SIEM OFFSHORE INC.
REPORT FOR THIRD QUARTER AND FIRST NINE MONTHS 2020

On 29 October 2020 – Siem Offshore Inc. (the "Company"; Oslo Stock Exchange: SIOFF) reports results for third quarter and the first nine months ended 2020.

SELECTED FINANCIAL INFORMATION

(Amounts in USD millions)	2020 3Q	2019 3Q	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	70.5	77.9	187.7	221.3	292.5
Operating margin	29.1	36.1	63.9	80.3	109.7
Operating margin, %	41 %	46 %	34 %	36 %	38 %
Operating profit (loss)	13.8	2.2	(252.2)	(6.3)	(57.5)
Profit (loss) before taxes	(0.1)	(0.5)	(299.1)	(45.6)	(113.1)
Net profit (loss) from continuing operations	(2.7)	(2.2)	(301.7)	(47.4)	(114.5)
Net profit (loss) from discontinued operations	-	-	-	5.3	5.3
Net profit (loss)	(2.7)	(2.2)	(301.7)	(42.2)	(109.2)
Net profit (loss) attributable to shareholders	(1.4)	(0.2)	(257.8)	(32.6)	(88.2)

HIGHLIGHTS FOR THE THIRD QUARTER

- Agreed a 2-year contract with two yearly options for the two PSVs "Siem Atlas" and "Siem Giant"
- Agreed an extension for three large AHTS vessels operating in Australia securing work until October 2021 with options until end 2022

SUBSEQUENT EVENTS

- A Summons for Bondholders' meetings in SIOFF01 and SIOFF02 to be held on 30 October 2020 to agree deferment of terms.

MARKET AND OUTLOOK

The collapse in the oil price and the effect of the COVID-19 pandemic on the world's economies continue to create a difficult operating environment for our fleet, where there are great uncertainties on 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. In the shorter term, the coming winter season will most likely be more challenging than ever for our fleet which has delivered high level of utilization throughout the extended downturn.

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 with the ambition to build a sustainable commercial platform. Only through such measures can revenues be increased, operating costs be reduced and rational long-term plans created.

Several ship-owners continue to accept contract terms with unacceptable risk and unsustainable rates, just to avoid lay-up. These are contract terms with high risk for low return, and at the same time creates an unhealthy market precedence for the future.

Activity has been better than expected in third quarter for all segments, but day rates have been low, with the exception of a few small peaks in the spot market for the AHTS segment where medium and long-term contracts are almost non-existent. We expect an increase in the number of vessels from the global fleet being put into lay-up for the winter period.

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, the Bond Holders and other unsecured lenders. These difficult market conditions and the impact of the COVID-19 pandemic on world economies impact 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 and we expect that the market will remain soft for several years. 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 by good cooperation between the Company and its financing banks, significant shareholder support, good ship operations and disposal of non-strategic and older assets.

The company has recorded aggregated impairments of USD251.2 million in 2020. No impairments has been recorded in third quarter. Additional impairment charges may be necessary if the market continues to be depressed for a prolonged period. 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. Total Equity is approximately USD50 million.

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. The terms of the agreement with the banks include deferral and suspension of principal and interest payments and waiver of financial covenants.

The Company has an ongoing discussion with the secured lenders and the two unsecured bondholders for a restructuring proposal. An agreement is conditional upon all lenders supporting the restructuring plan as well as the shareholders. The 5-year business plan that is under discussion with the lenders includes both adjusting of debt leverage and adjusting of debt service. The restructuring proposal include that part of the existing debt is converted to equity, which will lead to new shares being issued and existing shareholders being diluted

An agreement with all lenders and shareholders will not be reached within 30 October 2020. The NOK 350 million unsecured bond (SIOFF01) matures 30 October 2020 and the waiver on certain financial covenants in the two unsecured bonds expires on 30 October 2020. The company has called for a bondholders meeting in SIOFF01 and SIOFF02 to be held on 30 October 2020, with proposal to the bondholders to enter into a standstill agreement, including deferral and suspension of principal and interest payments and waiver of financial covenants until 31 December 2020. The Company risks to breach certain financial covenants under several loan agreements if the proposal in the summons to the bondholders meeting is not approved at the bondholders meeting on 30 October 2020. A default situation on either of the two unsecured bonds can lead to the standstill agreement with the Banks being terminated and the restructuring proposal to fail.

The 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 its unions and crews to find ways to secure a 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 contract cancellations with the resultant 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 to 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 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 (3Q 2020 over 3Q 2019)

Operating revenues were USD70.5 million (2019: USD77.9 million). The operating margin was USD29.1 million (2019: USD36.1 million) and the operating margin as a percentage of revenues was 41% (2019: 46%). The decrease in revenues from 3Q 2019 is mainly due to lower revenues from the PSVs, Canadian fleet and AHTS fleet. Operating expenses include an accrual of USD3.8 million for potential losses on receivables. Administrative expenses were USD4.9 million (2019: USD5.1 million).

Operating profit/(loss) was USD13.8 million (2019: USD2.2 million) after depreciation and amortisation expenses of USD16.8 million (2019: USD26.0 million). The net currency exchange gain/(loss) of USD1.7 million (2019: USD(5.4) million) was recorded on currency derivative contracts of which USD1.7 million was unrealised (2019: USD(5.3) million).

Net financial items were USD(14.3) million (2019: USD(2.9) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(8.5) million (2019: USD8.7 million) of which USD(7.1) million was unrealized (2019: USD6.9 million). The financial expenses of USD9.3 million (2019: USD12.6 million) included an unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements of USD(0.5) million (2019: USD(1.9) 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 USD(1.4) million which was recognized in the equity.

The net (loss) attributable to shareholders was USD(1.4) million (2019: USD(0.2) million), or USD0.00 per share (2019: USD0.00 per share).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD87.1 million at 30 September 2020 (31 December 2019: USD353 million), equivalent to USD0.09 per share (2019: USD0.38 per share). Non-controlling interest is negative at USD37 million. Net cash flow from operating activities for the first nine months 2020 was USD18.3 million and the cash position at 30 September 2020 was USD86.1 million.

The gross interest-bearing debt is equivalent to USD1,007 million. The Company made principal repayments of USD17.3 million and interest payments of USD13.0 million.

The weighted average cost of debt for the Company was approximately 3.9% p.a. at 30 September 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 are contributing factors in safety and environmental improvements across the fleet. Siem Offshore has now reached the Lost Time Injury Frequency (LTIF) key performance indicator target of zero in each of the last 12 months. This is achievement reflects the global focus on safe operations across the fleet.

The Q3 Safety and Environmental campaign, focusing on reduction of the use of plastic, has been rolled out throughout the Company. These campaigns are coordinated with some of our major customers – in order to align initiatives.

The Company has a high focus on keeping the COVID-19 situation under control, by doing our utmost to keep our crews healthy and carry out RT-PCR testing on all embarking personnel. This is done to ensure the virus is not brought on board to our vessels and to keep crew and partners healthy and to maintain vessel operations.

The Fleet

At 30 September 2020, the fleet totalled 32 vessels (2019: 35 vessels), including partly-owned. Two vessels were sold for recycling in December 2019, with delivery in January 2020. Five vessels were in lay-up at the end of the quarter. In addition to its own fleet of 32 vessels, the Company performs ship-management for four offshore vessels.

Results for the Third Quarter 2020

Platform Supply Vessels (PSVs)

The Company had seven PSVs in the fleet at the end of the quarter (2019: seven). These PSVs recorded operating revenues of USD9.8 million and had 95% utilisation excluding the one vessel in lay-up (2019: USD11.7 million and 100%). The operating margin before administrative expenses for these PSVs was USD4.4 million (2019: USD5.3 million) and the operating margin as a percentage of revenues was 44% (2019: 45%). 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: four OSCVs and two WIVs). The OSCVs and WIVs earned operating revenues of USD31.2 million and had 99% utilisation (2019: USD29.1 million and 96%). The operating margin before administrative expenses was USD20.6 million (2019: USD19.6 million) and the operating margin as a percentage of revenues was 66% (2019: 67%).

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 USD12.0 million based on 75% utilisation excluding vessels in lay-up (2019: USD17.9 million and 80%). The operating margin before administrative expenses was USD2.6 million (2019: USD6.4 million) and the operating margin as a percentage of revenues was 21% (2019: 35%). Two 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). Two vessel were in lay-up at the end of the quarter. Two vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD3.9 million and had 95% utilisation excluding vessels in lay-up (2019: USD4.9 million and 86%). The operating margin before administrative expenses for the fleet was USD2.2 million (2019: USD1.8 million) and the operating margin as a percentage of revenues was 57% (2019: 36%).

The Company had a fleet of two Canadian-owned offshore support vessels offshore Canada at the end of the quarter (2019: five). The fleet earned operating revenues of USD4.9 million and had 75% utilisation (2019: USD6.9 million and 97%). The operating margin before administrative expenses for the fleet was USD3.2 million (2019: USD3.2 million) and the operating margin as a percentage of revenues was 65% (2019: 47%).

The 41%-ownership in the "Big Orange XVIII" recorded a share of profit of USD0.3 million (2019: USD0.2 million). These results are recorded in accordance with the equity method.

The Company had one scientific core-drilling vessel, the "JOIDES Resolution", that recorded operating revenues of USD7.3 million (2019: USD7.2 million) and an operating margin before administrative expenses of USD4.6 million (2019: USD4.4 million). The operating margin as a percentage of revenues was 63% (2019: 61%).

Contract Backlog

The total backlog at 30 September 2020 was USD557 million and is allocated as follows:

(Amounts in USD millions)	2020	2021	2022 onwards	Total
OSVs	44	179	222	445
Other	7	28	77	112
Total Backlog	**51**	**207**	**299**	**557**

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

29 October 2020

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

(Amounts in USD 1 000)	Note	2020 3Q	2019 3Q	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	4	70 476	77 883	187 720	221 304	292 530
Operating expenses	9	-36 468	-36 720	-109 155	-124 262	-165 067
Adminstrative expenses	9	-4 881	-5 097	-14 687	-16 738	-17 718
Operating margin	**4**	**29 126**	**36 066**	**63 878**	**80 304**	**109 744**
Depreciation and amortization	4,5,9	-16 819	-26 035	-58 355	-79 835	-104 672
Impairment of vessels	4,5,8	-	-	-251 234	-	-59 238
Gain (loss) on sales of fixed assets	5	-113	-2 526	169	-2 461	-2 779
Gain on sale of interest rate derivatives (CIRR)	6	-	92	-	276	314
Gain/(loss) on currency derivative contracts		1 653	-5 428	-6 589	-4 581	-876
Operating profit/(loss)		**13 847**	**2 169**	**-252 131**	**-6 297**	**-57 507**
Financial income		3 529	1 068	4 843	7 851	9 765
Financial expenses	9	-9 323	-12 645	-41 388	-51 741	-65 133
Net currency gain (loss) on revaluation		-8 473	8 723	-11 186	4 299	-816
Net financial items		**-14 267**	**-2 855**	**-47 730**	**-39 591**	**-56 183**
Result from associated companies		319	233	741	324	568
Profit/(loss) before taxes		**-101**	**-453**	**-299 120**	**-45 564**	**-113 123**
Tax benefit/(expense)	7	-2 587	-1 745	-2 630	-1 874	-1 383
Net profit/(loss) from continuing operations		**-2 688**	**-2 199**	**-301 749**	**-47 438**	**-114 506**
Net profit/(loss) from discontinued operations		-	14	-	5 260	5 260
Net profit/(loss)		**-2 688**	**-2 185**	**-301 749**	**-42 178**	**-109 246**
Attributable to non-controlling interest		-1 300	-1 988	-43 921	-9 561	-21 017
Attributable to shareholders of the Company		**-1 388**	**-197**	**-257 828**	**-32 617**	**-88 229**
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)		-0,00	-0,00	-0,28	-0,03	-0,09

Statements of Comprehensive Income *(Amounts in USD 1 000)*	2020 3Q	2019 3Q	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Net profit (loss)	**-2 688**	**-2 185**	**-301 749**	**-42 178**	**-109 246**
Other comprehensive income (expense)					
Items that will not be reclassified to the Income Statement:					
Pension remeasurement gain/(loss)	-	-	-	-	347
Items that may be subsequently reclassified to the Income Statement:					
Cash flow hedges	-1 438	936	-16 338	2 935	650
Currency translation differences	3 922	-5 329	7 740	-1 937	5 530
Total comprehensive loss for the period	**-204**	**-6 577**	**-310 347**	**-41 179**	**-102 719**
Attributable to non-controlling interest	-1 301	-2 026	-43 921	-9 607	-21 021
Attributable to shareholders of the Company:	**1 097**	**-4 551**	**-266 426**	**-31 573**	**-81 698**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in USD 1 000)	Note	30.09.2020	31.12.2019
ASSETS		*Unaudited*	*Audited*
Non-current assets			
Vessels and equipment	5,8,9	961 632	1 288 446
Capitalized project cost	5	3 133	3 693
Investment in associates and other long-term receivables		36 790	40 426
CIRR loan deposit 1)		45 735	54 540
Deferred tax asset		7 443	10 321
Total non-current assets		**1 054 732**	**1 397 426**
Current assets			
Trade receivables and other current assets		58 896	68 862
Cash and cash equivalents	6	86 133	74 451
Total current assets		**145 029**	**143 312**
Assets classified as held for sale	5	-	715
Total Assets		**1 199 760**	**1 541 454**
EQUITY			
Paid-in capital		644 307	644 307
Other reserves		-41 177	-32 580
Retained earnings		-516 063	-258 234
Total Shareholders´ equity		**87 066**	**353 493**
Non-controlling interest		-37 044	6 877
Total Equity		**50 022**	**360 370**
LIABILITIES			
Non-current liabilities			
Borrowings	6	808 156	876 367
CIRR loan 1)		45 735	54 540
Derivative financial instruments		1 812	3 310
Other non-current liabilities	9	16 884	18 836
Total non-current liabilities		**872 587**	**953 054**
Current liabilities			
Current portion of borrowings	6	198 366	143 270
Accounts payable and other current liabilities	7,9	78 785	84 760
Total current liabilities		**277 151**	**228 030**
Total liabilities		**1 149 738**	**1 181 084**
Total Equity and Liabilities		**1 199 760**	**1 541 454**

1) Commercial Interest Reference Rate

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in USD 1 000)	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
	Unaudited	*Unaudited*	*Audited*
Cash flow from operating activities			
Net profit/(loss) from continuing operations	-301 749	-47 438	-114 506
Interest expense	30 389	40 296	60 449
Interest income	-2 188	-6 672	-8 118
Tax expense	2 584	1 874	1 383
Results from associated companies	-741	-324	-568
Loss/(gain) on sale of assets	-169	2 461	2 779
Employee share scheme expenses	-	4	5
Impairment of vessels, projects, intangibles, long-term receivables	251 234	-	59 238
Depreciation and amortization	58 355	79 835	104 672
Effect of unrealized gain on currency exchange forward contracts	-1 895	4 459	789
Changes in short-term receivables and payables	-1 255	13 896	33 992
CIRR gain	-	-276	-314
Other changes	-5 210	-5 110	4 228
Cash flow from operating activities	**29 354**	**83 005**	**144 030**
Interest paid	-12 976	-35 118	-54 271
Interest received	2 107	6 532	7 904
Taxes paid	-153	-1 096	-1 640
Net Cash flow from operating activities	**18 331**	**53 322**	**96 023**
Cash flow from investing activities			
Capital expenditure in vessels and equipment	-17 903	-21 346	-35 678
Proceeds from sale of fixed assets	382	50 845	50 506
Net cash from contingent consideration	-	30 901	29 797
Change in other non-current receivables	4 450	-23 873	-14 573
Dividend from associated company	-	-	1 067
Cash flow from investing activities	**-13 071**	**36 527**	**31 118**
Cashflow from financing activities			
Contribution from non-controlling interests of consolidated subsidiaries	2 184	9 173	12 231
Effect from restatement of bonds to convertible bonds	-1 353	-42	618
Effect from long-term debt foregiveness	-1 441	-	-
Changes in other non current liabilities	-165	-5 011	-22 433
Repayment of long-term borrowings	-17 343	-67 335	-98 670
Payment for cancellation of own shares	-	-	-3 006
Cash flow from financing activities	**-18 118**	**-63 215**	**-111 261**
Net change in cash and cash equivalents	**-12 858**	**26 634**	**15 881**
Cash and cash equivalents, beginning of period	74 451	63 413	63 413
Effect of exchange rate differences	24 540	-16 840	-4 843
Cash and cash equivalents, end of period	**86 133**	**73 208**	**74 451**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in USD 1 000)	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
Equity at 1 January 2019	**942 021 380**	**9 420**	**637 893**	**-38 769**	**-170 352**	**438 192**	**27 898**	**466 090**
Net profit/(loss) for the period	-	-	-	-	-32 617	**-32 617**	-9 561	**-42 178**
Employee share scheme -Value of employee services	-	-	-	4	-	**4**	-	**4**
Pension remeasurement	-	-	-	-	-	**-**	-	**-**
Cash flow hedge	-	-	-	2 935	-	**2 935**	-	**2 935**
Currency translation differences	-	-	-	-1 891	-	**-1 891**	-46	**-1 937**
Shares issues in Siem Offshore Inc	-	-	-	-	-	**-**	-	**-**
Equity at 30 September 2019	**942 021 380**	**9 420**	**637 893**	**-37 721**	**-202 969**	**406 623**	**18 291**	**424 914**

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

(Amounts in USD 1 000)	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
Equity at 1 January 2020	**934 738 777**	**9 347**	**634 959**	**-32 580**	**-258 234**	**353 493**	**6 877**	**360 370**
Net profit/(loss) for the period	-	-	-	-	-257 828	**-257 828**	-43 921	**-301 749**
Cash flow hedge	-	-	-	-16 338	-	**-16 338**	-	**-16 338**
Currency translation differences	-	-	-	7 740	-	**7 740**	-	**7 740**
Equity at 30 September 2020	**934 738 777**	**9 347**	**634 959**	**-41 177**	**-516 063**	**87 066**	**-37 044**	**50 022**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 September 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 41% of the long-term interest-bearing debt was subject to floating interest rates at the end of September 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 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 Bond Holders and other unsecured lenders. These difficult market conditions and the impact of the COVID-19 pandemic on world economies impact vessel charters and operations.

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. The terms of the agreement with the banks include deferral and suspension of principal and interest payments and waiver of financial covenants.

The Company has an ongoing discussion with the secured lenders and the two unsecured bondholders for a restructuring proposal. An agreement is conditional upon all lenders supporting the restructuring plan as well as the shareholders. The 5-year business plan that is under discussion with the lenders includes both adjusting of debt leverage and adjusting of debt services. Part of the existing debt is required to be converted to equity, which will lead to that new shares will be issued and existing shareholders will be diluted.

An agreement with all lenders and shareholders will not be reached within 30 October 2020. The NOK 350 million unsecured bond (SIOFF01) matures 30 October 2020 and the waiver on certain financial covenants in the two unsecured bonds expires on 30 October 2020. The company has called for a bondholders meeting in SIOFF01 and SIOFF02 to be held on 30 October 2020, with proposal to the bondholders to enter into a standstill agreement, including deferral and suspension of principal and interest payments and waiver of financial covenants until 31 December 2020. The Company risks to breach certain financial covenants under several loan agreements if the proposal in the summons to the bondholders meeting is not approved at the bondholders meeting on 30 October 2020. A default situation on either of the two unsecured bonds can lead to the standstill agreement with the Banks being terminated and the restructuring proposal to fail.

The 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.

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

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Segment Reporting

(Amounts in USD 1 000)	2020 3Q	2019 3Q	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenue by segments					
Platform Supply Vessels	9 818	11 664	27 353	41 476	52 737
Offshore Subsea Construction Vessels and WIV	31 225	29 130	82 226	81 414	105 391
Anchor Handling Tug Supply Vessels	11 978	17 933	28 734	40 391	57 985
Brazilian Fleet	3 905	4 907	12 162	15 105	20 289
Canadian Fleet	4 932	6 909	13 231	21 276	26 851
Other/Intercompany elimination	1 363	190	2 737	568	961
Scientific Core-Drilling Vessel	7 255	7 150	21 279	21 074	28 316
Total operating revenue	**70 476**	**77 883**	**187 720**	**221 304**	**292 530**
Operating margin by segments					
Platform Supply Vessels	4 351	5 264	10 071	18 258	22 410
Offshore Subsea Construction Vessels and WIV	20 629	19 584	51 287	49 248	65 043
Anchor Handling Tug Supply Vessels	2 567	6 359	-4 828	3 515	10 961
Brazilian Fleet	2 230	1 772	6 058	2 384	-1 642
Canadian Fleet	3 186	3 228	7 569	9 606	11 932
Other/Intercompany elimination	-3 518	593	-1 211	1 425	2 353
Scientific Core-Drilling Vessel	4 562	4 364	9 620	12 605	16 406
Adminstrative expenses	-4 881	-5 097	-14 687	-16 738	-17 718
Total operating margin from segments	**29 126**	**36 066**	**63 878**	**80 304**	**109 744**
Depreciation by segments					
Platform Supply Vessels	-2 270	-3 024	-7 712	-13 045	-16 324
Offshore Subsea Construction Vessels and WIV	-6 402	-8 032	-20 625	-23 438	-30 974
Anchor Handling Tug Supply Vessels	-5 196	-9 551	-21 129	-27 784	-37 047
Brazilian Fleet	-770	-1 036	-2 479	-3 172	-4 178
Canadian Fleet	-677	-2 944	-1 977	-7 950	-10 235
Other/Intercompany elimination	-585	-586	-1 749	-1 764	-2 350
Scientific Core-Drilling Vessel	-919	-863	-2 685	-2 682	-3 564
Total depreciation by segments	**-16 819**	**-26 035**	**-58 355**	**-79 835**	**-104 672**
Vessel impairment by segments					
Platform Supply Vessels	-	-	-25 963	-	-10 712
Offshore Subsea Construction Vessels and WIV	-	-	-44 636	-	-
Anchor Handling Tug Supply Vessels	-	-	-161 451	-	-45 114
Canadian Fleet	-	-	-19 184	-	-3 412
Total vessel impairment by segments	**-**	**-**	**-251 234**	**-**	**-59 238**

NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Vessels, Equipment and Project Cost

(Amounts in USD 1 000)	Land and buildings	Vessels and equipment	Capitalized project cost	Total
Purchase cost at 1 January 2020	**4 038**	**2 373 862**	**11 346**	**2 389 246**
Capital expenditure	-156	18 059	-	**17 903**
Movement between groups		117		**117**
The year's disposal at cost	-	-39 474		**-39 474**
Effect of exchange rate differences	-342	-50 604	-185	**-51 132**
Purchase cost at 30 September 2020	**3 539**	**2 301 961**	**11 161**	**2 316 660**
Accumulated depreciation at 1 January 2020	**-933**	**-729 150**	**-7 653**	**-737 737**
Accumulated impairment at 1 January 2020	**-**	**-359 370**	**-**	**-359 370**
Movement between groups		-117		**-117**
The year's depreciation	-621	-57 290	-444	**-58 355**
The year's impairment		-251 234		**-251 234**
The year's disposal of accumulated depreciation		33 304		**33 304**
The year's disposal of accumulated impairment		6 170		**6 170**
Effect of exchange rate differences	93	15 282	69	**15 443**
Accumulated depreciation at 30 September 2020	**-1 461**	**-1 342 407**	**-8 028**	**-1 351 896**
Net book value at 30 September 2020	**2 077**	**959 554**	**3 133**	**964 764**

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

(Amounts in USD 1 000)	**30.09.2020**	**31.12.2019**
	Unaudited	*Audited*
Total cash and cash equivalents	**86 133**	**74 451**
Current portion of borrowings	-198 366	-143 270
Non-current portion of borrowings	-808 156	-876 367
Gross interest-bearing debt	**-1 006 522**	**-1 019 638**
Net interest-bearing debt	**-920 389**	**-945 187**

Unearned CIRR	**30.09.2020**	**31.12.2019**
Balance, beginning of the period	-	314
Recognized in the profit and loss account	-	-314
Balance, end of the period	**-**	**-**

The interest-bearing debt is denominated in currencies as follows: USD 89.3%, NOK 9.2 % and CAD 1.5%.

The long-term interest-bearing debt above includes a shareholder's loan from the minority shareholder in Siem AHTS Pool AS. The interest charge 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 mainly relates to changes in deferred tax asset related to 2019 tax assessment in Holland.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Impairments

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

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 (FVLCOD) and value-in-use (VIU) and each vessel is considered a separate Cash Generating Unit (CGU). VIU is based on the present value of discounted cash flows for each separate CGU for 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 USD251.2 million in the Second Quarter 2020.

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

As of 30 September 2020 there are still indicators of impairment. Following impairment testing, the Company concluded not to recognize impairment charge in the Third Quarter 2020.

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

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)	
Right of use assets at 01.01.2020	**6 779**
The year's depreciation	-1 346
Effect of exchange rate differences	-264
Right of use assets at 30.06.2020	**5 168**

The balance sheet shows the following amounts relating to leases:

(Amounts in USD 1,000)	**30.09.2020**	**31.12.2019**
Right of use assets*		
Land and buildings	1 994	2 872
Vessels and equipment	3 175	3 907
Total	**5 169**	**6 779**

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

Lease liability at 01.01.2020	**7 004**
Lease payments	-1 588
Interest cost	327
Effect of exchange rate differences	-293
Lease liability at 30.06.2020	**5 450**

Consolidated Income Statements :

(Amounts in USD 1 000)	**2020 Jan-Sep**	**2019 Jan-Sep**	**2019 Jan-Dec**
Operating expenses	-874	-966	-1 166
Administrative expenses	-713	-760	-1 013
Depreciation and amortization	1 346	1 486	1 863
Financial expenses	327	409	540
Net effect	**86**	**170**	**225**

Cash flows from operating activities have increased and cash flows from financing activities have decreased by approximately USD1.6 million for Jan-Sep 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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