SIEM OFFSHORE INC.
REPORT FOR FORTH QUARTER AND FISCAL YEAR 2020

On 26 February 2021 – Siem Offshore Inc. (the "Company"; Oslo Stock Exchange: SIOFF) reports results for fourth quarter and the fiscal year ended 31 December 2020.

SELECTED FINANCIAL INFORMATION

(Amounts in USD millions)	2020 4Q	2019 4Q	2020 Jan-Dec	2019 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	57.1	71.2	244.8	292.5
Operating margin	18.4	29.4	82.3	109.7
Operating margin, %	32 %	41 %	34 %	38 %
Operating profit (loss)	(18.7)	(51.2)	(270.9)	(57.5)
Profit (loss) before taxes	(48.7)	(67.6)	(347.8)	(113.1)
Net profit (loss) from continuing operations	(48.7)	(67.1)	(350.5)	(114.5)
Net profit (loss) from discontinued operations	-	-	-	5.3
Net profit (loss)	(48.7)	(67.1)	(350.5)	(109.2)
Net profit (loss) attributable to shareholders	(41.0)	(55.6)	(298.9)	(88.2)

HIGHLIGHTS FOR THE FOURTH QUARTER

- Received notice of early termination of the charter party for the vessel Siem Pilot. The Company will be entitled to an early termination fee.
- Sold and delivered the vessel Venture Sea, previously part of the Canadian Vessels fleet.
- Conducted a periodic review of vessel valuations and recorded aggregate impairments of USD26 million.

SUBSEQUENT EVENTS

- Signed term Sheet with all the European Lenders approving the restructuring plan.
- Siem Stingray awarded a 6-month firm contract with options.
- Siem Barracuda awarded a 100-day contract with options for an offshore wind project in the Far East.
- Siem Spearfish awarded a 2-month firm contract with options for West Africa.
- Sale of the 2007 built Platform Supply Vessel "Siem Hanne" with delivery during first quarter 2021.
- Bondholders' meetings in SIOFF01 and SIOFF02 held in January 2021 approved the restructuring plan.

MARKET AND OUTLOOK

The uncertainty in future oil prices in combination with reduced E&P budgets continues to create a difficult operating environment for our fleet, where there is great uncertainty about exploration, offshore field development and subsea maintenance as campaigns are canceled or postponed. Several of the regular market drivers are absent, which makes it difficult to interpret future needs.

Q4 was as difficult as feared, with low utilization and low daily rates, especially within the AHTS and Offshore Construction segments, which forced more vessels into lay-up.

The winter market will be slow, but we see signs that the activity for the summer period commencing in April will increase with more drilling campaigns in the North Sea and in Offshore Wind will maintain good activity for the Offshore Support Vessel (OSV) segment. This should create an increase in demand for the Company's AHTS and PSV segments.

Long-term contracts are still more or less absent for the AHTS and Offshore Construction Vessel segments. For a number of the contracts entered into by others, the terms include unacceptable risk and unsustainable prices. In desperation, owners accept terms to avoid lay-up.

We still believe that consolidations are a necessity to improve the situation for our industry, especially for AHTS and Offshore Construction Vessels. In the current challenging economic situation, all parties involved have a common interest in creating a sustainable market.

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 material uncertainties related to the going-concern status due to the current contractual arrangements with the Financing Banks, the Bond Holders and other unsecured lenders. The poor market conditions and the impact of the COVID-19 pandemic on world economy influence the vessel rates and operations negatively.

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 condition and we expect that the market will remain soft for some time. 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, made 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 USD277 million in 2020. 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 deteriorating assumptions are used in the value-in-use calculation. Total Equity (inclusive of Non-controlling interests) is USD12 million at 31 December 2020. 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 through an orderly reorganisation of the Balance Sheet, preserve backlog and to enable the Company to service the clients.

The Company has now made an agreement with the Bondholders and the European banks for the restructuring of the Company's credit agreements.

The restructuring agreement is a 4-year plan that involves conversion of debt to equity, a reduction of future scheduled interest and amortisation payments and extension of secured debt with maturity before 2024 to 31 December 2024. The Plan will significantly strengthen the Company's balance sheet and create a stronger financial platform to continue to support our clients, preserve backlog and to meet the challenges in an extended downturn in the offshore supply market.

The main terms of the restructuring agreed with the European banks, key Bondholders and Shareholders include:

- Total equitization of approximately USD 268 mill of debt.

- The SIOFF01 Bondholders will receive a payment of USD 4 million and the residual balance will be converted into equity in the Company.
- The SIOFF02 bond debt will be converted into equity in the Company in its entirety.
- Remaining secured debt, following debt-to-equity conversion, to be guaranteed by SIOFF and to be serviced in full, or in part or by cash sweeps depending on categorization based on contract situation, current market conditions and forecast. No debt amount will be in excess of current market values.
- Extension of maturity for secured facilities with original maturity date before 31 December 2024.
- Revised financial covenants and general undertakings.
- The equitized debt will be converted to shares at a price of NOK 0.10 per share.
- Based on figures as of year-end 2020, the existing shares are expected to represent approximately 4% and the converted debt (including that of the bondholders) will represent approximately 96% of the Company's shares after restructuring.

The agreements with European Banks and the Bondholders are mutually conditional and subject to a satisfactory refinancing solution with the Brazilian Banks. The Company remains in discussions with the Brazilian Banks with the aim of securing their participation in the restructuring plan, but has so far not been able to reach agreement for a long-term solution. While the negotiations with the Brazilian Banks continue, the Company is exploring alternative options with a view to consummate the restructuring without the consensual participation of them.

The Company is aiming for a successful implementation of the restructuring plan following the agreed standstill period. However, there is a risk that the restructuring plan will fail and that the Company will come into a default situation. In a default situation the Company will not be in compliance with its Financial covenants and general undertakings and all debt classified as non-current must be reclassified as current debt in the Balance Sheet.

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 collapse in the oil price, recovered for now, which has placed additional pressure on the OSV market.

The Company is working with its unions and crews to secure safe and reliable operations of its vessels. An additional risk is that vessel operations could be halted through the absence of crew members. If the COVID-19 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 Company is exposed to credit risk due to the financial strength of some counterparties and the difficulties generally that the Company is facing in its markets. The world supply and demand of oil and its market price is uncertain. The oil price has a direct impact on the offshore activities which the Company serves.

The COVID-19 pandemic and the large fluctuation in the oil price 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 (4Q 2020 over 4Q 2019)

Operating revenues were USD57.1 million (2019: USD71.2 million). The operating margin was USD18.4 million (2019: USD29.4 million) and the operating margin as a percentage of revenues was 32% (2019: 41%). The decrease in revenues from 4Q 2019 is mainly due to lower revenues from the AHTS fleet, the Brazilian and the Canadian fleets. Administrative expenses were USD4.9 million (2019: USD1.0 million). The low administrative expenses for 2019 was mainly due to the net effect from the release of an accrual related to an executive incentive share scheme and the cost related to the acquisition of related shares, amounting to USD6.7 million.

Operating profit/(loss) was USD(18.7) million (2019: USD(51.2) million) after depreciation and amortisation expenses of USD16.6 million (2019: USD24.8 million) and after impairment of certain vessel values of USD25.6 million (2019: USD59.2 million). The net currency exchange gain/(loss) of USD4.6 million (2019: USD3.7 million) was recorded on currency derivative contracts of which USD10.1 million was unrealised (2019: USD3.7 million).

Net financial items were USD(30.1) million (2019: USD(16.6) million) and included a net revaluation gain/(loss) of non-USD currency items of USD(18.3) million (2019: USD(5.1) million) of which USD(16.7) million was unrealized (2019: USD(4.6) million). The financial expenses of USD14.1 million (2019: USD13.4 million) included an unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements of USD(0.3) million (2019: USD1.5 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 gain of USD3.7 million which was recognized in the equity.

The net (loss) attributable to shareholders was USD(41.0) million (2019: USD(55.6) million), or USD(0.04) per share (2019: USD(0.06) per share).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD57 million before Non-controlling interest at 31 December 2020 (31 December 2019: USD353 million), equivalent to USD0.06 per share (2019: USD0.38 per share). Non-controlling interest is negative at USD45 million. Net cash flow from operating activities for the fiscal year 2020 was USD35 million and the cash position at 31 December 2020 was USD103 million.

The gross interest-bearing debt is equivalent to USD1,031 million. The Company made principal repayments of USD21 million and interest payments of USD13 million.

The weighted average cost of debt for the Company was approximately 3.4% p.a. at 31 December 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 resulting in safety and environmental improvements. During the fourth quarter, the Health campaign focusing on "Wellbeing and Healthy Marine Minds at Sea" was successfully rolled out throughout the fleet globally.

The trends are favourable regarding the Total Recordable Incidents and we continue to strive for improvements. The Company has not experienced any Lost Time Injuries during the last 16 months, which reflects dedicated personnel and constant focus on safe operations.

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

During the fourth quarter, business compliance, ethics and due diligence have been focus areas, whereas policies, procedures and training material have been updated and revised to meet the ever-challenging business issues which we face in the global theatre.

The global COVID-19 virus outbreak has affected the company in many ways and a dedicated Task Force has continuous focus on developing and advising of mitigating actions to avoid virus outbreak amongst crew on board vessels and crew and staff at home or in transit.

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

The Fleet

At 31 December 2020, the fleet totalled 31 vessels (2019: 35 vessels), including partly-owned vessels. One Canadian vessel was sold and delivered to the buyer in December 2020. 7 vessels were in lay-up at the end of the quarter. In addition to its own fleet of 31 vessels, the Company performs ship-management for 4 vessels.

Results for the Fourth Quarter 2020

Platform Supply Vessels (PSVs)

The Company had 7 PSVs in the fleet at the end of the quarter (2019: 7). The PSVs recorded operating revenues of USD9.9 million and had 98% utilisation excluding the one vessel in lay-up (2019: USD11.3 million and 97%). The operating margin before administrative expenses for these PSVs was USD3.7 million (2019: USD4.2 million) and the operating margin as a percentage of revenues was 37% (2019: 37%). 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 4 OSCVs and 2 WIVs at the end of the quarter (2019: 4 OSCVs and 2 WIVs). The OSCVs and WIVs earned operating revenues of USD23.1 million and had 70% utilisation excluding one vessel in lay-up (2019: USD24.0 million and 95%). The operating margin before administrative expenses was USD13.2 million (2019: USD15.8 million) and the operating margin as a percentage of revenues was 57% (2019: 66%).

Anchor-Handling Tug Supply (AHTS) Vessels

The Company had 10 AHTS vessels at the end of the quarter (2019: 10). The AHTS fleet earned operating revenues of USD8.5 million based on 72% utilisation excluding vessels in lay-up (2019: USD17.6 million and 76%). The operating margin before administrative expenses was USD(1.1) million (2019: USD7.4 million) and the operating margin as a percentage of revenues was (12)% (2019: 42%). 3 vessel were in lay-up at the end of the quarter.

Other Vessels

The Company had a fleet of 5 smaller Brazilian-flagged vessels (fast supply vessels, fast crew vessels and oil-spill recovery vessels) at the end of the quarter (2019: 5). 2 vessel were in lay-up at the end of the quarter. 2 vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD3.5 million and had 95% utilisation excluding vessels in lay-up (2019: USD5.2 million and 100%). The operating margin before administrative expenses for the fleet was USD1.6 million (2019: USD(4.0) million, which includes a cost of USD6.6 million related to legal claims in Brazil) and the operating margin as a percentage of revenues was 47 % (2019: (78)%).

The Company had one Canadian-owned offshore support vessel operating offshore Canada at the end of the quarter (2019: four). One vessel was sold and delivered in December 2020. The fleet earned operating revenues of USD4.4 million and had 93% utilisation (2019: USD5.6 million and 97%). The operating margin before administrative expenses for the fleet was USD1.1 million (2019: USD2.3 million) and the operating margin as a percentage of revenues was 24% (2019: 42%).

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

The Company owns 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 USD4.0 million (2019: USD3.8 million). The operating margin as a percentage of revenues was 55% (2019: 52%).

Contract Backlog

The total backlog at 31 December 2020 was USD483 million and is allocated as follows:

(Amounts in USD millions)	2021	2022	2023 onwards	Total
OSVs	173	113	91	377
Other	28	28	50	106
Total Backlog	**201**	**141**	**141**	**483**

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

26 February 2021

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

(Amounts in USD 1 000)	Note	2020 4Q	2019 4Q	2020 Jan-Dec	2019 Jan-Dec
		Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	4	57 123	71 226	244 843	292 530
Operating expenses	9	-33 829	-40 806	-142 984	-165 067
Adminstrative expenses	9	-4 913	-979	-19 600	-17 718
Operating margin	**4**	**18 381**	**29 441**	**82 259**	**109 744**
Depreciation and amortization	4,5,9	-16 589	-24 837	-74 944	-104 672
Impairment of vessels	4,5,8	-25 623	-59 238	-276 857	-59 238
Gain (loss) on sales of fixed assets	5	486	-318	655	-2 779
Gain on sale of interest rate derivatives (CIRR)	6	-	38	-	314
Gain/(loss) on currency derivative contracts		4 619	3 705	-1 970	-876
Operating profit/(loss)		**-18 726**	**-51 210**	**-270 856**	**-57 507**
Financial income		2 318	1 914	7 161	9 765
Financial expenses	9	-14 127	-13 391	-55 514	-65 133
Net currency gain (loss) on revaluation		-18 248	-5 115	-29 434	-816
Net financial items		**-30 057**	**-16 592**	**-77 787**	**-56 183**
Result from associated companies		103	243	844	568
Profit/(loss) before taxes		**-48 680**	**-67 559**	**-347 799**	**-113 123**
Tax benefit/(expense)	7	-43	491	-2 673	-1 383
Net profit/(loss) from continuing operations		**-48 723**	**-67 068**	**-350 472**	**-114 506**
Net profit/(loss) from discontinued operations		-	-	-	5 260
Net profit/(loss)		**-48 723**	**-67 068**	**-350 472**	**-109 246**
Attributable to non-controlling interest		-7 686	-11 456	-51 607	-21 017
Attributable to shareholders of the Company		**-41 037**	**-55 612**	**-298 866**	**-88 229**
Weighted average number of outstanding shares(000's)		934 739	941 151	934 739	941 802
Earnings/(loss) per share (basic and diluted)		-0,04	-0,06	-0,32	-0,09

Statements of Comprehensive Income *(Amounts in USD 1 000)*	2020 4Q	2019 4Q	2020 Jan-Dec	2019 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Audited*
Net profit (loss)	**-48 723**	**-67 068**	**-350 472**	**-109 246**
Other comprehensive income (expense)				
Items that will not be reclassified to the Income Statement:				
Pension remeasurement gain/(loss)	-721	347	-721	347
Items that may be subsequently reclassified to the Income Statement:				
Cash flow hedges	3 749	-2 285	-12 589	650
Currency translation differences	8 014	7 467	15 754	5 530
Total comprehensive loss for the period	**-37 681**	**-61 539**	**-348 029**	**-102 719**
Attributable to non-controlling interest	-7 685	-11 414	-51 606	-21 021
Attributable to shareholders of the Company:	**-29 996**	**-50 125**	**-296 423**	**-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**	**31.12.2020**	**31.12.2019**
ASSETS		*Unaudited*	*Audited*
Non-current assets			
Vessels and equipment	5,8,9	936 990	1 288 446
Capitalized project cost	5	3 098	3 693
Investment in associates and other long-term receivables		36 647	40 426
CIRR loan deposit 1)		45 946	54 540
Deferred tax asset		7 526	10 321
Total non-current assets		**1 030 207**	**1 397 426**
Current assets			
Trade receivables and other current assets		56 319	68 862
Cash and cash equivalents	6	103 225	74 451
Total current assets		**159 544**	**143 312**
Assets classified as held for sale	5	-	715
Total Assets		**1 189 751**	**1 541 454**
EQUITY			
Paid-in capital		644 307	644 307
Other reserves		-29 332	-32 580
Retained earnings		-557 822	-258 234
Total Shareholders´ equity		**57 152**	**353 493**
Non-controlling interest		-44 730	6 877
Total Equity		**12 423**	**360 370**
LIABILITIES			
Non-current liabilities			
Borrowings	6	791 897	876 367
CIRR loan 1)		45 946	54 540
Derivative financial instruments		1 833	3 310
Other non-current liabilities	9	17 736	18 836
Total non-current liabilities		**857 412**	**953 054**
Current liabilities			
Current portion of borrowings	6	238 890	143 270
Accounts payable and other current liabilities	7,9	81 027	84 760
Total current liabilities		**319 917**	**228 030**
Total liabilities		**1 177 328**	**1 181 084**
Total Equity and Liabilities		**1 189 751**	**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-Dec	2019 Jan-Dec
	Unaudited	*Audited*
Cash flow from operating activities		
Net profit/(loss) from continuing operations	-350 472	-114 506
Interest expense	49 862	60 449
Interest income	-3 855	-8 118
Tax expense	2 673	1 383
Results from associated companies	-844	-568
Loss/(gain) on sale of assets	-655	2 779
Employee share scheme expenses	-	5
Impairment of vessels, projects, intangibles, long-term receivables	276 857	59 238
Depreciation and amortization	74 944	104 672
Effect of unrealized gain on currency exchange forward contracts	-12 039	789
Changes in short-term receivables and payables	1 806	33 992
CIRR gain	-	-314
Other changes	11 317	4 228
Cash flow from operating activities	**49 593**	**144 030**
Interest paid	-13 429	-54 271
Interest received	4 073	7 904
Taxes paid	-532	-1 640
Net Cash flow from operating activities	**39 704**	**96 023**
Cash flow from investing activities		
Capital expenditure in vessels and equipment	-25 207	-35 678
Proceeds from sale of fixed assets	838	50 506
Net cash from contingent consideration	-	29 797
Change in other non-current receivables	5 778	-14 573
Dividend from associated company	-	1 067
Cash flow from investing activities	**-18 591**	**31 118**
Cashflow from financing activities		
Contribution from non-controlling interests of consolidated subsidiaries	2 184	12 231
Effect from restatement of bonds to convertible bonds	-1 529	618
Effect from long-term debt forgiveness	-1 441	-
Changes in other non-current liabilities	395	-22 433
Repayment of long-term borrowings	-20 652	-98 670
Payment for cancellation of own shares	-	-3 006
Cash flow from financing activities	**-21 043**	**-111 261**
Net change in cash and cash equivalents	**70**	**15 881**
Cash and cash equivalents, beginning of period	74 451	63 413
Effect of exchange rate differences	28 704	-4 843
Cash and cash equivalents, end of period	**103 225**	**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	-	-	-	-	-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	-	-	-	-	-298 866	**-298 866**	-51 607	**-350 472**
Pension remeasurement	-	-	-	-	-721	**-721**	-	**-721**
Cash flow hedge	-	-	-	-12 589	-	**-12 589**		**-12 589**
Currency translation differences	-	-	-	15 837	-	**15 837**		**15 837**
Equity at 31 December 2020	**934 738 777**	**9 347**	**634 959**	**-29 332**	**-557 822**	**57 152**	**-44 730**	**12 423**

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 31 December 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 audited 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 December 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 material 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 now agreed a 4- year restructuring plan (the Plan) with the bondholders and the European lenders. The 4-year plan that is agreed with the lenders includes both, adjusting of debt leverage and adjusting of debt services. Part of the existing debt will be converted to equity, which will lead to new shares being issued and existing shareholders being diluted.

The agreements with European banks and the bondholders are further mutually conditional, and subject to a satisfactory refinancing solution with the Brazilian banks. The longstop date for the implementation of the restructuring plan is 30 June 2021.

Implementation of the Plan will significantly strengthen the Company's balance sheet and create a stronger financial platform to continue to support our clients, preserve backlog and to meet the challenges in an extended downturn in the offshore supply market.

Through the implementation of the plan, the company is expected to be solvent and to have sufficient cash as a going-concern.

The Company is aiming for a successful implementation of the restructuring plan following the agreed standstill period. However, there is a risk that the restructuring plan will fail and that the Company will come into a default situation. In a default situation the Company will not be in compliance with its Financial covenants and general undertakings and all debt classified as non-current must be reclassified as current debt in the Balance Sheet.

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 collapse in the oil price, recovered for now, which has placed additional pressure on the OSV market.

The Company is exposed to credit risk due to the financial strength of some counterparties and the difficulties generally that the Company is facing in its markets. The world supply and demand of oil and its market price is uncertain. The oil price has a direct impact on the offshore activities which the Company serves.

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Segment Reporting

(Amounts in USD 1 000)	2020 4Q	2019 4Q	2020 Jan-Dec	2019 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Audited*
Operating revenue by segments				
Platform Supply Vessels	9 914	11 260	37 267	52 737
Offshore Subsea Construction Vessels and WIV	23 140	23 978	105 367	105 391
Anchor Handling Tug Supply Vessels	8 509	17 594	37 243	57 985
Brazilian Fleet	3 451	5 184	15 613	20 289
Canadian Fleet	4 429	5 575	17 659	26 851
Other/Intercompany elimination	388	392	3 125	961
Scientific Core-Drilling Vessel	7 291	7 242	28 570	28 316
Total operating revenue	**57 123**	**71 226**	**244 843**	**292 530**
Operating margin by segments				
Platform Supply Vessels	3 692	4 152	13 763	22 410
Offshore Subsea Construction Vessels and WIV	13 215	15 795	64 502	65 043
Anchor Handling Tug Supply Vessels	-1 051	7 446	-5 879	10 961
Brazilian Fleet	1 636	-4 026	7 694	-1 642
Canadian Fleet	1 078	2 326	8 647	11 932
Other/Intercompany elimination	708	928	-503	2 353
Scientific Core-Drilling Vessel	4 016	3 800	13 635	16 406
Adminstrative expenses	-4 913	-979	-19 600	-17 718
Total operating margin from segments	**18 381**	**29 441**	**82 259**	**109 744**
Depreciation by segments				
Platform Supply Vessels	-2 343	-3 279	-10 056	-16 324
Offshore Subsea Construction Vessels and WIV	-6 396	-7 536	-27 021	-30 974
Anchor Handling Tug Supply Vessels	-4 763	-9 263	-25 892	-37 047
Brazilian Fleet	-780	-1 006	-3 258	-4 178
Canadian Fleet	-527	-2 285	-2 504	-10 235
Other/Intercompany elimination	-584	-586	-2 334	-2 350
Scientific Core-Drilling Vessel	-1 195	-882	-3 879	-3 564
Total depreciation by segments	**-16 589**	**-24 837**	**-74 944**	**-104 672**
Vessel impairment by segments				
Platform Supply Vessels	-	-10 712	-25 963	-10 712
Offshore Subsea Construction Vessels and WIV	-	-	-44 636	-
Anchor Handling Tug Supply Vessels	-25 623	-45 114	-187 074	-45 114
Canadian Fleet	-	-3 412	-19 184	-3 412
Total vessel impairment by segments	**-25 623**	**-59 238**	**-276 857**	**-59 238**

NOTES TO THE FINANCIAL STATEMENTSNOTES 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	-	25 207	-	**25 207**
Movement between groups	-	304	-	**304**
The year's disposal at cost	-271	-43 960	-	**-44 231**
Effect of exchange rate differences	-265	-30 932	84	**-31 112**
Purchase cost at 31 December 2020	**3 501**	**2 324 482**	**11 431**	**2 339 414**
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	-	-304	-	**-304**
The year's depreciation	-822	-73 525	-597	**-74 944**
The year's impairment	-	-276 857	-	**-276 857**
The year's disposal of accumulated depreciation	43	35 646	-	**35 689**
The year's disposal of accumulated impairment	-	8 242	-	**8 242**
Effect of exchange rate differences	60	5 978	-82	**5 956**
Accumulated depreciation at 31 December 2020	**-1 652**	**-1 389 341**	**-8 332**	**-1 399 326**
Net book value at 31 December 2020	**1 849**	**935 141**	**3 098**	**940 088**

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.

"Venture Sea", one of the Canadian vessels was sold and delivered in December 2020, resulting in a gain of USD0.3 million.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 –Interest-Bearing Debt and CIRR

(Amounts in USD 1 000)	**31.12.2020**	**31.12.2019**
	Unaudited	*Audited*
Total cash and cash equivalents	**103 225**	**74 451**
Current portion of borrowings	-238 890	-143 270
Non-current portion of borrowings	-791 897	-876 367
Gross interest-bearing debt	**-1 030 787**	**-1 019 638**
Net interest-bearing debt	**-927 562**	**-945 187**

Unearned CIRR	**31.12.2020**	**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 85%, NOK 13 % and CAD 2%. The long-term interest-bearing debt above includes an unsecured and subordinated 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 a 2019 tax assessment in Holland.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Impairments

(Amounts in USD 1 000)	**2020 4Q**	**2019 4Q**	**2020 Jan-Dec**	**2019 Jan-Dec**
Impairment charge relating to vessel segments:	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
PSV	-	10 712	25 963	10 712
OSCV and WIV	-	-	44 636	-
AHTS vessels	25 623	45 114	187 074	45 114
Canadian fleet	-	3 412	19 184	3 412
Total impairment charge for vessels and equipment	**25 623**	**59 238**	**276 857**	**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 the remaining lifetime, based on market views for future periods.

As of 31 December 2020 impairment indicators were identified for all OSV vessels, mainly due to lower freight rates, vessels in lay-up, the COVID-19 pandemic and a financial restructuring of the Company. Based on such indicators, impairment tests were performed for all OSV vessels and impairment charges were recognized. As of 30 June 2020 the Company had concluded to recognize a total impairment charge at USD251.2 million for the Second Quarter. As of 31 December 2020 the Company performed impairment tests and concluded to recognize another USD 25.6 million impairment charge. Total impairment charge for the fiscal year 2020 amounts at USD 276.857 million.

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

The impaired book values of the vessels do not reflect impairment charges in the event of a forced sale.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Impairments (continued)

Impairment charge per vessel

(Amounts in USD 1,000)		4Q 2020	Jan-Dec 2020	31 Dec 2020
Vessel	**Valutation method**	**Impairment**	**Impairment**	**Net book value**
PSV 1	VIU	-	3 210	2 952
PSV 2	VIU	-	6 119	26 172
PSV 3	VIU	-	9 049	38 120
PSV 4	VIU	-	7 585	24 340
OSCV 1	VIU	-	10 877	21 067
OSCV 2	VIU	-	12 215	54 661
OSCV 3	VIU	-	12 023	56 358
OSCV 4	VIU	-	9 521	58 002
AHTS 1	VIU	2 011	20 092	23 352
AHTS 2	VIU	5 260	20 919	22 132
AHTS 3	VIU	1 880	15 452	25 002
AHTS 4	VIU	3 458	18 428	19 868
AHTS 5	VIU	343	18 496	24 918
AHTS 6	VIU	3 335	22 131	25 812
AHTS 7	VIU	4 075	18 821	23 929
AHTS 8	VIU	1 987	19 337	22 592
AHTS 9	VIU	2 292	17 265	24 666
AHTS 10	VIU	982	16 133	25 229
CAN 1	VIU	-	19 184	38 650
Total		**25 623**	**276 857**	**557 822**

The recoverable amounts for the impaired vessels are equal to the net book value following the impairment.

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 have 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.

NOTES TO THE FINANCIAL STATEMENTS

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	-1 792
Effect of exchange rate differences	-216
Right of use assets at 31.12.2020	**4 771**

The balance sheet shows the following amounts relating to leases:

(Amounts in USD 1,000)	**31.12.2020**
Right of use assets*	
Land and buildings	1 841
Vessels and equipment	2 930
Total	**4 771**

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

Lease liability at 01.01.2020	**7 004**
Lease payments	-2 112
Interest cost	435
Effect of exchange rate differences	-238
Lease liability at 31.12.2020	**5 088**

Consolidated Income Statements :

	2020	**2019**
(Amounts in USD 1 000)	**Jan-Dec**	**Jan-Dec**
Operating expenses	-1 166	-1 166
Administrative expenses	-946	-1 013
Depreciation and amortization	1 792	1 863
Financial expenses	435	540
Net effect	**114**	**225**

Cash flows from operating activities have increased and cash flows from financing activities have decreased by approximately USD2.1 million for January-December 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

Siem Offshore Inc.

c/o Siem Offshore Management 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