

# ANNUAL REPORT 2019

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# HIGHLIGHTS 2019

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## Highlights for the First Quarter

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

## Highlights for the Second Quarter

- Recorded an accrual of USD 4 million in operating expenses for a potential loss related to legal claims in Brazil.
- Continued weakness in the AHTS North Sea Spot market with fewer activities and projects than expected.

## Highlights for the Third Quarter

- Received extension of the current contract for the scientific research vessel "JOIDES Resolution" until 30 September 2024.
- Completed the sale and delivery of the 2006 built PSV "Hugin Explorer".
- Completed the sale and delivery of the 2009 built MRSV "Siem Marlin".
- Received EUR 27 million (equivalent to USD 30.9 million) as final payment for the contingent consideration related to the 2018 sale of SOC and related vessels.

## 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 USD 59 million.

REVENUE USD 1,000

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# 292,530

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OPERATING MARGIN USD 1,000

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# 109,744

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NET PROFIT/(LOSS) USD 1,000

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# -109,246

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EMPLOYEES

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# 1,102

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VESSELS IN OPERATION PER 31.12.2019

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# 35

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# KEY FIGURES

(Amounts in USD 1,000)

## CONSOLIDATED

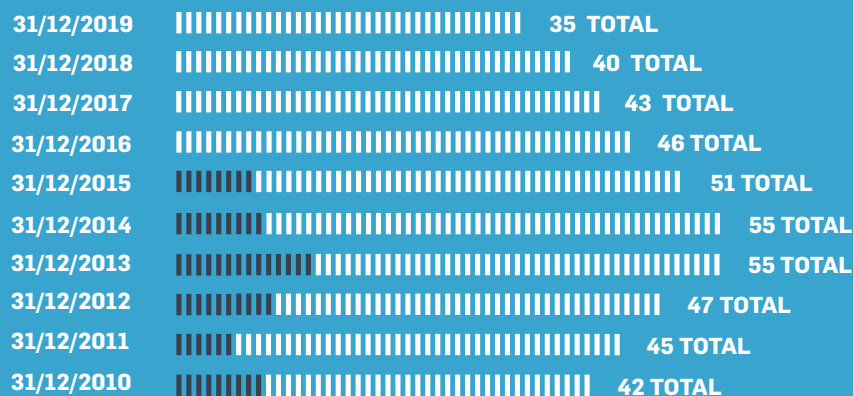
INCOME STATEMENTS	Ref	2019	2018
Operating revenue		292,530	307,736
Operating expenses		-182,785	-192,680
Operating margin	(1)	109,744	115,056
Operating margin, %		38%	37%
Depreciation and amortization		-104,672	-108,922
Impairment of vessels		-59,238	-56,990
Impairment of intangibles		-	-1,080
Impairment on long-term receivables, projects		-	-7,200
Gain/(loss) on sale of assets		-2,779	249
Gain on sale of interest rate derivatives (CIRR)		314	368
Gain/(loss) on currency derivative contracts		-876	-8,344
Operating profit	(2)	-57,507	-66,863
Operating profit margin, %		-20%	-22%
Net financial items		-56,183	-27,200
Result from associated companies		568	601
Profit /(loss) before taxes		-113,123	-93,462
Profit margin before taxes		-39%	-30%
Tax benefit/(expense)		-1,383	-588
Net profit/(loss) from continuing operations		-114,506	-94,051
Net profit/(loss) from discontinued operations		5,260	86,765
Net profit/(loss)		-109,246	-7,286
Minorities interest		-21,017	-23,237
Net profit/(loss) attributable to shareholders		-88,229	15,951
Net profit margin, %		-30%	5%

STATEMENTS OF FINANCIAL POSITION	12/31/2019	12/31/2018
Non-current assets	1,397,426	1,571,021
Current assets	143,312	158,302
Working capital	(3)	-84,718
Total assets	1,541,454	1,746,273
Shareholders' equity	353,493	438,192
Non-current liabilities	953,054	1,099,361
Current liabilities	228,030	180,823
Total equity and liabilities	1,541,454	1,746,273

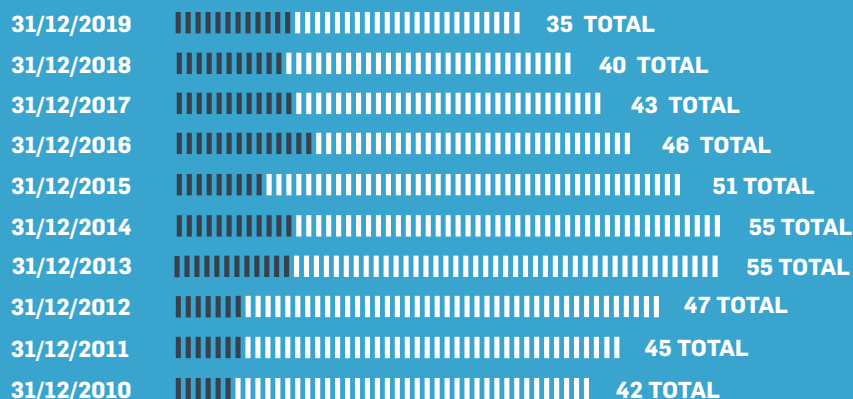
### Definitions

- (1) Earnings before interests, tax, depreciation and amortization (EBITDA)
- (2) Earnings before interests and taxes (EBIT)
- (3) Total current assets less total current liabilities
- (4) See Statements of Cash Flows for details
- (5) Net cash flow from operation divided on weighted average number of shares outstanding
- (6) Stock Exchange price on 31 December divided on earnings per share
- (7) Stock Exchange price on 31 December divided on cash flow per share
- (8) Shareholders' equity divided on number of outstanding shares
- (9) Operating margin divided on weighted average number of outstanding shares
- (10) Book equity divided on total assets
- (11) Current assets divided on current liabilities

■ Newbuildings  
■ Vessels in operation



0-79%  
100%



# VESSELS IN THE FLEET

## Platform Supply Vessels (PSV)



	Siem Pride	Siem Symphony	Siem Atlas	Siem Giant	Siem Hanne
Built	2015	2014	2013	2014	2007
Design	VS 4411 DF	VS 4411 DF	STX PSV 4700	STX PSV 4700	VS 470 MK II
Dp Class	2	2	2	2	2
LOA	89.20 m	89.20 m	87.90 m	87.90 m	73.40 m
Breadth	19.00 m	19.00 m	19.00 m	19.00 m	16.60 m
Draught	7.40 m	7.40 m	6.60m	6.60 m	6.42 m
Dwt	5,500 t	5,500 t	4700 T	4,700 T	3570 T
Accommodation	28	25	34	34	34
Cargo Deck Area	980 m <sup>2</sup>	980 m <sup>2</sup>	1000 m <sup>2</sup> usable	1000 m <sup>2</sup> usable	680 m <sup>2</sup> usable
Ownership	100%	100%	100%	100%	100%

## Anchor Handling Tug Supply Vessels (AHTS)



	Siem Amethyst	Siem Opal	Siem Garnet	Siem Sapphire	Siem Aquamarine
Built	2011	2011	2010	2010	2010
Design	VS 491 CD	VS 491 CD	VS 491 CD	VS 491 CD	VS 491 CD
Dp Class	2	2	2	2	2
LOA	91.00 m	91.00 m	91.00 m	91.00 m	91.00 m
Breadth	22.00 m	22.00 m	22.00 m	22.00 m	22.00 m
Draught	7.95 m	7.95 m	7.95 m	7.95 m	7.95 m
Dwt	3800 T	3800 T	3800 T	3800 T	3800 T
Accommodation	60	60	60	60	60
Cargo Deck Area	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>
BHP	28000	28000	28000	28000	28000
Bollard Pull	297 Te	297 Te	282 Te	301 Te	284 Te
Ownership	78.16%	78.16%	78.16%	78.16%	78.16%

## Offshore Subsea Construction Vessel (OSCV) & Multipurpose field & ROV Support Vessel (MRSV)



	Siem Dorado	Siem Barracuda	Siem Spearfish	Siem Stingray
Built	2009	2013	2014	2014
Design	MT 6017 MK II	STX OSCV 11L	STX OSCV 03	STX OSCV 03
Dp Class	2	2	2	2
LOA	93.60 m	120.80 m	120.80 m	120.80 m
Breadth	19.70 m	22.00 m	23.00 m	23.00 m
Draught	6.30 m	6.60 m	6.60 m	6.60 m
Dwt	4,500 t	5,000 t	5,000 t	5,000 t
Accommodation	68	110	110	110
Cargo Deck Area	1046 m <sup>2</sup>	1300 m <sup>2</sup>	1,300 m <sup>2</sup>	1,300 m <sup>2</sup>
Crane	100 t Offshore/Subsea crane	250 t Offshore/Subsea crane	1 X 250 t AHC, 3,000 m	1 X 250 t AHC, 3,000 m
ROV Moonpool	-	7.2 X 7.2	7.2 X 7.2 m	7.2 X 7.2 m
Ownership	100%	100%	100%	100%





**Siem Pilot**

**Siem Thiima**

<b>Built</b>	2010	2016
<b>Design</b>	VS 485	VS 4411 DF
<b>Dp Class</b>	2	2
<b>LOA</b>	88.3 m	89.2 m
<b>Breadth</b>	20.00 m	19.00 m
<b>Draught</b>	7.19 m	7.40 m
<b>Dwt</b>	5000T	5500 T
<b>Accommodation</b>	64	25
<b>Cargo Deck Area</b>	927m <sup>2</sup> usable	980 m <sup>2</sup>
<b>Ownership</b>	100%	100%



**Siem Topaz**

**Siem Ruby**

**Siem Diamond**

**Siem Pearl**

**Siem Emerald**

<b>Built</b>	2010	2010	2010	2009	2009
<b>Design</b>	VS 491 CD	VS 490 CD	VS 491 CD	VS 491 CD	VS 491 CD
<b>Dp Class</b>	2	2	2	2	2
<b>LOA</b>	91.00 m	91.00 m	91.00 m	91.00 m	91.00 m
<b>Breadth</b>	22.00 m	22.00 m	22.00 m	22.00 m	22.00 m
<b>Draught</b>	7.95 m	7.95 m	7.95 m	7.95 m	7.95 m
<b>Dwt</b>	3800 T	3800 T	3800 T	3800 T	3800 T
<b>Accommodation</b>	60	60	60	60	60
<b>Cargo Deck Area</b>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>	800 m <sup>2</sup>
<b>BHP</b>	28000	28000	28000	28000	28000
<b>Bollard Pull</b>	306 Te	310 Te	284 Te	285 Te	281 Te
<b>Ownership</b>	78.16%	78.16%	78.16%	78.16%	78.16%

## Other



**Brazil – Fleet of 5 vessels**

**Canada – Fleet of 5 vessels**

<b>Type</b>	OSRV/FCS/FSV	AHTS/PSV
<b>Ownership</b>	100%	0-100%



**Joides Resolution**

**Big Orange XVIII**

<b>Type</b>	Scientific Core Drilling Vessel (SCDV)	Well Stimulation Vessel (WSV)
<b>Ownership</b>	100%	41.3%

## Well Intervention Vessels (WIV)



**Siem Helix 1**

**Siem Helix 2**

<b>Built</b>	2016	2016
<b>Design</b>	Salt 307 WIV	Salt 307 WIV
<b>Dp Class</b>	3	3
<b>LOA</b>	158.65 m	157.60 m
<b>Breadth</b>	31.00 m	31.00 m
<b>Draught</b>	8.50 m	8.50 m
<b>Dwt</b>	12500 t	12500 t
<b>Accommodation</b>	150	150
<b>BHP</b>	36000	35000
<b>Ownership</b>	100%	100%

# Geographical footprint

## Siem Offshore offices

- Kristiansand (Norway)
- Rio de Janeiro, Macaé, Aracaju (Brazil)
- Houston (USA)
- Perth (Australia)
- St. John's, Halifax (Canada)
- Accra (Ghana)

Houston

Halifax

St. John's

Kristiansand (HQ)

Accra

Macaé

Aracaju

Rio de Janeiro





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TOTAL EMPLOYEES

**1,102**

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VESSELS IN OPERATIONS

**35**

PSVs: **7**

WIVs: **2**

AHTs: **10**

OSCVs: **4**

CANADIAN FLEET: **5**

OTHER: **7**

Perth —○

# This is Siem Offshore Inc.



Siem Helix 1

Siem Offshore owns and operates one of the world's most modern fleet of offshore support vessels, equipped to meet the increased requirements from clients and demands from operation in the harshest environments.

**S**iem Offshore had 35 vessels in operation at year-end 2019. By end March 2020, the total fleet comprised of 33 vessels, including, among others the following owned vessels, seven Platform Supply Vessels (PSVs), four Offshore Subsea Construction Vessels (OSCVs), ten Anchor Handling, Tug and Supply vessels (AHTS), two Well-Intervention Vessels (WIVs), one scientific core-drilling vessel, five Brazilian flagged vessels and three Canadian flagged vessels comprising of both AHTS vessels and PSVs. The fleet provides a broad spectrum of services offered by a highly experienced and competent crew with a strong focus on Health, Safety, Environment and Quality.

The Company's vision is to become the leading provider and the most attractive employer offering marine services to the offshore energy service industry. The Company shall deliver quality and reliable contracted services in a timely manner by executing cost-efficient solutions developed in active collaboration and cooperation with our customers.

Siem Offshore commenced operations with effect from 1 July 2005. The Company is registered in the Cayman Islands and is listed on the Oslo Stock Exchange (OSE Symbol: SIOFF). The Company's headquarters is located in Kristiansand, Norway and additional subsidiary offices are located in Brazil, Ghana, USA, Canada and Australia. The Company is tax resident in Norway.

# Our Values

We continuously work to make the values a part of the daily life of the Company, in particular in training of leaders throughout the organization. The values are established to support our present and future business.

## CARING

We encourage team spirit and knowledge sharing. We strive to perform our daily work correctly, safely and without causing damage to people, environment and equipment.

## COMPETITIVE

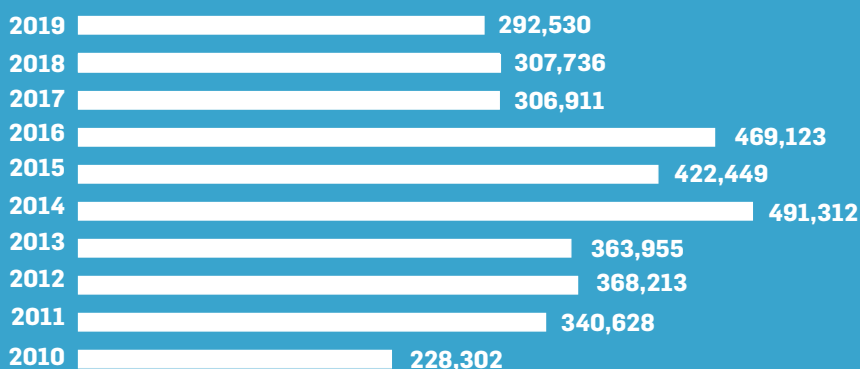
We behave in a pro-active manner and we are innovative in our way of thinking. Continuous improvement is our key to success.

## COMMITTED

We are driven by integrity. We step up and take charge to fulfil given promises.

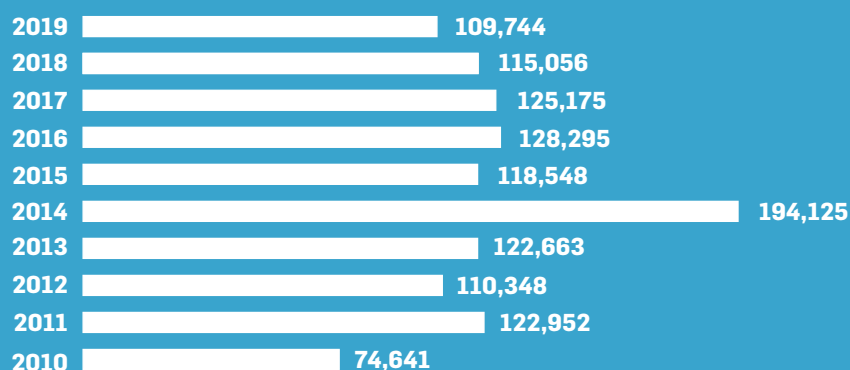
## REVENUE

Amounts in USD 1,000

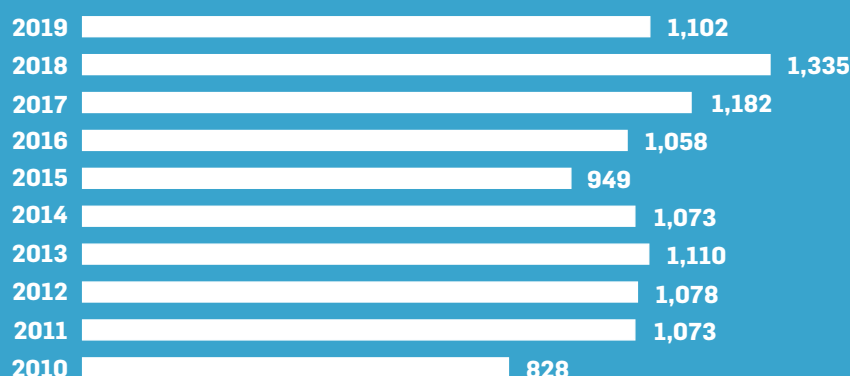


## OPERATING MARGIN

Amounts in USD 1,000



## EMPLOYEES



# THE BOARD OF DIRECTORS' REPORT

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**The Board of Directors** of Siem Offshore Inc. (the “Board”) presents its report for the fiscal year ended 31 December 2019, together with the audited consolidated financial statements and parent company financial statements. The financial statements and related notes were authorised for issue by the Board on 21 April 2020 and will be presented to the shareholders for approval at the Annual General Meeting to be held Friday, 8 May 2020.

## THE COMPANY

All references to “Siem Offshore” and the “Company” shall mean Siem Offshore Inc. and its subsidiaries and associates unless the context indicates otherwise. All references to “Parent” shall mean Siem Offshore Inc. as the Parent Company only.

Siem Offshore is registered in the Cayman Islands and is listed on the Oslo Stock Exchange (OSE Symbol: SIOFF). The Company's headquarters is located in Kristiansand, Norway and subsidiary offices are located in Brazil, Australia, Canada, Cayman Islands, United States and Ghana. The Company is tax domiciled in Norway.

The Company's primary activity is the ownership and operation of offshore support vessels (“OSVs”) for the offshore energy service industry.

The Company operated a fleet of 35 vessels at year-end, including partly-owned vessels and five vessels in lay-up. During 2019, the total fleet of OSVs conducted operations in the North Sea, the Arctic Ocean, Northern Pacific Ocean, West Africa, Australia, South East Asia, Canada and Brazil.

## FINANCIAL RESULTS, POSITION AND RISKS

### IFRS

The financial statements for the Company and the Parent are prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

### Going-Concern

The financial statements have been prepared under the assumption that the Company and the Parent are going-concerns. However, there are uncertainties related to the going concern status due to the current contractual arrangements with the financing banks, the challenging market conditions and the impact of the COVID-19 pandemic on vessel operations.

The Company is exposed to a number of risks. One of the most important risk factors is the demand for its services. The OSV market is now in its 7th year of depressed conditions and it 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 substantially over the last five years. Principal payment of debt instalments in 2019 was USD99 million (2018: 195 million). The significant debt reduction has been possible due to good cooperation between the Company and its financing banks, significant shareholder support, good ship operations and disposal of non-strategic and older assets.

However, the significant excess capacity in the worldwide offshore service vessel fleet has increased the competition amongst owners for any vessel requirements, thereby depressing charter rates. The imbalance of supply and demand for offshore vessels is expected to remain for some years and will continue to put pressure on the charter rates and our cash flows. Five vessels were in lay-up at year-end 2019.

The COVID-19 pandemic situation when combined with the dramatic and unprecedented collapse in oil prices and global demand

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for oil have put even more pressure on the OSV market.

We see that the oil companies and oil service companies are again slashing costs and reducing their capital expenditures as projects are cancelled or postponed. The COVID-19 pandemic has had a significant adverse effect on all service operations worldwide. The Company is working with the unions and the crews to find ways to secure the safe and healthy operation of its vessels. It is, however, likely that at some point in the future vessel operation will be halted through the absence of crew members. If the shutdown lasts for an extended time, there is a potential risk of contracts being cancelled which would negatively affect the cash flow of the Company. The Company takes all reasonable precautions to minimize such risk. Governmental regulations are frequently changing and it is a challenge to move crews, spare parts, service personnel and other around the globe to attend our vessels.

The credit risk may increase due to the turmoil in the financial markets and the difficulties that the Company is facing in its markets.

The Company has established a Task Force Group concentrating on COVID-19 infection risks. This group has representatives from Management, Operations, HSEQ and HR. The Task Force Group has produced and published a Company COVID-19 Management Plan for the purpose of handling the situation in a pro-active way and to handle situations, when and if they occur, rapidly and using best practices in a coordinated way. The Task Force Group has arranged for protective equipment and COVID-19 testing kits for the Company's fleet.

The COVID-19 pandemic and the declining oil prices have resulted in extreme volatility in currency exchange rates as the USD has strengthened against other currencies. The NOK and BRL currencies in particular have suffered substantially. The Company has entered into several currency and interest rate hedging programs. At the current levels of currency rates, the market-to-market value of such hedging programs will have an immediate and material negative effect on the profits and cash flow of the Company while the potential positive effects from the strengthening of the USD will materialize over years.

The Company's existing agreement with the financing banks to service 70% amortization of original repayment schedule commencing effective 1 April 2020 is not sustainable under today's market conditions 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, interest repayment schedules 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 year or two. There is no guarantee that an acceptable agreement will be reached with all the banks. The Company received a standstill agreement effective from 31 March until 15 May 2020 with a waiver of all financial covenants and debt servicing. The lending banks will consider and conclude on debt terms for a longer period within 15 May 2020. Without an agreement with the banks, the Company will be in breach with its cash covenants after 15 May 2020. The

Company will also be exposed to liquidity issues in the next six months and onwards if a change in the repayment schedule and relief of certain debt covenants is not agreed.

The potential conclusion of an agreement with the banks will be conditional upon reaching agreement with the bondholders of the NOK350 million high yield bond due 30 October 2020, SIOFF01, to defer interest and extend the maturity of the bond. If the Company is unable to reach an agreement with the SIOFF01 bondholders, the agreements with the lending banks for financial relief and relaxation of debt covenants will terminate.

We emphasize that the financial statements do not reflect impairment charges that will occur if a sale of assets is forced in today's market.

### Income Statement

The Company had 35 offshore vessels in operation at year-end.

In 2019, the Company recorded operating revenue of USD292.5 million and a net loss attributable to shareholders of USD88.2 million, or USD(0.09) per share, compared to operating revenue of USD307.7 million and a net profit attributable to shareholders of USD16.0 million, or USD0.02 per share, in 2018.

The Company's operating margin for 2019 was USD109.7 million compared to USD115.1 million in 2018. Net operating margin as a percentage of operating revenue was 38% in 2019 compared to 37% in 2018.

The Company's operating profit (loss) for 2019 was USD(57.5) million compared to USD(66.9) million in 2018 and includes depreciation and amortization of USD104.7 million (2018: USD108.9 million). During 2019, the Company conducted periodic reviews of vessel valuations and recorded impairments of USD59.2 million on certain vessels compared to impairment charges for vessels, receivables and intangibles of USD65.3 million in 2018. Net currency exchange gain (losses) of USD(0.9) million (2018: USD(8.3) million) was recorded on forward currency contracts, of which USD(0.8) million (2018: USD(7.4) million) was unrealised. The net gain (loss) on sale of assets was USD(2.8) million (2018: USD0.2 million).

The Company's net financial items were USD(56.2) million (2018: USD(27.2) million) and included net financial expenses of USD(65.1) million (2018: USD(63.1) million) and a revaluation loss of non-USD currency items of USD(0.8) million (2018: USD(7.5) million) mainly due to weaker BRL compared to USD during the period. Non-USD currency items are held to match short- and long-term liabilities, including off-balance sheet liabilities, in a similar currency.

Net profit (loss) from discontinued operations was USD5.3 million (2018: USD86.8 million). The profit includes the final settlement of a contingent consideration from the sale of SOC and two vessels of EUR27 million.

The Parent company is primarily a holding company owning shares in operating subsidiaries.

The Board proposes that the Parent's net loss of USD184.0 million for 2019 be allocated to retained earnings and that no dividend shall be paid for 2019.

## Financial Position and Cash Flows

Total equity for the Company was USD360 million at year-end 2019 (2018: USD466 million), and the book equity ratio was 23% (2018: 27%). Shareholders' equity was USD353 million (2018: USD438 million), equivalent to USD0.38 per share (2018: USD0.47 per share).

The cash position at year-end was USD74 million (2018: USD63 million).

The Company recorded USD36 million as gross capital expenditures in fixed assets during 2019, related to project-specific investments in vessels and capitalised dry-dockings.

The net interest-bearing debt at year-end was USD938 million (2018: USD1,033 million). The Company made no drawings under mortgage credit facilities during the year. The minority interest in the AHTS fleet increased its subordinated shareholder's loan by USD48 million, inclusive of accrued interest. The weighted average cost of debt for the Company was approximately 4.6% p.a. at year-end, including the effect of debt related derivatives (interest rate swaps and cross currency swaps (2018: 4.3% p.a.)). The Company paid debt instalments of the equivalent of USD99 million (2018: USD195 million) during the year.

The Company's cash-flows are primarily denominated in USD, NOK, EUR, BRL and AUD. During 2019, the USD strengthened by 1.06% to the NOK, strengthened by 4.02% to the BRL and strengthened by 1.89% to EUR. The average recorded exchange rates were NOK/USD 0.11378, EUR/USD 1.12142, BRL/USD 0.25387 and AUD/USD 0.75365 (2018: NOK/USD 0.12243, EUR/USD 1.18144, BRL/USD 0.27390 and AUD/USD 0.74172).

## Financial Risks

### Interest risk

The Company is exposed to changes in interest rates, as approximately 38% of the interest-bearing debt is based on floating interest rates and primarily denominated in USD and NOK. The average 3-month USD LIBOR was 2.33% p.a. during 2019 (2.31% p.a. in 2018) and the average 3-month NIBOR was 1.55% p.a. during 2019 (1.07% p.a. in 2018). The Company held USD 240 million in interest rate swap agreements and USD 83 million in cross currency interest rate swaps at year-end.

### Currency risk

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

### Liquidity risk

The Company is financed by a combination of 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 or other covenants. Please see more information regarding this in the Going Concern paragraph above. Further, there is no assurance that the Company will be able to raise new equity or arrange new credit facilities on favorable terms and in amounts necessary to conduct its ongoing and future operations should this be required.

## OPERATIONS

### Fleet, Performance and Employment

The fleet in operation at end of year 2019 totalled 35 vessels, including partly owned vessels and five vessels in lay-up.

The Company had seven PSVs in operation at end of the year (2018: eleven). The PSV fleet earned operating revenues of USD52.7 million and had 98% utilisation (2018: USD62.2 million and 97%). The operating margin before administrative expenses was USD22.4 million (2018: USD27.3 million) and the operating margin as a percentage of revenue was 43% (2018: 44%). The contract backlog at 31 December 2019 is 59% for 2020, 36% for 2021 and 15% for 2022 (2018: 74% for 2019, 38% for 2020 and 32% for 2021).

The Company had four OSCVs and two WIVs in operation at end of the year (2018: seven in total). The OSCV and WIV fleet earned operating revenues of USD105.4 million and had 92% utilisation (2018: USD120.0 million and 97%). The operating margin before administrative expenses was USD65.0 million (2018: USD69.5 million) and the operating margin as a percentage of revenue was 62% (2018: 58%). The contract backlog was 40% for 2020, 33% for 2021 and 33% for 2022 (2018: 65% for 2019, 32% for 2020 and 29% for 2021).

The Company had ten AHTS vessels in operation at end of the year (2018: ten). The AHTS fleet earned operating revenues of USD58.0 million and had 70% utilisation excluding vessels in lay-up (2018: USD43.9 million and 66% utilization). The operating margin before administrative expenses was USD11.0 million (2018: USD(3.0) million) and the operating margin as a percentage of revenue was 19% (2018: (7)%). The contract backlog is 31% for 2020 and 7% for 2021 (2018: 0% for 2019, and 0% for 2020).

Secunda Holding Limited ("Secunda") is a wholly-owned subsidiary that owns and operates a harsh-weather fleet of four offshore support vessels and one vessel on a bareboat contract (2018: four) and is a leader in offshore support services for platform supply, anchor-handling, rescue standby and towage in its primary area of operation, offshore Eastern Canada. Two vessels were sold in December 2019 for recycling in Turkey. The two vessels were delivered in January 2020. The Canadian fleet earned operating revenues of USD 26.9 million and had 97% utilization (2018: USD28.9 million and 88%). The operating margin before administrative expenses was USD11.9 million (2018: USD13.6 million) and the operating margin



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as a percentage of revenue was 44% (2018: 47%). The contract backlog was 33% for 2020, 33% for 2021 and 14% for 2022 (2018: 88% for 2019, 25% for 2020 and 25% for 2021).

Siem Offshore do Brasil S.A. is the Company's wholly owned Brazilian subsidiary which owns and operates a fleet of five OSVs in Brazil (2018: six). This fleet earned operating revenues of USD20.3 million and had 90% utilisation (2018: USD22.3 million and 97%). The operating margin before administrative expenses was USD(1.6) million including a USD6.6 million provision for a possible legal claim liability (2018: USD10.5 million) and the operating margin as a percentage of revenue was (8)% (2018: 47%). The contract backlog is 53% for 2020, 40% for 2021 and 39% for 2022 (2018: 53% for 2019, 34% for 2020 and 33% for 2021).

The Scientific Core-Drilling includes the drillship "JOIDES Resolution" that is on a firm charter to drill core samples in the ocean seabed during worldwide expeditions. The charterer is an international research program. The "JOIDES Resolution" recorded operating revenues of USD28.3 million (2018: USD28.4 million) with an operating margin before administrative expenses of USD16.4 million (2018: USD19.1 million) and the operating margin as a percentage of revenue was 58% (2018: 67%). The operating margin of 2018 included a net profit of USD3.1 million from a settlement of an old dispute with a client in India. The contract backlog is 100% for all of the years 2020 till 2023 and 50% for 2024. (2018: 75% for 2019, 0% for 2020 and 0% for 2021). The total firm contract backlog for the "JOIDES Resolution" at 31 December 2019 was USD126 million (2018: USD20 million).

The total firm contract backlog for all OSV vessels at 31 December 2019 was USD526 million (2018: USD688 million), including the drillship "JOIDES Resolution" and the 41%-ownership in the well-stimulation vessel "Big Orange XVIII". The total vessel contract backlog is allocated with USD 172 million in 2020, USD142 million in 2021 and USD212 million in 2022 and thereafter.

## HSEQ

### Health, Safety, Environment & Quality - Committed to safe, ethical and sustainable operations

Our goals are to protect the health and safety of our personnel and others who work on our vessels, to take robust steps to ensure we conduct business with integrity and in compliance with applicable laws and to minimize our impact on the environment.

The company has improved the safety performance in 2019 and reduced our already good Total Recordable Injury Rate by 54% compared to 2018. This is a result of global team efforts throughout the regions at all levels in the organization.

We firmly believe that a good HSEQ reporting culture is a major driver in learning and sharing best practices across the fleet and the industry.

## Environment

In 2019, protection of the environment has been a prioritized area. The environmental strategy outlines the company's internal goals for emission intensity and reductions, waste handling and energy loss. We have determined plans for specific research and development targets to further develop emission reduction technologies.

Siem Offshore Environmental Policy confirms the Board of Directors and management's commitment to minimize the Company's impact on the environment, in relation to biodiversity, resource usage, water and waste management. At the senior management level, there is a constant and shared responsibility to ensure that all staff are familiar with this policy and that there are systems and procedures in place to integrate environmental considerations in our decision-making and operations.

## Ethics, Compliance and Integrity

Siem Offshore is committed to carrying out its business in an ethical manner and in strict compliance with applicable laws wherever we operate. This continued to be a focus area in 2019, where we have further earned trust of our clients, business partners, suppliers and other stakeholders by acting consistently and reliably in accordance with these principles.

Management is accountable for compliance, which is the responsibility of everyone who works for the Company. One of the key roles of our compliance and ethics function is to ensure Management understands, accepts and fulfils its accountability.

## SHAREHOLDERS AND CORPORATE GOVERNANCE

### Shareholder Information

The Company's authorised share capital is USD15,000,000 divided into 1,500,000,000 ordinary shares of a nominal value of USD0.01 each. The issued share capital at 16 April 2020, based on the 934,738,777 Company shares issued and outstanding, is USD 9,347,387.77. The Company's shares are listed on the Oslo Stock Exchange with the ticker symbol SIOFF. The Company's largest shareholder is Siem Europe S.a r.l., a wholly owned subsidiary of Siem Industries Inc., with an 83% interest at 16 April 2020. During 2019, the closing share price reached a high of NOK 1.89, a low of NOK 0.99 and closed at NOK 1.26 at year-end.

### Corporate Governance

The Company has implemented guidelines for good corporate governance based on the recommendations and guidelines given by the Oslo Stock Exchange. The purpose of these guidelines is to clarify roles of the Shareholders, the General Meeting, the Board of Directors and the day-to-day Management beyond what follows from the legislation. A detailed summary of our corporate governance principles is included in a separate section of the Annual Report.

## THE WORKING ENVIRONMENT AND THE EMPLOYEES

The Company provides a workplace with equal opportunities for all employees. We treat current and prospective employees fairly as to salaries, promotions and recruitment. The Company offers its employees a sound working environment. We also give possibilities for professional development where women and men are treated equally and free of any discrimination.

The sick leave for the onshore and offshore employees was 0.5% and 5.6% respectively on a global basis.

The knowledge of the crew is vital for safe and secure operations of any vessel. Such knowledge includes good seamanship and understanding of the demanding assignments to be executed.

## OUTLOOK

The collapse in the oil price and the effect of the COVID-19 on the world's economies have created a very different operating environment for our fleet. Field developments offshore are being cancelled or postponed by our clients and there will be much less work offshore during the coming several years. The demand for our services will therefore reduce rather than increase. At the end of last year, we looked forward to a gradual recovery in offshore activities and the nearing of balance in supply and demand in the OSV sector. That hope is now gone and we brace ourselves for a downturn probably worse than we have experienced during the past few years.

The actions required to achieve the best possible outcome when

confronted with the market difficulties include consolidations between and among debt-burdened owners, such as practically all OSV owners in Norway. This is the time when owners should work together to embrace the opportunities to survive until the end of a long, dark tunnel of slow activity in the market for all of our vessels. Only by working together can the right scheduling and layup of vessels be achieved. The cost saving would be an added benefit. Most of our lending banks are lenders to several if not all of the competing OSV owners and are in the position to influence this required development. Disappointedly, the banks do not appear willing or prepared to assume this vital role. The financial problems are currently solved independently within each company giving the owners more time to compete fiercely with each other, all to the benefit of the clients. Owners are seen to take higher risks as the clients take advantage of the desperate situations to shift operating risks from the clients to the OSV owners. The latter accepts the risks because they have nothing more to lose. Ironically, it is the banks who are exposed to the contractual downside in this new reality. This has created an artificial, unhealthy and unsustainable competitive situation in our industry.

The Company is better-positioned than most due to its lower debt level, its modern fleet, its strong operating record, its reputation with the clients and its proven ability to obtain employment for its fleet. If our lenders are realistic about their alternatives and trust us to undertake the best possible out of a most challenging situation, your Board is optimistic that the day will come when rates allow the repayment of the remainder of our debt and for the Company to experience a new day.

21 April 2020

### Kristian Siem

Chairman  
(Sign.)

### Michael Delouche

Director  
(Sign.)

### John C. Wallace

Director  
(Sign.)

### Alexander Monnas

Director  
(Sign.)

### Bernt Omdal

Chief Executive Officer  
(Sign.)

# CORPORATE GOVERNANCE

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## Statement of Policy on Corporate Governance

The principles for corporate governance adopted by the Company are based on the “Norwegian Recommendation for Corporate Governance” issued on the 17 October 2018.

As a company incorporated in the Cayman Islands, Siem Offshore Inc. is an exempted company duly incorporated under the laws of the Cayman Islands and subject to Cayman Islands' laws and regulations with respect to corporate governance. Cayman Islands corporate law is to a great extent based on English Law. In addition, due to the Company's listing on the Oslo Stock Exchange, certain aspects of Norwegian Securities Law apply to the Company and there is a requirement to adhere to the Norwegian Code of Practice for Corporate Governance. The Norwegian Code of Practice for Corporate Governance is publicly available at [www.nues.no](http://www.nues.no) in both Norwegian and English languages. Due to new provisions implemented in the Norwegian Accounting Act, compliance with the regulations for Corporate Governance reporting is now a legal requirement provided that it does not conflict with the Cayman Islands laws and regulations. The Company endeavours to maintain high standards of corporate governance and is committed to ensuring that all shareholders of the Company are treated equally and the same information is communicated to all shareholders at the same time.

Corporate Governance is subject to annual assessment and review by the Board of Directors.

The Board of Directors has reviewed this statement. It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance.

This statement is structured in accordance with The Norwegian Code of Practice for Corporate Governance.

### Business

Cayman Islands laws and regulation do not require the objects clause of the Companies Memorandum and Articles of Association to be clearly defined. The Company has, however, adopted clear objectives and strategies for its business.

Siem Offshore aims to grow the company within offshore support vessels, both organically and through combination with other

operators, in order to achieve economies of scale and a stronger presence in the market.

Siem Offshore aims to become a preferred supplier of marine services to the offshore energy industry, based on quality and reliability, and to provide cost-efficient solutions to its customers by understanding their operations and by applying technology and experience.

The Company builds its business around a motivated and skilled workforce with the appropriate technical solutions. This creates sustainable value for all shareholders.

Reference is made to the Board of Directors report for detailed information.

### Equity and Dividends

The priorities for the use of Company funds are determined by the Board of Directors and with recommendations from the Management, considering existing conditions. At present, priorities for the use of funds in order of importance are vessels operations and maintenance, repayment of debt, investment opportunities in the business and the return of capital to the shareholders in form of share buy-back or dividends.

The Board's mandate to increase the Company's share capital is limited only to the extent of the authorized share capital of the Company with certain pre-emption rights for shareholders and in accordance with the Company's Memorandum and Articles of Association which comply with Cayman Islands Law.

Under the Articles of Association, the Board can issue new shares, convertible bonds or warrants at any time within the limits of the authorized capital without the consent of the General Meeting, but with pre-emption rights for shareholders. A General Meeting has further authorized the Board to issue new shares without pre-emption rights to all shareholders up to a limit of 50% of Siem Offshore' shares at the time the authorization was given. The Board holds authorization from the Annual General Meeting held on 10

May 2010 to issue 154,248,360 new shares. The authority gives the Board flexibility to finance investments, acquisitions and other business combinations on short notice through the issue of shares or certain other equity instruments in the Company. Furthermore, the Board considers the granting of a new standing authority at the time of holding an Annual General Meeting rather than convening an Extraordinary General Meeting at some future time to be in the best interests of the Company, as this will result in cost savings and more effective time management for both the Company's senior management and its Shareholders.

An Extraordinary General Meeting was held on 14 August 2015 resolving as a Special Resolution that the Company should increase the authorized share capital of the Company from US\$5,500,000- divided into 550,000,000 Common Shares of par value US\$0.01 each to US\$10,000,000- divided into 1,000,000,000 Common Shares of par value US\$0.01 each, by the creation of an additional 450,000,000 Common Shares of par value US\$0.01 each which shall rank pari passu in all respects with the existing Common Shares.

The Board of Directors of the Company resolved to issue 454,430,000 common shares at a share price of NOK 1.80 in a Rights Issue.

At the Annual General Meeting held on 5 May 2017 it was resolved to increase the authorised share capital of the Company from US\$10,000,000 divided into 1,000,000,000 Common Shares of par value US\$0.01 each to US\$12,250,000 divided into 1,250,000,000 Common Shares of par value US\$0.01 each, by the creation of an additional 250,000,000 Common Shares of par value US\$0.01 each which shall rank pari passu in all respect with the existing Common Shares.

The Board of Directors of the Company resolved to issue 100,000,000 Common Shares at a share price of NOK 1.90 in a Rights issue.

At the Annual General Meeting held on 3 May 2018 it was resolved to increase the authorised share capital of the Company from US\$12,500,000 divided into 1,250,000,000 Common Shares of par value US\$0.01 each to US\$15,000,000 divided into 1,500,000,000 Common Shares of par value US\$0.01 each, by the creation of an additional 250,000,000 Common Shares of par value US\$0.01 each which shall rank pari passu in all respect with the existing Common Shares.

## **Equal Treatment of Shareholders, Freely Tradable Shares and Transactions with Related Parties**

The Company is committed to ensuring that all shareholders of the Company are treated equally and all the issued shares in Siem Offshore, at nominal value US\$ 0.01 each, are freely tradable and carry equal rights with no restrictions on voting.

Siem Europe S.a r.l, which owns 83% of the Company, is represented by its owner Siem Industries Inc. by its Chairman Kristian Siem and President Michael Delouche, on the Board of Directors.

The Company pays an annual fee to Siem Industries Inc. as compensation for directorships, provision of an office and presence in the Cayman Islands and other services. The fee is adopted by the annual general meeting based on a recommendation from the independent Board Members. Related party transactions are disclosed in the notes to the accounts.

## **Freely Negotiable Shares**

All of the shares in the Company carry equal rights and are freely negotiable. The shares are traded according to normal market practice and no special limitations on transactions have been laid down in the Articles of Association.

## **General Meetings**

The Annual General Meeting of the Company will be held at the registered office of the Company on the Cayman Islands, 8 May 2020, at 9:30am Cayman Islands local time and Shareholders can be represented by proxy. Notices of general meetings and related documents are made available to shareholders at the latest 17 days prior to meeting date. Notice of attendance by proxy is to be provided to the offices of Siem Offshore AS at Nodeviga 14, P.O. Box 425, Kristiansand 4664, Norway, telefax no. +47.37.40.62.86, not less than 24 hours prior to the stated time of the Annual General Meeting. Shareholders are given the opportunity to vote on the election of board members.

## **Nomination Committee**

The appointment of a nomination committee is not a requirement under Cayman Islands Law.

## **Corporate Assembly and Board of Directors; Composition and Independence**

In the nominations to the Board of Directors, the Board consults with the Company's major shareholders and ensures that the Board is constituted by Directors with the necessary expertise and capacity. There is no requirement under Cayman Islands Law for the Company to establish a corporate assembly.

Each Board member is elected for a term of two years or such shorter term as shall be specified in the ordinary resolution pursuant to which the Director shall be appointed. Representatives of the Executive Management are not presently members of the Company's Board of Directors.

The Board of Directors as a group has extensive experience in areas which are important to Siem Offshore, including offshore services, international shipping, ship broking, finance and corporate governance and restructuring.



Siem Sapphire

## Work of the Board of Directors

The Board monitors the performance of management through regular meetings and reporting. The Company has a Compensation Committee and an Audit Committee.

The Compensation Committee consists of two Directors. The mandate of the committee is to review and approve the compensation of the CEO and any bonuses to all executive personnel. Reference is also made to Note 18 to the Accounts, Remuneration of the Executive Management.

The Audit Committee consists of two Directors. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence. The committee's mandate can be summarized as follows:

- Ascertain that the internal and external accounting reporting process are organized appropriately and carried out efficiently, and are of high professional quality.
- Monitor and assess the quality of the statutory audit of the Company's financial statements.
- Ensure the independence of the external auditor, including any additional services provided by the external auditor.

## Risk Management and Internal Control

### Internal control

A prerequisite for the Company's system of decentralized responsibility is that the activities in every part of the Company meet general financial and non-financial requirements and are carried out in accordance with the Company's common norms and values. The executive management of each subsidiary is responsible for risk management and internal control in the subsidiary with a view to ensuring 1) optimizing of business opportunities, 2) targeted, safe, high-quality and cost-effective operations, 3) reliable financial reporting, 4) compliance with current legislation and regulations and 5) operations in accordance with the Company's governing documents, including ethical, environmental and social responsibility standards. The Company's risk management system is fundamental to the achievement of these goals.

### Financial reporting process

The Company prepares and presents its financial statements in accordance with current IAS/IFRS rules. Financial information from



subsidiaries is received each month in a reporting package in standard format accommodated necessary information for preparing the consolidated financial statement for the Company. The reporting from the subsidiaries is extended at the year-end reporting process to meet various requirements for supplementary information. There are established routines to check the financial data in the received reporting packages to ensure the best quality for the consolidated figures for the Company.

Training and further development of accounting experience within the Company is provided locally by participating on various external courses on a regular basis.

## Remuneration of the Board of Directors

The remuneration of the Board members reflect their experience and responsibilities, and is adopted by the Annual General Meeting based on the recommendation from the Board. The Board members do not have share options or profit-based remuneration.

The responsibility statement of the Board of Directors in this report and the notes to the accounts include information about the remuneration of the Board of Directors.

## Remuneration of the Executive Management

The Company has a Compensation Committee, which reviews and approves the compensation of the CEO and the bonuses to all executive personnel. The Articles of Association of the Company permit the Board to approve the granting of share options to employees. A long-term share option program for eight key employees of the company was introduced in Q1 2013. An additional share option program was implemented in Q2 2014 for ten key employees of the company. The remuneration of the CEO and the share option scheme are disclosed in the notes to the accounts.

The board of director's statement on the remuneration of executive personnel is presented as a separate appendix to the agenda for the General Meeting. The remuneration statement clearly states which aspects of the guidelines are advisory and which, if any, are binding. The General Meeting will vote separately on each of these aspects of the guidelines.

## Information and Communications

The Company has a policy of treating all its shareholders and other market participants equally, and communicates relevant and objective information on significant developments which impact the Company in a timely manner.

The Company also seeks to ensure that its accounting and financial reporting are to the standards of our investors, and the Company presents its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Audit Committee of the Board of Directors monitors the company's reporting on behalf of the Board.

Notices to the Oslo Stock Exchange and placements of notices and other information, including quarterly and annual reports, can be found on the Company's website ([www.siemoffshore.com](http://www.siemoffshore.com)). The financial calendar for 2020 is presented on the Company's website under "Investor Relations".

## Take-overs

The shares in the Company are freely tradable and the Articles of Association of the Company does not hold specific defence mechanisms against take-over situations. In a take-over situation, the Board of Directors will comply with relevant legislation.

## Auditor

The Auditor of the Company is elected at the Annual General Meeting, which also approves its remuneration. Details of the Company's remuneration of the external auditor are given in the notes to the accounts.

The Auditor reports to the Audit Committee twice a year at a minimum, but more often if necessary. During the latter half of the year, the external auditor presents to the Audit Committee his assessment of risks, internal controls, risk areas and improvement potential in control systems and his audit plan for the following year. The second report to the Audit Committee is the presentation of the Year-End Audit. The external auditor presents a summary of the audit process, including comments on audited internal control procedures and key issue in the financial reporting.

The Audit Committee also receives an annual independence reporting from the external auditor, confirming the external auditor's independence with respect to the Company, within the meaning of the Norwegian Act on Auditing and Auditors. The confirmation also includes services delivered to the Company other than mandatory audit.



# INCOME STATEMENTS

PARENT COMPANY				CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	Note	2019	2018
1,440	1,992	Operating revenue	2,3,4,14,19	292,530	307,736
-538	-7,025	Operating expenses	2,8,14,17,18,19	-182,785	-192,680
<b>902</b>	<b>-5,033</b>	<b>Operating margin</b>	<b>4</b>	<b>109,744</b>	<b>115,056</b>
-	-	Depreciation and amortization	4,5	-104,672	-108,922
-	-	Impairment of vessels	3,4,5	-59,238	-56,990
-	-	Impairment of intangible assets	3,4,5	-	-1,080
-	-	Impairment on long-term receivables, projects	9	-	-7,200
-	-	Gain/(loss) on sales of assets	23	-2,779	249
314	368	Gain on sale of interest rate derivatives (CIRR)	12	314	368
-27	-60	Loss on currency derivative contracts	20,26	-876	-8,344
<b>1,190</b>	<b>-4,724</b>	<b>Operating profit</b>		<b>-57,507</b>	<b>-66,863</b>
<b>FINANCIAL INCOME AND EXPENSES</b>					
15,682	37,890	Financial income	20	9,765	43,474
-203,654	-141,754	Financial expenses	20	-65,133	-63,144
2,880	7,154	Net currency gain/(loss)	20	-816	-7,530
<b>-185,093</b>	<b>-96,710</b>	<b>Net financial items</b>		<b>-56,183</b>	<b>-27,200</b>
-	-	Result from associated companies	7	568	601
<b>-183,903</b>	<b>-101,434</b>	<b>Profit /(loss) before taxes</b>		<b>-113,123</b>	<b>-93,462</b>
-95	1,078	Tax benefit/(expense)	11	-1,383	-588
<b>-183,998</b>	<b>-100,356</b>	<b>Net profit/(loss) from continuing operations</b>		<b>-114,506</b>	<b>-94,051</b>
-	-	Net profit/(loss) from discontinued operations	30	5,260	86,765
<b>-183,998</b>	<b>-100,356</b>	<b>Net profit/(loss)</b>		<b>-109,246</b>	<b>-7,286</b>
-	-	Attributable to non-controlling interest	6	-21,017	-23,237
<b>-183,998</b>	<b>-100,356</b>	<b>Attributable to shareholders of the Company</b>		<b>-88,229</b>	<b>15,951</b>
		Weighted average number of outstanding shares (1,000)		941,802	942,021
		Earnings/(loss) per share: Basic (1,000)	21	-0.09	0.02
		Earnings/(loss) per share: Diluted (1,000)	21	-0.09	0.01
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>2019</b>	<b>2018</b>	<b>(Amounts in USD 1,000)</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
-183,998	-100,356	Net profit/(loss)		-109,246	-7,286
<b>Other Comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
-	-	Pension remeasurement gain (loss)		347	-145
<b>Items that may be subsequently reclassified to profit or loss</b>					
-	-	Cash flow hedges		650	-9,480
-	-	Currency translation differences		5,530	9,356
<b>-183,998</b>	<b>-100,356</b>	<b>Total comprehensive income for the year</b>		<b>-102,719</b>	<b>-7,555</b>
-	-	Attributable to non controlling-interest		-21,021	-23,370
<b>-183,998</b>	<b>-100,356</b>	<b>Attributable to shareholders of the Company</b>		<b>-81,698</b>	<b>15,815</b>

# STATEMENTS OF FINANCIAL POSITION

## —ASSETS

PARENT COMPANY				CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	Note	12/31/2019	12/31/2018
<b>NON-CURRENT INTANGIBLE ASSETS</b>					
-	-	Deferred tax asset	11	10,321	10,890
-	-	<b>Total non-current intangible assets</b>		<b>10,321</b>	<b>10,890</b>
<b>NON-CURRENT TANGIBLE ASSETS</b>					
-	-	Vessels and equipment	4,5	1,288,446	1,450,588
-	-	Capitalized project costs	4,5	3,693	5,046
-	-	<b>Total non-current tangible assets</b>		<b>1,292,139</b>	<b>1,455,633</b>
<b>NON-CURRENT FINANCIAL ASSETS</b>					
284,688	478,457	Investment in subsidiaries	6	-	-
-	-	Investment in associated companies	7	1,226	1,698
-	4,869	CIRR Loan deposit	12,27	54,540	68,730
124,859	80,707	Long-term receivables	9,14,27	39,199	34,069
<b>409,547</b>	<b>564,032</b>	<b>Total non-current financial assets</b>		<b>94,966</b>	<b>104,498</b>
<b>409,547</b>	<b>564,032</b>	<b>Total non-current assets</b>		<b>1,397,426</b>	<b>1,571,021</b>
<b>CURRENT ASSETS</b>					
-	105	Trade receivable	2,27	40,990	37,544
1,338	4,946	Other short-term receivables	9,14,27	22,192	49,206
-	-	Inventories	28	5,240	4,990
-	-	Derivative financial instruments	2,15,26,27	440	3,150
60,430	163,302	Cash	2,10,27	74,451	63,413
<b>61,768</b>	<b>168,353</b>	<b>Total current assets</b>		<b>143,312</b>	<b>158,302</b>
-	-	Asset held for sale	4,22,23	715	16,950
<b>471,315</b>	<b>732,385</b>	<b>Total Assets</b>		<b>1,541,454</b>	<b>1,746,273</b>

# STATEMENTS OF FINANCIAL POSITION

## —EQUITY AND LIABILITIES

PARENT COMPANY				CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	Note	12/31/2019	12/31/2018
<b>EQUITY</b>					
644,306	647,313	Paid-in capital		644,306	647,313
-22,302	-22,302	Other reserves		-32,580	-38,769
-280,663	-96,670	Retained earnings		-258,234	-170,352
<b>341,341</b>	<b>528,341</b>	<b>Shareholders' equity</b>	<b>24</b>	<b>353,493</b>	<b>438,192</b>
-	-	Non-controlling interest		6,877	27,898
<b>341,341</b>	<b>528,341</b>	<b>Total Equity</b>		<b>360,370</b>	<b>466,090</b>
<b>NON-CURRENT LIABILITIES</b>					
82,362	122,514	Borrowings	2,12,14,27	876,367	992,103
-	4,869	CIRR Loan	12,27	54,540	68,730
-	-	Tax liabilities	11	1,786	1,721
-	314	Deferred CIRR	12	-	314
-	-	Pension liabilities	8	477	1,731
3,310	2,727	Derivative financial instruments	2,15,27	3,310	2,727
-	6,716	Other non-current liabilities	19	16,573	32,034
<b>85,673</b>	<b>137,140</b>	<b>Total non-current liabilities</b>		<b>953,054</b>	<b>1,099,361</b>
<b>CURRENT LIABILITIES</b>					
24	136	Accounts payable	2,27	18,085	13,945
39,862	-	Borrowings	2,12,14,27	136,599	103,900
-	-	Derivative financial instruments	2,15,26,27	20,938	15,489
-	-	Taxes payable	11	3,093	4,295
4,415	66,769	Other current liabilities	13,14,19,27	49,314	43,194
<b>44,301</b>	<b>66,905</b>	<b>Total current liabilities</b>		<b>228,030</b>	<b>180,823</b>
<b>129,974</b>	<b>204,045</b>	<b>Total liabilities</b>		<b>1,181,084</b>	<b>1,280,184</b>
<b>471,315</b>	<b>732,385</b>	<b>Total Equity and Liabilities</b>		<b>1,541,454</b>	<b>1,746,273</b>
-	-	Secured debt	12	859,512	958,792
<b>987,982</b>	<b>1,086,548</b>	<b>Guarantees</b>	<b>16</b>	<b>2,755</b>	<b>10,672</b>

# STATEMENTS OF CHANGES IN EQUITY

## CONSOLIDATED

(Amounts in USD 1,000)

	Total no. of shares	Share capital	Share premium reserves
<b>Equity as of 31 December 2017</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>
Net income to shareholders	-	-	-
Employee share scheme -Value of employee services	-	-	-
Cash flow hedge	-	-	-
Currency translation differences	-	-	-
Pension remeasurement	-	-	-
Acquisition of shares from minority interests	-	-	-
<b>Equity as of 31 December 2018</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>
Net income to shareholders	-	-	-
Employee share scheme -Value of employee services	-	-	-
Cash flow hedge	-	-	-
Currency translation differences	-	-	-
Pension remeasurement	-	-	-
Cancellation of own shares	-7,282,603	-73	-2,933
<b>Equity as of 31 December 2019</b>	<b>934,738,777</b>	<b>9,347</b>	<b>634,959</b>

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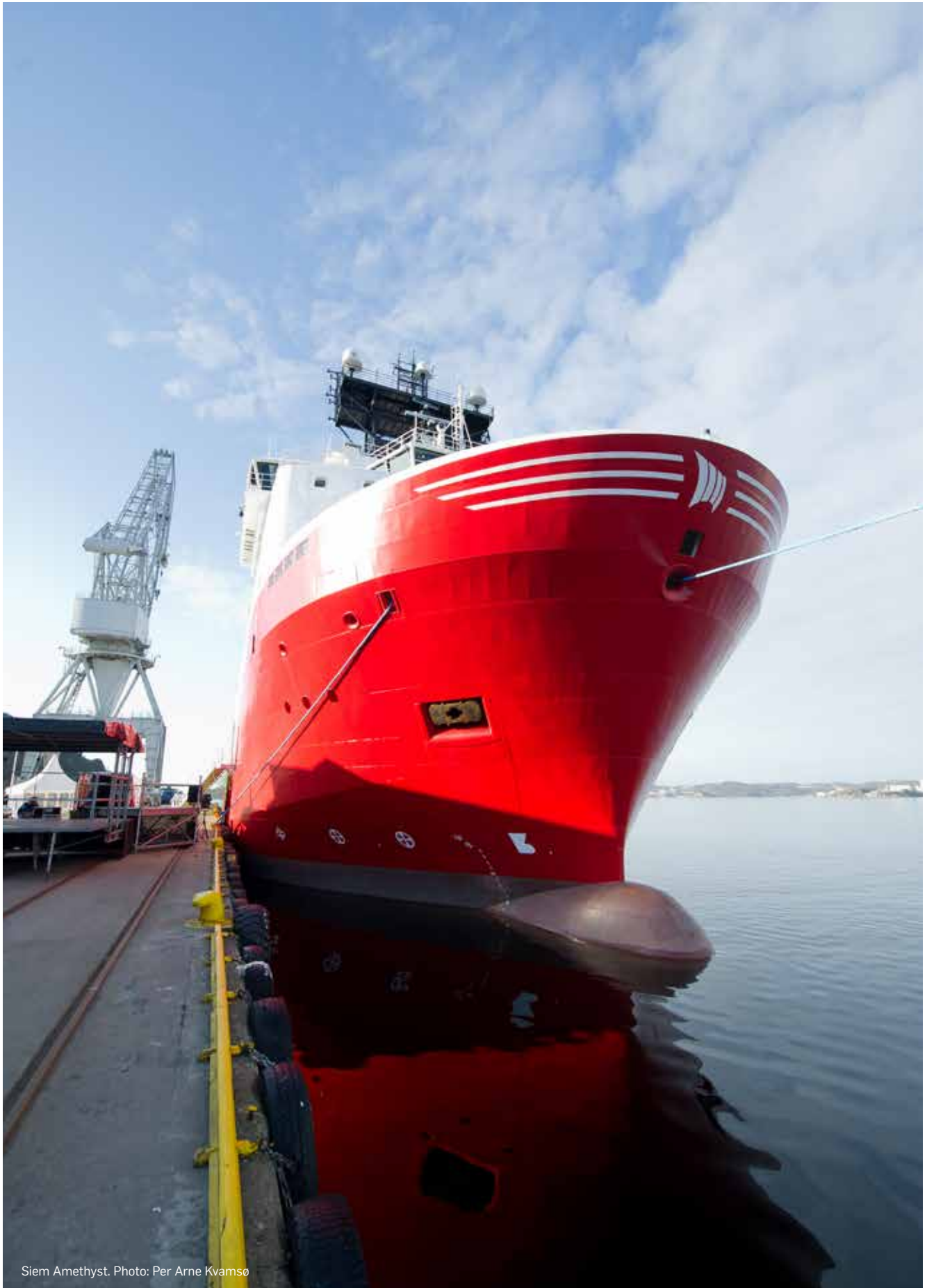
Other reserves	Retained earnings	Shareholders' equity	Non-controlling interest	Total equity
-38,813	-182,626	425,874	47,737	473,611
-	15,951	15,951	-23,237	-7,286
34	-	34	-	34
-9,480	-	-9,480	-	-9,480
9,489	-	9,489	-133	9,356
-	-145	-145	-	-145
-	-3,532	-3,532	3,532	-
-38,769	-170,352	438,192	27,898	466,090
-	-88,229	-88,229	-21,017	-109,246
5	-	5	-	5
650	-	650	-	650
5,534	-	5,534	-4	5,530
-	347	347	-	347
-	-	-3,006	-	-3,006
-32,580	-258,234	353,493	6,877	360,370

# STATEMENTS OF CHANGES IN EQUITY

## PARENT COMPANY

<i>(Amounts in USD 1,000)</i>	<b>Total no. of shares</b>	<b>Share capital</b>	<b>Share premium reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Shareholders' equity</b>
<b>Equity as of 31 December 2017</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>	<b>-22,302</b>	<b>3,652</b>	<b>628,662</b>
Other items, CIRR		-	-	-	368	368
Net loss		-	-	-	-100,724	-100,724
Share option program		-	-	-	34	34
<b>Equity as of 31 December 2018</b>	<b>942,021,380</b>	<b>9,420</b>	<b>637,893</b>	<b>-22,302</b>	<b>-96,670</b>	<b>528,341</b>
Other items, CIRR		-	-	-	314	314
Net loss		-	-	-	-184,312	-184,312
Share option program		-	-	-	5	5
Cancellation of own shares	-7,282,603	-73	-2,933	-	-	-3,006
<b>Equity as of 31 December 2019</b>	<b>934,738,777</b>	<b>9,347</b>	<b>634,959</b>	<b>-22,302</b>	<b>-280,663</b>	<b>341,342</b>





Siem Amethyst. Photo: Per Arne Kvamso

# STATEMENTS OF CASH FLOWS

PARENT COMPANY				CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	Note	2019	2018
<b>CASH FLOW FROM OPERATIONS</b>					
-183,998	-100,356	Net profit/(loss)		-114,506	-94,051
8,716	8,930	Interest expenses		60,449	55,932
-7,985	-9,138	Interest paid		-54,271	-59,867
-7,477	-4,887	Interest income		-8,118	-15,397
7,477	8,092	Interest received		7,904	15,258
-5,820	-3,205	Intercompany interest income		-	-
95	-1,078	Tax expense	11	1,383	588
-95	1,098	Taxes paid		-1,640	1,199
-	-	Result from associated companies	7	-568	-601
-	-	Gain/(loss) on sale of assets	22,23	2,779	-249
-	-	Depreciation and amortization	5	104,672	108,922
-	-	Impairment of vessels	5	59,238	56,990
-	-	Impairment of intangible assets		-	1,080
-	-	Impairment related to long term receivables, projects		-	7,200
194,262	109,610	Impairment of shares in subsidiaries	20	-	-
5	34	Share option expenses	29	5	34
-	-	Effect of unreal. gain on currency exchange forward contracts	26	789	7,413
-61,913	7,155	Changes in short-term receivables and payables		33,992	-40,753
-314	-368	CIRR	12	-314	-368
4,301	-	Other changes		4,228	-10,599
<b>-52,745</b>	<b>15,887</b>	<b>Net cash flow from operations</b>		<b>96,023</b>	<b>32,731</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
-	-	Investment in fixed assets	4,5	-35,678	-10,968
-	-	Proceeds from sale of fixed assets	22,23,30	50,506	112,484
783	-	Proceeds from loans		-	-
-42,842	-4,674	Loan to related party		-	-
-	-6,952	Loan to subsidiaries		-	-
-	-610	Investments in subsidiaries		-	-
-	-	Dividend from associated company	7	1,067	-
-	-	Net cash from the sale of SOC and related vessels	30	29,797	76,684
-	-	Change in other non-current receivables		-14,573	-
<b>-42,059</b>	<b>-12,236</b>	<b>Net cash flow from investment activities</b>		<b>31,118</b>	<b>178,199</b>

PARENT COMPANY				CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	Note	2019	2018
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
-	-	Proceeds from non-controlling interests in consolidated subsidiary		12,231	7,878
-	-	Repayment of lease liability	19	-1,639	-
618	-23,580	Effect from restatement of bonds to convertible bonds		618	-23,580
-	-	Changes in other non-current liabilities		-20,794	-
-	-12,747	Repayment of long-term borrowing	12	-98,670	-194,611
-3,006	-	Payment for cancellation of own shares		-3,006	-
<b>-2,388</b>	<b>-36,327</b>	<b>Net cash flow from financing activities</b>		<b>-111,261</b>	<b>-210,313</b>
<b>-97,192</b>	<b>-32,676</b>	<b>Net change in cash</b>		<b>15,881</b>	<b>617</b>
163,302	203,832	Cash at bank as of 1 January		63,413	63,511
-5,680	-7,855	Effect of currency exchange rate differences		-4,843	-715
<b>60,430</b>	<b>163,302</b>	<b>Cash at bank as of 31 December</b>		<b>74,451</b>	<b>63,413</b>
<b>Details of continuing and discontinued operations:</b>					
60,430	163,302	Cash balance related to continuing operations		74,451	63,413
<b>60,430</b>	<b>163,302</b>	<b>Total cash balance end of period</b>		<b>74,451</b>	<b>63,413</b>
-	-	Net change in cash from discontinued operations		-	-17,726
-97,192	-32,676	Net change in cash from continuing operations		15,881	18,343
<b>-97,192</b>	<b>-32,676</b>	<b>Total net change in cash</b>		<b>15,881</b>	<b>617</b>

Figures above include discontinued operations unless explicitly stated.

# NOTES TO THE ACCOUNTS

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## Note 1 – Accounting Principles

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Siem Offshore owns and operates a fleet of offshore support vessels, including Platform Supply Vessels, Offshore Subsea Construction Vessels, Anchor Handling Tug Supply Vessels and Well-Intervention Vessels.

### 1.1 General

Siem Offshore owns and operates a fleet of offshore support vessels, including Platform Supply Vessels, Offshore Subsea Construction Vessels, Anchor Handling Tug Supply Vessels and Well-Intervention Vessels. Siem Offshore Inc. commenced operations 1 July 2005, and is an exempted company under the laws of the Cayman Islands and listed on the Oslo Stock Exchange. The Company's headquarter is located in Kristiansand, Norway and the Company is tax domiciled in Norway. All references to "Siem Offshore Inc.", "Consolidated" and "Company" shall mean Siem Offshore Inc. and its subsidiaries and associates unless the context indicates otherwise. All references to "Parent" or "Parent Company" shall mean Siem Offshore Inc. as a parent company only.

The principal accounting policies applied in preparation of these consolidated and parent company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements were authorized by the Board of Directors on 21 April 2020.

### 1.2 Basis of preparation

The consolidated and parent company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements also include any additional applicable disclosures as required by Norwegian law and Oslo Stock Exchange regulations. The financial statements have been prepared under the historical cost convention, as modified by specific financial assets and financial liabilities (including derivative instruments) measured at fair value and assets held for sale measured at fair value less costs to sell. The financial statements have been prepared under the assumption of going concern. A material uncertainty related to going concern exists and is further disclosed in note 31 to these financial statements.

A material uncertainty related to going concern exists and is further disclosed in note 31 to these financial statements.

All amounts are in USD thousands, unless otherwise stated.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities. In addition, the preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 Critical accounting estimates and judgments..

#### (a) New and amended standards that have been adopted

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules using the modified retrospective approach and comparative information has not been changed. As the Company primarily acts as a lessor, the impact of the new standard is limited. Leases are disclosed in note 19 to these financial statements. The other amendments listed above did not have any impact on the amounts recognised in the current of prior periods and are not expected to significantly affect future periods.

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**(b) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These are listed below. The Company is evaluating the impact of these changes on its financial statements.

- Amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.
- Amendments to IFRS 3 – definition of a business
- Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform

**1.3 Consolidation****(a) Subsidiaries**

Subsidiaries are entities over which the Parent has control. The Parent controls an entity when the Parent is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statement of financial position and statement of changes in equity respectively.

**(b) Business combinations**

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred and the liabilities assumed by the former owners of the acquirer and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquired entity's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquired entity is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration of an asset or liability are recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

**(c) Associated companies**

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Company's investment in associates includes goodwill identified on acquisition. The share of profit or loss recorded in the consolidated financial statements is based on the after-tax earnings of the associate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

**1.4 Classification of items in the financial statements**

Assets designated for long-term ownership or use and receivables due later than one year after drawdown are classified as non-current assets. Other assets are classified as current assets. Liabilities due later than one year after the end of the reporting period are classified as non-current liabilities. Other liabilities are classified as current liabilities. All derivative financial instruments are classified as current assets or current liabilities.

## 1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team consisting of the CEO, CFO, COO and CHRO.

The Company is organized into one segment, the OSV segment. The OSV segment has seven sub-segments: platform supply vessels ("PSVs"), offshore subsea construction vessels ("OSCVs"), anchor-handling tug supply vessels ("AHTS Vessels"), Other Vessels in Brazil (consisting of fast crew vessels ("FCVs"), fast supply vessels ("FSVs") and oil spill recovery vessels ("OSRVs"), Scientific Core-Drilling and Other.

## 1.6 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in USD, which is the Company's presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement line item Net currency gain/loss.

### (c) Group companies

The results and financial position of all the Group companies (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. all resulting exchange differences are recognized in other comprehensive income.

As part of the consolidation process, exchange differences arising from the translation of the net investment in foreign operations is recognized directly in Other Comprehensive Income (OCI). When a foreign operation is sold, exchange differences previously recognized in OCI are reclassified to profit or loss and included in the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in OCI.

## 1.7 Non-current tangible assets and maintenance costs

Land and Buildings and Vessels are stated at their historical cost less accumulated depreciation and net of any impairment losses. All non-current tangible assets (excluding Land and Vessels under construction) are depreciated on a straight-line basis over the estimated remaining useful economic life of the asset. The vessel residual value is the estimated future sales price for steel less the estimated costs associated with scrapping a vessel. The residual value and expected useful life for all non-current tangible assets is reviewed annually and, where they differ significantly from previous estimates, the rate of depreciation charges is changed accordingly. The vessels presently owned by the Company have an estimated economic life of 30 years. Some components of the vessels have a shorter economic life than 30 years. Such components are depreciated over their individual useful lives. Each part of a vessel that is significant to the total cost of the vessel is separately identified and depreciated over that component's useful life. Components with similar useful lives are included in one component. The Company has identified nine significant components relating to its different types of vessels. See note 5 for additional information.

In accordance with IAS 16 and the cost model, dry-docking costs is a separate component of the vessel's cost at purchase with a different pattern of benefits and are therefore initially recognized as a separate depreciable asset. Subsequently, the cost of major renovations and periodic maintenance costs are capitalized as a dry-docking asset and depreciated over the useful life of the parts replaced. The useful life of the dry-docking costs will be the period until the next docking, normally five years. Day-to-day maintenance costs are immediately expensed during the reporting period in which they are incurred.

Capitalized project cost - Certain vessel contracts require an investment prior to commencing the contract to fulfil requirements set by the charterer. These investments are capitalized and amortized over the term of the specific charter contract.

Gains and losses on the sale of assets and disposals are determined by comparing the sales or disposal proceeds with the net carrying amount and are included in operating profit.



## 1.8 Newbuild contracts and borrowing costs

Instalments on newbuild contracts are classified as non-current tangible assets. Direct costs related to the on-site supervision and other pre-delivery construction costs are capitalized per vessel.

General and specific borrowing costs directly related to the acquisition, construction or production of qualifying vessels are added to the cost of those vessels, until such time as the vessels are substantially ready for their intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Interest expense eligible for capitalization is only adjusted for the effect of interest rate or cross-currency interest rate swaps that are designated and qualify as an accounting hedge under IAS 39. Currently the Company does not have any interest rate or cross-currency swap contracts designated as hedges.

## 1.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable amount is established individually for all assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time and the risk specific to the asset that is considered impaired.

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversal of a previously recognized impairment is limited to an amount that would make the carrying value of the asset equal to what it would have been had the initial impairment charge not occurred.

## 1.10 Intangible assets

Intangible assets that are acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally-generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill - Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of

### Relevant exchange rates vs. USD

	Average 2019	31.12.2019	Average 2018	31.12.2018
NOK (Norwegian kroner)	0.1138	0.1139	0.1224	0.1151
EUR (Euros)	1.1214	1.1234	1.1814	1.1450
GBP (Pound Sterling)	1.2790	1.3204	1.3334	1.2800
REAS (Brazilian Reals)	0.2539	0.2481	0.2739	0.2581

# NOTES TO THE ACCOUNTS

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CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Trademarks and licenses - Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are measured at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of three to seven years. Research and development - Research and Development (R&D) relates to the development of a production method for drilling process; this R&D is part of the Other Segment.

## 1.11 Financial assets

### 1.11.1 Classification

The Company classifies its financial assets in the following two categories: Financial assets at fair value through profit or loss and Financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

#### (a) Financial assets at fair value through profit or loss

Assets at fair value through profit or loss are derivative contracts and contingent consideration. Derivatives in this category are classified as current assets.

#### (b) Financial assets at amortized cost

A financial asset is classified as at amortized cost if it is held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payment of principal and interest. These assets were classified as loans and receivables under IAS 39. They are included in current assets, except for assets with maturities greater than 12 months after the reporting date. These are classified as non-current financial assets. The Company's financial assets at amortized cost include accounts receivable, current and non-current loans to management, related parties and other, and the CIRR loan deposit.

### 1.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to

purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within Operating profit as gain/(loss) on currency derivative contracts if the gain or loss is arising from currency contracts entered into in order to hedge primarily operating expenses in foreign currencies. Other gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented within Net financial items. See for note 20 for additional information.

## 1.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. The Company has evaluated all of their derivative contract positions and does not currently have the right to offset the contracts, and therefore reports all derivative positions at gross amounts.

## 1.13 Inventories

Lubricating oil and bunkers inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Bunkers and lubricating oil inventories are an integral part of the vessel, and not sold separately. Net realizable value is estimated based on commodity market prices.

## 1.14 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand and bank deposits.

## 1.15 Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less provision for impair-

ment. The interest factor for accounts receivable is considered to be insignificant and therefore not included in the measurement of amortized cost. In the case of an objective evidence of impairment, the difference between reported value and the present value of the expected net future cash flows is reported as a loss.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable. Lifetime expected loss is based on Management's experience of historical loss levels and taking into account current and forward-looking information on macroeconomic factors as well as objective indicators that individual receivables may be impaired. Such objective indicators include significant financial problems facing the customer, bankruptcy proceedings or the customer undergoing financial restructuring, postponement and non-payment.

### 1.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. When any Company entity purchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted as appropriate from share capital and share premium reserve and the shares are cancelled.

### 1.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recognized as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized as a liability or included in shareholder's equity depending on the features of the bond and the conversion option.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as Financial income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 1.18 Commercial Interest Reference Rate (CIRR) loan

The Company has applied for three Commercial Interest Reference Rate (CIRR) loans from the Norwegian Export Credit Agency. The duration of the loans is 12 years and the cash proceeds from the loans have been deposited in a fixed deposit account with a Norwegian bank at the same interest rate as the loans. The agreed periods of the deposits are identical with the periods of the loans. The cash gain due to the interest rate differential between the current market interest rate and the rate agreed for the deposit is deferred over the duration of the loans.

### 1.19 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Tax expense/benefit includes current taxes and the change in deferred taxes.

For companies under the Norwegian tax regime, the Company applies a tax rate of 22%. The tax expense consists of taxes payable and changes in deferred tax assets/liabilities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Company is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 1.20 Pension costs and obligations

The Company has a defined benefit plan for its employees in Norway. The pension scheme is financed through contributions to insurance companies or pension funds. A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position relating to defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the pension fund assets. The defined benefit obligation is calculated annually by an independent actuary on the basis of a linear model. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows based on the interest rate for covered bonds. Since Covered bonds are not issued for terms exceeding 10 years, a supplement to this bond rate is calculated by means of estimation techniques to establish a discount rate that is approximately the same as the term of the pension obligation.

Past service costs are recognized immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 1.21 Derivatives and hedging activities

The Company enters into derivative instruments for economic hedging purposes and not as speculative investments. Derivative instruments are primarily foreign currency contracts and interest rate swaps, to hedge foreign currency exposures, for example related to operating expenses and vessel purchase commitments, and interest rate exposures primarily related to long-term borrowings. Where derivatives do not meet hedge accounting criteria, they are accounted for at fair value through profit or loss.

For cash flow hedges that qualify for hedge accounting, the effective portion of changes in the fair value of the hedging instrument that is designated and qualifies as a cash flow hedge is recognized in equity. These are cash flow hedges relating to highly probable forecast transactions. The effective portion of changes in the fair value of the hedging instrument is recognized in Other comprehensive income. Amounts accumulated in equity are reclassified in the period when the hedged item affects profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

## 1.22 Revenue recognition

The Company's activity is to employ different types of offshore support vessels, including PSVs, OSCVs, AHTS vessels, WIVs, OSRVs, standby- and crew-vessels and one scientific core-drilling vessel. In addition, the Company holds interest in one limited liability partnership with ownership in one well-stimulation vessel. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, withholding tax, returns, rebates and discounts and after eliminati

### Charter rate contracts

Time charter contracts contain a lease element and a performance obligation for the provision of time charter services. The lease of the vessel, representing the use of the vessel without any associated performance obligations or warranties, is accounted for in accordance with the provisions of IFRS 16 Leases. Typically, lease revenues are recognized on a straight line basis over the lease term. Revenues for time charter services are recognized over time as the service is rendered in accordance with IFRS 15.

Certain contracts include mobilization fees payable at the start of the contract. Mobilization fees are recognized on a straight line basis over the lease term. Expenses that the mobilization fee is meant to cover, is recognized as an asset and expensed over the lease term.

### Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, which is determined as the estimated future cash flow discounted at original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

### Dividend income

Dividend income is recognized when the right to receive payment is established.

### Rendering of services

Service revenue is generally recognized when a signed contract or other persuasive evidence of an arrangement exists, the service has been provided, the fee is fixed or determinable and collection of resulting receivables is reasonably assured.

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### 1.23 Accounts payable

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 1.24 Earnings per share

Earnings per share is calculated by dividing the net profit/loss for shareholders of the Company by the weighted average number of outstanding shares over the reporting period. Diluted earnings per share include the effect of the assumed conversion of potentially dilutive instruments such as employee stock options. The impact of share equivalents is computed using the treasury stock method for stock options.

### 1.25 Statement of Cash Flows

The Statements of cash flows are prepared in accordance with the indirect method.

### 1.26 Related party transactions

All transactions, agreements and business activities with related parties are determined on an arm's length basis in a manner similar to transactions with third parties.

### 1.27 Government grants

Grants related to net wages arrangement in Norway are recognized as a reduction of wage cost.

### 1.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership still remains with the lessor are classified as operating leases. Payments made under operating lease agreements are classified in the income statement as operating expenses and are expensed as incurred.

### 1.29 Share-based payments

The Company has a share-based compensation plan in place for executive management. The plan is equity-settled, under which the entity receives services from three top management employees as consideration for equity instruments (share-options) of the Company. The fair value of the employee services received in exchange for

the grant of the options is recognized as an Operating Expense. For additional information see note 29 Share-based payments.

The total amount to be expensed is determined by reference to the fair value of the options granted at grant date, as determined using a Black-Scholes model. Exercise price is the stock price at date of the grant. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The only condition for vesting is employment with the Company; options vest over a five-year period after grant date. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Each option gives the holder the right, but not the obligation, to acquire one share at the exercise price on the terms and subject to the conditions set out in the Stock Option Plan.

When the options are exercised, the Parent issues new shares or re-issues treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Company is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### 1.30 Other claims and obligations

Provisions for legal claims, service warranties and make-good obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.



## Note 2 – Financial Risk Management

*Figures below include discontinued operations unless explicitly stated.*

### 2.1 Financial risk factors

The Company is exposed to a variety of financial risks through its ordinary operations and debt financing. Such risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk. To manage these risks, management reviews and assesses its primary financial and market risks. Once risks are identified, appropriate action is taken to mitigate the identified risk. The Company's risk management is exercised in line with guidelines approved by the Board.

### 2.2 Foreign exchange risks

USD is the reporting currency for the Company. Functional currency for the Parent is USD, and for the vessel-operating subsidiaries USD, NOK, BRL, AUD and CAD are the functional currencies. Remaining subsidiaries use NOK and EUR as functional currency. The Company operates internationally and is exposed to foreign exchange risks arising from various currency exposures primary with respect to NOK, GBP, EUR, BRL, CAD and AUD. Foreign exchange risks can

be divided into transaction risk from paying and receiving foreign currency and translation risk due to recognizing assets and liabilities in USD. The Company had in 2019 mainly USD, NOK, EUR, GBP, BRL, CAD and AUD revenues and expenses, compared to mainly USD, NOK, EUR, GBP, BRL, CAD and AUD during 2018.

The Company is exposed to foreign exchange risk of its subsidiaries, including the development of the Brazilian Real.

One of the Company's subsidiaries applies cash flow hedge accounting to hedge foreign exchange risk between USD and BRL. The hedging object is highly probable forecast charter transactions and the hedging instrument is cash flows from servicing of long-term debt. The accumulated foreign currency gain included in other reserves at 31 December 2019 is USD 14.9 million which will recycle through OCI to the income statement in future periods.

The following sensitivity table demonstrates the impact on the Company's profit and equity before tax from potential changes to the exchange rates, all other variables held constant.



Siem Thiima

**CONSOLIDATED**

Foreign exchange risk rate 10%

*(Amounts in USD 1,000)*

		+10% movements		-10% movements	
<b>31 December 2019</b>	<b>Carrying amount</b>	<b>Profit/(loss)</b>	<b>Equity</b>	<b>Profit/(loss)</b>	<b>Equity</b>
<b>Financial assets</b>					
Cash and cash equivalent	74,451	1,960	1,960	-1,960	-1,960
Derivatives	440	-578	-578	578	578
Accounts receivable	40,990	2,492	2,492	-2,492	-2,492
<b>Impact on financial assets before tax</b>	<b>115,880</b>	<b>3,874</b>	<b>3,874</b>	<b>-3,874</b>	<b>-3,874</b>
<b>Financial liabilities</b>					
Accounts payable	18,085	-1,039	-1,039	1,039	1,039
Derivatives	24,249	8,381	8,381	-8,381	-8,381
Borrowings	1,012,966	-45,145	-45,145	45,145	45,145
<b>Impact on financial liabilities before tax</b>	<b>1,055,300</b>	<b>-37,803</b>	<b>-37,803</b>	<b>37,803</b>	<b>37,803</b>
<b>Income statement</b>					
Operating revenue	292,530	16,890	16,890	-16,890	-16,890
Operating expenses	182,785	-12,824	-12,824	12,824	12,824
<b>Impact on operating result before tax</b>	<b>109,744</b>	<b>4,066</b>	<b>4,066</b>	<b>-4,066</b>	<b>-4,066</b>
<b>Total increase/decrease before tax</b>		<b>-29,863</b>	<b>-29,863</b>	<b>29,863</b>	<b>29,863</b>

**Allocation per currency**

NOK	-25,108	-25,108	25,108	25,108
EUR	2,292	2,292	-2,292	-2,292
GBP	2,771	2,771	-2,771	-2,771
BRL	-11,120	-11,120	11,120	11,120
CAD	-496	-496	496	496
AUD	1,799	1,799	-1,799	-1,799
<b>Total increase/ decrease before tax</b>	<b>-29,863</b>	<b>-29,863</b>	<b>29,863</b>	<b>29,863</b>

Financial assets and liabilities in 2019 and 2018 include derivatives related to hedging of foreign exchange risks. The derivatives in the sensitivity table include path-dependent options in which the value of the derivatives is influenced when the underlying reaches or fluctuates within, below or above specific barrier levels. The change in value of these derivatives will impact the profit of the Company.



# NOTES TO THE ACCOUNTS

## CONSOLIDATED

Foreign exchange risk rate 10%

(Amounts in USD 1,000)

			+10% movements	-10% movements	
31 December 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	63,413	2,978	2,978	-2,978	-2,978
Derivatives	3,150	853	853	-939	-939
Accounts receivable	37,544	1,609	1,609	-1,609	-1,609
<b>Impact on financial assets before tax</b>	<b>104,106</b>	<b>5,441</b>	<b>5,441</b>	<b>-5,526</b>	<b>-5,526</b>
<b>Financial liabilities</b>					
Accounts payable	13,945	-1,140	-1,140	1,140	1,140
Derivatives	18,216	-9,977	-9,977	10,975	10,975
Borrowings	1,096,003	-35,102	-35,102	35,102	35,102
<b>Impact on financial liabilities before tax</b>	<b>1,128,164</b>	<b>-46,219</b>	<b>-46,219</b>	<b>47,217</b>	<b>47,217</b>
<b>Income statement</b>					
Operating revenue	307,736	15,176	15,176	-15,176	-15,176
Operating expenses	192,680	-13,515	-13,515	13,515	13,515
<b>Impact on operating result before tax</b>	<b>115,056</b>	<b>1,661</b>	<b>1,661</b>	<b>-1,661</b>	<b>-1,661</b>
<b>Total increase/decrease before tax</b>		<b>-39,117</b>	<b>-39,117</b>	<b>40,030</b>	<b>40,030</b>

## Allocation per currency

NOK	-30,487	-30,487	31,400	31,400
EUR	1,087	1,087	-1,087	-1,087
GBP	1,095	1,095	-1,095	-1,095
BRL	-10,751	-10,751	10,751	10,751
CAD	-1,202	-1,202	1,202	1,202
AUD	1,142	1,142	-1,142	-1,142
<b>Total increase/ decrease before tax</b>	<b>-39,117</b>	<b>-39,117</b>	<b>40,030</b>	<b>40,030</b>

**PARENT COMPANY**

Foreign exchange risk rate 10%

*(Amounts in USD 1,000)*

		+10% movements		-10% movements	
<b>31 December 2019</b>	<b>Carrying amount</b>	<b>Profit/(loss)</b>	<b>Equity</b>	<b>Profit/(loss)</b>	<b>Equity</b>
<b>Financial assets</b>					
Cash and cash equivalent	60,430	-31	-31	31	31
Accounts receivable	-	-	-	-	-
<b>Impact on financial assets before tax</b>	<b>60,430</b>	<b>-31</b>	<b>-31</b>	<b>31</b>	<b>31</b>
<b>Financial liabilities</b>					
Accounts payable	24	2	2	-2	-2
Derivatives	3,310	-368	-368	301	301
Borrowings	122,224	-12,642	-12,642	-12,642	-12,642
<b>Impact on financial liabilities before tax</b>	<b>125,559</b>	<b>-13,008</b>	<b>-13,008</b>	<b>-12,343</b>	<b>-12,343</b>
<b>Income statement</b>					
Operating revenue	1,440	-	-	-	-
Operating expenses	538	-139	-139	139	139
<b>Impact on operating result before tax</b>	<b>902</b>	<b>-139</b>	<b>-139</b>	<b>139</b>	<b>139</b>
<b>Total increase/decrease before tax</b>		<b>-13,178</b>	<b>-13,178</b>	<b>-12,173</b>	<b>-12,173</b>
<b>Allocation per currency</b>					
NOK		-13,382	-13,382	-11,969	-11,969
EUR		693	693	-693	-693
GBP		-489	-489	489	489
<b>Total increase/ decrease before tax</b>		<b>-13,178</b>	<b>-13,178</b>	<b>-12,173</b>	<b>-12,173</b>

# NOTES TO THE ACCOUNTS

## PARENT COMPANY

Foreign exchange risk rate 10%

(Amounts in USD 1,000)

31 December 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
		+10% movements		-10% movements	
<b>Financial assets</b>					
Cash and cash equivalent	163,302	44	44	-44	-44
Accounts receivable	105	-	-	-	-
<b>Impact on financial assets before tax</b>	<b>163,407</b>	<b>44</b>	<b>44</b>	<b>-44</b>	<b>-44</b>
<b>Financial liabilities</b>					
Accounts payable	136	-13	-13	13	13
Derivatives	2,727	-248	-248	273	273
Borrowings	122,514	-12,739	-12,739	12,739	12,739
<b>Impact on financial liabilities before tax</b>	<b>125,377</b>	<b>-13,000</b>	<b>-13,000</b>	<b>13,025</b>	<b>13,025</b>
<b>Income statement</b>					
Operating revenue	1,992	14	14	-14	-14
Operating expenses	7,025	-705	-705	705	705
<b>Impact on operating result before tax</b>	<b>-5,033</b>	<b>-691</b>	<b>-691</b>	<b>691</b>	<b>691</b>
<b>Total increase/decrease before tax</b>		<b>-13,647</b>	<b>-13,647</b>	<b>13,672</b>	<b>13,672</b>
<b>Allocation per currency</b>					
NOK		-13,651	-13,651	13,676	13,676
EUR		9	9	-9	-9
GBP		-5	-5	5	5
<b>Total increase/ decrease before tax</b>		<b>-13,647</b>	<b>-13,647</b>	<b>13,672</b>	<b>13,672</b>

## 2.3 Credit risks

### Concentration risks

The Company's credit risk is primarily attributable to its trade and other short-term receivables and asset derivative positions. The derivative counterparties are major established financial institutions, and the counterparty risk for the asset derivative positions is regarded as limited.

The exposure to credit risk for trade and other short-term receivables is measured on an ongoing basis and credit evaluations are performed for customers identified to be risky. The Company's

debtors are mainly major oil companies and offshore service companies, which are considered to be creditworthy third parties. Historically, the loss percentage has been low but due to the market development caused by the low oil price, the counterparty risk has increased significantly during the year. Ongoing provisions are made and, on December 31, 2019, the provision for certain accounts receivables which may not be paid in full was USD 1.8 million for the Company (2018: USD 1.8 million) and nil for the Parent (2018: nil).

The table below presents the concentration risks for 2019 and 2018:

	PARENT COMPANY		CONSOLIDATED	
(Amounts in USD 1,000)	USD	% of total	USD	% of total
<b>Receivables on 31 December 2019</b>				
1 to 5 largest	-		16,021	37.4 %
6 to 10 largest	-		4,776	11.2 %
Others	-		22,018	51.4 %
Provision for bad debt	-		-1,825	
<b>Total accounts receivable</b>	-		<b>40,990</b>	<b>100%</b>
(Amounts in USD 1,000)	USD	% of total	USD	% of total
<b>Receivables on 31 December 2018</b>				
1 to 5 largest	105	100.0 %	20,102	51.2 %
6 to 10 largest	-	0.0 %	7,201	18.3 %
Others	-	0.0 %	11,996	30.5 %
Provision for bad debt	-		-1,754	
<b>Total accounts receivable</b>	<b>105</b>	<b>100%</b>	<b>37,544</b>	<b>100%</b>

Changes in the provision for bad debt can be summarised as follow:

	PARENT COMPANY		CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018	2019	2018
<b>Provision bad debt</b>				
Opening balance 1 January		-	1,755	15,546
Realized loss		-	-	-7,099
Reversal provision previous year		-	-	-6,712
Provision current year		-	89	100
Currency translation differences		-	-18	-80
<b>Closing balance 31 December</b>		-	<b>1,825</b>	<b>1,755</b>

# NOTES TO THE ACCOUNTS

## Trade and receivables

The table below presents an aging analysis of the outstanding receivables at year-end 2019 and 2018. Overdue receivables are monitored continually by Management. The Management considers the outstanding amounts to be recoverable.

	PARENT COMPANY		CONSOLIDATED	
(Amounts in USD 1,000)	USD	% of total	USD	% of total
<b>Aging on 31 December 2019</b>				
Not due	-		33,791	82.4 %
Due up to 1 month	-		1,291	3.1 %
Due 1-4 months	-		636	1.6 %
Due more than 4 months	-		5,272	12.9 %
<b>Total accounts receivable</b>	<b>-</b>		<b>40,990</b>	<b>100%</b>
(Amounts in USD 1,000)	USD	% of total	USD	% of total
<b>Aging on 31 December 2018</b>				
Not due	65	61.9 %	23,676	63.1 %
Due up to 1 month	-	0.0 %	12,740	33.9 %
Due 1-4 months	-	0.0 %	430	1.1 %
Due more than 4 months	40	38.1 %	699	1.9 %
<b>Total accounts receivable</b>	<b>105</b>	<b>100%</b>	<b>37,544</b>	<b>100%</b>

The carrying amounts of the Company's and Parent's accounts receivable are denominated in the following currencies:

	PARENT COMPANY		CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018	2019	2018
<b>Currency</b>				
USD	-	105	16,559	21,452
NOK	-	-	2,409	2,075
EUR	-	-	8,387	3,297
GBP	-	-	3,218	1,242
CAD	-	-	5,015	2,667
AUD	-	-	3,117	4,075
BRL	-	-	2,285	2,736
<b>Total accounts receivable</b>	<b>-</b>	<b>105</b>	<b>40,990</b>	<b>37,544</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of accounts receivable mentioned above.

## 2.4 Cash flow, interest risk and fair value

The Company is financed by debt and equity. If the Company fails to repay or refinance its loan facilities, additional equity financing may be required. There can be no assurance that the Company will be able to repay its debts or extend re-payment schedules through re-financing of its loan agreements or avoid net cash flow shortfalls exceeding the Company's available funding sources or comply with minimum cash requirements. Further, there can be no assurance that the Company will be able to raise new equity, or arrange new borrowing facilities, on favourable terms and in amounts necessary to conduct its ongoing and future operations, should this be required.

In the event of insolvency, liquidation or similar event relating to a subsidiary of the Company, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before the Company, as a shareholder, would be entitled to any payments. Defaults by, or the insolvency of, a subsidiary of the Company could

result in the obligation of the Company to make payments under parent company guarantees issued in favour of such subsidiary.

The Company is moreover exposed to changes in interest rates, which may affect the Company's financial results.

These risks are mainly related to the Company's long term borrowings with floating interest rates.

Further details of the Company's borrowings are set out in Note 12.

The Company has no significant interest-bearing assets other than cash and cash-equivalents and therefore the Company's income and operating cash flows are substantially independent of changes in market interest rates. Cash and cash-equivalents are invested for short maturity periods, generally from one day to three months, which mitigates some of the potential interest rate risk.

The following sensitivity tables demonstrate the impact on the Company's profit before tax and equity from a potential shift in interest rates, all other variables held constant.

CONSOLIDATED			Interest rate risk (IR)		
(Amounts in USD 1,000)			-1% movements		+1% movements
31 December 2019	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	74,451	-745	-745	745	745
<b>Impact on financial assets before tax</b>	<b>74,451</b>	<b>-745</b>	<b>-745</b>	<b>745</b>	<b>745</b>
<b>Financial liabilities</b>					
Borrowings	629,761	6,298	6,298	-6,298	-6,298
<b>Impact on financial liabilities before tax</b>	<b>629,761</b>	<b>6,298</b>	<b>6,298</b>	<b>-6,298</b>	<b>-6,298</b>
<b>Total increase/decrease before tax</b>		<b>5,553</b>	<b>5,553</b>	<b>-5,553</b>	<b>-5,553</b>

CONSOLIDATED			Interest rate risk (IR)		
(Amounts in USD 1,000)			-1% movements		+1% movements
31 December 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	63,413	-634	-634	634	634
<b>Impact on financial assets before tax</b>	<b>63,413</b>	<b>-634</b>	<b>-634</b>	<b>634</b>	<b>634</b>
<b>Financial liabilities</b>					
Borrowings	674,284	742	742	-1,009	-1,009
<b>Impact on financial liabilities before tax</b>	<b>674,284</b>	<b>742</b>	<b>742</b>	<b>-1,009</b>	<b>-1,009</b>
<b>Total increase/decrease before tax</b>		<b>108</b>	<b>108</b>	<b>-375</b>	<b>-375</b>

Borrowings in the tables above include only borrowings with floating interest.

Above movements also include the effect of interest rate swaps entered into in order to hedge the floating interest risk. Market-to-market effects in relation to the interest rate swaps impacts the profit and loss following a change of +/- 1% in the interest rate.

For more details, see Note 12.

# NOTES TO THE ACCOUNTS

## PARENT COMPANY

## Interest rate risk (IR)

(Amounts in USD 1,000)

		-1% movements		+1% movements	
31 December 2019	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	60,430	-604	-604	604	604
<b>Impact on financial assets before tax</b>	<b>60,430</b>	<b>-604</b>	<b>-604</b>	<b>604</b>	<b>604</b>
<b>Financial liabilities</b>					
Borrowings	39,862	399	399	-399	-399
<b>Impact on financial liabilities before tax</b>	<b>39,862</b>	<b>399</b>	<b>399</b>	<b>-399</b>	<b>-399</b>
<b>Total increase/decrease before tax</b>		<b>-206</b>	<b>-206</b>	<b>206</b>	<b>206</b>

## PARENT COMPANY

## Interest rate risk (IR)

(Amounts in USD 1,000)

		-1% movements		+1% movements	
31 December 2018	Carrying amount	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Financial assets</b>					
Cash and cash equivalent	163,302	-1,633	-1,633	1,633	1,633
<b>Impact on financial assets before tax</b>	<b>163,302</b>	<b>-1,633</b>	<b>-1,633</b>	<b>1,633</b>	<b>1,633</b>
<b>Financial liabilities</b>					
Borrowings	40,283	403	403	-403	-403
<b>Impact on financial liabilities before tax</b>	<b>40,283</b>	<b>403</b>	<b>403</b>	<b>-403</b>	<b>-403</b>
<b>Total increase/decrease before tax</b>		<b>-1,230</b>	<b>-1,230</b>	<b>1,230</b>	<b>1,230</b>



The Company's financial assets are classified into the categories: assets at fair value through the profit and loss, loans and receivables, and available for sale. Financial liabilities are classified as liabilities at fair value through the profit and loss, and other financial liabilities. For further information about comparison by category, see Note 27.

The value of forward exchange contracts is set by comparing forward exchange rate and the rate on the reporting date. The Company's following financial instruments are not evaluated at fair value: accounts receivable, cash and cash equivalents, other short-term receivables, accounts payable and long-term liabilities with floating interest.

Because of the short term to maturity, the value of cash and cash equivalents entered into the Statements of Financial Position is almost the same as the fair value of these. Accordingly, the values of accounts receivable and accounts payables are almost the same as their fair values since they are entered on "normal" conditions.

The fair value of the Company's non-current liabilities subjected to fixed interest rates is calculated by comparing the Company's terms and market terms for liabilities with the same terms to maturity and credit risk.

The following tables display the booked value and the fair value of financial assets and obligations.

CONSOLIDATED				
(Amounts in USD 1,000)				
	12/31/2019		12/31/2018	
<b>Financial assets</b>	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
CIRR loan deposit	54,540	61,261	68,730	74,687
Long-term receivables	39,199	39,199	34,069	35,356
Accounts receivable	40,990	40,990	37,544	37,544
Other short-term receivables	22,192	22,192	49,206	49,206
Financial assets held for sale	715	715	16,950	16,950
Derivative financial instruments	440	440	3,150	3,150
Cash and cash equivalents	74,451	74,451	63,413	63,413
<b>Total</b>	<b>232,528</b>	<b>239,249</b>	<b>273,062</b>	<b>280,306</b>
<b>Financial liabilities</b>				
Borrowings	1,012,966	1,033,068	1,096,003	1,102,789
CIRR loan	54,540	61,261	68,730	74,687
Other non-current liabilities	16,573	16,573	32,403	32,035
Accounts payable	18,085	18,085	13,945	13,945
Derivative financial instruments	24,249	24,249	18,216	18,216
Other current liabilities	49,314	49,314	43,194	43,194
<b>Total</b>	<b>1,175,728</b>	<b>1,202,550</b>	<b>1,272,491</b>	<b>1,284,866</b>

# NOTES TO THE ACCOUNTS

## PARENT COMPANY

(Amounts in USD 1,000)		12/31/2019		12/31/2018	
<b>Financial assets</b>	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>	
CIRR loan deposit	-	-	4,869	4,979	
Long-term loan	124,859	124,859	80,707	80,707	
Accounts receivable	-	-	105	105	
Other short-term receivables	1,338	1,338	4,946	4,946	
Cash and cash equivalents	60,430	60,430	163,302	163,302	
<b>Total</b>	<b>186,627</b>	<b>186,627</b>	<b>253,928</b>	<b>254,039</b>	
<b>Financial liabilities</b>					
Borrowings	122,224	125,039	122,514	126,862	
CIRR loan	-	-	4,869	4,979	
Derivative financial instrument	3,310	3,310	2,727	2,727	
Accounts payable	24	24	136	136	
Other current liabilities	4,415	4,415	66,769	66,769	
<b>Total</b>	<b>129,974</b>	<b>132,789</b>	<b>197,015</b>	<b>201,473</b>	

## 2.5 Liquidity risk

The Company monitors its cash flow from operations closely and optimizes the working capital level of the individual companies and the Company as a whole. The Company funds are used for investment opportunities in the business, scheduled repayments and repayments of debt and to general working capital purposes.

The Company seeks to fix the majority of its fleet on long-term contracts. Vessels not fixed on long-term contracts are typically exposed to the volatility in the short-to medium term-market.

The Company will from time to time require additional capital to take advantage of business opportunities. Historically the Company has managed to obtain necessary financing in a timely manner on acceptable terms when needed.

On April 10, 2018 the sale of Siem Offshore Contractors (SOC) and the sale of the cable lay vessel "Siem Aimery" and the walk-to-work

vessel "Siem Moxie" to a company in the Subsea Seven group was completed for an initial consideration of EUR 140 million subject to usual adjustment for net cash and working capital. In addition, a contingent consideration was payable based on the number of cables laid and vessel performance for the period 2019 to 2023. In 2019 the Company received EUR27 million (equivalent to USD30.9 million) as final payment for the contingent consideration. The initial proceeds from the sale was applied to pay down the bank loan on "Siem Aimery" and "Siem Moxie" which amounts to around EUR 60 million. The excess cash generated by the transaction was applied to, among other, increased amortization and prepayment of debt. We refer to note 30 - Discontinued operations to the consolidated financial statements for further information.

The tables below summarize the maturity profile of the Company's financial liabilities including interest.

**CONSOLIDATED**

<i>(Amounts in USD 1,000)</i>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Thereafter</b>	<b>Total</b>
<b>31 December 2019</b>						
Interest-bearing loans and borrowings	20,063	137,978	460,419	334,429	201,269	1,154,158
Trade and other payables	18,085	-	-	-	-	18,085
<b>Total</b>	<b>38,149</b>	<b>137,978</b>	<b>460,419</b>	<b>334,429</b>	<b>201,269</b>	<b>1,172,243</b>
<b>31 December 2018</b>						
Interest-bearing loans and borrowings	33,457	129,032	194,065	644,210	337,686	1,338,450
Trade and other payables	13,945	-	-	-	-	13,945
<b>Total</b>	<b>47,402</b>	<b>129,032</b>	<b>194,065</b>	<b>644,210</b>	<b>337,686</b>	<b>1,352,395</b>

**PARENT COMPANY**

<i>(Amounts in USD 1,000)</i>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Thereafter</b>	<b>Total</b>
<b>31 December 2019</b>						
Interest-bearing loans and borrowings	1,173	42,759	4,761	88,938	-	137,631
Trade and other payables	24	-	-	-	-	24
<b>Total</b>	<b>1,197</b>	<b>42,759</b>	<b>4,761</b>	<b>88,938</b>	<b>-</b>	<b>137,655</b>
<b>31 December 2018</b>						
Interest-bearing loans and borrowings	1,112	8,355	44,722	94,688	-	148,878
Trade and other payables	136	-	-	-	-	136
<b>Total</b>	<b>1,249</b>	<b>8,355</b>	<b>44,722</b>	<b>94,688</b>	<b>-</b>	<b>149,014</b>

## **2.6 Capital risk management**

The Company seeks to obtain long-term financing supported by long-term contracts, in order to reduce the frequency and risk associated with the refinancing of loans. Long-term charter parties at acceptable charter rates will also enable a higher degree of debt-financing.

The low oil price and the excess capacity of offshore service vessels have increased the competition amongst owners which further put pressure on fixture rates. As a consequence owners have placed more vessels into lay-up. End of year the Company had five vessels in lay-up.

## **2.7 Risks related to loan agreements, restrictions on dividends and distribution**

The Company's loan agreements include terms, conditions and covenants which impose restrictions on the operations of the Company.

These restrictions may negatively affect the Company's operations including, but not limited to, the Company's ability to meet the fierce competition in the market in which it operates.

## **2.8 Risks related to possible tax liabilities**

The Company seeks to optimize its tax structure to minimize withholding taxes when operating vessels abroad, avoiding double taxation, and minimizing corporate tax paid by making optimal use of the shipping taxation rules that apply. It is, however, a challenging task to optimize taxation, and there is always a risk that the Company may end up paying more taxes than the theoretical minimum, which may in turn affect the financial results negatively.

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## Note 3 – Critical Accounting Estimates and Judgements

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IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, as well as income and expenses in the financial statements. The final reported outcomes may deviate from the original estimates.

Certain amounts included in, or that have an effect on, the accounts and the associated notes require estimation, which in turn entails that the Company must make assessments related to values and circumstances that are not known at the point in time when the accounts are prepared.

A significant accounting estimate is an estimate that is important to provide a complete picture of the Company's financial position, which at the same time is the result of difficult, subjective and complex assessments performed by the management. Such estimates are often uncertain by nature.

Management evaluates such estimates continuously based on historical data and experience, consultation with experts, trend analysis and other factors that are relevant for the individual estimate, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as well as judgments made by management, in the process of applying the Company's accounting policies, that have the most significant effect on the amounts recognized in the financial statements, are discussed below.

### Going Concern

On the reporting date, the Company has assessed the ability to continue as a going concern. These financial statements have been prepared under the assumptions of going concern. However, due to the current contractual arrangements with the financing banks combined with a challenging market situation and increased uncertainty related to the COVID-19 pandemic, a material uncertainty exists related to going concern. Further information on the uncertainty is disclosed in note 31 to these financial statements.

### Vessels

#### Impairment of vessels

On the reporting date, the Company has assessed whether there are any indicators of impairment related to its vessels. Indicators include external broker estimates, significant changes in charter hire contracts, day rates, operating costs, weighted average cost of capital or adverse market conditions.

When such indications exist, an impairment test is performed in accordance with Company policy. The recoverable amount of the vessel is estimated. An impairment loss is recognized at the amount by which the vessel's carrying value exceeds its recoverable amount.

The recoverable amount for vessels is estimated by means of broker estimates and value-in-use calculations based on projected discounted cash flows for the remaining charter hire period or over the next ten years if no charter contract exists, together with an assumption of a terminal value of the vessel.

The market for offshore service vessels is expected to remain weak for several years. For vessels fixed on firm contracts during the period from 2020 through 2025, the assumption is that the contract remains unchanged during the remaining contract period, and that the rate levels will remain low, but will increase gradually towards 2029. Options, included in charter hire agreements, to extend the charter party are not considered in the value-in-use calculations. However, if charter hire rates for optional periods is expected to be lower than market rates for the applicable period, this is considered in the value in use calculation.

The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed and further explained in Note 5.

## Note 4 – Segment Reporting

The Company identifies its reportable segments and disclose segment information under IFRS8 Operating Segments which requires Siem Offshore Inc to identify its segments according to the organization and reporting structure used by management. Operating Segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources.

The Company's chief operating decision maker is the management board, comprised of the CEO, CFO, CHRO, CCO and COO. Generally, financial information is required to be disclosed on the same basis that is used by the chief operating decision maker. The Company's operating segments represent separately managed business areas with unique products serving different markets. The reportable business area is OSV with the segments PSV, OSCV and WIV, AHTS Vessels, Canadian fleet, Scientific Core-Drilling and Other Vessels in Brazil.

The PSV segment includes seven Platform Supply Vessels. The OSCV and WIV segment includes four Offshore Subsea Construction Vessels and two Well Intervention Vessels. The AHTS segment includes ten Anchor Handling and Tug Supply Vessels. The Canadian

fleet Segment consists of five offshore support vessels operating offshore Canada, including one vessel hired on a bare-boat contract. The Segment of Other Vessels in Brazil consists of two Oilspill Recovery Vessels and three smaller fast supply vessels and crew vessels. In addition, the Company owns 41% of one vessel that is reflected under the line "Result from associated companies", and hence not included below. Scientific Core-Drilling is comprised of the activity of one scientific drillship which performs core-drilling.

Siem Offshore Inc uses three measures of segment results, Operating Revenue, Operating Margin and Net Profit.

Intersegment sales and transfers reflect arm's length prices as if sold or transferred to third parties at the time of inception of the internal contract, which may cover several years. Transfers of business or fixed assets within or between the segments are reported without recognizing gains or losses. Results of activities not considered part of Siem Offshore Inc's main operations as well as unallocated revenues, expenses, liabilities and assets are reported together with Other under the caption "Other and eliminations".

The following tables include information about the Company's operating segments.

	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Operating revenue by business area</b>		
PSV	52,737	62,155
OSCV and WIV	105,391	120,034
AHTS Vessels	57,985	43,911
Brazilian Fleet	20,289	22,295
Canadian fleet	26,851	28,878
Scientific Core-Drilling	28,316	28,384
Other/Intercompany elimination	961	2,079
<b>Operating revenue</b>	<b>292,530</b>	<b>307,736</b>
Total operating revenue from discontinued operations (note 30)	-	14,490
<b>Total operating revenue from continuing/discontinued operations</b>	<b>292,530</b>	<b>322,226</b>

	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Operating margin by segments</b>		
PSV	22,410	27,346
OSCV and WIV	65,043	69,463
AHTS Vessels	10,961	-2,971
Brazilian Fleet	-1,642	10,450
Canadian fleet	11,932	13,628
Scientific Core-Drilling	16,406	19,146
Other/Intercompany elimination	2,353	2,098
Administrative expenses	-17,718	-24,105
<b>Total operating margin from segments</b>	<b>109,744</b>	<b>115,056</b>
Total operating margin from discontinued operations	-	-492
<b>Total operating margin from continuing/discontinued operations</b>	<b>109,744</b>	<b>114,565</b>

	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Depreciation and amortization by business area</b>		
PSV	16,324	20,601
OSCV and WIV	30,974	31,208
AHTS Vessels	37,047	38,976
Brazilian Fleet	4,178	4,477
Canadian fleet	10,235	7,988
Scientific Core-Drilling	3,564	4,209
Other/Intercompany elimination	2,350	1,463
<b>Depreciation and amortization OSV segment</b>	<b>104,672</b>	<b>108,922</b>
Total Depreciation and amortization from discontinued operations	-	1,991
<b>Total Depreciation and amortization from continuing/discontinued operations</b>	<b>104,672</b>	<b>110,913</b>



# NOTES TO THE ACCOUNTS

	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Impairment by business area</b>		
PSV	10,712	4,047
AHTS Vessels	45,114	43,558
Brazilian Fleet	-	525
Canadian fleet	3,412	9,940
<b>Impairment OSV Segment</b>	<b>59,238</b>	<b>58,070</b>
Total Impairment from discontinued operations	-	-
<b>Total Impairment from continuing/discontinued operations</b>	<b>59,238</b>	<b>58,070</b>

	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Capital expenditures by business area for tangible assets</b>		
PSV	2,064	1,837
OSCV and WIV	15,016	1,519
AHTS Vessels	13,662	2,744
Brazilian Fleet	4,314	628
Canadian fleet	609	1,305
Scientific Core-Drilling	12	2,858
Other/Intercompany elimination	-	77
<b>OSV Segment</b>	<b>35,678</b>	<b>10,968</b>
Total Capital expenditures from discontinued operations	-	-
<b>Total Capital expenditures from continuing/discontinued operations</b>	<b>35,678</b>	<b>10,968</b>



	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Book value by business area for tangible assets, including vessel held for sale</b>		
PSV	138,165	233,980
OSCV and WIV	562,654	609,096
AHTS Vessels	435,285	501,578
Brazilian Fleet	75,761	34,873
Canadian fleet	60,629	71,791
Scientific Core-Drilling	13,235	16,787
Other/Intercompany elimination	7,124	4,479
<b>OSV Segment</b>	<b>1,292,854</b>	<b>1,472,583</b>
Total book value related to discontinued operations	-	-
<b>Total</b>	<b>1,292,854</b>	<b>1,472,583</b>

## Note 5 – Vessels, Equipment and Capitalized Project Cost

TANGIBLE ASSETS				CONSOLIDATED
(Amounts in USD 1,000)	Land and buildings	Vessels and equipment	Drydocking	Capitalised project cost
Purchase cost on 1 January 2018	341	2,615,636	42,751	17,556
Capital expenditure	-	6,869	4,099	-
Movement between groups	-10	9,803	3,327	-1,467
The year's disposal at cost	-34	-211,254	-3,787	-4,554
Effect of exchange rate differences	-10	-2,970	-556	-163
<b>Purchase cost on 31 December 2018</b>	<b>287</b>	<b>2,418,085</b>	<b>45,834</b>	<b>11,372</b>
Accumulated depreciation on 1 January 2018	-46	-579,624	-23,366	-10,527
Accumulated impairment on 1 January 2018	-	-316,007	-	-
Movement between groups	10	-9,967	-3,163	1,467
The year's depreciation	-9	-97,722	-9,331	-1,859
Impairment of vessels	-	-56,990	-	-
The year's disposal of accumulated depreciation	7	26,398	3,364	4,554
The year's disposal of accumulated impairment	-	48,858	-	-
Effect of exchange rate differences	1	3,749	223	39
<b>Accumulated depreciation on 31 December 2018</b>	<b>-38</b>	<b>-981,306</b>	<b>-32,274</b>	<b>-6,326</b>
<b>Net book value on 31 December 2018</b>	<b>248</b>	<b>1,436,779</b>	<b>13,561</b>	<b>5,046</b>
Purchase cost on 1 January 2019	287	2,418,085	45,834	11,372
Capital expenditure	-	16,348	19,330	1
Additions related to IFRS 16	3,758	4,884	-	-
The year's disposal at cost	-	-116,180	-11,381	-
Effect of exchange rate differences	-7	-2,828	-230	-27
<b>Purchase cost on 31 December 2019</b>	<b>4,038</b>	<b>2,320,309</b>	<b>53,553</b>	<b>11,346</b>

**TANGIBLE ASSETS****CONSOLIDATED**

<i>(Amounts in USD 1,000)</i>	<b>Land and buildings</b>	<b>Vessels and equipment</b>	<b>Drydocking</b>	<b>Capitalised project cost</b>
Accumulated depreciation on 1 January 2019	-38	-655,873	-32,274	-6,326
Accumulated impairment on 1 January 2019	-	-325,433	-	-
The year's depreciation	-891	-92,163	-10,284	-1,335
Impairment of vessels	-	-59,238	-	-
The year's disposal of accumulated depreciation	-	56,712	8,222	-
The year's disposal of accumulated impairment	-	25,301	-	-
Effect of exchange rate differences	-4	-2,969	-522	8
<b>Accumulated depreciation on 31 December 2019</b>	<b>-933</b>	<b>-1,053,664</b>	<b>-34,857</b>	<b>-7,653</b>
<b>Net book value on 31 December 2019</b>	<b>3,105</b>	<b>1,266,645</b>	<b>18,697</b>	<b>3,693</b>

The balance of capitalized project costs relate to specific contracts.  
The costs are amortized over the term of the specific charter contracts.

The vessels are divided into the following components and economical lives:

<b>Component</b>	<b>Percentage of total</b>	<b>Economic life</b>
Hull	27.00%	30 years
Cargo equipment	17.00%	30 years
Marine equipment	10.00%	15 years
Crew equipment	9.00%	15 years
Engine	18.00%	30 years
Engine system	6.00%	30 years
Combined sewerage system	13.00%	30 years
Docking and class renewals		5 years
Equipment		3 years

# NOTES TO THE ACCOUNTS

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## **Impairment vessels**

Tangible and intangible assets with finite lives are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceeds 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 (FVL COD) and value-in-use (VIU) and each vessel is considered a separate Cash Generating Unit (CGU).

As of 31 December 2019, impairment indicators were identified for all OSV vessels, mainly due to lower freight rates. Based on such indicators, impairment tests have been performed for all OSV vessels as of 31 December 2019.

## **Value-in-use (VIU)**

VIU is based on the present value of discounted cash flows for each separate CGU for a period of ten years, however not exceeding its remaining lifetime, based on market views for future periods.

## **Discount rate**

The discount rate used in the value-in-use calculation is a weighted average cost of capital (WACC) after tax ranging from 7.49%–9.05%.

## **Operating expenses**

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.

## **Fair value less cost of disposal**

FVL COD (level 3) is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on an average of third party valuation reports from two independent ship brokers. The company understand that shipbrokers apply newbuilding price parity as basis for their appraisals. Newbuilding prices have been adjusted for building supervision costs and other additional costs, which results in an estimated delivered cost of a newbuilding with prompt delivery adjusted for age of each vessel.

## **Impairment testing**

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 FVL COD and VIU calculation with each vessel as a separate cash generating unit. Impairment of USD 59.2 million is related to 15 vessels in the Company's fleet.

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(Amounts in USD 1,000)

		2019	12/31/2019
Vessel	Valuation Method	Impairment recognized	Recoverable amount
PSV 1	VIU	3,415	6,197
PSV 2	VIU	1,641	33,233
PSV 3	VIU	1,843	47,540
PSV 4	VIU	3,813	33,094
AHTS 1	VIU	2,111	43,059
AHTS 2	VIU	2,791	43,055
AHTS 3	VIU	4,005	43,646
AHTS 4	VIU	6,938	43,646
AHTS 5	VIU	2,765	43,646
AHTS 6	VIU	6,240	43,646
AHTS 7	VIU	5,245	43,646
AHTS 8	VIU	7,295	43,646
AHTS 9	VIU	3,681	43,646
AHTS 10	VIU	4,043	43,646
CAN 1	VIU	3,412	-
<b>Total</b>		<b>59,238</b>	<b>555,346</b>

### Sensitivities

Impairment of USD 59.2 million, relating to 15 vessels, was recognized as of 31 December 2019. The VIU calculation is mainly affected by changes in the WACC and freight rate assumptions. The WACC used for vessels financed in USD was 7.49% (2018: 8.31%) and for the vessels financed in NOK the WACC was 7.68% (2018: 7.65%). The WACC used for vessels financed in USD in Brazil was 9.05% (2018: 9.81%). A reduction of freight rate assumption of USD 1,000 per day for each vessel would increase the impairment by approximately USD 53.0 million, applicable to 25 vessels. An increase in freight rate assumption of USD 1,000 per day would reduce the impairment by approximately USD 33.6 million applicable to 12 of the vessels. With an increase in freight rate assumptions of USD 1,000 day, VIU would become higher than FVLCOD for certain vessels.

An increase in WACC of 0.5% would increase the total impairment by approximately USD 23.7 million and relate to 21 vessels in total. A decrease in WACC of 0.5% would decrease the total impairment by approximately USD 18.8 million and relate to 15 of the vessels. With a decrease in WACC of 0.5%, VIU would become higher than FVLCOD for certain vessels.

## Note 6 – Investment in Subsidiaries

Company (Amounts in USD 1,000)	Registered office	Ownership and voting share	Revenue	Net profit
Siem Offshore AS	Kristiansand, Norway	100%	8,375	353
Siem Offshore Invest AS	Kristiansand, Norway	100%	3,851	18,049
Siem Offshore Rederi AS	Kristiansand, Norway	100%	115,525	-22,636
Siem Offshore do Brasil SA	Rio de Janeiro, Brazil	100%	33,840	-10,979
Siem Offshore US Inc.	Delaware, USA	100%	255	271
Siem AHTS Pool AS	Kristiansand, Norway	78%	35,360	-97,957
DSND Subsea Ltd	London, England	100%	-	-
Siem Offshore Management AS	Kristiansand, Norway	100%	9,046	211
Siem Offshore Management (US) Inc.	Texas, USA	100%	142	68
Siem Offshore US Holding AS	Kristiansand, Norway	100%	-	49
ODL AS	Kristiansand, Norway	100%	19,123	7,412
Siem Offshore Crewing (CI) Inc.	Cayman Islands	100%	272	277
<b>Total value recorded in the statement of financial position of the Parent Company</b>				

Siem Offshore Construction Vessels AS and Siem Offshore Services AS has been merged with Siem Offshore Rederi during 2019.  
Siem Offshore Thiima AS has been renamed to ODL AS in 2019.

The above companies are owned by the Parent. In addition, the subsidiaries own the following companies:

Company	Registered office	Share and voting rights
Consul Delaware LLC	Delaware, USA	100%
Aracaju Serviços Auxiliares Ltda	Rio de Janeiro, Brazil	100%
Siem Offshore Crewing AS	Kristiansand, Norway	100%
Siem Pilot DA	Kristiansand, Norway	100%
Siem Offshore Maritime Personnel AS	Kristiansand, Norway	100%
Siem Offshore Contractors EPS BV	Groningen, The Netherlands	100%
Overseas Drilling Ltd	Groningen, The Netherlands	100%
Siem Offshore Canada Inc.	Halifax, Canada	100%
Siem Offshore Poland Sp.z.O.O	Gdynia, Poland	100%
Siem Offshore Australia Pty Ltd	Perth, Australia	100%
Siem Real Estate GmbH	Leer, Germany	100%
Siem Offshore LLC	Delaware, USA	100%
Secunda Holdings SLH	Halifax, Canada	100%
Siem AHTS Pool Australia PTY LTD	Perth, Australia	100%
Siem Offshore Crewing Australia PTY Ltd	Perth, Australia	100%

Siem Offshore Ghana International AS has been merged with Siem Offshore Rederi during 2019.  
Siem WIS AS, Siem Offshore Contractors GmbH and Siem Offshore Contractors UK Ltd were sold in 2018.





Share capital	Book equity	Cost price	Book value	Minority share of net profit/(loss)	Minority share of net equity	Impairments made in 2019
35	7,401	8,943	8,943	-	-	-
898	162,893	97,408	77,408	-	-	-
6,175	110,397	333,943	172,719	-	-	11,000
83,838	-45,823	135,978	-	-	-	-
-	5,556	-	-	-	-	-
139	29,318	275,825	22,825	-21,017	6,877	182,000
-	-198	18,352	-	-	-	-
17	2,297	7,251	2,551	-	-	-
1	382	1	1	-	-	-
5	188	961	187	-	-	774
4	7,407	4	4	-	-	-
50	2,324	50	50	-	-	-
	<b>282,142</b>	<b>878,717</b>	<b>284,688</b>	<b>-21,017</b>	<b>6,877</b>	<b>193,774</b>

## Note 7 – Investment in Associated Companies

Figures for associated companies included in the consolidated accounts based on the equity method of accounting.

31 December 2019	CONSOLIDATED			
COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Siem Offshore Ghana Ltd	Total
<b>Profit and loss account</b>				
Operating revenues	5,224	415	-	5,639
Operating expenses	-4,232	-21	-21	-4,274
<b>EBITDA</b>	<b>993</b>	<b>394</b>	<b>-21</b>	<b>1,366</b>
Depreciation and Amortization	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>993</b>	<b>394</b>	<b>-21</b>	<b>1,366</b>
Net financial items	10	8	-	17
Taxes	-	-	-	-
<b>The year's net profit after tax</b>	<b>1,002</b>	<b>401</b>	<b>-21</b>	<b>1,383</b>
<b>This Company's share of net profit after tax</b>	<b>414</b>	<b>166</b>	<b>-10</b>	<b>570</b>
<b>Statement of financial position</b>				
Non-current assets	-	-	4	4
Current assets	912	-	10	922
Cash	1,588	485	1	2,075
<b>Total assets</b>	<b>2,501</b>	<b>485</b>	<b>14</b>	<b>3,000</b>
<b>Equity</b>	<b>2,501</b>	<b>467</b>	<b>-124</b>	<b>2,844</b>
Current liabilities	-	18	138	156
<b>Total liabilities</b>	<b>-</b>	<b>18</b>	<b>138</b>	<b>156</b>
<b>Total equity and liabilities</b>	<b>2,501</b>	<b>485</b>	<b>14</b>	<b>3,000</b>
<b>Siem Offshore's share of booked equity</b>	<b>1,033</b>	<b>193</b>	<b>-61</b>	<b>1,166</b>
<b>Added/reduced in the period</b>				
Adjustments IFRS and fair value in excess of book value for vessel and goodwill as of 31 December				-
<b>Net book value in Siem Offshore as of 31 December</b>	<b>1,033</b>	<b>193</b>	<b>-</b>	<b>1,166</b>
<b>Ownership interest</b>	<b>41.3 %</b>	<b>41.3 %</b>	<b>49.0 %</b>	

31 December 2019

CONSOLIDATED

COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Siem Offshore Ghana Ltd	Total
<b>Specification of changes net book value in Siem Offshore's accounts</b>				
Net book value as of 1 January	1,338	360	-	1,698
This year's share of net profit/(loss)	414	166	-10	570
This year's share of other comprehensive income	-	-	-	-
Dividends	-705	-330	-	-1,035
Effect of exchange rate differences	-15	-3	10	-8
<b>Net book value as of 31 December</b>	<b>1,032</b>	<b>194</b>	<b>-</b>	<b>1,226</b>

Of which:

Amortisation of fair value in excess of book value for vessels and goodwill	-330	330	-	-
<b>Fair value in excess of book value for vessels and goodwill as of 31 December 2019</b>	<b>-330</b>	<b>330</b>	<b>-</b>	<b>-</b>

COMPANY NAME	Registered office	Consolidation	Owner interest	Voting rights	Paid in capital	Issued, not paid in capital
PR Tracer Offshore ANS	Kristiansand, Norway	Equity accounting	41.33%	41.33%	1,633	-
KS Big Orange XVIII	Kristiansand, Norway	Equity accounting	41.33%	41.33%	8	5
Siem Offshore Ghana Ltd	Accra, Ghana	Equity accounting	49.00%	49.00%	200	-
<b>Total</b>					<b>1,840</b>	<b>5</b>

# NOTES TO THE ACCOUNTS

31 December 2018

CONSOLIDATED

COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Siem Offshore Ghana Ltd	Total
<b>Profit and loss account</b>				
Operating revenues	5,710	447	-	6,156
Operating expenses	-4,710	-23	-14	-4,747
<b>EBITDA</b>	<b>999</b>	<b>424</b>	<b>-14</b>	<b>1,410</b>
Depreciation and Amortisation	-74	-	-1	-75
<b>Operating profit (EBIT)</b>	<b>926</b>	<b>424</b>	<b>-15</b>	<b>1,335</b>
Net financial items	107	6	-	112
Taxes	-	-	-	-
<b>The year's net profit after tax</b>	<b>1,033</b>	<b>430</b>	<b>-15</b>	<b>1,448</b>
<b>This Company's share of net profit after tax</b>	<b>427</b>	<b>178</b>	<b>-7</b>	<b>597</b>
<b>Statement of financial position</b>				
Non-current assets	168	-	5	173
Current assets	985	-	10	995
Cash	2,260	892	8	3,160
<b>Total assets</b>	<b>3,413</b>	<b>892</b>	<b>23</b>	<b>4,328</b>
<b>Equity</b>	<b>3,240</b>	<b>872</b>	<b>-119</b>	<b>3,993</b>
Current liabilities	174	20	142	336
<b>Total equity and liabilities</b>	<b>3,413</b>	<b>892</b>	<b>23</b>	<b>4,328</b>
<b>Siem Offshore's share of booked equity</b>	<b>1,339</b>	<b>360</b>	<b>-58</b>	<b>1,641</b>
<b>Added/reduced in the period</b>				
Adjustments IFRS and fair value in excess of book value for vessels and gooswill as of 31 December	-1	-	58	57
<b>Net book value in Siem Offshore as of 31 December</b>	<b>1,338</b>	<b>360</b>	<b>-</b>	<b>1,698</b>
<b>Ownership interest</b>	<b>41.3 %</b>	<b>41.3 %</b>	<b>49.0 %</b>	

31 December 2018

CONSOLIDATED

COMPANY NAME (Amounts in USD 1,000)	PR Tracer Offshore ANS	KS Big Orange XVIII	Siem Offshore Ghana Ltd	Total
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**Specification of changes net book value in Siem Offshore's accounts**

Net book value as of 1 January	993	542	-	1,535
This year's share of net profit/(loss)	427	178	-7	597
This year's share of other comprehensive income	-	-	-	-
Adjustments consolidated accounts	-	-360	-	-360
Effect of exchange rate differences	-82	-	7	-75
<b>Net book value as of 31 December</b>	<b>1,338</b>	<b>360</b>	<b>-</b>	<b>1,698</b>

**Of which:**

Adjustments IFRS and fair value in excess of book value for vessels and goodwill as of 1 January	-	338	56	394
Amortisation of fair value in excess of book value for vessels and goodwill	-	-338	-	-338

<b>Fair value in excess of book value for vessels and goodwill as of 31 December</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>56</b>
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COMPANY NAME	Registered office	Consolidation	Owner interest	Voting rights	Paid in capital	Issued, not paid in capital
PR Tracer Offshore ANS	Kristiansand, Norway	Equity accounting	41.33%	41.33%	1,633	-
KS Big Orange XVIII	Kristiansand, Norway	Equity accounting	41.33%	41.33%	8	5
Siem Offshore Ghana Ltd	Accra, Ghana	Equity accounting	49.00%	49.00%	200	-
<b>Total</b>					<b>1,840</b>	<b>5</b>

# NOTES TO THE ACCOUNTS

## Note 8 – Pension Costs and Obligations

	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
<b>Pension cost recognized in the income statement</b>		
Present value of current years benefit earned	1,888	1,956
Interest expense	326	296
Expected return on plan assets	-252	-225
Administration cost	47	43
Social contribution	136	237
Impact of curtailment/settlement	-1,042	-393
<b>Net periodic pension cost (see Note 18)</b>	<b>1,103</b>	<b>1,914</b>

### The development in the defined benefit obligation

At 1 January	12,638	12,900
Present value of current years benefit earned	1,888	1,956
Interest expense	326	296
Effect of settlement	-6,869	-
Payroll tax of employer contribution, assets	-246	-
Benefits paid	-497	-699
Remeasurements loss/(gain)	-635	-573
Exchange differences	-69	-1,242
<b>At 31 December</b>	<b>6,536</b>	<b>12,638</b>

### The development in the fair value of plan assets

At 1 January	10,928	11,063
Expected return on plan assets	252	225
Effect of settlement	-6,022	-
Employer's contribution	1,992	1,933
Payroll tax of employer contribution, assets	-246	-
Benefits paid	-497	-425
Remeasurements loss/(gain)	-285	-727
Exchange differences	-64	-1,141
<b>At 31 December</b>	<b>6,059</b>	<b>10,928</b>



	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
Present value of funded obligations	6,536	12,638
Fair value of plan assets	-6,059	-10,928
<b>Present value of funded obligations</b>	<b>477</b>	<b>1,710</b>
Present value of unfunded obligations	-	21
<b>Liability in the statement of financial position</b>	<b>477</b>	<b>1,731</b>
<b>Financial assumptions:</b>		
Discount rate	2.30%	2.60%
Expected return on funds	2.30%	2.60%
Expected wage adjustment	2.25%	2.75%
Adjustment of the basic National Insurance amount	2.00%	2.50%
Expected pension increase	0.50%	0.80%
Number of employees in defined benefit scheme	297	318



# NOTES TO THE ACCOUNTS

## Note 9 – Receivables

PARENT COMPANY			CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	12/31/2019	12/31/2018
<b>Long-term receivables</b>				
100	4,185	Employee loans, see Note 18	100	4,185
124,758	76,522	Intercompany receivables	-	-
-	-	Contingent consideration related to the sale of SOC (4)	-	25,555
-	-	Standstill agreement with Customer (1)	-	-
-	-	Receivable related to sale of Siem Marlin	23,234	-
-	-	Convertible loan to Customer (2)	-	-
-	-	Prepaid guarantee commission	13,590	-
-	-	Other long-term receivables	2,275	4,330
<b>124,859</b>	<b>80,707</b>	<b>Total long-term receivables</b>	<b>39,199</b>	<b>34,069</b>
<b>Other short-term receivables</b>				
12/31/2019	12/31/2018		12/31/2019	12/31/2018
-	-	Prepaid expenses	7,980	24,118
-	-	Unbilled revenue	5,354	10,439
-	-	Outstanding insurance claims (3)	2,238	2,477
-	-	Prepaid income taxes and other taxes	2,326	2,748
-	-	VAT	52	-216
710	4,062	Receivables from related party	710	4,062
602	885	Intercompany receivables	-	-
26	-	Other short-term receivables	3,533	5,578
<b>1,338</b>	<b>4,947</b>	<b>Total other short-term receivables</b>	<b>22,192</b>	<b>49,206</b>

- (1) Standstill Agreement with Daya Materials Berhad regarding outstanding hire related to the vessels Siem Daya 1 & 2 and subject to a moratorium payment period of two years. An impairment of USD 7.9 million was recorded in 2017. The remaining part of the receivable was impaired in 2018.
- (2) The Sale of "Daya1" was partly financed by Seller's credit from Siem Offshore Rederi AS in the form of a Convertible Bond with four years duration. Following an impairment test of the Convertible Bond, an impairment of USD 14.0 million was recorded in 2016 and an additional impairment of USD 11.1 million was recorded in 2017. The remaining part of the receivable was impaired in 2018.
- (3) Outstanding insurance claims refer to vessel's breakdown expenses qualifying for insurance reclaim. The amount is net of own deductibles.
- (4) In addition to the consideration received related to the 2018 sale of SOC and related vessels, a contingent consideration was payable based on the number of cables laid and vessel performance for the period 2019 to 2023. In 2019 the Company received EUR27 million (equivalent to USD30.9 million) as final payment for the contingent consideration.

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## Note 10 – Restricted Cash

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USD 21.6 million of the Company's cash balance at year-end were restricted funds of which USD 1.6 million was for tax withholdings and USD 5.3 million represented security for bank guarantees, loans and disputes.

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## Note 11 – Taxes

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		CONSOLIDATED	
(Amounts in USD 1,000)		2019	2018
<b>Temporary differences</b>			
<b>Deferred tax</b>	<b>Time frame</b>		
Participation in limited liability companies	Long	-2,701	-2,701
Operating assets	Long	-5,499	-31,149
Pension funds/obligations	Long	-476	-1,811
<b>Net temporary differences as of 31 December</b>		<b>-8,676</b>	<b>-35,661</b>
Tax loss carried forward		-42,601	-30,557
<b>Basis for deferred tax (tax asset)</b>		<b>-51,277</b>	<b>-66,218</b>
Deferred tax (tax asset) Norway		-9,521	-7,825
Deferred tax (tax asset) Holland		-800	-3,065
<b>Deferred tax (tax asset)</b>		<b>-10,321</b>	<b>-10,890</b>
<b>Deferred tax asset recognized in statement of financial position as of 31 December</b>		<b>-10,321</b>	<b>-10,890</b>

There are no tax assets in the Parent Company. Deferred tax assets are recognized as intangible assets as it is probable through prospective earnings that it can be utilized. Recognized deferred tax asset from tax loss carried forward is related to one fully owned subsidiary which is expected to generate taxable income that can be utilized by the Group.

The Company is subject to taxation in several jurisdictions, where significant judgment 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 ACCOUNTS

<b>Total tax liabilities</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Long-term tax liabilities falling due after 1 year	1,786	1,721
Payable taxes falling due within 1 year	3,093	4,295
<b>Tax liabilities</b>	<b>4,879</b>	<b>6,016</b>
<b>Tax expense</b>		
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Taxes payable	-438	-294
Change in deferred tax/deferred tax asset	-945	-294
<b>Total</b>	<b>-1,383</b>	<b>-588</b>

There is no tax amount related to the items under Other Comprehensive Income.

<b>Total tax – other tax regime</b>	<b>PARENT COMPANY</b>	
<i>(Amounts in USD 1,000)</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Long-term tax liabilities falling due after 1 year	-	-
Payable taxes falling due within 1 year	-	-
<b>Tax liabilities</b>	<b>-</b>	<b>-</b>
<b>Tax expense</b>	<b>2019</b>	<b>2018</b>
Tax gain/(expense)	-95	1,078
<b>Total</b>	<b>-95</b>	<b>1,078</b>

The Company has been charged for local and regional income and import tax in Brazil which the Company has disputed. All disputed tax claims have been filed for court decision. The Company considers the chances of success to be possible and has made no provisions for disputed tax claims. However, the Company has been requested to issue bank guarantees for some disputed tax claims.

See note 16 - Guarantees.

## Note 12 – Borrowings

### Drawn amount - excluding CIRR

### CONSOLIDATED

(Amounts in USD 1,000)

12/31/2019

12/31/2018

Secured	Current	Non-current	Total	Current	Non-current	Total
Bank Loans	97,527	761,985	859,512	103,900	854,892	958,792
<b>Total secured borrowings</b>	<b>97,527</b>	<b>761,985</b>	<b>859,512</b>	<b>103,900</b>	<b>854,892</b>	<b>958,792</b>
<b>Unsecured</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Fixed rate notes / Bonds	-	82,362	82,362	-	82,236	82,236
Floating rate notes / Bonds	39,862	-	39,862	-	40,283	40,283
Loans from related parties (1)	-	34,895	34,895	-	21,115	21,115
<b>Total unsecured borrowings</b>	<b>39,862</b>	<b>117,258</b>	<b>157,119</b>	<b>-</b>	<b>143,634</b>	<b>143,634</b>
<b>Total borrowings</b>	<b>137,389</b>	<b>879,243</b>	<b>1,016,632</b>	<b>103,900</b>	<b>998,526</b>	<b>1,102,426</b>
Fees and expenses	-790	-2,875	-3,665	-	-6,422	-6,422
<b>Total borrowings incl. fees</b>	<b>136,599</b>	<b>876,367</b>	<b>1,012,966</b>	<b>103,900</b>	<b>992,103</b>	<b>1,096,003</b>

### Fair value - excluding CIRR

### CONSOLIDATED

(Amounts in USD 1,000)

12/31/2019

12/31/2018

Secured	Current	Non-current	Total	Current	Non-current	Total
Bank Loans	97,527	786,338	883,865	103,900	861,678	965,578
<b>Total secured borrowings</b>	<b>97,527</b>	<b>786,338</b>	<b>883,865</b>	<b>103,900</b>	<b>861,678</b>	<b>965,578</b>
<b>Unsecured</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Fixed rate notes / Bonds	-	84,910	84,910	-	82,236	82,236
Floating rate notes / Bonds	39,862	-	39,862	-	40,283	40,283
Loans from related parties (1)	-	34,895	34,895	-	21,115	21,115
<b>Total unsecured borrowings</b>	<b>39,862</b>	<b>119,805</b>	<b>159,667</b>	<b>-</b>	<b>143,634</b>	<b>143,634</b>
<b>Total borrowings</b>	<b>137,389</b>	<b>906,143</b>	<b>1,043,532</b>	<b>103,900</b>	<b>1,005,312</b>	<b>1,109,212</b>
Fees and expenses	-790	-2,875	-3,665	-	-6,422	-6,422
<b>Total</b>	<b>136,599</b>	<b>903,268</b>	<b>1,039,867</b>	<b>103,900</b>	<b>998,889</b>	<b>1,102,789</b>

# NOTES TO THE ACCOUNTS

Drawn amount - excluding CIRR				PARENT COMPANY		
(Amounts in USD 1,000)				12/31/2019		12/31/2018
Unsecured	Current	Non-current	Total	Current	Non-current	Total
Fixed rate notes / Bonds	-	82,362	82,362		82,236	82,236
Floating rate notes / Bonds	39,862	-	39,862	-	40,283	40,283
<b>Total unsecured borrowings</b>	<b>39,862</b>	<b>82,362</b>	<b>122,224</b>	<b>-</b>	<b>122,519</b>	<b>122,519</b>
<b>Total borrowings</b>	<b>39,862</b>	<b>82,362</b>	<b>122,224</b>	<b>-</b>	<b>122,519</b>	<b>122,519</b>
Fees and expenses	-		-	-	-5	-5
<b>Total borrowings incl. fees</b>	<b>39,862</b>	<b>82,362</b>	<b>122,224</b>	<b>-</b>	<b>122,514</b>	<b>122,514</b>

Fair value - excluding CIRR				PARENT COMPANY		
(Amounts in USD 1,000)				12/31/2019		12/31/2018
Unsecured	Current	Non-current	Total	Current	Non-current	Total
Fixed rate notes / Bonds	-	84,910	84,910		82,236	82,236
Floating rate notes / Bonds	39,862	-	39,862	-	40,283	40,283
<b>Total unsecured borrowings</b>	<b>39,862</b>	<b>84,910</b>	<b>124,772</b>	<b>-</b>	<b>122,519</b>	<b>122,519</b>
<b>Total borrowings</b>	<b>39,862</b>	<b>84,910</b>	<b>124,772</b>	<b>-</b>	<b>122,519</b>	<b>122,519</b>
Fees and expenses	-	-	-	-	-5	-5
<b>Total</b>	<b>39,862</b>	<b>84,910</b>	<b>124,772</b>	<b>-</b>	<b>122,514</b>	<b>122,514</b>

The Company has a portfolio of bank loans secured with mortgage in vessels. The creditors and guarantors are in general first class commercial banks and state-owned financial institutions with ratings on or above BBB- and AAA.

As of year end, the Company had issued two high-yield unsecured bonds of NOK350 million and NOK760 million respectively. The NOK760 million bond is a convertible bond. The Company has a call option at 120% of par value. The high-yield unsecured bonds are listed on Oslo Stock Exchange, have no amortization and mature in 2020 and 2023.

- (1) At year-end 2019 the Company held a secured revolving credit facility with Siem Industries Inc at USD12 million. The credit facility remained undrawn at year-end 2019. The non-controlling interest in Siem AHTS Pool AS has paid-in a subordinated shareholder's loan at USD34,895. Interests are accrued on a quarterly basis and added to the principal debt. Installments and interests will become payable from April 2023 contingent upon approval from mortgage debt lenders.

Instalments falling due over the next 5 years - excluding CIRR			CONSOLIDATED
(Amounts in USD 1,000)	Mortgage debt	Other interest bearing debt	Total
2020	96,737	39,862	136,599
2021	97,667	-	97,667
2022	304,890	-	304,890
2023	70,283	84,980	155,262
2024	66,898	3,490	70,388
Thereafter	219,372	28,788	248,160
<b>Total</b>	<b>855,847</b>	<b>157,119</b>	<b>1,012,966</b>

Instalments falling due over the next 5 years - excluding CIRR			PARENT COMPANY
(Amounts in USD 1,000)	Mortgage debt	Other interest bearing debt	Total
2020	-	39,862	39,862
2021	-	-	-
2022	-	-	-
2023	-	82,362	82,362
2024	-	-	-
Thereafter	-	-	-
<b>Total</b>	<b>-</b>	<b>122,224</b>	<b>122,224</b>

The book value of mortgaged assets consist of non-current tangible assets and a portion of the accounts receivables that amounts to USD1.3 billion at year end.

There are various financial covenants related to the Company's debt agreements. The main prevailing covenants are:

- Value adjusted book equity ratio in excess of 20%
- USD50 million of freely available cash, bank deposit balance and undrawn credit facilities
- Leverage and credit ratios

The Company and Parent Company are in compliance with the financial covenants at 31 December 2019.

# NOTES TO THE ACCOUNTS

PARENT COMPANY		CIRR Commitment	CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	12/31/2019	12/31/2018
-	4,869	Total CIRR loan commitment	54,540	68,730
-	4,869	CIRR loan drawn	54,540	68,730
-	-	<b>Net Commitment</b>	-	-

Prior to ordering vessels from Norwegian yards, the Company applied for fixed 12-year interest rate options related to the long-term financing of such vessels. The Company was granted such options for each of the relevant vessel by the Norwegian Export Credit Agency. The Company made certain sale of the right to exercise such options to a first class international bank (the "Bank"). Long-term loans drawn from the Norwegian Export Credit Agency are placed as corresponding deposits in the Bank as financial security for the loans drawn. Recognition of the gain, related to each option, is recorded over the term of any drawn loans. In relation to sale of a vessel in 2015, which had a fixed 12-year USD interest rate associated with its mortgage debt financing, the receipt from the sale equivalent to the amount and remaining term of the outstanding long-term loan from the Norwegian Export Credit Agency was placed on deposits in the Bank as financial security for the drawn loan at the date when the sale was concluded.

PARENT COMPANY		Unearned CIRR	CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	12/31/2019	12/31/2018
314	682	Beginning of the year	314	682
-314	-368	Recognized in the profit and loss account	-314	-368
-	-	Paid-back CIRR	-	-
-	<b>314</b>	<b>Net unearned CIRR as of 31 December</b>	-	<b>314</b>

Net debt		CONSOLIDATED	
(Amounts in USD 1,000)		12/31/2019	12/31/2018
Cash and cash equivalents		74,451	63,413
Borrowings, repayable within one year		-136,599	-103,900
Borrowings, repayable after one year		-876,367	-992,103
<b>Net debt</b>		<b>-938,516</b>	<b>-1,032,590</b>

Cash and cash equivalents	74,451	63,413
Gross debt - fixed interest rates	-383,205	-408,995
Gross debt - floating interest rates	-629,761	-687,008
<b>Net debt</b>	<b>-938,516</b>	<b>-1,032,590</b>

PARENT COMPANY	
(Amounts in USD 1,000)	
Cash and cash equivalents	60,430
Borrowings, repayable within one year	-39,862
Borrowings, repayable after one year	-82,362
<b>Net debt</b>	<b>-61,794</b>

Cash and cash equivalents	60,430	163,302
Gross debt - fixed interest rates	-39,862	-82,233
Gross debt - floating interest rates	-82,362	-40,282
<b>Net debt</b>	<b>-61,794</b>	<b>40,788</b>

<b>Borrowings</b>	<b>CONSOLIDATED</b>
<i>(Amounts in USD 1,000)</i>	
Borrowings as at 1 January 2018	1,303,000
Cash flows	-236,693
Reclassification from other non current liabilities to borrowings	21,115
Foreign exchange adjustments	8,581
<b>Borrowings as at 31 December 2018</b>	<b>1,096,003</b>
Lease liability 01.01.2019	8,030
Lease payments	-1,639
New leases	612
Repayment of borrowings	-98,670
New loans related parties	12,231
Accrued interest related parties	1,549
Foreign exchange adjustments	1,063
Effect from restatement of bonds to convertible bonds	618
Other	172
<b>Borrowings as at 31 December 2019</b>	<b>1,019,969</b>

<b>Borrowings</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Borrowings repayable within one year	136,599	103,900
Borrowings repayable after one year	876,367	992,103
Lease liability repayable within one year	1,672	-
Lease liability repayable after one year	5,332	-
<b>Total</b>	<b>1,019,969</b>	<b>1,096,003</b>

<b>Borrowings</b>	<b>PARENT COMPANY</b>
<i>(Amounts in USD 1,000)</i>	
Borrowings as at 1 January 2018	171,095
Cash flows	-54,851
Foreign exchange adjustments	6,270
<b>Borrowings as at 31 December 2018</b>	<b>122,514</b>
Net change in cash during the period	
Foreign exchange adjustments	-290
<b>Borrowings as at 31 December 2019</b>	<b>122,224</b>

<b>Borrowings</b>	<b>PARENT COMPANY</b>	
<i>(Amounts in USD 1,000)</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Borrowings repayable within one year	38,539	-
Borrowings repayable after one year	83,685	122,514
<b>Total</b>	<b>122,224</b>	<b>122,514</b>



# NOTES TO THE ACCOUNTS

## Note 13 - Other Current Liabilities

PARENT COMPANY			CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	12/31/2019	12/31/2018
-	-	Social security tax, etc.	2,704	2,385
-	-	Unearned income	3,384	4,642
1,035	1,289	Accrued interest	6,671	6,499
-	859	Other accrued cost, mainly regarding operating expenses vessels	13,220	19,404
-	-	Current lease liability	1,672	-
2,969	64,234	Intercompany liabilities	-	-
-	-	Accrual for possible legal claims in Brazil	16,444	5,267
411	387	Other current liabilities	5,220	4,998
<b>4,415</b>	<b>66,769</b>	<b>Total other current liabilities</b>	<b>49,314</b>	<b>43,194</b>

Other accrued cost includes accrued commission and accruals for purchase orders.

Other current liabilities includes accrued salaries and incentive program, provision for operating expenses and other short term liabilities.

An accrual at USD 16 million has been recorded for possible legal claims related to contracts and labour cases in Brazil.

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## Note 14 – Related Party Transactions

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The Company's largest shareholder Siem Europe S.a r.l, with a holding of 83 %, and its parent company, Siem Industries Inc., are defined as related parties.

The Company is charged by Siem Industries Inc. for an annual fee of USD 250 for 2019 (2018: USD250). The fee is the remuneration for the services of two of the Board members and cost related to office and administration in the Cayman Islands.

Details related to transactions, loans and remuneration to the Executive Management and the Board of Directors are set out in Note 18. For the Parent, all subsidiaries listed in Note 6 are also defined as related parties.

For other related parties, the following transactions were carried out:

<b>Sales of services</b> <i>(Amounts in USD 1,000)</i>	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
Service to entity where director has ownership	2,201	15,891
<b>Total</b>	<b>2,201</b>	<b>15,891</b>

The service is provided to companies in which the Chairman has an interest. Kristian Siem is the Chairman of Siem Industries Inc., which is controlled by a trust whose potential beneficiaries include members of Kristian Siem's immediate family. Siem Industries holds an interest in Subsea 7. Siem Offshore Rederi AS, 100% owned by the Company and Siem AHTS Pool AS, 78% owned by the Company, have chartered vessels to Subsea 7 during 2019 and 2018.

The amounts for 2019 and 2018 also include management services and crew service to subsidiaries of Siem Europe S.a r.l. and to Subsea 7 companies.

<b>Purchase of service</b> <i>(Amounts in USD 1,000)</i>	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
Service from entity where director has ownership	499	351
<b>Total</b>	<b>499</b>	<b>351</b>

Services purchased from related parties for 2019 were mainly cost for technical management, corporate management and crew.

Service from entity where director has ownership consist of service from the yard Flensburger Schiffbau GmbH and management fees from Siem Capital UK Ltd and Siem Kapital AS, all three 100% owned by Siem Europe S.a r.l.

# NOTES TO THE ACCOUNTS

<b>Sale of non-current assets</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Sale of vessel	-	111,249
Sale of shares	-	134,766
<b>Total</b>	<b>-</b>	<b>246,015</b>

First Half 2018 two transactions were executed with Subsea 7 S.A. Siem Offshore Invest AS, 100% owned by the Company, sold 100% of its shares in the wholly owned subsidiary Siem Offshore Contractors GmbH, and Siem Offshore Rederi AS, 100% owned by the Company, sold two specialized vessels for renewable operations.

For further information related to these transactions, please see Note 30.

These transactions were at arm's length.

<b>Balance sheet items following purchase and sale of service</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Accounts receivable	12	590
Accounts payable	10	73

<b>Current loan to related parties</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
At 1 January	4,061	6,400
Drawings	-	6,823
Instalments	-3,650	-2,823
Interest expenses	299	72
Interest paid	-	-10
Remission of debt	-	-6,400
<b>At 31 December</b>	<b>710</b>	<b>4,061</b>

Day OCV, 100% owned by Siem Europe S.a r.l. has ben provided with a loan of USD 4.1 million in 2018. The loan was partly repaid in 2019, interest charge has been added to the principal loan. The loan is at market terms of interest.

<b>Non-current liability to related parties Loans to related parties</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
At 1 January	21,115	25,983
Drawings	12,230	6,989
Instalments	-	-12,746
Interest expenses	1,550	1,241
Interest paid	-	-351
<b>At 31 December</b>	<b>34,895</b>	<b>21,115</b>

#### **Non-current liability**

The Company holds a long-term credit facility in Siem AHTS Pool AS who has drawn a shareholder's loan from its 22% shareholder Singa Star PTE LTD. Interest charged has been added to the principal loan. Per agreement, no instalments or interest payments will be due till 2023. The loan is unsecured and subordinated to bank debt.

The liability is at markets term of interest.

<b>Sale of service</b>	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Service to subsidiaries	1,415	1,442
Service to associates	25	471
<b>Total</b>	<b>1,440</b>	<b>1,913</b>

<b>Purchase of service</b>	<b>PARENT COMPANY</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Service from subsidiaries	4,707	5,216
Service from associates	250	-
<b>Total</b>	<b>4,957</b>	<b>5,216</b>

Sales to subsidiaries and associates consists of guarantee commissions to Siem Offshore Rederi AS and Secunda Holdings Canada LP.

Service purchased from subsidiaries consists of administrative and corporate services provided by Siem Offshore Management AS.

All terms used for above transactions are at arm's length.

# NOTES TO THE ACCOUNTS

## Year-end balance sheet items arising from sales and purchases

## PARENT COMPANY

(Amounts in USD 1,000)	12/31/2019	12/31/2018
<b>Receivables from related parties</b>		
Subsidiaries	602	586
Associates	74	298
<b>Total</b>	<b>676</b>	<b>885</b>

## Payables to related parties

Subsidiaries	2,970	64,234
<b>Total</b>	<b>2,970</b>	<b>64,234</b>

## Non-current loan to subsidiaries

## PARENT COMPANY

(Amounts in USD 1,000)	12/31/2019	12/31/2018
At 1 January	76,522	69,570
Drawings	42,929	25,000
Interest charged	5,888	3,401
Provision for bad debt	-1,950	-21,316
Exchange rate variations	-156	-133
<b>At 31 December</b>	<b>123,232</b>	<b>76,522</b>

The long-term loan to subsidiaries on 31 December 2019, is with Siem Offshore do Brasil SA and Siem AHTS Pool AS. Provision for 100% of outstanding amount for the long-term loan to Siem Offshore do Brasil SA (USD 21,741) has been made and is reflected above.

All loans are at market terms of interest.

## Current loan to related parties

## PARENT COMPANY

(Amounts in USD 1,000)	12/31/2019	12/31/2018
At 1 January	4,061	7,797
Drawings	-	6,823
Instalments	-3,650	-2,823
Interest charged	299	136
Interest received	-	-10
Provision for bad debt	-	-1,462
Remission of debt	-	-6,400
<b>At 31 December</b>	<b>710</b>	<b>4,061</b>

Day OCV Pte Ltd, 100% owned by Siem Europe S.a r.l., was provided with a loan of USD 4.1 million in 2018. The loan was partly repaid in 2019. Interest charge has been added to the principal amount. The loan is on market terms of interest.

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**Non-current liability to related parties****PARENT COMPANY***(Amounts in USD 1,000)***12/31/2019 12/31/2018**

At 1 January	-	12,746
Drawings	-	-
Instalments	-	-12,746
Interest charged	-	351
Interest paid	-	-351
<b>At 31 December</b>	<b>-</b>	<b>-</b>

The revolving credit facility provided by Siem Industries Inc. was fully repaid in 2018. The credit facility has a limit of USD 12 million and has not been drawn on at year end 2019.

The credit facility is at market terms of interest.



## Note 15 – Derivative Financial Instruments – Assets (Liabilities)

PARENT COMPANY					CONSOLIDATED			
12/31/2019		12/31/2018		(Amounts in USD 1,000)	12/31/2019		12/31/2018	
Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities
-	3,310	-	2,727	Derivatives related to the Senior Unsecured Convertible Bond Issue 2018/2023	-	3,310	-	2,727
-	-	-	-	Forward currency contracts - cash flow hedges	440	-	157	745
-	-	-	-	Interest rate swaps	-	4,827	2,993	372
-	-	-	-	Cross currency swaps	-	16,112	-	14,373
-	3,310	-	2,727	<b>Total derivative financial instruments</b>	<b>440</b>	<b>24,249</b>	<b>3,150</b>	<b>18,216</b>

### Derivatives related to the Senior Unsecured Convertible Bond Issue 2018/2023

The parent company raised a NOK760 million unsecured convertible bond in May 2018. Embedded in the bond loan is a call option and a conversion right. These are closely related, and are accounted for as a net liability as per 31 December 2019. The liability component and the embedded derivatives were initially recognised at their fair value. The liability component is subsequently stated at amortized cost, while the embedded derivatives are market to market at each balance sheet date, with changes to the fair value recognised in the statement of comprehensive income within finance cost/revenue.

### Forward currency contracts

The nominal principal amount of the outstanding forward currency contracts on 31 December 2019 were USD 15.0 million (2018: 25.1 million) of which USD 8.0 million refers to USD/NOK contracts, and USD 7.0 million refers to GBP/USD contracts. The forward currency contracts have been entered into in order to hedge primarily revenue and operating expenses in other currencies than USD.

### Currency options

The Company has no currency option contracts at the moment.

For further information regarding profit and loss effect on forward currency contracts see Note 26.

### Interest rate swaps

The nominal amounts of the outstanding interest rate swaps contracts on 31 December 2019 were USD 240.0 million (2018: USD 140.0 million). All swaps convert floating interest rate on debt to fixed interest rate. At 31 December 2019, the fixed rates vary from 1.75% to 3.15%. The floating rate leg of the interest rate swaps is 3-month USD LIBOR. Gains and losses are recognised in the profit and loss under financial expenses.

### Cross currency swaps

Outstanding amount 31 December 2019 is USD 82.5 million (2018: 95.4 million). Cross currency swaps have been entered into in order to hedge both interest and principal payments on long term debt financings denominated in other currencies than USD.



# NOTES TO THE ACCOUNTS

## Note 16 – Guarantees

PARENT COMPANY			CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	12/31/2019	12/31/2018
-	-	Guarantees related to tax-disputes, Brazil	2,755	10,672
987,982	1,086,548	Guarantees for debt in subsidiaries	-	-
<b>987,982</b>	<b>1,086,548</b>	<b>Total guarantees</b>	<b>2,755</b>	<b>10,672</b>

Guarantees related to disputes and ongoing tax-cases have been raised per request from Brazilian tax-authorities.

## Note 17 – Operating Expenses

PARENT COMPANY			CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	2019	2018
-	-	Vessel crew expenses	102,778	105,863
-	-	Other vessel operating expenses	62,290	62,712
538	7,025	General and administration	17,718	24,105
<b>538</b>	<b>7,025</b>	<b>Total operating expenses</b>	<b>182,785</b>	<b>192,680</b>

## Note 18 – Salaries and Wages, Number of Employees

Personnel expenses (1)	CONSOLIDATED	
(Amounts in USD 1,000)	2019	2018
Salaries and wages	93,844	73,193
Government grants - net wages arrangement in Norway	-4,212	-3,711
Payroll tax	6,463	5,787
Pension costs, see Note 8	1,103	3,284
Other benefit	5,511	12,293
<b>Total personnel expenses</b>	<b>102,710</b>	<b>90,846</b>

(1) Personnel expenses include vessel crew expenses and part of general and administrative expenses, see Note 17.

Government grants is a special Norwegian seaman payroll and tax refund scheme given to Norwegian shipping companies.

The average number of employees in the Company was 1,218 for 2019 (2018: 1,258), including onshore and offshore employees. There are no employees in the Parent.

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**Payroll registered to the executive management:**

<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Salary and other short term compensation	1,948	1,861
<b>Total</b>	<b>1,948</b>	<b>1,861</b>

Employees included in the above payroll in 2019 were five (2018: five).

Corporate management salaries and other benefits are presented in the table below:

<b>Name</b>	<b>Salary paid</b>	<b>Pension premium</b>	<b>Other benefits</b>	<b>Share options held</b>
<b>2019</b>				
CEO Bernt Omdal	433.5	36.2	6.4	2,400,000
CFO Dagfinn B. Lie	443.0	30.3	7.5	2,400,000
COO Tore Lillestø	297.0	27.0	2.0	-
CHRO Tore B. Johannessen	309.3	37.2	1.9	2,400,000
Chartering Dir. Andreas Hageli	290.7	24.1	1.9	-

Shares in the Company held by members of corporate management in 2019 were 10,000 (2018: 1,538,161).

**2018**

CEO Bernt Omdal	478.7	30.2	4.1	2,400,000
CFO Dagfinn B. Lie	384.9	24.5	9.2	2,400,000
COO Tore Lillestø	311.8	22.5	4.2	-
CHRO Tore B. Johannessen	284.6	33.3	5.8	2,400,000
Chartering Dir. Andreas Hageli	239.3	24.3	3.7	-

The Board of Directors of Siem Offshore Inc. has authorized the award of two programs of Share Options to three key employees of the Company. The total cost for the two programs is USD 5 for 2019 (USD 34 for 2018). See Note 29 for more information.

**Loan to executive management (1)**

<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Balance 1 January	993	982
Instalments	-993	-
Capitalized interest	-	11
<b>Balance 31 December</b>	<b>-</b>	<b>993</b>

(1) Share loan: The loans are repayable by the employee when the employee's shares in the company are realized or if the employee leaves the Company. The loans were settled in 2019 as the shares in pledge were sold.

The Remuneration paid to the Board of Directors in 2019 was USD 455 (2018: USD 455).

# NOTES TO THE ACCOUNTS

## Auditor's remuneration

PARENT COMPANY			CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	2019	2018
80	84	Audit Fee	389	437
15	35	Audit Fee Other	52	41
50	137	Tax and legal assistance	149	144
-	-	Other consultants, Fees	23	62
<b>145</b>	<b>256</b>	<b>Total auditor's remuneration</b>	<b>613</b>	<b>684</b>

## Note 19 – 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 Company 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 implementation of IFRS 16:

#### Consolidated Statements of Financial Position:

(Amounts in USD 1,000)

<b>Right of use assets at 01.01.2019</b>	<b>8,030</b>
Additions in 2019	612
The year's depreciation	-1,863
<b>Right of use assets at 31.12.2019</b>	<b>6,779</b>

The balance sheet shows the following amounts relating to leases:

(Amounts in USD 1,000)	12/31/2019	01/01/2019
<b>Right of use assets*</b>		
Land and buildings	2,872	3,146
Vessels and equipment	3,907	4,884
<b>Total Right of use assets</b>	<b>6,779</b>	<b>8,030</b>

\*included in the line item "Vessels and equipment" in the balance sheet.

<b>Lease liability at 01.01.2019</b>	<b>8,030</b>
Additions in 2019	612
Lease payments	-2,179
Interest cost	540
<b>Lease liability at 31.12.2019</b>	<b>7,004</b>

<i>(Amounts in USD 1,000)</i>	<b>12/31/2019</b>	<b>01/01/2019</b>
<b>Lease liabilities**</b>		
Current	1,672	1,638
Non-Current	5,332	6,392
	<b>7,004</b>	<b>8,030</b>

\*\*included in the line item "other liabilities" in the balance sheet. The Company did not have any financial leases as per IAS 17 Leases previous year, and has not presented any lease obligations as Borrowings previous years.

#### Consolidated Income Statements :

<i>(Amounts in USD 1,000)</i>	<b>2019</b>
Operating expenses	-1,166
Administrative expenses	-1,013
Depreciation and amortization	1,863
Financial expenses	540
<b>Net effect</b>	<b>225</b>

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 repayments of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

#### Operating Leases as Lessor of vessels:

The table below shows future minimum lease payments for vessels fixed on leasing contracts (in total 26 Time Charter contracts as of 31 December 2019). For the Time Charter contracts, the service element related to operations of the vessels (crewing, maintenance etc.) is also included in the amounts presented below. Optional periods are not included in the amounts below.

<b>PARENT COMPANY</b>			<b>CONSOLIDATED</b>	
<b>2019</b>	<b>2018</b>	<i>(Amounts in USD 1,000)</i> <b>Fall due</b>	<b>2019</b>	<b>2018</b>
-	-	Within 1 year	200,268	204,586
-	-	1 to 5 years	445,183	463,588
-	-	After 5 years	6,328	19,766
-	-	<b>Total</b>	<b>651,779</b>	<b>687,940</b>

## Note 20 – Financial Items

PARENT COMPANY			CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	2019	2018
<b>Financial income</b>				
13,296	8,406	Interest income	8,118	15,397
2,385	29,484	Other financial income	1,647	28,077
<b>15,682</b>	<b>37,890</b>	<b>Total financial income</b>	<b>9,765</b>	<b>43,474</b>
<b>Financial expenses</b>				
-8,716	-9,243	Interest expenses	-60,986	-57,747
-194,262	-132,388	Impairment of shares and receivables from subsidiaries	-	-
-675	-123	Other financial expenses	-4,147	-5,397
<b>-203,654</b>	<b>-141,754</b>	<b>Total financial expenses</b>	<b>-65,133</b>	<b>-63,144</b>
<b>Other financial items</b>				
2,880	7,154	Net currency gain/(loss)	-816	-7,530
<b>2,880</b>	<b>7,154</b>	<b>Total currency gain/(loss)</b>	<b>-816</b>	<b>-7,530</b>

The financial income for 2018 includes a gain from the amended agreement with the bondholders of Siem Offshore Inc. Senior Unsecured Bond Issue 2013/2018 ("SIOFF01") and Siem Offshore Inc. Senior Unsecured Bond Issue 2014/2019("SIOFF02") of USD23.6 million.

The net currency gain/(loss) for the Parent of USD 2,880 includes an intercompany realized currency loss of USD 2,866.

The weighted average cost of debt for the Company was approximately 4.6% at 31 December 2019, including the effect of fixed interest rate swap agreements.

## Note 21 – Earnings/(loss) per Share

<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Weighted average number of shares outstanding (1,000)	941,802	942,021
Weighted average number of shares diluted (1,000)*	1,202,335	1,202,335
Result attributable to shareholders	-88,229	15,951
<b>Earnings/(loss) per share attributable to equity shareholders</b>	<b>-0.09</b>	<b>0.02</b>
<b>Earnings/(loss) per share diluted attributable to equity shareholders</b>	<b>-0.09</b>	<b>0.01</b>

\* Shares to be included in diluted number of shares (in 1,000):

	<b>2019</b>	<b>2018</b>
Number of shares from Option program to executive management (see note 18 and 29)	7 200	7 200
Number of shares related to Convertible loan (see note 12)	253 333	253 333
<b>Total number of shares in addition to be included in diluted number of shares</b>	<b>260 533</b>	<b>260 533</b>

## Note 22 – Assets Held for Sale

	<b>CONSOLIDATED</b>	
<i>(Amounts in USD 1,000)</i>	<b>2019</b>	<b>2018</b>
Net book value per 1 January	16,950	-
Moved from fixed asset	-	16,950
Capitalized cost related to sale of vessels	715	-
The year's disposal at cost	-16,950	-
<b>Net book value per 31 December</b>	<b>715</b>	<b>16,950</b>

### 2019

The sale of the vessels "Siem Sasha", "Siem Louisa" and "Sophie Siem" was concluded 26 February 2019.

"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.

### 2018

The net book value for the vessels "Siem Sasha", "Siem Louisa" and "Sophie Siem" was transferred from fixed asset to asset held for sale in December 2018. The sale of these three PSV vessels was concluded 26 February 2019.

## Note 23 – Other Gain/(Loss) on Sale of Assets

PARENT COMPANY			CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	2019	2018
-	-	Gain/(loss) on sale of assets, net	-2,779	249
-	-	<b>Total</b>	<b>-2,779</b>	<b>249</b>

### 2019

The net loss for the Company on sale of assets of USD 2.8 million is from the sale of the vessels Siem Marlin, Siem Sasha, Siem Louisa and Sophie Siem, a crane and other equipment.

### 2018

The net gain for the Company on sale of assets of USD 0.05 million is from the sale of an accommodation module, one car and other equipment.

## Note 24 – Listing of the 20 Largest Shareholders as of 31 December 2019

SHAREHOLDER	Number of shares	Owner interest
SIEM EUROPE S.A R.L	782,094,365	83.67%
ACE CROWN INTERNATIONAL LIMITED	95,565,454	10.22%
ROY TORVILD MOSVOLD	15,500,000	1.66%
EGD CAPITAL AS	6,000,000	0.64%
MERRILL LYNCH, PIERCE, FENNER & SM	3,717,644	0.40%
ROVDEFRAKT AS	2,550,000	0.27%
UBS SWITZERLAND AG	1,832,206	0.20%
TONGA INVEST AS	1,678,050	0.18%
FORSVARETS PERSONELLSERVICE	953,976	0.10%
CORTEX AS	952,000	0.10%
STIAN OPSAHL	860,437	0.09%
OSLOKANALEN AS	850,000	0.09%
LARS BRUUN	699,656	0.07%
MACAMA AS	529,704	0.06%
KEBI AS	520,000	0.06%
BARRUS CAPITAL AS	515,697	0.06%
LEROLI AS	500,000	0.05%
DEUTCHE BANK AKTIENGESELLSCHAFT	495,480	0.05%
NORDNET LIVSFORSIKRING AS	447,352	0.05%
PAAL MYHRE	400,000	0.04%
<b>Total 20 largest shareholders</b>	<b>916,662,021</b>	<b>98.07%</b>
Other shareholders	18,076,756	1.93%
<b>Total number of outstanding shares</b>	<b>934,738,777</b>	<b>100.00%</b>

Siem Europe S.a r.l. is the main shareholder of Siem Offshore Inc. and is controlled by a trust whose potential beneficiaries include members of Kristian Siem's immediate family. Kristian Siem, who is the Chairman of the Company, is also the Chairman of Siem Industries Inc., who is the parent company of Siem Europe S.a r.l.



## Note 25 – Subsequent Events

- Completed the sale and delivery for the recycling of the two Canadian flagged vessels "Burin" and "Trinity". The vessels' book values were nil and the sale was concluded with an insignificant effect on profit and cash flow.
- Agreed a contract for the Dual Fuel PSV "Siem Symphony" for supporting a 10-well drilling campaign on the Norwegian Continental Shelf. The firm contract is estimated for a duration up to 600 days, plus options. The vessel is expected to commence operation during the second quarter 2020.
- Received approval from the Bondholders for the waiver of financial covenants for the period 1 January 2020 to 30 June 2020.
- The extreme fluctuations in the financial markets in March 2020 resulted in a further deterioration of the Company's liquidity

situation. The Company initiated discussions with its financing banks to seek to alleviate the situation.

- The Company entered into an agreement with its secured lenders to provide time to secure a long-term financing solution for the Company. The terms of the agreement includes deferral and suspension of principal and interest terms and waiver of financial covenants effective from 31 March 2020 until 15 May 2020.
- Established a Company Task Force Group to manage and co-ordinate the risks, precautions and possible effects from the COVID-19 pandemic.

Please see Note 31 for further disclosure information related to going concern uncertainty including the COVID-19 pandemic and information related to the financing banks and bondholders.

## Note 26 – Gain/(Loss) on Currency Derivative Contracts

PARENT COMPANY			CONSOLIDATED	
2019	2018	(Amounts in USD 1,000)	2019	2018
-	-	Unrealized gain/(loss)	-789	-7,413
-27	-60	Realized gain/(loss)	-87	-932
<b>-27</b>	<b>-60</b>	<b>Total</b>	<b>-876</b>	<b>-8,344</b>

Further details related to the currency derivative contracts are set out in Note 15.

## Note 27 – Financial Instruments by Category

Below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments.

31 December 2019	CONSOLIDATED		
(Amounts in USD 1,000)	Financial assets at amortized cost	Assets at fair value through the profit and loss	Total
<b>Assets as per statement of financial position</b>			
Derivative financial instruments	-	440	440
Accounts receivable	40,990	-	40,990
Other short term receivables	6,533	-	6,533
CIRR Loan deposits	54,540	-	54,540
Long term receivables	39,199	-	39,199
Cash and cash equivalents	74,451	-	74,451
<b>Total</b>	<b>215,713</b>	<b>440</b>	<b>216,153</b>

Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to USD15,659, see Note 9.

31 December 2019	CONSOLIDATED		
(Amounts in USD 1,000)	Liabilities at fair value through the profit or loss	Other financial liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Accounts payable	-	18,085	18,085
Borrowings	-	1,012,966	1,012,966
CIRR Loans	-	54,540	54,540
Other non-current liabilities	-	16,573	16,573
Other current liabilities	-	49,314	49,314
Adjustments for liabilities that do not qualify as a financial instrument	-	-18,115	-18,115
Derivative financial instruments	24,249	-	24,249
<b>Total</b>	<b>24,249</b>	<b>1,133,364</b>	<b>1,157,613</b>

Non-financial liabilities do not qualify as a financial instrument and are not included in above amount. Excluded liabilities amount to USD 18,115 consisting of USD 3,093 in Taxes Payable, USD 477 in Pension Liability, USD 2,703 in Social Security Payable, USD 1,786 in Tax Liability, USD 3,384 in Unearned Income and USD 6,671 in Accrued Interest. See Note 13 for information about Social Security Payable and Unearned Income.

# NOTES TO THE ACCOUNTS

31 December 2018

CONSOLIDATED

(Amounts in USD 1,000)	Financial assets at amortized cost	Assets at fair value through the profit and loss	Total
<b>Assets as per statement of financial position</b>			
Derivative financial instruments	-	3,150	3,150
Accounts receivable	37,544	-	37,544
Other short term receivables	25,088	-	25,088
CIRR Loan deposits	68,730	-	68,730
Long term receivables	34,069	-	34,069
Cash and cash equivalents	63,413	-	63,413
<b>Total</b>	<b>228,844</b>	<b>3,150</b>	<b>231,994</b>

"Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to USD 26,886, see Note 9.

31 December 2018

CONSOLIDATED

(Amounts in USD 1,000)	Liabilities at fair value through the profit or loss	Other financial liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Accounts payable	-	13,945	13,945
Borrowings	-	1,096,003	1,096,003
CIRR Loans	-	68,730	68,730
Other non-current liabilities	-	32,034	32,034
Other current liabilities	-	43,194	43,194
Adjustments for liabilities that do not qualify as a financial instrument (1)	-	-14,774	-14,774
Derivative financial instruments	18,216	-	18,216
<b>Total</b>	<b>18,216</b>	<b>1,239,133</b>	<b>1,257,349</b>

Non-financial liabilities do not qualify as a financial instrument and are not included in above amount. Excluded liabilities amount to USD 14,774 consisting of USD 4,596 in Taxes Payable, USD 1,731 in Pension Liability, USD 2,385 in Social Security Payable, USD 1,419 in Tax Liability and USD 4,641 in Unearned Income. See Note 13 for information about Social Security Payable and Unearned Income.

31 December 2019

PARENT COMPANY

(Amounts in USD 1,000)	Financial assets at amortized cost	Assets at fair value through the profit and loss	Total
<b>Assets as per statement of financial position</b>			
Trade and other instruments (1)	126,170	-	126,170
Cash and cash equivalents	60,430	-	60,430
<b>Total</b>	<b>186,601</b>	<b>-</b>	<b>186,601</b>

(1) Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to nil. See Note 9.

**31 December 2019****PARENT COMPANY***(Amounts in USD 1,000)*

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Borrowings falling due after 1 year	-	82,362	82,362
Borrowings falling due within 12 months	-	39,862	39,862
Accounts payable	-	24	24
Derivatives	3,310	-	3,310
Other current liabilities	-	4,415	4,415
<b>Total</b>	<b>3,310</b>	<b>126,663</b>	<b>129,974</b>

**31 December 2018****PARENT COMPANY***(Amounts in USD 1,000)*

	Financial assets at amortized cost	Assets at fair value through the profit and loss	Total
<b>Assets as per statement of financial position</b>			
Trade and other instruments (1)	90,626	-	90,626
Cash and cash equivalents	163,302	-	163,302
<b>Total</b>	<b>253,928</b>	<b>-</b>	<b>253,928</b>

(1) Prepayments do not qualify as a financial instrument and are not included in above amount. Excluded prepayments amount to nil.  
See Note 9.

**31 December 2018****PARENT COMPANY***(Amounts in USD 1,000)*

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
<b>Liabilities as per statement of financial position</b>			
Borrowings falling due after 1 year	-	122,514	122,514
Accounts payable	-	136	136
CIRR Loan	-	4,869	4,869
Other non-current liabilities	-	6,716	6,716
Derivatives	2,727	-	2,727
Other current liabilities	-	66,769	66,769
<b>Total</b>	<b>2,727</b>	<b>201,004</b>	<b>203,731</b>

## Note 28 – Inventories

PARENT COMPANY			CONSOLIDATED	
12/31/2019	12/31/2018	(Amounts in USD 1,000)	12/31/2019	12/31/2018
-	-	Fuel	2,194	1,223
-	-	Spareparts	3,046	3,767
-	-	<b>Total inventories</b>	<b>5,240</b>	<b>4,990</b>

## Note 29 – Share-based Payments

The Company has entered into two Share option agreements with selected employees. On 13 January 2013, the Company entered into a Share option agreement as follows:

The Board of Directors of Siem Offshore Inc. has authorized the award of 14,000,000 share options to eight key employees of the Company. The exercise price is NOK 8.45 per share.

The exercise price of the granted options is equal to the market price of the shares on the date of the grant.

The Options can be exercised as follows

**2014:** 20% of the total number beginning on 18 January 2014.

**2015:** 40% of the total number beginning on 18 January 2015, less any options previously issued.

**2016:** 60% of the total number beginning on 18 January 2016, less any options previously issued.

**2017:** 80% of the total number beginning on 18 January 2017, less any options previously issued.

**2018:** 100% of the total number beginning on 18 June 2018, less any options previously issued. The exercise period shall in no event be later than the date falling 10 years after the award date. The group has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was nil per option.

The significant inputs into the model were weighted average share price of NOK 8.45 at the grant date, exercise price of NOK 8.45, volatility of 45%, dividend yield of 0%, an expected option life of 10 years and an annual risk-free interest rate of 1.55% (2018: 2.76%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

In 2019, no cost was recognized under Retained earnings related to value of employee services, as the vesting period for this option program ended in 2018. See note 18 for the total expense recognized in the income statement for share options granted to certain employees.

On 2 April 2014, the Company entered into a Share option agreement with selected employees.

The Board of Directors of Siem Offshore Inc. has authorized the award of 3,000,000 share options to ten key employees of the Company. The exercise price is NOK 9.07 per share.

The exercise price of the granted options is equal to the market price of the shares on the date of the grant.

The Options can be exercised as follows

**2017:** 60% of the total number beginning on 2 April 2017, less any options previously issued.

**2018:** 80% of the total number beginning on 2 April 2018, less any options previously issued.

**2019:** 100% of the total number beginning on 2 April 2019, less any options previously issued.

The exercise period shall in no event be later than the date falling 10 years after the award date.

The Company has no legal or constructive obligation to repurchase or settle the options in cash. The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was nil per option.

The significant inputs into the model were weighted average share price of NOK 9.07 at the grant date, exercise price of NOK 9.07,

volatility of 45%, dividend yield of 0%, an expected option life of 10 years and an annual risk-free interest rate of 1.55% (2018: 2.76%).

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years. Value of employee services as per 31 December 2019 are recognized under Retained earnings at USD 5.

In 2019, a reversal of part of the accrued employers contribution has been made. The total reversed amount for both programs amounts to USD 288, and is booked against salary cost.

Since the share option programs were awarded, seven members of the option programs have left the Company.

See note 18 for the total expense recognised in the income statement for share options granted to certain employees.

No options were exercised during 2018 or 2019.

	Exercise price per share option, NOK (*weighted average)	Options outstanding
At 1 January 2015	8,56*	17,000,000
Forfeited	8,56*	-7,200,000
<b>At 31 December 2015</b>	<b>8,56*</b>	<b>9,800,000</b>
At 1 January 2016	8,56*	9,800,000
<b>At 31 December 2016</b>	<b>8,56*</b>	<b>9,800,000</b>
At 1 January 2017	8,56*	9,800,000
Forfeited	8,56*	-1,200,000
<b>At 31 December 2017</b>	<b>8,56*</b>	<b>8,600,000</b>
At 1 January 2018	8,56*	8,600,000
Forfeited	8,56*	-1,400,000
<b>At 31 December 2018</b>	<b>8,56*</b>	<b>7,200,000</b>
At 1 January 2019	8,55*	7,200,000
<b>At 31 December 2019</b>	<b>8,55*</b>	<b>7,200,000</b>

## Note 30 – Discontinued operations

On 1 March 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 11 April 2018, the Company announced that the transaction had been completed. Financial information relating to the discontinued operations for 2019 and 2018 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 profit of USD5.3 million was recorded in 2019 as net profit/(loss) from discontinued operation and was paid to the Company in August 2019.

### FINANCIAL PERFORMANCE

(Amounts in USD 1,000)

	2019	2018
Operating revenues	-	14,490
Operating expenses	-	-14,981
<b>Operating margin</b>	-	<b>-492</b>
Depreciation and amortization	-	-1,991
Gain (loss) on sales of assets	-	12
<b>Operating profit</b>	-	<b>-2,471</b>
Financial income	-	282
Financial expenses	-	-3,924
Net currency gain (loss)	-	-167
<b>Net financial items</b>	-	<b>-3,810</b>
<b>Profit/(loss) before taxes</b>	-	<b>-6,280</b>
Tax benefit / (expense)	-	-
<b>Profit/(loss) after taxes from discontinued operations</b>	-	<b>-6,280</b>
Gain on sale of subsidiary and vessels	5,260	93,045
<b>Net profit/(loss) from discontinued operations</b>	<b>5,260</b>	<b>86,765</b>

### DETAILS ON SALE OF SUBSIDIARY AND VESSELS

(Amounts in USD 1,000)

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

There were no assets or liabilities related to discontinued operations as per 31.12.2019 or per 31.12.2018.

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## Note 31 - Liquidity and Going Concern

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The financial statements have been prepared under the assumption that the Company and the Parent are going-concerns. However, there are uncertainties related to the going concern status due to the current contractual arrangements with the financing banks, the challenging market conditions and the impact of the COVID-19 pandemic on vessel operations.

The Company is exposed to a number of risks. One of the most important risk factors is the demand for its services. The OSV market is now in its 7th year of depressed conditions and it 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 substantially over the last five years. Principal payment of debt instalments in 2019 was USD99 million (2018: 195 million). The significant debt reduction has been possible due to good cooperation between the Company and its financing banks, significant shareholder support, good ship operations and disposal of non-strategic and older assets.

However, the significant excess capacity in the worldwide offshore service vessel fleet has increased the competition amongst owners for any vessel requirements, thereby depressing charter rates. The imbalance of supply and demand for offshore vessels is expected to remain for some years and will continue to put pressure on the charter rates and our cash flows. Five vessels were in lay-up at year-end 2019.

The COVID-19 pandemic situation when combined with the dramatic and unprecedented collapse in oil prices and global demand for oil have put even more pressure on the OSV market.

We see that the oil companies and oil service companies are again slashing costs and reducing their capital expenditures as projects are cancelled or postponed. The COVID-19 pandemic has had a significant adverse effect on all service operations worldwide. The Company is working with the unions and the crews to find ways to secure the safe and healthy operation of its vessels. It is, however, likely that at some point in the future vessel operation will be halted through the absence of crew members. If the shutdown lasts for an extended time, there is a potential risk of contracts being cancelled which would negatively affect the cash flow of the Company. The Company takes all reasonable precautions to minimize such risk. Governmental regulations are frequently changing and it is a challenge to move crews, spare parts, service personnel and other around the globe to attend our vessels.

The credit risk may increase due to the turmoil in the financial markets and the difficulties that the Company is facing in its markets.

The Company has established a Task Force Group concentrating on COVID-19 infection risks. This group has representatives from Management, Operations, HSEQ and HR. The Task Force Group

has produced and published a Company COVID-19 Management Plan for the purpose of handling the situation in a pro-active way and to handle situations when, and if they occur, rapidly and using best practices in a coordinated way. The Task Force Group has arranged for protective equipment and COVID-19 testing kits for the Company's fleet.

The COVID-19 pandemic and the declining oil prices have resulted in extreme volatility in currency exchange rates as the USD has strengthened against other currencies. The NOK and BRL currencies in particular have suffered substantially. The Company has entered into several currency and interest rate hedging programs. At the current levels of currency rates, the market-to-market value of such hedging programs will have an immediate and material negative effect on the profits and cash flow of the Company while the potential positive effects from the strengthening of the USD will materialize over years.

The Company's existing agreement with the financing banks to service 70% amortization of original repayment schedule commencing effective 1 April 2020 is not sustainable under today's market conditions 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, interest repayment schedules 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 year or two. There is no guarantee that an acceptable agreement will be reached with all the banks. The Company received a standstill agreement effective from 31 March until 15 May 2020 with a waiver of all financial covenants and debt servicing. The lending banks will consider and conclude on debt terms for a longer period within 15 May 2020. Without an agreement with the banks, the Company will be in breach with its cash covenants after 15 May 2020. The Company will also be exposed to liquidity issues in the next six months and onwards if a change in the repayment schedule and relief of certain debt covenants is not agreed.

The potential conclusion of an agreement with the banks will be conditional upon reaching agreement with the bondholders of the NOK350 million high yield bond due 30 October 2020, SIOFF01, to defer interest and extend the maturity of the bond. If the Company is unable to reach an agreement with the SIOFF01 bondholders, the agreements with the lending banks for financial relief and relaxation of debt covenants will terminate.

We emphasize that the financial statements do not reflect impairment charges that will occur if a sale of assets is forced in today's market.



# CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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## Statement on Social and Environmental Responsibility

As a company incorporated in the Cayman Islands, Siem Offshore Inc. ("The Company") is an exempted company duly incorporated under the laws of the Cayman Islands and subject to Cayman Islands' laws and regulations with respect to corporate governance, social and environmental responsibility.

Cayman Islands Corporate Law is to a great extent based on English Law. In addition, due to The Company being a Norwegian Tax Resident, the Norwegian Accounting law applies to The Company. According to the Norwegian Accounting Act §3-3c The Company should provide a statement on Social and Environmental Responsibility. The statement should include which actions are taken by The Company to integrate human rights, employee's rights and social conditions, external environment and the fight against corruption in its business strategies, daily operations and in relation to its interested parties.

The Board of Directors has reviewed this statement. It is the opinion of the Board of Directors that The Company complies with regulations in the Norwegian Accounting law with respect to Social and Environmental Responsibility reporting.

## Code of Conduct

The Company has established a Code of Conduct policy expressing its non-tolerance on corruption as well as dealing with ethical principles of the Company. The Company is fully committed to perform its business with integrity and transparency throughout its global operations. As stated in the Code of Conduct Policy it is the policy of the Company to conduct its business in accordance with all applicable laws and regulations and in an ethically responsible manner.

Protection of health, safety and the prevention of pollution to the environment are primary goals of The Company. All of our employees and representatives must conduct their duties and responsibilities in compliance with The Company's policy on Health, Safety and Environment, applicable law and industry standards relating to health and safety in the workplace and the prevention of pollution to the environment.

The Company has implemented policies and control procedures to ensure that only proper transactions are entered into by The Company, that such transactions have proper management approval, that such transactions are properly accounted for in the books and records of The Company and that the reports and financial statements of The Company are prepared in a timely manner, understandable and fully, fairly and accurately reflect such transactions.

The Company observes fair employment practices in every aspect of its business.

The Company conducts its business with honesty and integrity and competes fairly and ethically within the framework of the law. The Company expects that all of its business partners have the same approach to business dealing.

## Improper payments

The Code of Conduct does also include policies on improper payments. The Company does not tolerate any actions or payments which could be viewed as improper payments.

No gifts, hospitality or travel benefit may be offered to or requested or accepted from any third party if that benefit could be seen to be disproportionately generous or otherwise be seen as something which may induce or make the recipient feel obliged to reciprocate by way of improperly performing his or her function.

The Company and its directors, officers and employees will not accept any gift, hospitality or travel benefit either directly or indirectly from business partners, against making commitment, recommending or promoting a certain conduct or position by The Company or otherwise seek to gain personal benefit in relation to The Company's business dealings.

Likewise, the Company does not itself offer inducements to anyone associated with business partners to promote a certain conduct or position by such business partner.

The Company and any of its people shall not pay money or provide gifts, entertainment, hospitality or any other thing or service of value to any Government Official. This prohibition extends to payments to consultants, agents or other intermediaries when the payer knows or has reason to believe that some part of the payment will be used to bribe or otherwise influence a public official.

Political contributions are not authorized.

## Corporate Social Responsibility

The Company respects and promotes harmonious working relationship with the local communities where it operates, but refrains from participating in local politics. The Company seeks to foster a sustainable business for its many stakeholders.

The Company is fully committed to comply with local laws and regulations throughout its global operations.

The Company is committed to employ local staff where applicable and possible in all countries where it is operating and conducting business. The Company is committed to providing equal opportunity and fair treatment to all individuals on the basis of merit, without discrimination on the grounds of race, colour, religion, national origin, sex, pregnancy, age, disability, marital status or other characteristics protected by applicable law.

The Company is dedicated in creating a high-quality working environment under which its people respect and trust each other such that everyone acts in an honest, friendly and proactive way with a responsible attitude and high moral standards. The Company prohibits bullying and harassment in any form including sexual, racial, ethnic and other forms of harassment.

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## Corporate Environmental Responsibility

Siem Offshore Environmental Policy sets out the Board Directors and management's commitment to minimize the Company's impact on the environment, in relation to biodiversity, climate change and water and waste management. At senior management level, there is a shared responsibility to ensure that management and staff are made aware of this policy, that there are systems and processes in place to integrate environmental considerations in decision making and operations and that such standards apply to all personnel working in the Company.

As a result, environmental considerations including biodiversity management emission and waste reduction, climate change expectations and commitments are managed at all levels within the organization.

Siem Offshore environmental strategy states that protection of the environment is prioritized and a key element of operational planning and execution to minimize the potential impact of the Company's operations. It outlines the company's internal goals for emission intensity and reductions, waste handling, energy loss, as well as research and development targets to further develop emission-reducing technologies.

Access to dependable energy supply directly affect all business and communities. From air emission to fossil fuels, Siem Offshore takes a proactive and collaborative approach by addressing energy demand and climate change in our operations and for our clients.

Energy usage and climate concerns require systematic change and The Company has implemented appropriate tools to drive this forward. The effective use of energy resources and climate change are complex and interconnected. We will continue to seek solutions that promote energy conservation, clean energy and reductions in greenhouse emissions. Siem Offshore considers digitalization is a key to sustainability and to enable appropriate data collection and analyses.

Siem Offshore use Mares Fleet Monitoring System for automatic data processing and graphic display in real-time. The crew of the vessels can easily adjust operations to improve energy efficiency, reduce cost and reduce the climate footprint. Fuel monitoring systems have been installed in 12 vessels and more will follow in 2020.

## Port Clean Air and Vessel emissions.

The Environmental Ship Index (ESI) identifies seagoing ships that perform better in reducing air emissions than required by the current emission standards of the International Maritime Organization. The ESI evaluates the amount of nitrogen oxide (NOx) and Sulphur oxide (SOx) that is emitted from each vessel, and it includes a reporting scheme on the greenhouse gas emission of the vessels. The ESI is a valid indicator of the environmental performance of ocean-going vessels and will assist in identifying cleaner ships in a general way.

## Energy mix

The total amount of energy consumed as an aggregate figure, in gigajoules (GJ), the percentage of energy consumed that was supplied from 1) heavy fuel oil and 2) the percentage of energy consumed that is renewable/low-carbon energy.

For the fleet of Siem Offshore, 99.52% of total energy consumed comes from the use of marine gas oil (MGO) and 0.48% of total energy comes from shore power produced from renewable waterfall plants. Heavy fuel oil (HFO) is not consumed by Siem Offshore vessels.

## Responsible vessel recycling

The company ensures that vessels are demolished and recycled in accordance with internationally accepted green recycling regulations, practices and procedures. This includes, without limitation, IMO Guidelines on ship recycling, the Hong Kong International Convention for Safe and Environmentally Sound Recycling of Ships 2009, EU Regulation NO 1257/2013 regarding Ship Recycling and the applicable Ship Recycling regime in the recycling location.

No vessels were recycled in 2019. Two vessels will be recycled in 2020.

Number and aggregate volume of spills and releases to the environment

The total number of spills and releases to the environment (water, soil and air) and the aggregate volume of potentially harmful spills and releases in cubic meters.

Spills include all accidental spills and releases of substance that has escaped their containment as gas, fuel, hydraulic and lube oil in addition to chemicals and bulk cargoes. In 2019 the Company recorded two oil spills with 90 litres lost.



To the General Meeting of Siem Offshore Inc

## ***Independent Auditor's Report***

### *Report on the Audit of the Financial Statements*

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#### ***Opinion***

We have audited the financial statements of Siem Offshore Inc, which comprise:

- The financial statements of the parent company Siem Offshore Inc (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the accounts, including a summary of significant accounting policies, and
- The consolidated financial statements of Siem Offshore Inc and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### ***Basis for Opinion***

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 31 in the financial statements and the Board of Directors' report. Note 31 indicates that the Group, in order to service its debts, is dependent upon reaching agreement with its banks and bondholders to amend the terms of its existing contractual debt facilities to waive certain covenants and to defer scheduled payments for a minimum 12-month period. As stated in Note 31 and the Board of Directors' report, the need to conclude such agreement, along with other matters as set forth in Note 31 and the Board of Directors' report, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. We emphasize that the financial statements do not reflect impairment charges that may occur should a sale of assets be forced. Our opinion is not modified in respect of this matter.



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

The Company's and the Group's business activities have remained largely unchanged during 2019. Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have not identified regulatory changes or other transactions or events that qualify as new Key Audit Matters for 2019. The *Estimate of contingent consideration* and *Refinancing of bonds* were non-recurring transactions reported as key audit matters in our 2018 audit, but "Impairment assessment vessels" have approximately the same characteristics as last year and continue to be in our focus.

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Impairment assessment vessels</i>	
<p>Refer to note 3 (Critical Accounting Estimates and Judgements) and note 5 (Vessels, Equipment and Capitalized Project Cost), where management give further detail and explain their impairment testing.</p> <p>As of December 31, 2019, the Group owns or operates Offshore Support Vessels ("OSV") with a combined carrying amount of USD 1,285 million, which constitutes approximately 83% of total asset values.</p> <p>Impairment indicators were considered present as of December 31, 2019 as OSV freight rates have been at historically low levels during 2019. During 2019, the Group recognized an impairment of the vessels of USD 59 million.</p> <p>We focused on this area due to the significant carrying value of the vessels and the judgement inherent in the impairment review. Management made judgements on the discounted future cash flow forecasts in the value in use model and certain key inputs including discount rate, future freight rates and terminal</p>	<p>We evaluated and challenged managements' impairment assessment and the process by which this was performed. We assessed managements accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met. We also satisfied ourselves regarding the consistency year on year of the application of the accounting policy.</p> <p>In order to assess each of the significant assumptions in management's value in use forecast, we interviewed management and challenged their assessments. For certain key assumptions we specifically used;</p> <ul style="list-style-type: none"><li>• External market data to assess the assumptions used to build the discount rate. We considered that the discount rate used was within an appropriate range. We checked the consistency of the use of the discount rate against all vessels and ensured the mathematical accuracy of its application in the value in use calculations.</li><li>• Current and historical external market data, where available, to corroborate the charter rates used by management. We challenged management on their assessment of market rates, including expected timing and extent of increase in charter rates.</li></ul>



values of the vessels.

The fair value less costs of disposal is determined by management based on external brokers' valuations. We concentrated some of our audit effort on understanding how the brokers arrived at the estimate for the fair value and the judgement management made regarding the costs to sell.

Further, we tested the charter rates used by management for reasonableness by comparing these rates with historical average rates. We also corroborated management's assessment with external market reports where possible. We considered that charter rates used by management were within an appropriate range.

Our procedures also included sensitivity analysis to key assumptions applied. We note that impairment assessment is sensitive to any changes to the assumptions above.

In order to assess the estimates for fair value less costs of disposal, management compiled broker valuation certificates for the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. We obtained an understanding of how selected brokers estimated fair value for the vessels. We also satisfied ourselves that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. No matters of consequence arose from the procedures above.

We evaluated the appropriateness of the related disclosures and satisfied ourselves that the disclosures appropriately explained the valuation.

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#### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### *Responsibilities of the Board of Directors and management for the Financial Statements*

The Board of Directors and management are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as



management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 21 April 2020

**PricewaterhouseCoopers AS**

A handwritten signature in blue ink, appearing to read 'Bjørn Lund'.

Bjørn Lund  
State Authorised Public Accountant





## RESPONSIBILITY STATEMENT

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We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

21 April 2020

**Kristian Siem**

Chairman  
(Sign.)

**Michael Delouche**

Director  
(Sign.)

**John C. Wallace**

Director  
(Sign.)

**Alexander Monnas**

Director  
(Sign.)

**Bernt Omdal**

Chief Executive Officer  
(Sign.)

## BOARD OF DIRECTORS

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The Company has a Board of four Directors. Members of the Company's management are not members of the Board, but the Company's management does attend Board meetings.

### **Kristian Siem (born 1949), Chairman**

Mr. Siem is Chairman of Siem Industries Inc., Subsea 7 SA, Siem Shipping Inc., Siem Offshore Inc. and Frupor S.A. Mr. Siem has an extensive knowledge of the offshore oil and gas service industry worldwide from previous executive and non-executive roles combined with long-standing experience as chairman of public companies listed in the USA, UK and Norway. Mr. Siem is the founder of the Siem Industries Group and has been Director and Chairman of Siem Industries since 1982. Prior to joining the Group, he held several management positions with the Fred. Olsen Group in the US and Norway. Mr. Siem has previously held directorships at Kvaerner ASA, Transocean Inc. and Norwegian Cruise Line. He holds a degree in Business Economics. Mr. Siem is a Norwegian citizen.

### **Michael Delouche (born 1957), Board Member**

Mr. Michael Delouche, who has served as a Director of the Company since 2005, informed the Board that he will retire with the effect at the conclusion of the Annual General Meeting. The Board expresses its sincere appreciation to Mr. Delouche for his service and dedication to the Company as a Director for many years.

### **John C. Wallace (born 1938), Board Member**

John C. Wallace is a Chartered Accountant having qualified with PricewaterhouseCoopers in Canada in 1963, after which he joined Baring Brothers & Co., Limited in London, England. Prior to his retirement in 2010, he served for over twenty-five years as Chairman of

Fred Olsen Ltd., a London-based corporation that he joined in 1968 and which specializes in the business of shipping, renewable energy and property development. He received his B. Comm. degree majoring in Accounting and Economics from McGill University in 1959. In November 2004, he successfully completed the International Uniform Certified Public Accountant Qualification Examination and has received a CPA Certificate from the State of Illinois. Mr. Wallace also retired from the board of directors of Bonheur ASA, Oslo, a publicly-traded shipping company with interests in offshore energy services and renewable energy. He was a Director of Callon Petroleum Co, USA where he was Chairman of the Audit Committee. Mr. Wallace is also a member of the Audit Committee for Siem Offshore Inc. He was inducted as a 2011 Industry Pioneer by the Offshore Energy Centre in Houston. Mr. Wallace is a Canadian citizen.

### **Alexander Monnas (born 1951), Board Member**

Mr. Monnas is a non-executive advisor to Daiwa Capital Markets Europe Ltd., and attends the Board Risk Committee and the Audit Committee. Mr. Monnas is also an advisor on investment and financial matters in Geneva, and on the board of a private trust company. He is a board member of Siem Offshore Inc. Mr. Monnas has spent over 40 years in the commercial and investment banking industries, specializing in financial markets. He was CEO of Daiwa Securities' European operations from 1994 to 2001, and was a board member of Veripos Inc. from 2012 to 2014. He has a degree in Chemistry. Mr. Monnas is a British citizen.

# FINANCIAL CALENDAR 2020

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Siem Offshore Inc. will release financial figures on the following dates in 2020:

<b>Q1 2020</b>	Monday 11 May
<b>Q2 2020</b>	Thursday 27 August
<b>Q3 2020</b>	Thursday 29 October

The Annual General Meeting of the Company will be held on Friday 8 May 2020.

# 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

**Siem Offshore Inc**

**c/o Siem Offshore AS  
Nodeviga 14  
4610 Kristiansand  
Norway**

POSTAL ADDRESS

**P.O. Box 425  
N-4664 Kristiansand S, Norway**

TELEPHONE

**+47 38 60 04 00**

TELEFAX

**+47 37 40 62 86**

E-MAIL

**siemoffshore@siemoffshore.com**

**www.siemoffshore.com**