

**SIEM OFFSHORE INC.  
REPORT FOR FIRST QUARTER 2020**



11 May 2020 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) reports results for first quarter 2020.

**SELECTED FINANCIAL INFORMATION**

<i>(Amounts in USD millions)</i>	2020	2019	2019
	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	52.8	69.3	292.5
Operating margin	10.4	22.0	109.7
Operating margin, %	20 %	32 %	38 %
Operating profit (loss)	(25.0)	(2.9)	(57.5)
Profit (loss) before taxes	(23.8)	(24.1)	(113.1)
Net profit (loss) from continuing operations	(23.8)	(24.1)	(114.5)
Net profit (loss) from discontinued operations	-	-	5.3
Net profit (loss)	(23.8)	(24.1)	(109.2)
Net profit (loss) attributable to shareholders	(19.7)	(20.2)	(88.2)

**HIGHLIGHTS FOR THE FIRST QUARTER**

- Agreed a contract for support of a ten-wells drilling campaign for the dual fuel Platform Supply Vessel “Siem Symphony”, with an estimated duration of up to 600 days plus options.
- Agreed an 18-weeks firm contract with options for the vessel ‘Siem Stingray’ for work in the North Sea.
- Established a Company Task Force to manage and coordinate the risks, precautions and possible effects from the COVID-19 pandemic.
- The Company entered into an agreement with effect from 31 March 2020 with its secured lenders to provide time to secure a financing solution under the assumption that the market will remain depressed for several years. The terms of the agreement includes deferral and suspension of principal and interest and waiver of financial covenants until 15 May 2020.
- Bondholders’ meetings for each of the two unsecured bonds ( SIOFF01& SIOFF02) were held on 31 March 2020. The Bondholders approved waiving financial covenants for the period 1 January 2020 to 30 June 2020 and approved other proposals as set out in the summons to the meetings.

**SUBSEQUENT EVENTS**

- New employment for three Offshore Subsea Construction Vessels.
  - Agreed an 80 days firm contract for the vessel “Siem Dorado” for work on the US East Coast.
  - Agreed 180-days work under the frame agreement with Subsea7 for the vessel “Siem Spearfish” commencing the work 1 April 2020.

## **MARKET AND OUTLOOK**

The collapse in the oil price and the effect of the COVID-19 pandemic on the world's economies have created a very different operating environment for our fleet. Field developments offshore are being cancelled or postponed by our clients and there will be much less work offshore during the coming several years. The demand for our services will therefore decrease rather than increase. At the end of last year, we looked forward to a gradual recovery in offshore activities and the nearing of balance in supply and demand in the OSV sector. That hope is now gone and we brace ourselves for a downturn probably worse than we have experienced during the past few years.

The actions required to achieve the best possible outcome when confronted with the market difficulties include consolidations between and among debt-burdened owners, such as practically all OSV owners in Norway. This is the time when owners should work together to embrace the opportunities to survive until the end of a long, dark tunnel of slow activity in the market for all of our vessels. Only by working together can the right scheduling and layup of vessels be achieved. The cost saving would be an added benefit. Most of our lending banks are lenders to several, if not all of the competing OSV owners, and are in the position to influence this required development. Disappointedly, the banks do not appear willing or prepared to assume this vital role. The financial problems are currently solved independently within each company giving the owners more time to compete fiercely with each other, all to the benefit of the clients. Owners are seen to take higher risks as the clients take advantage of the desperate situations to shift operating risks from the clients to the OSV owners. The latter accepts the risks because they have nothing more to lose. Ironically, it is the banks who are exposed to the contractual downside in this new reality. This has created an artificial, unhealthy and unsustainable competitive situation in our industry.

The Company is better-positioned than most due to its lower debt level, its modern fleet, its strong operating record, its reputation with the clients and its proven ability to obtain employment for its fleet. If our lenders are realistic about their alternatives and trust us to undertake the best possible out of a most challenging situation, your Board is optimistic that the day will come when rates allow the repayment of the remainder of our debt and for the Company to experience a new day.

## **RISKS, FINANCE PLAN AND GOING CONCERN**

The financial statements have been prepared under the assumption that the Company and the Parent are going-concerns. However, there are uncertainties related to the going concern status due to the current contractual arrangements with the financing banks, the difficult market conditions and the impact of the COVID-19 pandemic on vessel charters and operations.

The Company is exposed to a number of risks. One of the most important risk factors is the demand for its services. The OSV market is now in its 7th year of depressed conditions. There is no recovery presently in sight. It is highly uncertain as to when charter rates will enable sufficient earnings to provide for full debt servicing. The Company has reduced its debt by USD 500 million over the last five years. The significant debt reduction has been possible due to good cooperation between the Company and its financing banks, significant shareholder support, good ship operations and disposal of non-strategic and older assets.

The financial statements do not reflect impairment charges that will occur if a sale of assets is forced in today's market.

The Company entered into an agreement with effect from 31 March 2020 with the secured lenders in Europe and Norway to provide time to secure a financing solution under the assumption that the market will remain depressed for several years. The terms of the agreement includes deferral and suspension of principal and interest and waiver of financial covenants until 15 May 2020. The Company has discussions ongoing with the secured lenders for an extended agreement.

If the company is unable to reach a new agreement with the secured lenders in Europe and Norway from 15 May 2020, the Company risks to breach certain financial covenants under several loan agreements.

The significant excess capacity in the worldwide offshore service vessel fleet has increased the competition amongst owners for any vessel requirements, thereby depressing charter rates. The imbalance of supply and demand for offshore vessels is expected to remain for some years and will continue to put pressure on the charter rates and our cash flows.

This is exasperated by the COVID-19 pandemic situation resulting in reduced global demand for oil, and when combined with the dramatic and unprecedented collapse in oil prices, has put even more pressure on the OSV market.

At present, the global markets are awash in oil and the storage capacity is reaching its limit. The oil companies and oil service companies are once again slashing costs and reducing their capital expenditures as projects are cancelled or postponed. The COVID-19 pandemic has had a significant adverse effect on all service operations worldwide. The Company is working with the unions and the crews to find ways to secure the safe and healthy operation of its vessels. It is, however, likely that at some point in the future vessel operations will be halted through the absence of crew members. If the shutdown lasts for an extended time, there is a potential risk of contracts being cancelled which would negatively affect the cash flow of the Company. The Company takes all reasonable precautions to minimize such risk. Governmental regulations are frequently changing and it is a challenge to move crews, spare parts and service personnel around the globe to attend our vessels.

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

The COVID-19 pandemic and the declining oil prices have resulted in extreme volatility in currency exchange rates as the USD has strengthened against other currencies. The NOK and BRL currencies in particular have suffered substantially. The Company has entered into several currency and interest rate hedging programs. At the current levels of currency rates, the market-to-market value of such hedging programs will have an immediate and material negative effect on the profits and cash flow of the Company while the potential positive effects from the strengthening of the USD will materialize over years.

## RESULTS AND FINANCE

### Income Statements (1Q 2020 over 1Q 2019)

Operating revenues were USD52.8 million (2019: USD69.3 million). The operating margin was USD10.4 million (2019: USD22.0 million) and the operating margin as a percentage of revenues was 20% (2019: 32%). The decrease in revenues from 1Q 2019 is mainly due to lower revenues from the PSV and AHTS fleets. Administrative expenses were USD5.2 million (2019: USD5.3 million).

Operating profit/(loss) was USD25.0 million (2019: USD(2.9) million) after depreciation and amortisation expenses of USD20.9 million (2019: USD26.9 million). The net currency exchange gain/(loss) of USD(14.9) million (2019: USD0.01 million) was recorded on currency derivative contracts of which USD(14.9) million was unrealised (2019: USD(0.2) million). The company enters into interest rate and cross currency swap derivatives for hedging purposes.

Net financial items were USD1.1 million (2019: USD(21.1) million) and included a net revaluation gain/(loss) of non-USD currency items of USD18.8 million (2019: USD(4.6) million) of which USD20.7 million was unrealized (2019: USD(1.4) million). The financial expenses of USD19.3 million (2019: USD16.7 million) included an unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements of USD(9.2) million (2019: USD(0.3) 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 USD13.5 million which was recognized in the equity.

The net (loss) attributable to shareholders was USD(19.7) million (2019: USD(20.2) million), or USD(0.02) per share (2019: USD(0.02) per share).

## Statements of Financial Position and Cash Flows

Shareholders' equity was USD313 million at 31 March 2020 (31 December 2019: USD353 million), equivalent to USD0.33 per share (2019: USD0.38 per share). Net cash flow from operating activities for the first quarter was USD27.2 million and the cash position at 31 March 2020 was USD67.6 million.

The gross interest-bearing debt is equivalent to USD981 million. The Company made principal repayments of USD13 million and interest payments of USD8 million.

The weighted average cost of debt for the Company was approximately 4.2% p.a. at 31 March 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 has not experienced any serious injuries nor any serious environmental incidents in the first quarter of 2020. There has been a continuously positive safety and environmental trend throughout this quarter.

The global COVID-19 virus outbreak has affected the company in many ways and a dedicated Task Force has continuously 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 Task Force has developed a COVID-19 management plan for the vessels and staff to use in order to mitigate risks of virus spreading. Our clients and partners receive the same for their information and use at their discretion.

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

## The Fleet

At 31 March 2020, the fleet totalled 33 vessels (2019: 36 vessels), including partly-owned vessels and one vessel hired on a bare-boat contract. Two vessels were sold for recycling in December 2019, with delivery in January 2020. Five vessels were in lay-up at the end of the quarter. In addition to its own fleet, the Company performs ship-management for three offshore vessels.

## Results for the First Quarter 2020

### Platform Supply Vessels (PSVs)

The Company had seven PSVs in the fleet at the end of the quarter (2019: eight). These PSVs recorded operating revenues of USD8.4 million and had 77% utilisation excluding the one vessel in lay-up (2019: USD15.3 million and 98%). The operating margin before administrative expenses for these PSVs was USD2.0 million (2019: USD6.8 million) and the operating margin as a percentage of revenues was 23% (2019: 44 %).

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

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

The Company had four OSCVs and two WIVs at the end of the quarter (2019: five OSCVs and two WIVs). The OSCVs and WIVs earned operating revenues of USD21.4 million and had 88% utilisation excluding one vessel in lay-up (2019: USD24.3 million and 82%). The operating margin before administrative expenses was USD12.7 million (2019: USD12.1 million) and the operating margin as a percentage of revenues was 59% (2019: 50%). One OSCV vessel was in lay-up at the end of the quarter.

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

The Company had ten AHTS vessels at the end of the quarter (2019: ten). The AHTS fleet earned operating revenues of USD6.4 million based on 53% utilisation excluding one vessel in lay-up (2019: USD10.2 million and 66%). The operating margin before administrative expenses was USD(6.7) million (2019: USD(2.1) million) and the operating margin as a percentage of revenues was (104)% (2019: (20)%). One vessel was in lay-up at the end of the quarter.

### Other Vessels

The Company had a fleet of five smaller Brazilian-flagged vessels (fast supply vessels, fast crew vessels and oil-spill recovery vessels) at the end of the quarter (2019: five). One vessel was in lay-up at the end of the quarter. Three vessels operated under term contracts in Brazil. The fleet earned operating revenues of USD4.6 million and had 95% utilisation excluding one vessel in lay-up (2019: USD5.2 million and 97%). The operating margin before administrative expenses for the fleet was USD2.4 million (2019: USD2.4 million) and the operating margin as a percentage of revenues was 52% (2019: 46%).

The Company had a fleet of two Canadian-owned offshore support vessels and one vessel on a bareboat operating offshore Canada at the end of the quarter (2019: four). One vessel was in lay-up at the end of the quarter. The fleet earned operating revenues of USD3.8 million and had 94% utilisation (2019: USD7.2 million and 100%). The operating margin before administrative expenses for the fleet was USD1.7 million (2019: USD3.4 million) and the operating margin as a percentage of revenues was 46% (2019: 48%). The two vessels sold for recycling in December 2019 were delivered in January 2020.

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit of USD0.2 million (2019: USD(0.1) million). These results are recorded in accordance with the equity method.

The Company had one scientific core-drilling vessel, the “JOIDES Resolution”, that recorded operating revenues of USD7.1 million (2019: USD6.9 million) and an operating margin before administrative expenses of USD2.0 million (2019: USD4.1 million). The operating margin as a percentage of revenues was 28% (2019: 60%). The fall in operating margin is caused by works related to modifications and upgrades of the drilling unit.

### Contract Backlog

The total backlog at 31 March 2020 was USD589 million and is allocated as follows:

<i>(Amounts in USD millions)</i>	2020	2021	2022 onwards	Total
OSVs	134	130	206	470
Other	21	28	70	119
<b>Total Backlog</b>	<b>155</b>	<b>158</b>	<b>276</b>	<b>589</b>

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

11 May 2020

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

## CONSOLIDATED INCOME STATEMENTS



<i>(Amounts in USD 1 000)</i>	Note	2020	2019	2019
		1Q	1Q	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	4	52 751	69 324	292 530
Operating expenses	9	-37 183	-41 980	-165 067
Administrative expenses	9	-5 171	-5 347	-17 718
<b>Operating margin</b>	<b>4</b>	<b>10 397</b>	<b>21 998</b>	<b>109 744</b>
Depreciation and amortization	4,5	-20 896	-26 856	-104 672
Impairment of vessels	4,5,8	-	-	-59 238
Gain (loss) on sales of fixed assets	5	327	1 783	-2 779
Gain on sale of interest rate derivatives (CIRR)	6	-	92	314
Gain (loss) on currency derivative contracts		-14 877	56	-876
<b>Operating profit/(loss)</b>		<b>-25 049</b>	<b>-2 927</b>	<b>-57 507</b>
Financial income		1 590	198	9 765
Financial expenses	9	-19 330	-16 715	-65 133
Net currency gain (loss) on revaluation		18 810	-4 617	-816
<b>Net financial items</b>		<b>1 069</b>	<b>-21 134</b>	<b>-56 183</b>
Result from associated companies		224	-57	568
<b>Profit (loss) before taxes</b>		<b>-23 756</b>	<b>-24 117</b>	<b>-113 123</b>
Tax benefit (expense)	7	-70	1	-1 383
<b>Net profit (loss) from continuing operations</b>		<b>-23 826</b>	<b>-24 117</b>	<b>-114 506</b>
Net profit (loss) from discontinued operations		-	-	5 260
<b>Net profit (loss)</b>		<b>-23 826</b>	<b>-24 117</b>	<b>-109 246</b>
Attributable to non-controlling interest		-4 171	-3 898	-21 017
<b>Attributable to shareholders of the Company</b>		<b>-19 655</b>	<b>-20 219</b>	<b>-88 229</b>
Weighted average number of outstanding shares(000's)		934 739	942 021	941 802
Earnings (loss) per share (basic and diluted)		-0,02	-0,02	-0,09
<b>Statements of Comprehensive Income</b>		<b>2020</b>	<b>2019</b>	<b>2019</b>
<i>(Amounts in USD 1 000)</i>		<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Net profit (loss)</b>		<b>-23 826</b>	<b>-24 117</b>	<b>-109 246</b>
<b>Other comprehensive income (expense)</b>				
Items that will not be reclassified to the Income Statement:				
Pension remeasurement gain (loss)		-	-	347
<b>Items that may be subsequently reclassified to the Income Statement:</b>				
Cash flow hedges		-13 460	621	650
Currency translation differences		-7 454	2 178	5 530
<b>Total comprehensive loss for the period</b>		<b>-44 740</b>	<b>-21 318</b>	<b>-102 719</b>
Attributable to non-controlling interest		-4 171	-3 898	-21 021
<b>Attributable to shareholders of the Company:</b>		<b>-40 568</b>	<b>-17 420</b>	<b>-81 698</b>

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in USD 1 000)</i>	Note	31.03.2020	31.12.2019
<b>ASSETS</b>		<i>Unaudited</i>	<i>Audited</i>
<b>Non-current assets</b>			
Vessels and equipment	5,8,9	1 242 090	1 288 446
Capitalized project cost	5	3 294	3 693
Investment in associates and other long-term receivables		37 090	40 426
CIRR loan deposit 1)		48 922	54 540
Deferred tax asset		10 145	10 321
<b>Total non-current assets</b>		<b>1 341 542</b>	<b>1 397 426</b>
<b>Current assets</b>			
Trade receivables and other current assets		58 889	68 862
Cash and cash equivalents	6	67 632	74 451
<b>Total current assets</b>		<b>126 521</b>	<b>143 312</b>
Assets classified as held for sale	5	-	715
<b>Total Assets</b>		<b>1 468 064</b>	<b>1 541 454</b>
<b>EQUITY</b>			
Paid-in capital		644 307	644 307
Other reserves		-53 493	-32 580
Retained earnings		-277 889	-258 234
<b>Total Shareholders' equity</b>		<b>312 924</b>	<b>353 493</b>
Non-controlling interest		2 705	6 877
<b>Total Equity</b>		<b>315 630</b>	<b>360 370</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	6	850 137	876 367
CIRR loan 1)		48 922	54 540
Derivative financial instruments		1 564	3 310
Other non-current liabilities	9	17 097	18 836
<b>Total non-current liabilities</b>		<b>917 720</b>	<b>953 054</b>
<b>Current liabilities</b>			
Borrowings	6	130 414	143 270
Accounts payable and other current liabilities	7,9	104 300	84 760
<b>Total current liabilities</b>		<b>234 714</b>	<b>228 030</b>
<b>Total liabilities</b>		<b>1 152 434</b>	<b>1 181 084</b>
<b>Total Equity and Liabilities</b>		<b>1 468 064</b>	<b>1 541 454</b>

1) Commercial Interest Reference Rate

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Amounts in USD 1 000)</i>	<b>2020 1Q</b>	<b>2019 1Q</b>	<b>2019 Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Cash flow from operating activities</b>			
Net profit/(loss) from continuing operations	-23 826	-24 117	-114 506
Interest expense	10 162	13 777	60 449
Interest paid	-8 117	-9 545	-54 271
Interest income	-789	-250	-8 118
Interest received	996	353	7 904
Tax expense	70	-1	1 383
Taxes paid	-70	-	-1 640
Results from associated companies	-224	57	-568
Loss/(gain) on sale of assets	-327	-1 783	2 779
Employee share scheme expenses	-	1	5
Impairment of vessels, projects, intangibles, long-term receivables	-	-	59 238
Depreciation and amortization	20 896	26 856	104 672
Effect of unrealized gain on currency exchange forward contracts	14 876	-223	789
Changes in short-term receivables and payables	31 014	21 961	33 992
CIRR gain	-	-92	-314
Other changes	-17 434	-7 530	4 228
<b>Net cash flow from operating activities</b>	<b>27 228</b>	<b>19 463</b>	<b>96 023</b>
<b>Cash flow from investing activities</b>			
Capital expenditure in vessels and equipment	-8 915	-5 435	-35 678
Proceeds from sale of fixed assets	339	18 747	50 506
Net cash from contingent consideration	-	-	29 797
Change in other non-current receivables	3 115	-	-14 573
Dividend from associated company	-	-	1 067
<b>Cash flow from investing activities</b>	<b>-5 461</b>	<b>13 312</b>	<b>31 118</b>
<b>Cashflow from financing activities</b>			
Contribution from non-controlling interests of consolidated subsidiaries	-	6 989	12 231
Effect from restatement of bonds to convertible bonds	-1 439	2 327	618
Changes in other non current liabilities	-57	-	-22 433
Repayment of long-term borrowings	-12 536	-21 817	-98 670
Payment for cancellation of own shares	-	-	-3 006
<b>Cash flow from financing activities</b>	<b>-14 032</b>	<b>-12 501</b>	<b>-111 261</b>
<b>Net change in cash and cash equivalents</b>	<b>7 736</b>	<b>20 275</b>	<b>15 881</b>
Cash and cash equivalents, beginning of period	74 451	63 413	63 413
Effect of exchange rate differences	-14 554	-6 761	-4 843
<b>Cash and cash equivalents, end of period</b>	<b>67 632</b>	<b>76 926</b>	<b>74 451</b>

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



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity at 1 January 2019</b>	<b>942 021 380</b>	<b>9 420</b>	<b>637 893</b>	<b>-38 769</b>	<b>-170 352</b>	<b>438 192</b>	<b>27 898</b>	<b>466 091</b>
Net profit (loss) for the period	-	-	-	-	-20 219	-20 219	-3 898	-24 117
Employee share scheme -Value of employee services	-	-	-	1	-	1	-	1
Cash flow hedge	-	-	-	621	-	621	-	621
Currency translation differences	-	-	-	2 178	-	2 178	-	2 178
<b>Equity at 31 March 2019</b>	<b>942 021 380</b>	<b>9 420</b>	<b>637 893</b>	<b>-35 970</b>	<b>-190 570</b>	<b>420 773</b>	<b>23 999</b>	<b>444 772</b>

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity at 1 January 2019</b>	<b>942 021 380</b>	<b>9 420</b>	<b>637 893</b>	<b>-38 769</b>	<b>-170 352</b>	<b>438 192</b>	<b>27 898</b>	<b>466 091</b>
Net profit (loss) for the period	-	-	-	-	-88 229	-88 229	-21 017	-109 246
Employee share scheme -Value of employee services	-	-	-	5	-	5	-	5
Pension remeasurement	-	-	-	-	347	347	-	347
Cash flow hedge	-	-	-	650	-	650	-	650
Currency translation differences	-	-	-	5 534	-	5 534	-4	5 530
Cancellation of own shares	-7 282 603	-73	-2 933	-	-	-3 006	-	-3 006
<b>Equity at 31 December 2019</b>	<b>934 738 777</b>	<b>9 347</b>	<b>634 959</b>	<b>-32 580</b>	<b>-258 234</b>	<b>353 493</b>	<b>6 877</b>	<b>360 370</b>

<i>(Amounts in USD 1 000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Shareholders' equity	Non-Controlling interest	Total equity
<b>Equity at 1 January 2020</b>	<b>934 738 777</b>	<b>9 347</b>	<b>634 959</b>	<b>-32 580</b>	<b>-258 234</b>	<b>353 493</b>	<b>6 877</b>	<b>360 370</b>
Net profit (loss) for the period	-	-	-	-	-19 655	-19 655	-4 171	-23 826
Cash flow hedge	-	-	-	-13 460	-	-13 460	-	-13 460
Currency translation differences	-	-	-	-7 454	-	-7 454	-	-7 454
<b>Equity at 31 March 2020</b>	<b>934 738 777</b>	<b>9 347</b>	<b>634 959</b>	<b>-53 493</b>	<b>-277 890</b>	<b>312 924</b>	<b>2 705</b>	<b>315 630</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – Basis of Preparation

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

### Note 2 – Accounting Policies

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

### Note 3 – Financial Risks

#### 3.1 Interest Risk

The Company is exposed to changes in interest rates as approximately 38% of the long-term interest-bearing debt was subject to floating interest rates at the end of March 2020 and takes into consideration the effects of hedging agreements. The remaining portion of the debt is subject to fixed interest rates.

#### 3.2 Currency Risk

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

#### 3.3 Liquidity Risk

The Company is financed by debt and equity. However, there are uncertainties related to the going concern status due to the current contractual arrangements with the financing banks, the challenging market conditions and the impact of the COVID-19 pandemic on vessel operations. The agreement reached with the Company's secured lenders in Europe and Norway for an interim standstill agreement includes 100% deferral of principal and interest payments until the end of the standstill period. The agreement also includes a waiver of financial covenants. The agreement is valid until 15 May 2020. The Company has ongoing discussion with the secured lenders for an extended agreement. If the company is unable to reach a new agreement with the secured lenders in Europe and Norway from 15 May 2020, the Company risks to breach certain financial covenants under several loan agreements.

There can be no assurance that the Company will be able to repay its debts or extend the debt repayment schedule through re-financing or amendments to agreements of the credit facilities. There is no assurance that the Company will not experience cash flow shortfalls exceeding the Company's available funding sources or to remain in compliance with debt covenants. Further, there is no assurance that the Company will be able to raise new equity or arrange new credit facilities on favourable terms and in amounts necessary to conduct its ongoing and future operations should this be required.

## NOTES TO THE FINANCIAL STATEMENTS



### Note 4 – Segment Reporting

<i>(Amounts in USD 1 000)</i>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating revenue by segments</b>			
Platform Supply Vessels	8 424	15 330	52 737
Offshore Subsea Construction Vessels and WIV	21 424	24 259	105 391
Anchor Handling Tug Supply Vessels	6 425	10 249	57 985
Brazilian Fleet	4 618	5 234	20 289
Canadian Fleet	3 756	7 154	26 851
Other/Intercompany elimination	984	191	961
Scientific Core-Drilling Vessel	7 120	6 907	28 316
<b>Total operating revenue</b>	<b>52 751</b>	<b>69 324</b>	<b>292 530</b>
<b>Operating margin by segments</b>			
Platform Supply Vessels	1 972	6 753	22 410
Offshore Subsea Construction Vessels and WIV	12 666	12 064	65 043
Anchor Handling Tug Supply Vessels	-6 677	-2 052	10 961
Brazilian Fleet	2 399	2 395	-1 642
Canadian Fleet	1 715	3 444	11 932
Other/Intercompany elimination	1 521	597	2 353
Scientific Core-Drilling Vessel	1 973	4 144	16 406
Administrative expenses	-5 171	-5 347	-17 718
<b>Total operating margin from segments</b>	<b>10 397</b>	<b>21 998</b>	<b>109 744</b>
<b>Depreciation by segments</b>			
Platform Supply Vessels	-2 821	-4 974	-16 324
Offshore Subsea Construction Vessels and WIV	-7 107	-7 654	-30 974
Anchor Handling Tug Supply Vessels	-7 913	-9 103	-37 047
Brazilian Fleet	-937	-1 113	-4 178
Canadian Fleet	-654	-2 454	-10 235
Other/Intercompany elimination	-582	-648	-2 350
Scientific Core-Drilling Vessel	-883	-910	-3 564
<b>Total depreciation by segments</b>	<b>-20 896</b>	<b>-26 856</b>	<b>-104 672</b>
<b>Vessel impairment by segments</b>			
Platform Supply Vessels	-	-	-10 712
Anchor Handling Tug Supply Vessels	-	-	-45 114
Canadian Fleet	-	-	-3 412
<b>Total vessel impairment by segments</b>	<b>-</b>	<b>-</b>	<b>-59 238</b>

## Note 5 – Vessels, Equipment and Project Cost

<i>(Amounts in USD 1 000)</i>	Land and buildings	Vessels and equipment	Capitalized project cost	Total
<b>Purchase cost at 1 January 2020</b>	4 038	2 373 862	11 346	2 389 246
Capital expenditure	-	8 915	-	8 915
Effect of exchange rate differences	-289	-51 982	-430	-52 701
<b>Purchase cost at 31 March 2020</b>	<b>3 748</b>	<b>2 330 795</b>	<b>10 917</b>	<b>2 345 460</b>
<b>Accumulated depreciation at 1 January 2020</b>	<b>-933</b>	<b>-729 150</b>	<b>-7 653</b>	<b>-737 737</b>
<b>Accumulated impairment at 1 January 2020</b>	<b>-</b>	<b>-359 370</b>	<b>-</b>	<b>-359 370</b>
The year's depreciation	-214	-20 534	-149	-20 896
Effect of exchange rate differences	71	17 678	180	17 928
<b>Accumulated depreciation and impairment at 31 March</b>	<b>-1 076</b>	<b>-1 091 376</b>	<b>-7 622</b>	<b>-1 100 075</b>
<b>Net book value at 31 March 2020</b>	<b>2 672</b>	<b>1 239 418</b>	<b>3 294</b>	<b>1 245 385</b>

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

Impairments in previous periods 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 is zero, but cost related to the sale has been capitalized and is presented as asset held for sale in the balance sheet per 31.12.2019.

## NOTES TO THE FINANCIAL STATEMENTS



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

<i>(Amounts in USD 1 000)</i>	<b>31.03.2020</b>	<b>31.12.2019</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Total cash and cash equivalents</b>	<b>67 632</b>	<b>74 451</b>
Short-term interest-bearing debt	-130 414	-143 270
Long-term interest-bearing debt	-850 137	-876 367
<b>Gross interest-bearing debt</b>	<b>-980 550</b>	<b>-1 019 638</b>
<b>Net interest-bearing debt</b>	<b>-912 918</b>	<b>-945 187</b>

<b>Unearned CIRR</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Balance, beginning of the period	-	314
Recognized in the profit and loss account	-	-314
<b>Balance, end of the period</b>	<b>-</b>	<b>-</b>

The interest-bearing debt is denominated in currencies as follows: USD 83.7%, NOK 14.6 % and CAD 1.7%.

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

The accrued interest on Borrowings has been reclassified from Other current liabilities to Short-term interest-bearing debt.

### Note 7 – Taxes

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

## NOTES TO THE FINANCIAL STATEMENTS



### Note 8 – Impairments

<i>(Amounts in USD 1 000)</i>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Operating items</b>			
Impairment charge relating to vessel segments:			
PSV	-	-	10 712
AHTS vessels	-	-	45 114
Canadian fleet	-	-	3 412
<b>Total impairment charge for vessels and equipment</b>	<b>-</b>	<b>-</b>	<b>59 238</b>

Tangible and intangible assets with finite lives are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceeds the recoverable amount. The Group performs an assessment to determine any indicators of impairment. An impairment loss is recognized if the carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCO) and value-in-use (VIU) and each vessel is considered a separate Cash Generating Unit (CGU).

As of 31 December 2019 impairment indicators were identified for all OSV vessels, mainly due to lower charter rates. Based on such indicators, impairment tests were performed for all OSV vessels and impairment charges were recognized at USD 59 million. As of 31 March 2020 there were new indicators identified as the COVID-19 pandemic and the related dramatic fall in the oil price. Impairment tests were performed for the vessels. The Company concluded not to recognize impairment charge in the first Quarter 2020.

The Company has calculated overall sensitivity tests on charter rates and WACC as of 31 March 2020. An increase in the WACC of 0.5% would result in impairment of USD 29 million. A reduction in charter rates of USD 1,000 per day would result in an impairment charge of USD 52 million.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 group has implemented the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets has been measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Siem Offshore has entered into various operating leases for office premises, office machines and communication satellite equipment for the vessels. The lease period for the lease agreements varies and most of the leases contain an option for extension. The interest rates in the calculation of net present values are in the range of 3%-13% depending on the base currency, the nature of the lease and the length of the leasing agreement.

#### Effect related to implementation of IFRS 16:

##### Consolidated Statements of Financial Position:

*(Amounts in USD 1 000)*

<b>Right of use assets at 01.01.2020</b>	<b>6 779</b>
Additions in 2020	-
The year's depreciation	-465
<b>Right of use assets at 31.03.2020</b>	<b>6 314</b>

The balance sheet shows the following amounts relating to leases:

<i>(Amounts in USD 1,000)</i>	<b>31.03.2020</b>	<b>31.12.2019</b>
<b>Right of use assets*</b>		
Land and buildings	2 652	2 872
Vessels and equipment	3 663	3 907
<b>Total</b>	<b>6 314</b>	<b>6 779</b>

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

<b>Lease liability at 01.01.2020</b>	<b>7 004</b>
Additions in 2020	-
Lease payments	-550
Interest cost	117
<b>Lease liability at 31.03.2020</b>	<b>6 571</b>

#### Consolidated Income Statements :

	<b>2020</b>	<b>2019</b>	<b>2019</b>
<i>(Amounts in USD 1 000)</i>	<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
Operating expenses	-291	-291	-1 166
Administrative expenses	-259	-253	-1 013
Depreciation and amortization	465	466	1 863
Financial expenses	117	135	540
<b>Net effect</b>	<b>31</b>	<b>57</b>	<b>225</b>

Cash flows from operating activities have increased and cash flows from financing activities have decreased by approximately USD0.6 million for Jan-March 2020 as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

## ALTERNATIVE PERFORMANCE MEASUREMENT (APM)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





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