

SIEM OFFSHORE INC. REPORT FOR SECOND QUARTER AND FIRST HALF 2021

On 26 August 2021 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for second quarter and first half 2021.

SELECTED FINANCIAL INFORMATION

<i>(Amounts in USD millions)</i>	2021	2020	2021	2020	2020
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	66.4	64.5	122.7	117.2	244.8
Operating margin	26.4	24.4	47.1	34.8	82.3
Operating margin, %	40 %	38 %	38 %	30 %	34 %
Operating profit (loss)	11.3	(240.9)	16.0	(266.0)	(270.9)
Profit (loss) before taxes	103.2	(275.3)	94.1	(299.0)	(347.8)
Net profit (loss)	103.0	(275.2)	93.4	(299.1)	(350.5)
Net profit (loss) attributable to shareholders	104.2	(236.8)	96.5	(256.4)	(298.9)

HIGHLIGHTS FOR THE SECOND QUARTER

- The four-year financial restructuring plan of the Company was successfully completed and implemented on 26 May 2021 (see details on page 3).
- Improved utilization, revenue and EBITDA compared to same period in 2020.
- The second quarter results include USD269 million in equitization of debt to equity, whereof USD92 million of the equitization is recorded as a financial gain related to a debt forgiveness element.
- The OSCV, “Siem Spearfish” was awarded a 110-day firm contract with options following the West African campaign.
- The MRSV, “Siem Dorado” awarded a 40-day firm contract with options.
- 2 AHTS vessels (Siem Garnet and Siem Diamond) were sold and delivered to the buyer in June 2021. Proceed were used to repay debt. The Company owns 8 large AHTS vessels after the sale.

SUBSEQUENT EVENTS

- The AHTS “Siem Topaz” has been awarded a 6-month extension, securing utilization for the vessel until February 2022.
- An unspecified OSCV vessel was awarded a 300-day firm contract for wind farm installations, commencing operations in Q4 2021.

MARKET AND OUTLOOK

The second quarter was more or less as expected, with increasing activity towards the summer season. The North Sea AHTS market showed improvement compared to recent years, however reduced Russian demand for North Sea tonnage compared to previous years’ summer campaigns negatively impacted the supply side. The PSV market had higher utilization with a corresponding increase in rates, and the main OCV season commenced earlier than in previous years, which also resulted in improving rates for the vessel category compared to previous years. It should

be noted that our OCVs through their extensive track record within the offshore renewables market, are benefiting from improved demand in both the fossil and renewable energy segments.

The Company sold two of its large AHTS vessels to a non-competing entity towards the end of the quarter.

The quarter experienced a continued upward trend in the oil price. Although this creates positive expectations for the medium to long term demand, the short-term effects are limited with regards to immediate increase in demand for our services.

After years of decline in exploration activity, offshore field developments and subsea maintenance campaigns, it's still too early to estimate the exact timing of the return to sustainable market terms, although the growing demand within renewable energy affects certain segments positively. At the same time, the short-term expectation is that Q3 will improve compared to 2020. The level of activity for the coming winter season is still unclear, but there are more market requirements for the next year than we have experienced in previous years, especially for the OSCV segment for operations in Brazil and West Africa.

We continue to believe that consolidation is a necessity to strengthen the OSV. That being said, the Company is well-positioned to compete with its peers based on 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. 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 8th year of depressed condition. The Company expects the market to remain challenging and volatile in the coming years. The increase in offshore activities and demand for offshore vessels that we have seen lately is positive and gives hope that the market will recover faster than earlier expected. Still, there are too many offshore vessels available in the market which keep the charter rates under pressure.

The Company has reduced its debt by significantly over the last five years, made possible by good cooperation between the Company and its financing banks including conversion of some debt to equity, significant shareholder support, good ship operations and disposal of non-strategic and older assets.

No impairments were recorded in the first half of 2021. 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.

The four-year restructuring plan was implemented 26 May 2021 and has significantly strengthened the Company's balance sheet as financial debt was reduced by USD269 million. A strong financial platform for the coming years has been built.

Total Equity (inclusive of Non-controlling interests) is USD333 million at 30 June 2021 and the cash balance was USD 105 million.

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

- Total equitization of approximately USD269 mill of debt.

- The SIOFF01 Bondholders received a payment of USD4 million, and the residual balance was converted into equity in the Company.
- The SIOFF02 bond debt was converted into equity in the Company in its entirety.
- Remaining secured debt (excluding secured debt for Siem Opal), following debt-to-equity conversion, is guaranteed by the Company and is to be serviced in full, or in part or by cash sweeps depending on results. No debt amount is in excess of current market values of the secured assets.
- Extension of maturity for secured facilities with original maturity date before 31 December 2024.
- Revised financial covenants and general undertakings.
- The equitized debt was converted to shares at a price of NOK 0.10 per share.
- Based on figures as of year-end 2020, the existing shares now represents approximately 4% and the converted debt (including that of the bondholders) are representing approximately 96% of the Company's shares after restructuring.

With the restructuring plan implemented, the Company has a robust balance sheet.

The COVID-19 pandemic situation, which has affected world economies and resulted in reduced global demand for our oil related services and our ability to operate under normal conditions is still causing concerns.

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 being revised 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 position of some counterparties and the difficulties generally that the Company is facing in its markets. The world supply and demand for 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 including fluctuations in the oil price have resulted in volatility in currency exchange rates. The USD has strengthened against other currencies. The BRL currency in particular is very volatile and has depreciated substantially. The Company has closed all currency and interest rate hedging derivatives as part of the restructuring plan. The Company will in the future be exposed to changes in currency rates and interest rates on its loans.

RESULTS AND FINANCE

Income Statements (2Q 2021 over 2Q 2020)

Operating revenues were USD66.4 million (2020: USD64.5 million). The operating margin was USD26.4 million (2020: USD24.4 million) and the operating margin as a percentage of revenues was 40% (2020: 38%). Administrative expenses were USD4.8 million (2020: USD 4.6 million).

Operating profit/(loss) was USD11.3 million (2020: USD(240.9) million) after depreciation and amortisation expenses of USD16.3 million (2020: USD20.6 million). No impairment charge was recognized (2020: USD251.2 million). The net currency exchange gain/(loss) of USD0.2 million (2020: USD6.6 million) was recorded on currency derivative contracts of which USD1.4 million was unrealised (2020: USD15.1 million).

Net financial items were USD91.9 million (2020: USD(34.5) million) and include a net revaluation gain/(loss) of non-USD currency items of USD8.9 million (2020: USD(21.5) million) of which USD17.6 million was unrealized (2020: USD(19.6) million). A debt-to-equity conversion was recorded at USD 269 million. In compliance with IFRS rules, a

debt forgiveness element was calculated at USD92 million and recognized as financial income (and will show up under the retained earnings in equity), the other USD 177 million was recognized directly into equity (share capital and share premium reserve). The financial expenses of USD9.7 million (2020: USD12.7 million) include unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements of USD(0.8) million (2020: USD(1.2) 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 USD8.2 million which was recognized in the equity.

The net gain/(loss) attributable to shareholders was USD104.2 million (2020: USD(236.8) million), representing USD1.08 per share (2020: USD(25.0) per share adjusted for the 100:1 reverse split).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD332 million before non-controlling interest on 30 June 2021 (31 December 2020: USD57.2 million), equivalent to USD1.39 per share (2020: USD6.11 per share adjusted for the 100:1 reverse split made effective in May 2021). Non-controlling interest is USD1.4 million. Net cash flow from operating activities for the first half 2021 was USD43.5 million and the cash position at 30 June 2021 was USD105.5 million.

The gross interest-bearing debt is equivalent to USD 663 million. The Company made principal repayments of USD 83.1 million and interest payments of USD12.3 million.

The weighted average cost of debt for the Company was approximately 3.4% p.a. at 30 June 2021. The Company has terminated all debt-related derivatives such as interest rate swaps and cross currency swaps.

The share capital is USD238,852,053 representing a total of 238,852,053 shares with a nominal value of USD1.00 per share.

Health, Safety, Environment & Quality (HSEQ)

The Company's continuous focus on safe operations and sustainability initiatives is resulting in safety and environmental improvements. During the second quarter, several safety and security mini campaigns, focusing on "Situational awareness and security mind-set", were rolled out to the fleet globally.

By revising, re-focusing and introducing new Environmental Key Performance Indicators, the Company's environmental footprint is moving in the right direction. In addition, the Company maintains its high focus on reducing the use of plastic on board the vessels. Several initiatives have been taken, and the new KPIs will be good tools to monitor and show improvements.

The global COVID-19 virus outbreak has affected the Company in many ways and a dedicated Task Force has a continuous focus on developing and advising of mitigating actions to avoid virus outbreak amongst crew and clients on board or in transit. Similar measurements are maintained for office staff at home or in transit.

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

The Fleet

On 30 June 2021, the fleet totalled 28 vessels (2020: 33 vessels), including partly owned vessels. 2 AHTS vessels were sold and delivered to the buyer in June 2021. 5 vessels were in lay-up at the end of the quarter (2020: 6). In addition to its own fleet of 28 vessels, the Company performs ship-management services for 4 vessels.

Results for the Second Quarter 2021

Platform Supply Vessels (PSVs)

The Company had 6 PSVs in the fleet at the end of the quarter (2020: 7). The PSVs recorded operating revenues of USD8.9 million and had 88% utilisation (2020: USD9.1 million and 94%). The operating margin before administrative

expenses for these PSVs was USD2.8 million (2020: USD3.7 million) and the operating margin as a percentage of revenues was 31% (2020: 41%).

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

The Company had 4 OSCVs and 2 WIVs at the end of the quarter (2020: 4 OSCVs and 2 WIVs). The OSCVs and WIVs earned operating revenues of USD29.3 million and had 90% utilisation (2020: USD29.6 million and 97%). The operating margin before administrative expenses was USD16.8 million (2020: USD18.0 million) and the operating margin as a percentage of revenues was 57% (2020: 61%).

Anchor-Handling Tug Supply (AHTS) Vessels

The Company had 8 AHTS vessels at the end of the quarter (2020: 10). 2 AHTS vessels were sold and delivered to the buyer in June 2021. The AHTS fleet earned operating revenues of USD12.8 million based on 82% utilisation excluding vessels in lay-up (2020: USD10.3 million and 68%). The operating margin before administrative expenses was USD1.6 million (2020: USD(0.7) million) and the operating margin as a percentage of revenues was 13% (2020: (7)%). Three vessels 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 (2020: 5). Two vessels were in lay-up at the end of the quarter. Two vessels operated under term contracts in Brazil. One vessel is operating on a Bareboat contract. The fleet earned operating revenues of USD3.9 million and had 99% utilisation excluding vessels in lay-up (2020: USD3.6 million and 94%). The operating margin before administrative expenses for the fleet was USD2.2 million (2020: USD1.4 million) and the operating margin as a percentage of revenues was 56% (2020: 39%).

The Company had one Canadian-owned offshore support vessel operating offshore Canada at the end of the quarter (2020: 2). The fleet earned operating revenues of USD3.6 million and had 100% utilisation (2020: USD4.5 million and 100%). The operating margin before administrative expenses for the fleet was USD2.6 million (2020: USD2.7 million) and the operating margin as a percentage of revenues was 72% (2020: 59%).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit (loss) of USD(0.1) million (2020: 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 USD7.5 million (2020: USD6.9 million) and an operating margin before administrative expenses of USD4.3 million (2020: USD3.1 million). The operating margin as a percentage of revenues was 58% (2020: 45%).

Contract Backlog

The total contract backlog on 30 June 2021 was USD 390 million and is allocated as follows:

<i>(Amounts in USD millions)</i>	2023			Total
	2021	2022	onwards	
OSVs	96	111	89	296
Other	15	29	50	94
Total Backlog	111	140	139	390

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

26 August 2021

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in USD 1 000)</i>	Note	2021	2020	2021	2020	2020
		2Q	2Q	1H	1H	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	4	66 404	64 494	122 667	117 245	244 843
Operating expenses	9	-35 242	-35 504	-65 904	-72 687	-142 984
Administrative expenses	9	-4 789	-4 635	-9 686	-9 806	-19 600
Operating margin	4	26 373	24 355	47 077	34 752	82 259
Depreciation and amortization	4,5,9	-16 256	-20 640	-32 334	-41 536	-74 944
Impairment of vessels	4,5,8	-	-251 234	-	-251 234	-276 857
Gain (loss) on sales of fixed assets	5	1 023	-45	1 115	282	655
Gain/(loss) on currency derivative contracts		202	6 635	144	-8 242	-1 970
Operating profit/(loss)		11 342	-240 929	16 002	-265 978	-270 856
Financial income		92 678	-276	93 631	1 314	7 161
Financial expenses	9	-9 706	-12 735	-17 090	-32 065	-55 514
Net currency gain (loss) on revaluation		8 946	-21 522	2 075	-2 713	-29 434
Net financial items		91 918	-34 533	78 616	-33 463	-77 787
Result from associated companies		-92	199	-483	423	844
Profit/(loss) before taxes		103 169	-275 263	94 134	-299 019	-347 799
Tax benefit/(expense)	7	-154	28	-699	-42	-2 673
Net profit/(loss)		103 014	-275 235	93 436	-299 061	-350 472
Attributable to non-controlling interest		-1 150	-38 449	-3 040	-42 621	-51 607
Attributable to shareholders of the Company		104 165	-236 786	96 476	-256 440	-298 866
Weighted average number of outstanding shares(000's) *		96 659	9 347	53 727	9 347	9 347
Earnings/(loss) per share (basic and diluted)		1,08	-25,33	1,80	-27,43	-31,97
Statements of Comprehensive Income		2021	2020	2021	2020	2020
<i>(Amounts in USD 1 000)</i>		2Q	2Q	1H	1H	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>	<i>Audited</i>
Net profit (loss)		103 014	-275 235	93 436	-299 061	-350 472
Other comprehensive income (expense)						
Items that will not be reclassified to the Income Statement:						
Pension rereasurement gain/(loss)		-	-	-	-	-721
Items that may be subsequently reclassified to the Income Statement:						
Cash flow hedges		8 219	-1 441	3 296	-14 900	-12 589
Currency translation differences		-8 772	11 272	-2 420	3 818	15 837
Total comprehensive loss for the period		102 462	-265 404	94 312	-310 144	-347 946
Attributable to non-controlling interest		-1 150	-38 448	-3 039	-42 620	-51 606
Attributable to shareholders of the Company:		103 612	-226 956	97 351	-267 524	-296 341

* Weighted average number of shares for 2020 have been adjusted for the 100:1 reverse split in order to present comparable figures.

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	30.06.2021	31.12.2020
ASSETS		<i>Unaudited</i>	<i>Audited</i>
Non-current assets			
Vessels and equipment	5,8,9	867 253	936 990
Capitalized project cost	5	2 773	3 098
Investment in associates and other long-term receivables		33 254	36 647
CIRR loan deposit 1)		41 429	45 946
Deferred tax asset		7 523	7 526
Total non-current assets		952 232	1 030 207
Current assets			
Trade receivables and other current assets		54 747	52 396
Cash and cash equivalents	6	105 481	103 225
Total current assets		160 229	155 621
Total Assets		1 112 460	1 185 828
EQUITY			
Paid-in capital		821 727	644 306
Other reserves		-28 456	-29 332
Retained earnings		-461 346	-557 821
Total Shareholders' equity		331 925	57 152
Non-controlling interest		1 369	-44 730
Total Equity		333 294	12 423
LIABILITIES			
Non-current liabilities			
Borrowings	6	588 053	791 897
CIRR loan 1)		41 429	45 946
Derivative financial instruments		-	1 833
Other non-current liabilities	9	16 434	17 736
Total non-current liabilities		645 915	857 412
Current liabilities			
Current portion of borrowings	6	74 843	238 890
Accounts payable and other current liabilities	7,9	58 409	77 104
Total current liabilities		133 252	315 994
Total liabilities		779 166	1 173 405
Total Equity and Liabilities		1 112 460	1 185 828

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>	2021	2020	2020
	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash flow from operating activities			
Net profit/(loss)	93 436	-299 061	-350 472
Interest expense	14 345	21 034	49 862
Interest income	-1 761	-1 310	-3 855
Tax expense	699	42	2 673
Results from associated companies	483	-423	-844
Loss/(gain) on sale of assets	-1 115	-282	-655
Debt forgiveness from restructuring	-91 553	-	-
Impairment of vessels, projects, long-term receivables	-	251 234	276 857
Depreciation and amortization	32 334	41 536	74 944
Effect of unrealized gain on currency exchange forward contracts	-3 578	-239	-12 039
Changes in short-term receivables and payables	8 953	18 108	1 806
Other changes	2 752	-1 888	11 317
Cash flow from operating activities	54 993	28 751	49 593
Interest paid	-12 324	-10 629	-13 429
Interest received	1 573	1 375	4 073
Taxes paid	-699	-73	-532
Net Cash flow from operating activities	43 543	19 424	39 704
Cash flow from investing activities			
Capital expenditure in vessels and equipment	-9 664	-15 342	-25 207
Proceeds from sale of fixed assets	52 581	490	838
Change in other non-current receivables	3 410	3 890	5 778
Cash flow from investing activities	46 327	-10 962	-18 591
Cashflow from financing activities			
Contribution from non-controlling interests of consolidated subsidiaries	9 599	1 092	2 184
Effect from restatement of bonds to convertible bonds	-1 833	-269	-1 529
Effect from long-term debt forgiveness	-	-	-1 441
Changes in other non-current liabilities	-93	-105	395
Repayment of long-term borrowings	-83 123	-15 188	-20 652
Cash flow from financing activities	-75 451	-14 470	-21 043
Net change in cash and cash equivalents	14 420	-6 009	70
Cash and cash equivalents, beginning of period	103 225	74 451	74 451
Effect of exchange rate differences	-12 163	4 179	28 704
Cash and cash equivalents, end of period	105 481	72 621	103 225

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
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	-	-	-	-	-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
Equity at 30 June 2020	934 738 777	9 347	634 959	-43 663	-514 675	85 969	-35 744	50 225

<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
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

<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
Equity at 1 January 2021	934 738 777	9 347	634 959	-29 332	-557 822	57 152	-44 730	12 423
Net profit/(loss) for the period	-	-	-	-	96 476	96 476	-3 040	93 436
Cash flow hedge	-	-	-	3 296	-	3 296	-	3 296
Currency translation differences	-	-	-	-2 420	-	-2 420	-	-2 420
Shares issues in Siem Offshore Inc	22 950 466 494	229 505	-52 084	-	-	177 421	-	177 421
Correction number of shares following reversed split	-23 646 353 218	-	-	-	-	-	-	-
Share issues in partially owned subsidiaries	-	-	-	-	-	-	49 139	49 139
Equity at 30 June 2021	238 852 053	238 852	582 875	-28 456	-461 346	331 925	1 369	333 294

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 2021 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 Report for the Second Quarter and First Half 2021 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.

26 August 2021

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 2021 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The consolidated interim financial information should be read in conjunction with the audited annual financial statements for the year ended 31 December 2020 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 2020 and with new standards, amendments to standards and interpretations that have become effective in 2021.

Note 3 – Financial Risks

3.1 Interest Risk

The Company is exposed to changes in interest rates as approximately 63% of the long-term interest-bearing debt was subject to floating interest rates at the end of June 2021. The remaining portion of the debt is subject to fixed interest rates. The Company in April 2021 closed the interest hedging derivatives held as part of the agreement with the lending banks in the restructuring plan.

3.2 Currency Risk

The Company is exposed to currency risk as revenues and costs are denominated in various currencies. See Note 6 for details. The Company is also exposed to currency risk on long-term debt held in non-USD currencies. The Company has closed all of its currency hedging derivatives in compliance with the financial restructuring agreements. A natural currency hedging arrangement is held in Brazil for vessels operating under USD financing.

3.3 Liquidity Risk

The financial statements have been prepared under the assumption that the Company and the Parent are going concerns. The poor market conditions and the impact of the COVID-19 pandemic on world economies impact vessel charters and operations negatively. The four-year restructuring plan was implemented 26 May 2021 and has significantly strengthened the Company's balance sheet as financial debt was reduced by USD 269 million from a debt to equity conversion. A strong financial platform for the coming years has been built.

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 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 being revised and it is a challenge to move crews, spare parts and service-personnel around the globe to attend to our vessels.

The COVID-19 pandemic including fluctuations in the oil price have resulted in volatility in currency exchange rates. The USD has strengthened against other currencies. The BRL currency in particular is very volatile and has depreciated substantially. The Company has closed all currency and interest rate hedging derivatives as part of the

restructuring plan. The Company will in the future be exposed to changes in currency rates and interest rates on its loans.

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Segment Reporting

<i>(Amounts in USD 1 000)</i>	2021	2020	2021	2020	2020
	2Q	2Q	1H	1H	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue by segments					
Platform Supply Vessels	8 925	9 111	21 413	17 535	37 267
Offshore Subsea Construction Vessels and WIV	29 286	29 577	48 976	51 001	105 367
Anchor Handling Tug Supply Vessels	12 830	10 332	22 626	16 756	37 243
Brazilian Fleet	3 904	3 638	7 897	8 257	15 613
Canadian Fleet	3 559	4 543	6 412	8 298	17 659
Other/Intercompany elimination	444	390	803	1 374	3 125
Scientific Core-Drilling Vessel	7 456	6 904	14 541	14 024	28 570
Total operating revenue	66 404	64 494	122 667	117 245	244 843
Operating margin by segments					
Platform Supply Vessels	2 793	3 748	9 244	5 721	13 763
Offshore Subsea Construction Vessels and WIV	16 772	17 992	27 651	30 658	64 502
Anchor Handling Tug Supply Vessels	1 620	-718	1 406	-7 395	-5 879
Brazilian Fleet	2 180	1 428	4 433	3 827	7 694
Canadian Fleet	2 574	2 667	4 509	4 382	8 647
Other/Intercompany elimination	935	786	1 618	2 307	-503
Scientific Core-Drilling Vessel	4 287	3 085	7 900	5 058	13 635
Administrative expenses	-4 789	-4 635	-9 686	-9 806	-19 600
Total operating margin from segments	26 373	24 355	47 077	34 752	82 259
Depreciation by segments					
Platform Supply Vessels	-2 485	-2 621	-4 919	-5 442	-10 056
Offshore Subsea Construction Vessels and WIV	-6 428	-7 116	-12 834	-14 223	-27 021
Anchor Handling Tug Supply Vessels	-4 365	-8 020	-8 684	-15 932	-25 892
Brazilian Fleet	-822	-772	-1 620	-1 709	-3 258
Canadian Fleet	-572	-646	-1 111	-1 300	-2 504
Other/Intercompany elimination	-532	-583	-1 063	-1 165	-2 334
Scientific Core-Drilling Vessel	-1 052	-883	-2 103	-1 765	-3 879
Total depreciation by segments	-16 256	-20 640	-32 334	-41 536	-74 944
Vessel impairment by segments					
Platform Supply Vessels	-	-25 963	-	-25 963	-25 963
Offshore Subsea Construction Vessels and WIV	-	-44 636	-	-44 636	-44 636
Anchor Handling Tug Supply Vessels	-	-161 451	-	-161 451	-187 074
Canadian Fleet	-	-19 184	-	-19 184	-19 184
Total vessel impairment by segments	-	-251 234	-	-251 234	-276 857

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
Purchase cost at 1 January 2021	3 501	2 324 482	11 431	2 339 414
Capital expenditure	-	9 664	-	9 664
The period's disposal at cost	-73	-169 952	-2 827	-172 851
Effect of exchange rate differences	39	6 661	-12	6 688
Purchase cost at 30 June 2021	3 468	2 170 855	8 592	2 182 915
Accumulated depreciation at 1 January 2021	-1 652	-761 355	-8 332	-771 340
Accumulated impairment at 1 January 2021	-	-627 986	-	-627 986
The period's depreciation	-286	-31 723	-324	-32 334
The period's disposal of accumulated depreciation	-	39 615	2 827	42 442
The period's disposal of accumulated impairment	-	79 274	-	79 274
Effect of exchange rate differences	-22	-2 934	10	-2 946
Accumulated depreciation at 30 June 2021	-1 961	-1 305 109	-5 819	-1 312 889
Net book value at 30 June 2021	1 507	865 746	2 773	870 026

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

"Siem Hanne", one of the PSVs was sold and delivered in March 2021, resulting in a gain of USD0.2 million.

"Siem Diamond" and "Siem Garnet", two of the AHTS were sold and delivered in June 2021, resulting in a gain of USD1.0 million.

Note 6 – Interest-Bearing Debt

<i>(Amounts in USD 1 000)</i>	30.06.2021	31.12.2020
	<i>Unaudited</i>	<i>Audited</i>
Total cash and cash equivalents	105 481	103 225
Current portion of borrowings	-74 843	-238 890
Non-current portion of borrowings	-588 053	-791 897
Gross interest-bearing debt	-662 895	-1 030 787
Net interest-bearing debt	-557 414	-927 562

The interest-bearing debt is denominated in currencies as follows: USD 90%, NOK 7 % and CAD 3%.

The long-term interest bearing-debt above per 31.12.2020 included a shareholder's loan from the minority shareholder in Siem AHTS Pool AS. This loan was converted into equity in Siem AHTS Pool AS in Q2 2021.

Current portion of borrowings per 30.06.2021 includes an estimate of the cash sweep to be made in September 2021 to the lenders.

NOTES TO THE FINANCIAL STATEMENTS

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.

Note 8 – Impairments

<i>(Amounts in USD 1 000)</i>	2021	2020	2020
	1H	1H	Jan-Dec
Impairment charge relating to vessel segments:	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
PSV	-	25 963	25 963
OSCV and WIV	-	44 636	44 636
AHTS vessels	-	161 451	187 074
Canadian fleet	-	19 184	19 184
Total impairment charge for vessels and equipment	-	251 234	276 857

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 Company 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 (FVLCO) 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. 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 31 December 2020 impairments indicators were identified for certain OSV vessels, mainly due to lower charter rates, vessels in lay-up and the impact of the COVID-19 pandemic. Based on such indicators, impairment tests were performed for all OSV vessels and impairment charges were recognized. Total impairment charges for the fiscal year 2020 amounted to USD 276.9 million.

As of 30 June 2021, no new impairments indicators were identified, and no impairment has been recorded in Q2 2021. The book value of the vessels does not reflect possible impairment charges if a sale of assets is forced in today's market.

NOTES TO THE FINANCIAL STATEMENTS

Note 9 - Leases

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.

Low value leases and leases with maturity of up to one year from inception are considered being insignificant to the financial statements and have been excluded from the presentation.

Consolidated Statements of Financial Position:

(Amounts in USD 1 000)

Right of use assets at 01.01.2021	4 771
Disposal in 2021	-68
The period's depreciation	-775
Effect of exchange rate differences	12
Right of use assets at 30.06.2021	3 941

The balance sheet shows the following amounts relating to leases:

<i>(Amounts in USD 1,000)</i>	30.06.2021	31.12.2020
Right of use assets*		
Land and buildings	1 499	1 841
Vessels and equipment	2 442	2 930
Total	3 941	4 771

*included in the line item "Vessels and equipment" in the Consolidated Statements of Financial Position.

(Amounts in USD 1 000)

Lease liability at 01.01.2021	5 088
Disposal in 2021	-68
Lease payments	-927
Interest cost	158
Effect of exchange rate differences	16
Lease liability at 30.06.2021	4 267

<i>(Amounts in USD 1,000)</i>	30.06.2021	31.12.2020
Lease liabilities**		
Current	2 283	1 978
Non-Current	1 984	3 110
Total lease liabilities	4 267	5 088

**included in the line item "other liabilities" in the Consolidated Statements of Financial Position.

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 interest, tax, 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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