

**SIEM OFFSHORE INC.**  
**REPORT FOR SECOND QUARTER AND FIRST HALF 2020**



27 August 2020 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for second quarter and first half 2020.

**SELECTED FINANCIAL INFORMATION**

<i>(Amounts in USD millions)</i>	2020	2019	2020	2019	2019
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	64.5	74.1	117.2	143.4	292.5
Operating margin	24.4	22.2	34.8	44.2	109.7
Operating margin, %	38 %	30 %	30 %	31 %	38 %
Operating profit (loss)	(240.9)	(5.5)	(266.0)	(8.5)	(57.5)
Profit (loss) before taxes	(275.3)	(21.0)	(299.0)	(45.1)	(113.1)
Net profit (loss) from continuing operations	(275.2)	(21.1)	(299.1)	(45.2)	(114.5)
Net profit (loss) from discontinued operations	-	5.2	-	5.2	5.3
Net profit (loss)	(275.2)	(15.9)	(299.1)	(40.0)	(109.2)
Net profit (loss) attributable to shareholders	(236.8)	(12.2)	(256.4)	(32.4)	(88.2)

**HIGHLIGHTS FOR THE SECOND QUARTER**

- Conducted a review of vessel valuations and recorded aggregate impairments of USD251.2 million.
- Entered into a standstill agreement with the Company's secured lenders in Europe and Norway for the period from 29 May 2020 until 30 April 2021.
- Bondholders’ meetings for each of the two unsecured bonds (SIOFF01 & SIOFF02) were held on 30 June 2020. The Bondholders approved waiving financial covenants for the period from and including 30 June 2020 to and including 30 October 2020, and approved other proposals as set out in the summons to the meetings.
- New employment:
  - Agreed an 80-days firm contract for the vessel “Siem Dorado” for work offshore the US East Coast
  - Agreed 180-days work under the frame agreement with Subsea 7 for the vessel “ Siem Spearfish”
  - Agreed an 80-days firm contract for the vessel “Siem Barracuda” working in the Kara Sea
  - Agreed a 90-days firm contract for the vessel “Siem Pearl” for work in the Kara Sea

**SUBSEQUENT EVENTS**

- Reached an agreement with the Canadian lenders, where all debt is eliminated by a 61% payment.
- Appointed a financial adviser to assist the Company’s development of a 5-year business plan to restructure and build a robust and solid balance sheet.

## **MARKET AND OUTLOOK**

The collapse in the oil prices and the effect of the COVID-19 pandemic on the world's economies has created a difficult operating environment for our fleet, where there are great uncertainties about exploration, offshore field developments and subsea maintenance as campaigns are being cancelled or postponed. The demand for offshore service vessels is not expected to increase in the medium term and, in the shorter term, the coming winter season will most likely be more challenging than the ones we have experienced in recent years.

We continue to believe that consolidation among vessel owners is one of the few measures that can effectively contribute to an improved market balance. However, even with industry consolidations, it will be difficult to achieve sustainable market rates in the medium term.

With several of the banks financing multiple ship-owners who are in direct competition with each other, we see it necessary that banks take an active role working with the ship-owners to create solutions through practical and viable consolidations that builds a commercial platform. Only through such measures can operating costs be reduced, revenues increased, and rational long-term plans created.

We have witnessed some ship-owners agreeing to contract terms that burdens the ship-owner with unacceptable risk at unsustainable rate levels. These exposures to unlimited liability may threaten the company's ability to pay its suppliers, to service loans from its lenders and to provide a return its shareholders. We strongly recommend that financing banks enforce measures to prevent the escalation of this practice of accepting unlimited liability.

We believe that the Company is well-positioned to compete with its peers due to its modern fleet, quality backlog, strong operating record, positive reputation and its proven ability to provide employment on a global scale.

## **RISKS, FINANCE PLAN AND 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 and unsecured lenders, the difficult market conditions and the impact of the COVID-19 pandemic on world economies, vessel charters and 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. There is no recovery in sight. It is highly uncertain as to when charter rates will generate sufficient earnings to provide for full debt-servicing. The Company has reduced its debt by USD500 million over the last five years. 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.

There is little hope for recovery of the offshore supply market in the near future and charter rates are expected to remain soft for 2-3 years. The Company performed a valuation of its fleet at 30 June 2020 and has recorded an aggregate impairment of its vessels values of USD 251.2 million. Total Equity after the impairment is approximately USD50 million. Additional impairment charges may be necessary if the market continues to be depressed for a prolonged time. The financial statements do not reflect impairment charges that will occur if a sale of assets is forced in today's market, or if alternative assumptions are used in the value-in-use calculation.

The Company entered into a standstill agreement with its secured lenders in Europe and Norway for the period from 29 May 2020 until 30 April 2021. The Objective for the 2021 Restructuring Plan is to improve recoverability of banks' and bondholders' loans to the Company through an orderly reorganisation of the Balance Sheet, preserve backlog and to enable the Company to service the clients and establish a solid base for contribution to the crucial industry consolidation. The terms of the agreement includes deferral and suspension of principal and interest payments and

waiver of financial covenants. The Company has ongoing discussion with the bondholders of the two unsecured bonds to get the bondholders to enter into the standstill agreement on same terms and conditions as the secured lenders. The NOK 350 million unsecured bond (SIOFF01) matures 30 October 2020. The Company risks to breach certain financial covenants under several loan agreements if an agreement with the two unsecured bonds are not made by 30 October 2020.

The significant excess capacity in the worldwide fleet of offshore service vessels spurs fierce competition for any vessel employment opportunity, thereby depressing charter rates. The imbalance of supply and demand for offshore vessels is expected to remain for some years and prevent the needed recovery of charter rates.

This negative market outlook is further exacerbated by the COVID-19 pandemic situation which has affected world economies and resulted in reduced global demand for oil. This has led to the dramatic and unprecedented collapse in oil prices which has placed additional pressure on the OSV market.

At present, the global markets are awash in oil and the storage capacity is reaching its limit. The oil companies and oil service companies are once again slashing costs and reducing their capital expenditures as projects are cancelled or postponed. The Company is working with the unions and crews to find ways to secure the safe and healthy operation of its vessels. An additional risk is that vessel operations could be halted through the absence of crew members. If the shutdown lasts for an extended time, there is a potential risk of contracts cancellation and with the negative effect on our cash flow. 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 and service personnel 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 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 mark-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.

## **RESULTS AND FINANCE**

### **Income Statements (2Q 2020 over 2Q 2019)**

Operating revenues were USD64.5 million (2019: USD74.1 million). The operating margin was USD24.4 million (2019: USD22.2 million) and the operating margin as a percentage of revenues was 38% (2019: 30%). The decrease in revenues from 2Q 2019 is mainly due to lower revenues from the PSV, Canadian and AHTS fleets. Administrative expenses were USD4.6 million (2019: USD6.3 million).

Operating profit/(loss) was USD(240.9) million (2019: USD(5.5) million) after depreciation and amortisation expenses of USD20.6 million (2019: USD26.9 million) and after impairment of certain vessel values of USD251.2 million (2019: nil). The net currency exchange gain/(loss) of USD6.6 million (2019: USD0.8 million) was recorded on currency derivative contracts of which USD15.1 million was unrealised (2019: USD0.6 million). The company enters into interest rate and cross currency swap derivatives for hedging purposes.

Net financial items were USD(34.5) million (2019: USD(15.6) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(21.5) million (2019: USD0.2 million) of which USD(19.6) million was unrealized (2019: USD1.5 million). The financial expenses of USD12.7 million (2019: USD22.4 million) included an unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements of USD(1.2) million (2019: USD(6.8)

million). Non-USD currency items are held to match short- and long-term liabilities in similar currencies. The natural currency hedge program related to financing of vessels in Brazil recorded a loss of USD1.4 million which was recognized in the equity.

The net (loss) attributable to shareholders was USD(236.8) million (2019: USD(12.2) million), or USD(0.25) per share (2019: USD(0.01) per share). The net loss for 2Q 2019 included the profit from the settlement of the contract for the contingent consideration with Subsea 7.

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

Shareholders' equity was USD86 million at 30 June 2020 (31 December 2019: USD353 million), equivalent to USD0.09 per share (2019: USD0.38 per share). Non-controlling interest is negative at USD35.7 million. Net cash flow from operating activities for the first half 2020 was USD13.4 million and the cash position at 30 June 2020 was USD72.6 million.

The gross interest-bearing debt is equivalent to USD999 million. The Company made principal repayments of USD15.2 million and interest payments of USD16.6 million.

The weighted average cost of debt for the Company was approximately 4.0% p.a. at 30 June 2020, including the effect of debt-related derivatives such as interest rate swaps and cross currency swaps.

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

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

The Company's continuous focus on safe operations, cooperation and environmental initiatives is generating safety and environmental improvements. During the second quarter, the safety campaign focusing on "Situational awareness – Risk Perception" was rolled out to the fleet globally.

The trends are favourable regarding the measurement of "Total Recordable Incidents" and we will continue to strive for improvement.

The Company is interacting closely with several clients in Safety Campaigns and Environmental Cooperation globally on a continuous basis.

By introducing a new Environmental Key Performance Indicator, the plastic reduction campaign, the Company continues to maintain its high focus on reducing the use of plastic on board the vessels. Several initiatives have been taken, and the new KPI will be a good tool in order to continuously monitor if the reduction of use of plastics.

The COVID-19 pandemic has affected the Company in many ways and a dedicated Task Force has continuous focus on developing effective precautions and advising on mitigating actions to avoid virus outbreak amongst crew and client's personnel on board vessels as well as crew, staff and other personnel at home or in transit.

The Company is interacting closely with several clients and partners regarding the COVID-19 situation.

### **The Fleet**

At 30 June 2020, the fleet totalled 33 vessels (2019: 36 vessels), including partly-owned vessels and one vessel hired on a bare-boat contract. Two vessels were sold for recycling in December 2019, with delivery in January 2020. Six vessels were in lay-up at the end of the quarter. In addition to its own fleet of 33 vessels, the Company performs ship-management for three offshore vessels.

## Results for the Second Quarter 2020

### Platform Supply Vessels (PSVs)

The Company had seven PSVs in the fleet at the end of the quarter (2019: eight). These PSVs recorded operating revenues of USD9.1 million and had 94% utilisation excluding the one vessel in lay-up (2019: USD14.5 million and 99%). The operating margin before administrative expenses for these PSVs was USD3.7 million (2019: USD6.2 million) and the operating margin as a percentage of revenues was 41% (2019: 43%).

One PSV was in lay-up at the end of the quarter.

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

The Company had four OSCVs and two WIVs at the end of the quarter (2019: five OSCVs and two WIVs). The OSCVs and WIVs earned operating revenues of USD29.6 million and had 97% utilisation (2019: USD28.0 million and 97%). The operating margin before administrative expenses was USD18.0 million (2019: USD17.6 million) and the operating margin as a percentage of revenues was 61% (2019: 62%).

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

The Company had ten AHTS vessels at the end of the quarter (2019: ten). The AHTS fleet earned operating revenues of USD10.3 million based on 68% utilisation excluding vessels in lay-up (2019: USD12.2 million and 58%). The operating margin before administrative expenses was USD(0.7) million (2019: USD(0.8) million) and the operating margin as a percentage of revenues was (7)% (2019: (6)%). Three vessel were in lay-up at the end of the quarter.

### Other Vessels

The Company had a fleet of five smaller Brazilian-flagged vessels (fast supply vessels, fast crew vessels and oil-spill recovery vessels) at the end of the quarter (2019: five). One vessel was in lay-up at the end of the quarter. Three vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD3.6 million and had 94% utilisation excluding one vessel in lay-up (2019: USD5.0 million and 78%). The operating margin before administrative expenses for the fleet was USD1.4 million (2019: USD(1.8) million including a USD4.0 million cost related to potential legal claims) and the operating margin as a percentage of revenues was 39% (2019: (36)%).

The Company had a fleet of two Canadian-owned offshore support vessels and one vessel on a bareboat operating offshore Canada at the end of the quarter (2019: four). One vessel was in lay-up at the end of the quarter. The fleet earned operating revenues of USD4.5 million and had 100% utilisation excluding the vessel in lay-up (2019: USD7.2 million and 100%). The operating margin before administrative expenses for the fleet was USD2.7 million (2019: USD2.9 million) and the operating margin as a percentage of revenues was 59% (2019: 41%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit of USD0.2 million (2019: USD0.1 million). These results are recorded in accordance with the equity method.

The Company had one scientific core-drilling vessel, the “JOIDES Resolution”, that recorded operating revenues of USD6.9 million (2019: USD7.0 million) and an operating margin before administrative expenses of USD3.1 million (2019: USD4.1 million). The operating margin as a percentage of revenues was 45% (2019: 58%). The fall in operating margin is mainly caused by increased maintenance cost and extra cost due to COVID-19.

## Contract Backlog

The total backlog at 30 June 2020 was USD567 million and is allocated as follows:

<i>(Amounts in USD millions)</i>	2020	2021	2022 onwards	Total
OSVs	97	147	211	455
Other	14	28	70	112
<b>Total Backlog</b>	<b>111</b>	<b>175</b>	<b>281</b>	<b>567</b>

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

27 August 2020

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

## CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2020	2019	2020	2019	2019
		2Q	2Q	1H	1H	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	4	64 494	74 097	117 245	143 421	292 530
Operating expenses	9	-35 504	-45 562	-72 687	-87 542	-165 067
Administrative expenses	9	-4 635	-6 295	-9 806	-11 642	-17 718
<b>Operating margin</b>	<b>4</b>	<b>24 355</b>	<b>22 240</b>	<b>34 752</b>	<b>44 238</b>	<b>109 744</b>
Depreciation and amortization	4,5,9	-20 640	-26 944	-41 536	-53 800	-104 672
Impairment of vessels	4,5,8	-251 234	-	-251 234	-	-59 238
Gain (loss) on sales of fixed assets	5	-45	-1 718	282	65	-2 779
Gain on sale of interest rate derivatives (CIRR)	6	-	92	-	184	314
Gain/(loss) on currency derivative contracts		6 635	791	-8 242	847	-876
<b>Operating profit/(loss)</b>		<b>-240 929</b>	<b>-5 539</b>	<b>-265 978</b>	<b>-8 466</b>	<b>-57 507</b>
Financial income		-276	6 585	1 314	6 784	9 765
Financial expenses	9	-12 735	-22 381	-32 065	-39 096	-65 133
Net currency gain (loss) on revaluation		-21 522	193	-2 713	-4 424	-816
<b>Net financial items</b>		<b>-34 533</b>	<b>-15 603</b>	<b>-33 463</b>	<b>-36 737</b>	<b>-56 183</b>
Result from associated companies		199	148	423	92	568
<b>Profit/(loss) before taxes</b>		<b>-275 263</b>	<b>-20 993</b>	<b>-299 019</b>	<b>-45 111</b>	<b>-113 123</b>
Tax benefit/(expense)	7	28	-129	-42	-129	-1 383
<b>Net profit/(loss) from continuing operations</b>		<b>-275 235</b>	<b>-21 122</b>	<b>-299 061</b>	<b>-45 239</b>	<b>-114 506</b>
Net profit/(loss) from discontinued operations		-	5 246	-	5 246	5 260
<b>Net profit/(loss)</b>		<b>-275 235</b>	<b>-15 876</b>	<b>-299 061</b>	<b>-39 993</b>	<b>-109 246</b>
Attributable to non-controlling interest		-38 449	-3 674	-42 621	-7 573	-21 017
<b>Attributable to shareholders of the Company</b>		<b>-236 786</b>	<b>-12 202</b>	<b>-256 440</b>	<b>-32 420</b>	<b>-88 229</b>
Weighted average number of outstanding shares(000's)		934 739	942 021	934 739	942 021	941 802
Earnings/(loss) per share (basic and diluted)		-0,25	-0,01	-0,27	-0,03	-0,09
<b>Statements of Comprehensive Income</b>		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
<i>(Amounts in USD 1 000)</i>		<b>2Q</b>	<b>2Q</b>	<b>1H</b>	<b>1H</b>	<b>Jan-Dec</b>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Net profit (loss)</b>		<b>-275 235</b>	<b>-15 876</b>	<b>-299 061</b>	<b>-39 993</b>	<b>-109 246</b>
<b>Other comprehensive income (expense)</b>						
Items that will not be reclassified to the Income Statement:						
Pension rereasurement gain/(loss)		-	-	-	-	347
Items that may be subsequently reclassified to the Income Statement:						
Cash flow hedges		-1 441	1 378	-14 900	1 999	650
Currency translation differences		11 272	1 214	3 818	3 392	5 530
<b>Total comprehensive loss for the period</b>		<b>-265 404</b>	<b>-13 284</b>	<b>-310 144</b>	<b>-34 602</b>	<b>-102 719</b>
Attributable to non-controlling interest		-38 448	-3 682	-42 620	-7 581	-21 021
<b>Attributable to shareholders of the Company:</b>		<b>-226 956</b>	<b>-9 601</b>	<b>-267 524</b>	<b>-27 021</b>	<b>-81 698</b>

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	30.06.2020	31.12.2019
		<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Vessels and equipment	5,8,9	975 963	1 288 446
Capitalized project cost	5	3 247	3 693
Investment in associates and other long-term receivables		36 670	40 426
CIRR loan deposit 1)		48 869	54 540
Deferred tax asset		10 214	10 321
<b>Total non-current assets</b>		<b>1 074 963</b>	<b>1 397 426</b>
<b>Current assets</b>			
Trade receivables and other current assets		59 878	68 862
Cash and cash equivalents	6	72 621	74 451
<b>Total current assets</b>		<b>132 499</b>	<b>143 312</b>
Assets classified as held for sale	5	-	715
<b>Total Assets</b>		<b>1 207 462</b>	<b>1 541 454</b>
<b>EQUITY</b>			
Paid-in capital		644 307	644 307
Other reserves		-43 663	-32 580
Retained earnings		-514 675	-258 234
<b>Total Shareholders' equity</b>		<b>85 969</b>	<b>353 493</b>
Non-controlling interest		-35 744	6 877
<b>Total Equity</b>		<b>50 225</b>	<b>360 370</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	6	817 318	876 367
CIRR loan 1)		48 869	54 540
Derivative financial instruments		2 740	3 310
Other non-current liabilities	9	16 877	18 836
<b>Total non-current liabilities</b>		<b>885 803</b>	<b>953 054</b>
<b>Current liabilities</b>			
Current portion of borrowings	6	182 140	143 270
Accounts payable and other current liabilities	7,9	89 293	84 760
<b>Total current liabilities</b>		<b>271 433</b>	<b>228 030</b>
<b>Total liabilities</b>		<b>1 157 237</b>	<b>1 181 084</b>
<b>Total Equity and Liabilities</b>		<b>1 207 462</b>	<b>1 541 454</b>

1) Commercial Interest Reference Rate

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Amounts in USD 1 000)</i>	<b>2020 1H</b>	<b>2019 1H</b>	<b>2019 Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Cash flow from operating activities</b>			
Net profit/(loss) from continuing operations	-299 061	-45 239	-114 506
Interest expense	21 034	35 860	60 449
Interest income	-1 310	-3 624	-8 118
Cash flow hedge	-	-	-
Tax expense	42	129	1 383
Results from associated companies	-423	-92	-568
Loss/(gain) on sale of assets	-282	-65	2 779
Employee share scheme expenses	-	3	5
Impairment of vessels, projects, intangibles, long-term receivables	251 234	-	59 238
Depreciation and amortization	41 536	53 800	104 672
Effect of unrealized gain on currency exchange forward contracts	-239	-856	789
Changes in short-term receivables and payables	18 108	-3 466	33 992
CIRR gain	-	-184	-314
Other changes	-1 888	1 447	4 228
<b>Cash flow from operating activities</b>	<b>28 751</b>	<b>37 711</b>	<b>144 030</b>
Interest paid	-10 629	-30 050	-54 271
Interest received	1 375	3 372	7 904
Taxes paid	-73	-123	-1 640
<b>Net Cash flow from operating activities</b>	<b>19 424</b>	<b>10 911</b>	<b>96 023</b>
<b>Cash flow from investing activities</b>			
Capital expenditure in vessels and equipment	-15 342	-15 517	-35 678
Proceeds from sale of fixed assets	490	18 747	50 506
Net cash from contingent consideration	-	5 246	29 797
Change in other non-current receivables	3 890	-	-14 573
Dividend from associated company	-	-	1 067
<b>Cash flow from investing activities</b>	<b>-10 962</b>	<b>8 476</b>	<b>31 118</b>
<b>Cashflow from financing activities</b>			
Contribution from non-controlling interests of consolidated subsidiaries	1 092	9 910	12 231
Effect from restatement of bonds to convertible bonds	-269	2 646	618
Proceeds from new short-term borrowing	0	20 000	-
Changes in other non current liabilities	-105	312	-22 433
Repayment of long-term borrowings	-15 188	-51 695	-98 670
Payment for cancellation of own shares	-	-	-3 006
<b>Cash flow from financing activities</b>	<b>-14 470</b>	<b>-18 827</b>	<b>-111 261</b>
<b>Net change in cash and cash equivalents</b>	<b>-6 009</b>	<b>560</b>	<b>15 881</b>
Cash and cash equivalents, beginning of period	74 451	63 413	63 413
Effect of exchange rate differences	4 179	2 351	-4 843
<b>Cash and cash equivalents, end of period</b>	<b>72 621</b>	<b>66 324</b>	<b>74 451</b>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non- Controlling interest	Total equity
<b>Equity at 1 January 2019</b>	<b>942 021 380</b>	<b>9 420</b>	<b>637 893</b>	<b>-38 769</b>	<b>-170 352</b>	<b>438 192</b>	<b>27 898</b>	<b>466 090</b>
Net profit/(loss) for the period	-	-	-	-	-88 229	-88 229	-21 017	-109 246
Employee share scheme -Value of employee services	-	-	-	5	-	5	-	5
Pension remeasurement	-	-	-	-	347	347	-	347
Cash flow hedge	-	-	-	650	-	650	-	650
Currency translation differences	-	-	-	5 534	-	5 534	-4	5 530
Cancellation of own shares	-7 282 603	-73	-2 933	-	-	-3 006	-	-3 006
<b>Equity at 31 December 2019</b>	<b>934 738 777</b>	<b>9 347</b>	<b>634 959</b>	<b>-32 580</b>	<b>-258 234</b>	<b>353 493</b>	<b>6 877</b>	<b>360 370</b>

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non- Controlling interest	Total equity
<b>Equity at 1 January 2020</b>	<b>934 738 777</b>	<b>9 347</b>	<b>634 959</b>	<b>-32 580</b>	<b>-258 234</b>	<b>353 493</b>	<b>6 877</b>	<b>360 370</b>
Net profit/(loss) for the period	-	-	-	-	-256 440	-256 440	-42 621	-299 061
Cash flow hedge	-	-	-	-14 900	-	-14 900	-	-14 900
Currency translation differences	-	-	-	3 818	-	3 818	-	3 818
<b>Equity at 30 June 2020</b>	<b>934 738 777</b>	<b>9 347</b>	<b>634 959</b>	<b>-43 663</b>	<b>-514 675</b>	<b>85 969</b>	<b>-35 744</b>	<b>50 225</b>

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

## Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the Company’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

27 August 2020

Kristian Siem  
Chairman (sign.)

Alexander Monnas  
(sign.)

John C. Wallace  
(sign.)

Barry Ridings  
(sign.)

Bernt Omdal  
CEO (sign.)

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with IFRS.

### Note 2 – Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019 and with new standards, amendments to standards and interpretations that have become effective in 2020. The Company implemented the IFRS 16 with the effect from 1 January 2019. The implementation, presented in note 9, did not have a significant impact on the reported income or net assets of the Company.

### Note 3 – Financial Risks

#### 3.1 Interest Risk

The Company is exposed to changes in interest rates as approximately 35% of the long-term interest-bearing debt was subject to floating interest rates at the end of June 2020 and takes into consideration the effects of hedging agreements. The remaining portion of the debt is subject to fixed interest rates.

#### 3.2 Currency Risk

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

#### 3.3 Liquidity Risk

The Company is financed by debt and equity. 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 agreement reached with the Company's secured lenders in Europe and Norway for an interim standstill agreement includes 100% deferral of principal and interest payments until the end of the standstill period. The agreement also includes a waiver of financial covenants. The agreement is valid until 30 April 2021. The Company has ongoing discussion with the bondholders of the two unsecured bonds to get the bondholders to enter into the standstill agreement on same terms and conditions as the secured lenders. The NOK 350 million unsecured bond (SIOFF01) matures 30 October 2020. The Company risks to breach certain financial covenants under several loan agreements if not an agreement with the two unsecured bonds are made within 30 October 2020. The Company has classified the borrowings as non-current with an agreed current portion assuming that extended agreements will be reached by 30 October 2020. Even if the Company believes that an agreement will be reached on acceptable terms, there is a certain risk that an extended agreement will not be in place by 30 October 2020. In such case, all borrowings must be reclassified as current borrowings in the balance sheet.

There can be no assurance that the Company will be able to repay its debts or extend the debt repayment schedule through re-financing or amendments to agreements of the 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 debt covenants. Further, there is no assurance that the Company will be able to raise new equity or arrange new credit facilities on favourable terms and in amounts necessary to conduct its ongoing and future operations should this be required.

## NOTES TO THE FINANCIAL STATEMENTS



### Note 4 – Segment Reporting

<i>(Amounts in USD 1 000)</i>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>2Q</b>	<b>2Q</b>	<b>1H</b>	<b>1H</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating revenue by segments</b>					
Platform Supply Vessels	9 111	14 482	17 535	29 812	52 737
Offshore Subsea Construction Vessels and WIV	29 577	28 026	51 001	52 285	105 391
Anchor Handling Tug Supply Vessels	10 332	12 209	16 756	22 458	57 985
Brazilian Fleet	3 638	4 963	8 257	10 197	20 289
Canadian Fleet	4 543	7 213	8 298	14 366	26 851
Other/Intercompany elimination	390	188	1 374	379	961
Scientific Core-Drilling Vessel	6 904	7 017	14 024	13 924	28 316
<b>Total operating revenue</b>	<b>64 494</b>	<b>74 097</b>	<b>117 245</b>	<b>143 421</b>	<b>292 530</b>
<b>Operating margin by segments</b>					
Platform Supply Vessels	3 748	6 241	5 721	12 995	22 410
Offshore Subsea Construction Vessels and WIV	17 992	17 601	30 658	29 665	65 043
Anchor Handling Tug Supply Vessels	-718	-792	-7 395	-2 844	10 961
Brazilian Fleet	1 428	-1 782	3 827	612	-1 642
Canadian Fleet	2 667	2 934	4 382	6 378	11 932
Other/Intercompany elimination	786	235	2 307	832	2 353
Scientific Core-Drilling Vessel	3 085	4 097	5 058	8 241	16 406
Administrative expenses	-4 635	-6 295	-9 806	-11 642	-17 718
<b>Total operating margin from segments</b>	<b>24 355</b>	<b>22 240</b>	<b>34 752</b>	<b>44 238</b>	<b>109 744</b>
<b>Depreciation by segments</b>					
Platform Supply Vessels	-2 621	-5 047	-5 442	-10 021	-16 324
Offshore Subsea Construction Vessels and WIV	-7 116	-7 752	-14 223	-15 406	-30 974
Anchor Handling Tug Supply Vessels	-8 020	-9 129	-15 932	-18 233	-37 047
Brazilian Fleet	-772	-1 023	-1 709	-2 136	-4 178
Canadian Fleet	-646	-2 552	-1 300	-5 006	-10 235
Other/Intercompany elimination	-583	-531	-1 165	-1 178	-2 350
Scientific Core-Drilling Vessel	-883	-910	-1 765	-1 819	-3 564
<b>Total depreciation by segments</b>	<b>-20 640</b>	<b>-26 944</b>	<b>-41 536</b>	<b>-53 800</b>	<b>-104 672</b>
<b>Vessel impairment by segments</b>					
Platform Supply Vessels	-25 963	-	-25 963	-	-10 712
Offshore Subsea Construction Vessels and WIV	-44 636	-	-44 636	-	-
Anchor Handling Tug Supply Vessels	-161 451	-	-161 451	-	-45 114
Canadian Fleet	-19 184	-	-19 184	-	-3 412
<b>Total vessel impairment by segments</b>	<b>-251 234</b>	<b>-</b>	<b>-251 234</b>	<b>-</b>	<b>-59 238</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

<i>(Amounts in USD 1 000)</i>	Land and buildings	Vessels and equipment	Capitalized project cost	Total
<b>Purchase cost at 1 January 2020</b>	<b>4 038</b>	<b>2 373 862</b>	<b>11 346</b>	<b>2 389 246</b>
Capital expenditure	-156	15 499	-	15 342
Effect of exchange rate differences	-320	-50 766	-253	-51 340
<b>Purchase cost at 30 June 2020</b>	<b>3 561</b>	<b>2 338 594</b>	<b>11 093</b>	<b>2 353 249</b>
<b>Accumulated depreciation at 1 January 2020</b>	<b>-933</b>	<b>-729 150</b>	<b>-7 653</b>	<b>-737 737</b>
<b>Accumulated impairment at 1 January 2020</b>	<b>-</b>	<b>-359 370</b>	<b>-</b>	<b>-359 370</b>
The year's depreciation	-418	-40 828	-291	-41 536
The year's impairment	-	-251 234	-	-251 234
Effect of exchange rate differences	84	15 657	98	15 839
<b>Accumulated depreciation at 30 June 2020</b>	<b>-1 267</b>	<b>-1 364 925</b>	<b>-7 846</b>	<b>-1 374 038</b>
<b>Net book value at 30 June 2020</b>	<b>2 294</b>	<b>973 669</b>	<b>3 247</b>	<b>979 210</b>

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

Impairments in 2020 relate to vessels and capitalized equipment. See note 8 for further details.

"Burin Sea" and "Trinity Sea", two of the Canadian vessels were sold in December 2019, with delivery in 2020. The net book value for these two vessels was zero, but cost related to the sale was capitalized and was presented as asset held for sale in the balance sheet per 31.12.2019.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 6 –Interest-Bearing Debt and CIRR

<i>(Amounts in USD 1 000)</i>	<b>30.06.2020</b>	<b>31.12.2019</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Total cash and cash equivalents</b>	<b>72 621</b>	<b>74 451</b>
Current portion of borrowings	-182 140	-143 270
Non-current portion of borrowings	-817 318	-876 367
<b>Gross interest-bearing debt</b>	<b>-999 458</b>	<b>-1 019 638</b>
<b>Net interest-bearing debt</b>	<b>-926 837</b>	<b>-945 187</b>

<b>Unearned CIRR</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Balance, beginning of the period	-	314
Recognized in the profit and loss account	-	-314
<b>Balance, end of the period</b>	<b>-</b>	<b>-</b>

The interest-bearing debt is denominated in currencies as follows: USD 82.7%, NOK 15.5 % and CAD 1.8%.

The long-term interest bearing-debt above includes a unsecured shareholders loan from the minority shareholder in Siem AHFS Pool AS. The interest on the shareholders loan is added to the principal loan balance and will become payable from April 2023 contingent on the approval from the secured lenders.

The accrued interest on Borrowings has been reclassified from Other current liabilities to current portion of borrowings.

### Note 7 – Taxes

The Company is subject to taxes in several jurisdictions where significant judgement is required in calculating the tax provision for the Company. There are several transactions for which the ultimate tax cost is uncertain and for which the Company makes provisions based on internal estimates, tax treaties and tax regulations in countries of operation, and appropriate external advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the tax charge in the period in which the outcome is determined. The tax cost for the period relates to corporate tax and withholding tax for operating both in Norway and other jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 8 – Impairments

<i>(Amounts in USD 1 000)</i>	2020 2Q	2019 2Q	2020 1H	2019 1H	2019 Jan-Dec
Impairment charge relating to vessel segments:	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
PSV	25 963	-	25 963	-	10 712
OSCV and WIV	44 636	-	44 636	-	-
AHTS vessels	161 451	-	161 451	-	45 114
Canadian fleet	19 184	-	19 184	-	3 412
<b>Total impairment charge for vessels and equipment</b>	<b>251 234</b>	<b>-</b>	<b>251 234</b>	<b>-</b>	<b>59 238</b>

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 (FVLCOB) and value-in-use (VIU) and each vessel is considered a separate Cash Generating Unit (CGU). VIU is based on the present value of discounted cash flows for each separate CGU for a period of ten years, however not exceeding its remaining lifetime, based on market views for future periods.

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 were performed for all OSV vessels and impairment charges were recognized at USD 59 million. As of 30 June 2020 there were new indicators identified as the COVID-19 pandemic and the related dramatic fall in the oil price which negatively impacted charter rates and vessel utilization. Impairment tests were performed for all vessels. The Company concluded to recognize a total impairment charge at USD 251.2 million in the Second Quarter 2020.

The discount rate used in the value-in-use calculation is a weighted average cost of capital (WACC) after tax ranging from 7.69%–9.02%. The WACC increased by net 0.2% points from year-end as risk premiums were increased, while risk free interest rates decreased.

Operational expenses that are directly attributable to the CGU are based on budget and forecasts as applicable. Dry-docking costs are included as scheduled.

Impairment of USD 251.2 million, relating to 19 vessels, was recognized as of 30 June 2020. The VIU calculation is mainly affected by changes in the WACC and freight rate assumptions. The WACC used for vessels financed in USD was 7.69% (31 Dec 2019: 7.49%) and for the vessels financed in NOK the WACC was 7.99% (31 Dec 2019: 7.68%). The WACC used for vessels financed in USD in Brazil was 9.02% (31 Dec 2019: 9.05%).

A reduction of freight rate assumption of USD 1,000 per day for each vessel would increase the impairment by approximately USD 40.3 million, applicable to 19 vessels. An increase in freight rate assumption of USD 1,000 per day would reduce the impairment by approximately USD 40.3 million applicable to 19 of the vessels. With an increase in freight rate assumptions of USD 1,000 day, VIU would become higher than FVLCOB for certain vessels.

An increase in WACC of 0.5% would increase the total impairment by approximately USD 21.2 million and relate to 19 vessels in total. A decrease in WACC of 0.5% would decrease the total impairment by approximately USD 22.2 million and relate to 19 of the vessels. With a decrease in WACC of 0.5%, VIU would become higher than FVLCOB for certain vessels.

The book values of the vessels do not reflect impairment charges as a consequence of a forced sale.

## NOTES TO THE FINANCIAL STATEMENTS

### Impairment charge per vessel

(Amounts in USD 1,000)

Vessel	Valuation method	1 H 2020	30 June 2020
		Impairment	Recoverable amount
PSV 1	VIU	3 210	2 895
PSV 2	VIU	6 119	26 280
PSV 3	VIU	9 049	37 413
PSV 4	VIU	7 585	24 851
OSCV 1	VIU	10 877	21 780
OSCV 2	VIU	12 215	56 209
OSCV 3	VIU	12 023	58 057
OSCV 4	VIU	9 521	59 653
AHTS 1	VIU	17 326	25 998
AHTS 2	VIU	16 871	27 977
AHTS 3	VIU	13 572	28 407
AHTS 4	VIU	17 461	24 105
AHTS 5	VIU	16 922	25 561
AHTS 6	VIU	12 798	29 579
AHTS 7	VIU	16 017	29 034
AHTS 8	VIU	16 509	25 767
AHTS 9	VIU	16 136	27 839
AHTS 10	VIU	17 839	24 703
CAN 1	VIU	19 184	36 259
<b>Total</b>		<b>251 234</b>	<b>592 367</b>

### Note 9 - Implementation of IFRS 16 Leases

IFRS 16 was issued in January 2016. Almost all leases are now recognised in the balance sheet by the lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Exemption is valid for short-term (less than 12 months) and low-value leases.

Siem Offshore implemented the standard from its mandatory adoption date of 1 January 2019. The 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 01.01.2020</b>	<b>6 779</b>
The year's depreciation	-901
Effect of exchange rate differences	-247
<b>Right of use assets at 30.06.2020</b>	<b>5 631</b>

The balance sheet shows the following amounts relating to leases:

<i>(Amounts in USD 1,000)</i>	<b>30.06.2020</b>	<b>31.12.2019</b>
<b>Right of use assets*</b>		
Land and buildings	2 213	2 872
Vessels and equipment	3 419	3 907
<b>Total</b>	<b>5 631</b>	<b>6 779</b>

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

<b>Lease liability at 01.01.2020</b>	<b>7 004</b>
Lease payments	-1 063
Interest cost	220
Effect of exchange rate differences	-274
<b>Lease liability at 30.06.2020</b>	<b>5 887</b>

**Consolidated Income Statements :**

<i>(Amounts in USD 1 000)</i>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>1H</b>	<b>1H</b>	<b>Jan-Dec</b>
Operating expenses	-583	-583	-1 166
Administrative expenses	-480	-506	-1 013
Depreciation and amortization	901	932	1 863
Financial expenses	220	270	540
<b>Net effect</b>	<b>58</b>	<b>112</b>	<b>225</b>

Cash flows from operating activities have increased and cash flows from financing activities have decreased by approximately USD1.1 million for Jan-June 2020 as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

## ALTERNATIVE PERFORMANCE MEASUREMENT (APM)

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

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

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

**EBITDA** - Operating result before depreciation, amortization and impairment

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

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

**Current ratio** - Current assets divided by current liabilities

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

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

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

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

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

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

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

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

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



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