 712	-4 047	-10 712	-4 047
Anchor Handling Tug Supply Vessels	-45 114	-43 558	-45 114	-43 558
Brazilian Fleet	-	-	-	-525
Canadian Fleet	-3 412	-	-3 412	-8 859
Total vessel impairment by segments	**-59 238**	**-47 605**	**-59 238**	**-56 990**

Note 5 – Vessels, Equipment and Project Cost

(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		35 677	1	**35 678**
Additions related to IFRS 16 (see note 10)	3 758	4 884	-	**8 642**
The year's disposal at cost	-	-127 560		**-127 560**
Effect of exchange rate differences	-7	-3 058	-27	**-3 092**
Purchase cost at 31 December 2019	**4 038**	**2 373 862**	**11 346**	**2 389 246**
Accumulated depreciation at 1 January 2019	**-38**	**-688 145**	**-6 327**	**-694 510**
Accumulated impairment at 1 January 2019	**-**	**-325 433**	**-**	**-325 433**
The year's depreciation	-891	-102 447	-1 335	**-104 672**
The year's impairment	-	-59 238	-	**-59 238**
The year's disposal of accumulated depreciation	-	64 934	-	**64 934**
The year's disposal of accumulated impairment	-	25 301		**25 301**
Effect of exchange rate differences	-4	-3 492	8	**-3 488**
Accumulated depreciation at 31 December 2019	**-933**	**-1 088 520**	**-7 653**	**-1 097 107**
Net book value at 31 December 2019	**3 105**	**1 285 342**	**3 693**	**1 292 139**

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

Impairments in previous periods relate to vessels and capitalized equipment. See note 8 for further details.

"Burin Sea" and "Trinity Sea", two of the Canadian vessels were sold in December 2019, with delivery in 2020. The net book value for these two vessels is zero, but cost related to the sale has been capitalized and is presented as asset held for sale in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 –Interest-Bearing Debt and CIRR

(Amounts in USD 1 000)	**31.12.2019**	**31.12.2018**
	Unaudited	*Audited*
Total cash and cash equivalents	**74 451**	**63 413**
Short-term interest-bearing debt	-136 599	-103 900
Long-term interest-bearing debt	-876 367	-992 103
Gross interest-bearing debt	**-1 012 966**	**-1 096 003**
Net interest-bearing debt	**-938 516**	**-1 032 590**

Unearned CIRR	**31.12.2019**	**31.12.2018**
Balance, beginning of the period	314	682
Recognized in the profit and loss account	-314	-368
Balance, end of the period	-	**314**

The interest-bearing debt is denominated in currencies as follows: USD 81.2%, NOK 16.7 % and CAD 2.1%.

The long-term interest bearing-debt above includes a shareholders loan from the minority shareholder in Siem AHTS Pool AS. The interest on the shareholders loan is added to the loan balance and it is payable when the loan is repaid.

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 internal estimates, tax treaties and tax regulations in countries of operation, and appropriate external advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the tax charge in the period in which the outcome is determined. The tax cost for the period relates to corporate tax and withholding tax for operating both in Norway and other jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Impairments

As of December 31, 2019, impairment indicators were identified for all OSV vessels, mainly due to lower freight rates. Based on this, impairment testing has been performed for all OSV vessels as of 31 December 2019 and the Company identified possible impairment for certain assets. Valuation was received from accredited brokers for all vessels.

Tangible assets with finite lives are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceed the recoverable amount. The Group performs an assessment to determine any indicators of impairment. An impairment loss is recognized if the carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCOD) and value in use (VIU) and each vessel is considered a separate cash generating unit (CGU). VIU is based on the present value of discounted cash flows for each separate CGU for its remaining life based on market views for future periods. The discount rate used in the value-in-use calculation is a real average cost of capital after tax ranging from 7.49%-9.05%. Operational expenses that are directly attributable to the CGU are based on budget with an annual escalation as applicable. Dry-docking costs are included as scheduled.

Based on the assessment an impairment charge of USD 59.2 million has been recognized which represents a write down of OSV vessels to their recoverable amount. The recoverable amount was based on the higher of FVLCOD and VIU calculation with each vessel as a separate cash generating unit. Impairment of USD 59.2 million is related to four PSVs, ten AHTS and one Canadian flagged vessel.

A reduction of freight rate assumption of USD 1,000 per day for remaining life for each vessel would increase the impairment by approximately USD53.4 million. An increase in freight rate assumption of USD 1,000 per day would reduce the impairment by approximately USD33.3 million.

An increase in WACC of 0.5% would increase the total impairment by approximately USD23.6 million. A decrease in WACC of 0.5% would decrease the total impairment by approximately USD18.4 million.

(Amounts in USD 1 000)	**2019 4Q**	**2018 4Q**	**2019 Jan-Dec**	**2018 Jan-Dec**
Operating items	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Impairment charge relating to vessel segments:				
PSV	10 712	4 047	10 712	4 047
AHTS vessels	45 114	43 558	45 114	43 558
Canadian fleet	3 412	-	3 412	8 859
Brazilian flagged vessels	-	-	-	526
Total impairment charge for vessels and equipment	**59 238**	**47 605**	**59 238**	**56 990**
Impairment charge related to intangibles	-	1 080	-	1 080
Impairment related to Standstill agreement and Convertible loan to Daya Materials Berhad	-	7 200	-	7 200
Total charge for impairments	**59 238**	**55 885**	**59 238**	**65 270**

NOTES TO THE FINANCIAL STATEMENTS

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 had 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 the transaction had been completed. Financial information relating to the discontinued operations for 2018 and 2019 is set out below. The discontinued operations include 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 gain of USD5.3 million was recorded in 2Q 2019 as net profit /(loss) from discontinued operations and was included in the total USD30.9 million payment to the Company in August 2019.

There were no assets or liabilities related to discontinued operations as per 31 December 2019 or 31 December 2018.

Financial performance:

(Amounts in USD 1 000)	**2019 4Q**	**2018 4Q**	**2019 Jan-Dec**	**2018 Jan-Dec**
	Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	-	-	-	14 490
Operating expenses	-	-	-	-13 539
Administrative expenses	-	-	-	-1 442
Operating margin	**-**	**-**	**-**	**-492**
Depreciation and amortization	-	-	-	-1 991
Gain (loss) on sales of assets	-	-	-	12
Operating profit	**-**	**-**	**-**	**-2 471**
Financial income	-	-	-	282
Financial expenses	-	-	-	-3 924
Net currency gain (loss)	-	-	-	-167
Net financial items	**-**	**-**	**-**	**-3 810**
Profit (loss) before taxes	**-**	**-**	**-**	**-6 280**
Tax benefit (expense)	-	-	-	-
Profit (loss) after taxes, from discontinued operations	**-**	**-**	**-**	**-6 280**
Gain on sale of subsidiary and vessels	-	-	5 260	93 045
Net profit (loss) from discontinued operations	**-**	**-**	**5 260**	**86 765**

Details on sale of subsidiary and vessels:

(Amounts in USD 1 000)

Consideration:	**Total**
Cash	204 474
Non-cash	46 802
Total consideration	**251 276**
Book value of assets sold	-152 971
Net gain on sale	**98 306**

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 rates in the calculation of net present values 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	**8 030**
Additions in 2019	612
The year's depreciation	-1 863
Right of use assets at 31.12.2019	**6 779**
Lease liability at 01.01.2019	**8 030**
Additions in 2019	612
Lease payments	-2 179
Interest cost	540
Lease liability at 31.12.2019	**7 004**

Consolidated Income Statements :

(Amounts in USD 1 000)	**2019 4Q**	**2019 Jan-Dec**
Operating expenses	-291	-1 166
Administrative expenses	-253	-1 013
Depreciation and amortization	466	1 863
Financial expenses	135	540
Net effect	**56**	**225**

Cash flows from operating activities have increased and cash flows from financing activities have decreased by approximately USD2.2 million for Jan-Dec 2019 as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

ALTERNATIVE PERFORMANCE MEASUREMENT (APM)

The Company has identified several APMs that are consistently applied for the reporting periods. The APMs are supplementary to the Financial Statements that are disclosed in compliance with IFRS. The APMs are disclosed to give a broader understanding of the operations, financial position and associated risk of the Company.

Operating margin - Operating revenues less operating expenses, including general and administrative expenses

Operating margin percentage – Operating margin as a percentage of operating revenues

EBITDA - Operating result before depreciation, amortization and impairment

EBIT – Operating profit before financial income and expenses, and before tax

Earning on equity - Result before tax, in percentage of average equity, including minority interests

Current ratio - Current assets divided by current liabilities

Book Equity ratio - Book equity including minority interests as percentage of total assets

Earnings per share - Result attributable to the shareholders divided by weighted average number of shares

Comprehensive income per share – Comprehensive income for the period for the Group divided by weighted average number of shares at the end of the reporting period, adjusted for treasury shares

Equity per share - Shareholders' equity divided on number of outstanding shares

Interest-bearing debt – Current and long-term interest-bearing debt

Net interest-bearing debt – Interest-bearing debt less cash and cash equivalents

Contract backlog – total nominal value of future revenues from firm contracts, excluding optional periods

Utilization – effective time on hire relative to total time available in the reporting period, excluding vessels in lay-up

Capital expenditure - gross capital expenditure related to tangible assets at acquisitions, upgrades, class renewals (Dry-docking) and major periodic maintenance

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