SIEM Offshore

SIEM OFFSHORE INC.
REPORT FOR THIRD QUARTER AND FIRST NINE MONTHS 2021

On 28 October 2021 – Siem Offshore Inc. (the "Company"; Oslo Stock Exchange: SIOFF) reports results for third quarter and first nine months ended 2021.

SELECTED FINANCIAL INFORMATION

(Amounts in USD millions)	2021 3Q	2020 3Q	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	66.5	70.5	189.2	187.7	244.8
Operating margin	28.8	29.1	75.8	63.9	82.3
Operating profit (loss)	13.3	13.8	29.3	(252.2)	(270.9)
Profit (loss) before taxes	2.5	(0.1)	96.7	(299.1)	(347.8)
Net profit (loss)	2.4	(2.7)	95.8	(301.7)	(350.5)
Net profit (loss) attributable to shareholders	3.3	(1.4)	99.7	(257.8)	(298.9)

HIGHLIGHTS FOR THE THIRD QUARTER

- The AHTS "Siem Topaz" was awarded a 6-month extension, securing utilization for the vessel until February 2022.
- The Company was awarded a 300-day firm contract for one of its OSCVs for wind farm installations, commencing operations in Q4 2021.
- "Siem Symphony", a dual fuel PSV has been upgraded with a hybrid battery package, in line with the Company's strategic focus to proactively reduce its environmental impact.

SUBSEQUENT EVENTS

- An Extraordinary General Meeting of Shareholders has been summoned for 29 October 2021 to consider a proposal to elect two new Directors to the Board.

MARKET AND OUTLOOK

The third quarter continued to build upon the typical seasonal momentum gained throughout the second quarter.

The North Sea AHTS market experienced moderate activity levels from July and into August but gained momentum when entering September with high average rates and increased utilization. The PSV market saw increase in activity and average quarterly rates, continuing the trend from second quarter. The OCV market was nearly sold out, with the correlated uptick in rate levels, benefiting from increasing demand in both the Subsea and Offshore wind segments.

The oil price continued to strengthen during the quarter. We reiterate that the short-term effects for our fleet are limited with regards to immediate increase in vessel demand, however at the present oil price there is interest in new licensing rounds for acreage, as recently seen on the licensing round issued for the Norwegian continental shelf.

For 2022 several projects have already been sanctioned and more are under consideration. Specifically, we see increased activity in Brazil, West Africa, and the North Sea. Although we remain positive that our young and advanced fleet will be in demand for many years ahead, our focus lies on securing commitment throughout the winter season which is historically slow. Last winter was very challenging, however the fundamentals ahead have improved compared to 2020 for most segments.

Although the vessel supply-demand balance is slowly shifting, the market still suffers from oversupply. We reiterate yet another time that consolidation is a necessity to improve the efficiency of the world OSV fleet. 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 within the fossil and renewable energy markets.

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 vessel operation and world economy have a negative influence.

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 worldwide which keep the charter rates and vessel utilization under pressure.

The Company has reduced its debt 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 nine months of 2021. Additional impairment charges may be necessary if the market is depressed for a prolonged period. The financial statements do not reflect impairment charges that would occur if a sale of assets was forced in today's market, or if deteriorating assumptions are used in the value-in-use calculation.

The financial restructuring plan that was implemented in Q2 2021 and valid through 31 December 2024 has strengthened the Company's balance sheet as financial debt was reduced by USD269 million. A further USD 29 million repayment of principal debt and accrued interest was made in September in compliance with the agreed cash sweep mechanisms. One of the outcomes from the restructuring is that financial expenses will be significantly reduced going forward.

Total Equity (inclusive of Non-controlling interests) is USD332.9 million on 30 September 2021 and the cash balance was USD89.6 million.

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 counterparties and the difficulties generally that the Company is facing in its markets. The long term world supply and demand for oil and its market price is uncertain.

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 has depreciated substantially. The Company has closed all currency and interest rate hedging derivatives. The Company will in the future be exposed to changes in currency rates and interest rates on its loans.

RESULTS AND FINANCE

Income Statements (3Q 2021 over 3Q 2020)

Operating revenues were USD66.5 million (2020: USD70.5 million). The operating margin was USD28.8 million (2020: USD29.1 million). The decrease in revenues from 3Q 2020 is mainly due to lower revenues from the Canadian fleet and the AHTS fleet due to sale of vessels. Operating expenses for 3Q 2020 included an accrual of USD3.8 million for potential losses on receivables. Administrative expenses were USD5.2 million (2020: USD4.9 million).

Operating profit/(loss) was USD13.3 million (2020: USD13.8 million) after depreciation and amortisation expenses of USD15.3 million (2020: USD16.8 million). No impairment charge was recognized in 3Q 2021 or in 3Q 2020. No currency exchange gain/(loss) was recorded on currency derivative contracts in 3Q 2021 as the Company has closed all of its currency hedging derivatives (2020: USD1.7 million, of which USD1.7 million was unrealised)

Net financial items were USD(11.0) million (2020: USD(14.3) million) and include a net revaluation gain/(loss) of non-USD currency items of USD(4.7) million (2020: USD(8.5) million) of which USD(4.4) million was unrealized (2020: USD(7.1) million). The financial expenses of USD6.6 million (2020: USD9.3 million) include no unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements as these were closed in April 2021 (2020: USD(0.5) 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 loss of USD4.6 million which was recognized in the equity.

The net gain/(loss) attributable to shareholders was USD3.3 million (2020: USD(1.4) million), representing USD0.01 per share (2020: USD(0.15) per share adjusted for the 100:1 reverse split that became effective in May 2021).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD332.4 million before non-controlling interest on 30 September 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 USD0.5 million. Net cash flow from operating activities for the first nine months 2021 was USD56.6 million and the cash position on 30 September 2021 was USD89.6 million.

The gross interest-bearing debt is equivalent to USD636.3 million. In the first 3 quarters of the year, the Company made principal repayments of USD109.1 million and interest payments of USD19.5 million, which includes cash sweeps of USD29 million.

The weighted average cost of debt for the Company was approximately 3.3% p.a. on 30 September 2021. The Company has terminated all debt-related derivatives such as interest rate swaps and cross currency swaps.

The share capital is USD238,852,052 representing a total of 238,852,052 shares with a nominal value of USD1.00 per share.

Health, Safety, Environment & Quality (HSEQ)

The Company's continuous focus on safe operations, cooperation, and environmental initiatives is resulting in safety and environmental improvements. During the third quarter, the safety and environmental campaign focusing on "What can we do to reduce emissions" was rolled out throughout the fleet globally.

The trends are favourable regarding the Total Recordable Incidents, and we will continue to strive for improvement. During third quarter, the Company has not experienced any serious injuries nor any serious environmental incidents.

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

Clients are satisfied with our operational and safety performance, which reflects professional crew and a well-developed safety culture throughout the Company.

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 to crew/staff at home or in transit. There are still considerable challenges in the global arena, especially regarding travel with complicated logistics regarding crew changes and unprotected/unvaccinated personnel not allowed access to some geographical areas.

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

The Fleet

On 30 September 2021, the fleet totalled 28 vessels (2020: 32 vessels), including partly owned vessels. 5 vessels were in lay-up at the end of the quarter (2020: 5). In addition to its own fleet of 28 vessels, the Company performs ship-management services for 4 vessels.

Results for the Third 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 USD9.0 million and had 84% utilisation (2020: USD9.8 million and 95%). The operating margin before administrative expenses for these PSVs was USD2.5 million (2020: USD4.4 million).

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 USD32.1 million and had 97% utilisation (2020: USD31.2 million and 99%). The operating margin before administrative expenses was USD20.7 million (2020: USD20.6 million.

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 USD10.4 million based on 88% utilisation excluding vessels in lay-up (2020: USD12.0 million and 75%). The operating margin before administrative expenses was USD1.4 million (2020: USD2.6 million). 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 on a Bareboat contract. The fleet earned operating revenues of USD3.7 million and had 93% utilisation excluding vessels in lay-up (2020: USD3.9 million and 95%). The operating margin before administrative expenses for the fleet was USD2.0 million (2020: USD2.2 million).

The Company had one Canadian-owned vessel operating offshore Canada at the end of the quarter (2020: 2). The fleet earned operating revenues of USD3.3 million and had 100% utilisation (2020: USD4.9 million and 75%). The operating margin before administrative expenses for the fleet was USD2.3 million (2020: USD3.2 million).

The Company owns one scientific core-drilling vessel that recorded operating revenues of USD7.7 million (2020: USD7.3 million) and an operating margin before administrative expenses of USD4.4 million (2020: USD4.6 million).

The 41%-ownership in the "Big Orange XVIII" recorded a share of profit of USD0.2 million (2020: USD0.3 million). These results are recorded in accordance with the equity method.

Contract Backlog

The total contract backlog on 30 September 2021 was USD339 million and is allocated as follows:

(Amounts in USD millions)	2021	2022	2023 onwards	Total
OSVs	45	117	88	250
Other	7	30	52	89
Total Backlog	**53**	**147**	**139**	**339**

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

28 October 2021

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

(Amounts in USD 1 000)	Note	2021 3Q	2020 3Q	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenues	4	66 548	70 476	189 215	187 720	244 843
Operating expenses	9	-32 602	-36 468	-98 506	-109 155	-142 984
Adminstrative expenses	9	-5 191	-4 881	-14 877	-14 687	-19 600
Operating margin	**4**	**28 755**	**29 126**	**75 832**	**63 878**	**82 259**
Depreciation and amortization	4,5,9	-15 337	-16 819	-47 671	-58 355	-74 944
Impairment of vessels	4,5,8	-	-	-	-251 234	-276 857
Gain (loss) on sales of fixed assets	5	-105	-113	1 009	169	655
Gain/(loss) on currency derivative contracts		-2	1 653	142	-6 589	-1 970
Operating profit/(loss)		**13 310**	**13 847**	**29 312**	**-252 131**	**-270 856**
Financial income	10	297	3 529	93 928	4 843	7 161
Financial expenses	9,10	-6 626	-9 323	-23 716	-41 388	-55 514
Net currency gain (loss) on revaluation	10	-4 650	-8 473	-2 575	-11 186	-29 434
Net financial items		**-10 979**	**-14 267**	**67 637**	**-47 730**	**-77 787**
Result from associated companies		203	319	-281	741	844
Profit/(loss) before taxes		**2 534**	**-101**	**96 668**	**-299 120**	**-347 799**
Tax benefit/(expense)	7	-149	-2 587	-847	-2 630	-2 673
Net profit/(loss)		**2 385**	**-2 688**	**95 821**	**-301 749**	**-350 472**
Attributable to non-controlling interest		-869	-1 300	-3 909	-43 921	-51 607
Attributable to shareholders of the Company		**3 254**	**-1 388**	**99 730**	**-257 828**	**-298 866**
Weighted average number of outstanding shares(000's) *		238 852	9 347	116 113	9 347	9 347
Earnings/(loss) per share (basic and diluted)		0,01	-0,15	0,86	-27,58	-31,97

Statements of Comprehensive Income *(Amounts in USD 1 000)*	2021 3Q	2020 3Q	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
	Unaudited	*Unaudited*		*Unaudited*	*Audited*
Net profit (loss)	**2 385**	**-2 688**	**95 821**	**-301 749**	**-350 472**
Other comprehensive income (expense)					
Items that will not be reclassified to the Income Statement:					
Pension remeasurement gain/(loss)	-	-	-	-	-721
Items that may be subsequently reclassified to the Income Statement:					
Cash flow hedges	-4 582	-1 438	-1 287	-16 338	-12 589
Currency translation differences	1 796	3 922	-624	7 740	15 837
Total comprehensive loss for the period	**-401**	**-204**	**93 911**	**-310 347**	**-347 946**
Attributable to non-controlling interest	-869	-1 301	-3 908	-43 921	-51 606
Attributable to shareholders of the Company:	**468**	**1 097**	**97 818**	**-266 426**	**-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

(Amounts in USD 1 000)	Note	30.09.2021	31.12.2020
ASSETS		*Unaudited*	*Audited*
Non-current assets			
Vessels and equipment	5,8,9	852 715	936 990
Capitalized project cost	5	2 593	3 098
Investment in associates and other long-term receivables		32 636	36 647
CIRR loan deposit 1)		37 722	45 946
Deferred tax asset		7 502	7 526
Total non-current assets		**933 168**	**1 030 207**
Current assets			
Trade receivables and other current assets		55 379	52 396
Cash and cash equivalents	6	89 609	103 225
Total current assets		**144 988**	**155 621**
Total Assets		**1 078 156**	**1 185 828**
EQUITY			
Paid-in capital		821 727	644 306
Other reserves		-31 243	-29 332
Retained earnings		-458 092	-557 821
Total Shareholders´ equity		**332 392**	**57 152**
Non-controlling interest		499	-44 730
Total Equity		**332 891**	**12 423**
LIABILITIES			
Non-current liabilities			
Borrowings	6	598 160	791 897
CIRR loan 1)		37 722	45 946
Derivative financial instruments		-	1 833
Other non-current liabilities	9	15 590	17 736
Total non-current liabilities		**651 472**	**857 412**
Current liabilities			
Current portion of borrowings	6	38 094	238 890
Accounts payable and other current liabilities	7,9	55 698	77 104
Total current liabilities		**93 792**	**315 994**
Total liabilities		**745 264**	**1 173 405**
Total Equity and Liabilities		**1 078 156**	**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

(Amounts in USD 1 000)	**2021 Jan-Sep**	**2020 Jan-Sep**	**2020 Jan-Dec**
	Unaudited	*Unaudited*	*Audited*
Cash flow from operating activities			
Net profit/(loss)	95 821	-301 749	-350 472
Interest expense	19 474	30 389	49 862
Interest income	-2 057	-2 188	-3 855
Tax expense	847	2 584	2 673
Results from associated companies	281	-741	-844
Loss/(gain) on sale of assets	-1 009	-169	-655
Debt foregiveness from restructuring	-91 553	-	-
Impairment of vessels, projects, long-term receivables	-	251 234	276 857
Depreciation and amortization	47 671	58 355	74 944
Effect of unrealized gain on currency exchange forward contracts	-3 578	-1 895	-12 039
Changes in short-term receivables and payables	6 609	-1 255	1 806
Other changes	2 464	-5 210	11 317
Cash flow from operating activities	**74 969**	**29 354**	**49 593**
Interest paid	-19 526	-12 976	-13 429
Interest received	2 001	2 107	4 073
Taxes paid	-847	-153	-532
Net Cash flow from operating activities	**56 596**	**18 331**	**39 704**
Cash flow from investing activities			
Capital expenditure in vessels and equipment	-18 444	-17 903	-25 207
Proceeds from sale of fixed assets	52 476	382	838
Change in other non-current receivables	3 963	4 450	5 778
Cash flow from investing activities	**37 995**	**-13 071**	**-18 591**
Cashflow from financing activities			
Contribution from non-controlling interests of consolidated	10 000	2 184	2 184
Effect from restatement of bonds to convertible bonds	-	-1 353	-1 529
Effect from long-term debt foregiveness	-	-1 441	-1 441
Changes in other non-current liabilities	-1 401	-165	395
Repayment of long-term borrowings	-109 134	-17 343	-20 652
Cash flow from financing activities	**-100 535**	**-18 118**	**-21 043**
Net change in cash and cash equivalents	**-5 945**	**-12 858**	**70**
Cash and cash equivalents, beginning of period	103 225	74 451	74 451
Effect of exchange rate differences	-7 672	24 540	28 704
Cash and cash equivalents, end of period	**89 609**	**86 133**	**103 225**

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 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**	**-37 045**	**50 022**

(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**

(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 2021	**934 738 777**	**9 347**	**634 959**	**-29 332**	**-557 822**	**57 152**	**-44 730**	**12 423**
Net profit/(loss) for the period	-	-	-	-	99 730	**99 730**	-3 909	**95 821**
Cash flow hedge	-	-	-	-1 287	-	**-1 287**	-	**-1 287**
Currency translation differences	-	-	-	-624	-	**-624**	-	**-624**
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	-23 646 353 219	-	-	-	-	**-**	-	**-**
Share issues in partially owned subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**49 138**	**49 138**
Equity at 30 September 2021	**238 852 052**	**238 852**	**582 875**	**-31 243**	**-458 092**	**332 392**	**499**	**332 891**

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 30 September 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 62% of the long-term interest-bearing debt was subject to floating interest rates at the end of September 2021. The remaining portion of the debt is subject to fixed interest rates.

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 restructuring plan that was implemented in Q2 2021, valid till 31 December 2024, has significantly strengthen 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. Following the restructured debt agreements, the Company will pay a minimum amortization and interests at significant lower levels than originally agreed. The actual amortization and interest payments reflect estimated cash flows based on vessels employment for the period till end of 2024. Cash flows have been estimated on the basis of firm contracts and forecasted new contracts. Such forecasts have been made by the Company. There is a risk that cash flows from forecasted vessel employment will not materialize if the market assumptions are not met. Cash sweep mechanisms have been agreed to further serve debt if the cash flows generated by the vessels are exceeding forecasts. The cash sweep mechanism represents a flexible debt service structure that will be calculated semi-annually on the basis of cash position, earnings and other covenants.

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 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 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

(Amounts in USD 1 000)	**2021 3Q**	**2020 3Q**	**2021 Jan-Sep**	**2020 Jan-Sep**	**2020 Jan-Dec**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Operating revenue by segments					
Platform Supply Vessels	8 962	9 818	30 374	27 353	37 267
Offshore Subsea Construction Vessels and WIV	32 144	31 225	81 121	82 226	105 367
Anchor Handling Tug Supply Vessels	10 381	11 978	33 007	28 734	37 243
Brazilian Fleet	3 684	3 905	11 581	12 162	15 613
Canadian Fleet	3 268	4 932	9 680	13 231	17 659
Other/Intercompany elimination	369	1 363	1 172	2 737	3 125
Scientific Core-Drilling Vessel	7 740	7 255	22 281	21 279	28 570
Total operating revenue	**66 548**	**70 476**	**189 215**	**187 720**	**244 843**
Operating margin by segments					
Platform Supply Vessels	2 474	4 351	11 719	10 071	13 763
Offshore Subsea Construction Vessels and WIV	20 718	20 629	48 369	51 287	64 502
Anchor Handling Tug Supply Vessels	1 408	2 567	2 815	-4 828	-5 879
Brazilian Fleet	1 994	2 230	6 427	6 058	7 694
Canadian Fleet	2 332	3 186	6 841	7 569	8 647
Other/Intercompany elimination	665	-3 518	2 283	-1 211	-503
Scientific Core-Drilling Vessel	4 356	4 562	12 255	9 620	13 635
Adminstrative expenses	-5 191	-4 881	-14 877	-14 687	-19 600
Total operating margin from segments	**28 755**	**29 126**	**75 832**	**63 878**	**82 259**
Depreciation by segments					
Platform Supply Vessels	-2 482	-2 270	-7 401	-7 712	-10 056
Offshore Subsea Construction Vessels and WIV	-6 467	-6 402	-19 302	-20 625	-27 021
Anchor Handling Tug Supply Vessels	-3 388	-5 196	-12 073	-21 129	-25 892
Brazilian Fleet	-848	-770	-2 468	-2 479	-3 258
Canadian Fleet	-568	-677	-1 679	-1 977	-2 504
Other/Intercompany elimination	-532	-585	-1 595	-1 749	-2 334
Scientific Core-Drilling Vessel	-1 052	-919	-3 155	-2 685	-3 879
Total depreciation by segments	**-15 337**	**-16 819**	**-47 671**	**-58 355**	**-74 944**
Vessel impairment by segments					
Platform Supply Vessels	-	-	-	-25 963	-25 963
Offshore Subsea Construction Vessels and WIV	-	-	-	-44 636	-44 636
Anchor Handling Tug Supply Vessels	-	-	-	-161 451	-187 074
Canadian Fleet	-	-	-	-19 184	-19 184
Total vessel impairment by segments	**-**	**-**	**-**	**-251 234**	**-276 857**

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 2021	**3 501**	**2 324 482**	**11 431**	**2 339 414**
Capital expenditure	-	18 444	-	**18 444**
The period's disposal at cost	-67	-169 950	-2 827	**-172 844**
Effect of exchange rate differences	-45	-7 510	-81	**-7 636**
Purchase cost at 30 September 2021	**3 389**	**2 165 465**	**8 523**	**2 177 377**
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	-431	-46 758	-482	**-47 671**
The period's disposal of accumulated depreciation	-	39 612	2 827	**42 438**
The period's disposal of accumulated impairment	-	79 274	-	**79 274**
Effect of exchange rate differences	21	3 135	59	**3 215**
Accumulated depreciation at 30 September 2021	**-2 062**	**-1 314 078**	**-5 929**	**-1 322 070**
Net book value at 30 September 2021	**1 327**	**851 387**	**2 593**	**855 308**

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 USD0.9 million.

Note 6 – Interest-Bearing Debt

(Amounts in USD 1 000)	30.09.2021	31.12.2020
	Unaudited	*Audited*
Total cash and cash equivalents	**89 609**	**103 225**
Current portion of borrowings	-38 094	-238 890
Non-current portion of borrowings	-598 160	-791 897
Gross interest-bearing debt	**-636 254**	**-1 030 787**
Net interest-bearing debt	**-546 645**	**-927 562**

The interest-bearing debt is denominated in currencies as follows: USD 91%, NOK 7 % and CAD 2%.
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. In Q3 2021 a new shareholder loan was drawn from the minority shareholder in Siem AHTS Pool AS.

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

(Amounts in USD 1 000)	**2021 3Q**	**2020 3Q**	**2021 Jan-Sep**	**2020 Jan-Sep**	**2020 Jan-Dec**
Impairment charge relating to vessel segments:	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Audited*
Platform Supply Vessels	-	-	-	25 963	25 963
Offshore Subsea Construction Vessels and WIV	-	-	-	44 636	44 636
Anchor Handling Tug Supply 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 (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. 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 September 2021, no new impairments indicators were identified, and no impairment has been recorded in 3Q 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

The Company 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 1 January 2021	**4 771**
Disposal in 2021	-69
The period's depreciation	-1 163
Effect of exchange rate differences	-22
Right of use assets at 30 September 2021	**3 518**

The balance sheet shows the following amounts relating to leases:

(Amounts in USD 1,000)	**30.09.2021**	**31.12.2020**
Right of use assets*		
Land and buildings	1 320	1 841
Vessels and equipment	2 198	2 930
Total	**3 518**	**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 1 January 2021	**5 088**
Disposal in 2021	-69
Lease payments	-1 392
Interest cost	238
Effect of exchange rate differences	-27
Lease liability at 30 September 2021	**3 839**

(Amounts in USD 1,000)	**30.09.2021**	**31.12.2020**
Lease liabilities**		
Current	1 972	1 978
Non-Current	1 867	3 110
Total lease liabilities	**3 839**	**5 088**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 10 – Financial Items

(Amounts in USD 1 000)	**Jan-Sep 2021**	**Jan-Sep 2020**
	Unaudited	*Unaudited*
Interest expenses	-19 474	-40 488
Interest income	2 057	2 188
Net currency gain/(loss)	-2 575	-11 186
Other financial income/(expenses)	-4 242	1 756
Restructuring effects		
Gain from debt converted to equity 1)	91 871	-
Net financial items	**67 637**	**-47 730**

1) Gain related to debt converted to equity represents the difference between book value of loans and obligations at 26 May 2021 that were converted to equity, and the fair value of shares issued used to settle these liabilities.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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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