

SIEM OFFSHORE INC.
REPORT FOR FIRST QUARTER 2022



On 31 May 2022 – Siem Offshore Inc. (the “Company”; Oslo Stock Exchange: SIOFF) announces results for first quarter ended 31 March 2022.

SELECTED FINANCIAL INFORMATION

	2022	2021	2021
	1Q	1Q	Jan-Dec
<i>(Amounts in USD millions)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenues	61.0	56.3	254.5
Operating margin	16.7	20.7	100.6
Operating margin, %	27%	37%	40%
Operating profit (loss)	0.8	4.7	38.2
Profit (loss) before taxes	6.1	-9.0	101.9
Net profit (loss)	6.6	-9.6	102.9
Net profit (loss) attributable to shareholders	8.0	-7.7	107.9
Net cash flow before debt repayment	0.9	1.3	120.8
Net interest bearing debt	532.8	925.2	532.4
Repayment of interest bearing debt	11.8	0.9	124.3

HIGHLIGHTS FOR THE FIRST QUARTER

- Vessels’ supply-demand balance is shifting in a positive trend for all segments.
- Awarded a 6-month extension for the Canadian vessel “Avalon Sea”, securing continued operations well into Q4 2022.
- Entered into agreements with Helix Energy Solutions Group Inc. for the Well Intervention Vessels “Siem Helix 1” and “Siem Helix 2”. The agreements will replace the existing contracts and the new firm period will be 3 years for “Siem Helix 1” and 5 years for “Siem Helix 2” with subsequent options for both vessels. Commencement will be in direct continuation of present contracts within the first quarter of 2022.
- Appointed Jon August Houge as a new ESG Director as part of the Company’s increased focus on sustainability.
- Awarded a new contract for the OSCV “Siem Spearfish”, securing continued operations well into the second quarter of 2022.
- Signed a new contract for the AHTS “Siem Sapphire” for operations in Taiwan, securing firm utilization well into the third quarter of 2022, plus options.

SUBSEQUENT EVENTS

- Received status on vessel class compliance from the classification society DNV, confirming that Siem Offshore has over the recent years consistently performed better than its peers on technical issues (CC?), non-conformities and findings from Port State Inspections.
- Awarded a new contract for the OSCV “Siem Spearfish”, securing firm utilization until the end of 2023.
- The Annual General Meeting of Siem Offshore Inc. was held 20 May 2022. All proposed resolutions were unanimously approved. Following the AGM and a subsequent Board meeting, the Board is: Mr. Kristian Siem, Chairman. Ms. Celina Midelfart, Director. Mr. Christen Sveaas, Director. Mr. Barry Ridings, Director. These Directors will hold office until the next Annual General Meeting of the Company.

MARKET AND OUTLOOK

The first quarter came off to a slow start for the North Sea PSV and AHTS markets, however markets gradually improved throughout the quarter, which is normal for this time of the year. March was a particularly strong month for the AHTS segment, where several development projects took place in parallel. For the first time in several years we commenced a 6-month term contract on the Norwegian shelf for an AHTS vessel, whilst one of our PSVs was reintroduced to the Norwegian spot market after a long-term contract. The OCV market was considerably more active than seen in previous years, and the fleet was almost sold out towards the end of the quarter, with day rates improving and strong vessel utilization. Longer term contracts are now becoming more frequent for the OSCV segment as confirmed by the latest contract for “Siem Spearfish”. This is a shift after many years of having traded through shorter term contracts, and a trend that has been expected on the basis of rising demand from oil & gas-subsea contractors. The combination of increased oil & gas activity and Offshore Wind campaigns is beneficial for all segments, especially the OSCV fleet. We currently employ three of our four OSCVs in the Offshore wind segment in the UK and in Taiwan areas. During the first quarter we also secured a Walk-to-work (“W2W”) contract for an AHTS in the Taiwanese offshore wind market, which is a positive confirmation of the capabilities of our multipurpose fleet.

The long-term extension of our well intervention vessels “Siem Helix 1” and “Siem Helix 2” was a considerable event and strengthens the Company’s contract backlog, and a reaffirmation of the vessels’ value creating potential for their end-clients.

Although oversupply is still a topic on a global basis, the supply-demand balance is shifting in a positive trend for all segments. A particular note should be directed towards the increased sale and purchase activity, where North Sea owners have divested a number of medium sized AHTS to the domestic Chinese market during the past year. Although most of these assets are not considered to be competitive to our high-end AHTS fleet, it’s still a positive development leading to an improved supply situation for the global AHTS fleet. There are only few laid-up assets in the North Sea region which we consider competitive to our AHTS, PSV and OSCV fleets.

The long-term fundamentals and outlook for the OSV market continue to improve on the back of a strong increase in the oil price, as well as continued demand from the offshore renewable energy sector. New drilling campaigns and offshore wind projects are being sanctioned, which over time are expected to further improve the overall demand for OSV’s after the long downturn. We have a particular interest in the floating wind market, which is expected to be a positive demand driver for the AHTS segment after 2025. Price increases due to high inflation for

raw materials, requires a substantial increase in dayrates to justify new-buildings. For the medium-term, we see an increased number of planned projects compared to the activity of previous years, specifically in Brazil, West Africa and the North Sea.

We continue to reiterate that consolidation is a necessity to further improve the operating results of the world's 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 assumption is based on the Company's strong equity position, cash position and forecasted cash flows. No debt will mature till end of 2024, except for debt that will be subject to cash sweep if applicable. The volatile market conditions and the impact of the COVID-19 pandemic on vessel operation and world economy may continue to have a negative influence. Estimated COVID-19 negative effects on operating margin in the quarter was around USD2.0 million. 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 9th year of depressed conditions, however early indicators of improvement are observed. The Company expects the market to remain volatile going forward. 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 may have an adverse effect on uplifts in charter rates and vessel utilization.

Total Equity (inclusive of non-controlling interests) is USD349.1 million on 31 March 2022 and the cash balance was USD80.2 million.

The COVID-19 pandemic situation, which has affected world economies and resulted in volatile global demand for our oil related services and our ability to operate under normal conditions is still causing concerns. The acts of war in Ukraine could impact the operations and outlook for the Company's fleet. The potential effects are uncertain and premature to assess.

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 impaired by shortage of qualified crew. Provided COVID-19 measurements last for an extended time, there is a potential risk of contract cancellations with negative effects on earnings and cash flow. The Company takes all reasonable precautions to minimize such risk. Governmental regulations are frequently being revised. While some nations have cancelled their COVID-19 restrictions, extensive regulations are still in force in some geographical areas. It is a challenge to move crews, spare parts, and service-personnel around the globe to attend to our vessels. Spare part lead times and global inflation are major concerns and are believed to add additional risk to vessel maintenance programs for a prolonged time.

The Company is exposed to credit risk due to the financial position of counterparties.

The COVID-19 pandemic, actions of war in Ukraine and fluctuations in the energy prices have resulted in volatility in currency exchange rates. The USD has strengthened against other currencies. The BRL currency in particular is extremely volatile against the USD. As part of the financial restructuring in 2021, the Company cancelled all currency and interest rate hedging agreements with its lenders. No new derivatives have been entered into.. Thus, the Company is exposed to changes in currency rates and interest rates on its loans going forward.

RESULTS AND FINANCE

Income Statements (1Q 2022 over 1Q 2021)

Operating revenues were USD61.0 million (2021: USD56.3million). The operating margin was USD16.7 million (2021: USD20.7 million). The increase in revenues from 1Q 2021 is mainly due to higher revenues from the OSCV and WIV fleet. Administrative expenses were USD5.3 million (2021: USD4.9 million).

Operating profit/(loss) was USD0.8 million (2021: USD4.7 million) after depreciation and amortization expenses of USD15.9 million (2021: USD16.1 million). No impairment charge was recognized in 1Q 2022 (1Q 2021: USD0.0 million). The Company closed all of its currency hedging derivatives in 2Q 2021 (currency exchange gain/(loss) recorded on currency derivative contracts in 1Q 2021: USD-0.06 million, of which USD2.2 million was unrealized).

Net financial items were USD5.2 million (2021: USD-13.3 million) and include a net revaluation gain/(loss) of non-USD currency items of USD9.7 million (2021: USD-6.9 million) of which USD11.8 million was unrealized (2021: USD-6.5 million). The financial expenses of USD5.2 million (2021: USD7.4 million) include no unrealized gain/(loss) from mark-to-market valuation of interest rate swap agreements as these were closed in April 2021 (2021: USD1.8 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 is recognized in Other Comprehensive income, and recorded a gain of USD10.8 million (2021: USD-4.9 million).

The net profit/(loss) attributable to shareholders was USD8.0 million (2021: USD-7.7 million), representing USD0.03 per share (2021: USD-0.82 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 USD351.1 million before non-controlling interest on 31 March 2022 (31 December 2021: USD340.8 million), equivalent to USD1.47 per share (2021: USD 1.42 per share). Non-controlling interest is USD-2.0 million. Net cash flow from operating activities for the first three months 2022 was USD14.3 million and the cash position on 31 March 2022 was USD80.2 million.

The gross interest-bearing debt is equivalent to USD613.0 million. In the first three months 2022, the Company made principal repayments of USD11.8 million according to the cash sweep mechanisms in the loan agreements with the European lenders and made interest payments of USD4.9 million.

The weighted average cost of debt for the Company was approximately 3.3% p.a. on 31 March 2022. The Company has terminated all debt-related derivatives such as interest rate swaps and cross currency swaps.

The share capital is USD238.852 million representing a total of 238,852,052 shares with a nominal value of USD1.00 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 2022. There has been a continuously positive safety and environmental trend throughout this quarter. The quarterly safety campaign has focused on “Situational awareness and risk perception”, developed and streamlined in cooperation with a major client. This was a success and shows the good cooperation between Clients and the Company. Leadership engagements on board the vessels have picked up as the Covid-19 restrictions and being relaxed somewhat in certain geographical areas.

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

The global COVID-19 Pandemic has affected the Company in many ways and a dedicated Task Force has constant 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. Some restrictions are now being relaxed.

The conflict in Ukraine is challenging in many ways, primarily the hardships of the people directly involved. Many of our seafarers are residents of Ukraine. We maintain close contact with our seafarers and offer support where needed.

The Fleet

On 31 March 2022, the fleet totaled 28 vessels (2021: 30 vessels), including partly owned vessels. 4 vessels were in lay-up at the end of the quarter (2021: 7). In addition to its own fleet of 28 vessels, the Company performs ship-management services for 3 vessels.

Results for the First Quarter 2022

Platform Supply Vessels (PSVs)

The Company had 6 PSVs in the fleet at the end of the quarter (2021: 7). The PSVs recorded operating revenues of USD5.8 million and had 65% utilization (2021: USD12.5 million and 92%). The operating margin before administrative expenses for these PSVs was USD-0.4 million (2021: USD6.5 million). First quarter last year the margin on the PSVs were affected by a termination fee of USD 3.1 million received from a client. This quarter we saw lower utilization and increased opex due to battery system installations, upgrades, dry-dockings and steaming of one vessel from the North Sea to Australia.

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

The Company had 4 OSCVs and 2 WIVs at the end of the quarter (2021: 4 OSCVs and 2 WIVs). The OSCVs and WIVs earned operating revenues of USD31.1 million and had 91% utilization (2021: USD19.7 million and 67%). The operating margin before administrative expenses was USD14.5 million (2021: USD10.9 million).

Anchor-Handling Tug Supply (AHTS) Vessels

The Company had 8 AHTS vessels at the end of the quarter (2021: 10). The AHTS fleet earned operating revenues of USD9.3 million and had 66% utilization excluding vessels in lay-up (2021: USD9.8 million and 67%). The operating margin before administrative expenses was USD-0.6 million (2021: USD-0.2 million). Two 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 (2021: 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 USD4.1 million and had 100% utilization excluding vessels in lay-up (2021: USD4.0 million and 100%). The operating margin before administrative expenses for the fleet was USD2.1 million (2021: USD2.3 million).

The Company had one Canadian-owned vessel operating offshore Canada at the end of the quarter (2021: 1). The fleet earned operating revenues of USD2.6 million and had 94% utilization (2021: USD2.9 million and 100%). The operating margin before administrative expenses for the fleet was USD1.3 million (2021: USD1.9 million).

The Company owns one scientific core-drilling vessel that recorded operating revenues of USD7.7 million (2021: USD7.1 million) and an operating margin before administrative expenses of USD4.5 million (2021: USD3.6 million).

The 41%-ownership in the “Big Orange XVIII” recorded a share of profit of USD0.1 million (2021: USD-0.4 million). These results are recorded in accordance with the equity method.

Contract Backlog

The total contract backlog on 31 March 2022 was USD451 million and is allocated as follows:

<i>(Amounts in USD millions)</i>		2024		
	2022	2023	onwards	Total
OSVs	116	95	165	376
Other	22	30	22	74
Total Backlog	139	124	188	451

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

31 May 2022

Kristian Siem, Chairman

Bernt Omdal, Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

		2022	2021	2021
<i>(Amounts in USD 1,000)</i>		1Q	1Q	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	Note			
Operating revenues	4	60,954	56,263	254,493
Operating expenses	8	-38,882	-30,662	-134,115
Administrative expenses	8	-5,331	-4,897	-19,793
Operating margin	4	16,741	20,704	100,585
Depreciation and amortization	4,5,8	-15,943	-16,078	-63,539
Gain (loss) on sales of fixed assets	5	-	92	997
Gain/(loss) on currency derivative contracts		-	-59	204
Operating profit/(loss)		797	4,660	38,247
Financial income	9	744	953	96,727
Financial expenses	8,9	-5,193	-7,383	-28,573
Net currency gain (loss) on revaluation	9	9,683	-6,872	-4,531
Net financial items		5,235	-13,302	63,623
Result from associated companies		67	-392	42
Profit/(loss) before taxes		6,099	-9,034	101,912
Tax benefit/(expense)	7	511	-544	1,000
Net profit/(loss)		6,611	-9,579	102,912
Attributable to non-controlling interest		-1,420	-1,890	-4,947
Attributable to shareholders of the Company		8,031	-7,689	107,858
Weighted average number of outstanding shares(000's) *		238,852	9,347	147,050
Earnings/(loss) per share (basic and diluted)		0.03	-0.82	0.73
Statements of Comprehensive Income		2022	2021	2021
<i>(Amounts in USD 1,000)</i>		1Q	1Q	Jan-Dec
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net profit (loss)		6,611	-9,579	102,912
Other comprehensive income (expense)				
Items that will not be reclassified to the Income Statement:				
Pension remeasurement gain/(loss)		-	-	-203
Items that may be subsequently reclassified to the Income Statement:				
Cash flow hedges		10,753	-4,924	-2,217
Currency translation differences		-8,539	6,352	825
Total comprehensive loss for the period		8,824	-8,150	101,317
Attributable to non-controlling interest		-1,420	-1,890	4,947
Attributable to shareholders of the Company		10,244	-6,261	106,263

*Weighted average number of shares for 2021 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	31.03.2022	31.12.2021
ASSETS		<i>Unaudited</i>	<i>Audited</i>
Non-current assets			
Vessels and equipment	5	856,490	844,652
Capitalized project cost	5	2,285	2,433
Investment in associates and other long-term receivables		32,932	33,244
CIRR loan deposit ¹⁾		33,399	36,763
Deferred tax asset	7	8,952	8,945
Total non-current assets		934,058	926,037
Current assets			
Trade receivables and other current assets		56,461	55,621
Cash and cash equivalents	6	80,214	91,839
Total current assets		136,675	147,460
Total Assets		1,070,733	1,073,497
EQUITY			
Paid-in capital		821,727	821,727
Other reserves		-28,511	-30,725
Retained earnings		-442,135	-450,166
Total Shareholders' equity		351,080	340,836
Non-controlling interest		-1,958	-538
Total Equity		349,122	340,298
LIABILITIES			
Non-current liabilities			
Borrowings	6	554,878	576,596
CIRR loan ¹⁾		33,399	36,763
Other non-current liabilities	8	15,442	14,211
Total non-current liabilities		603,719	627,570
Current liabilities			
Current portion of borrowings	6	58,126	47,650
Accounts payable and other current liabilities	7,8	59,766	57,980
Total current liabilities		117,893	105,630
Total liabilities		721,612	733,200
Total Equity and Liabilities		1,070,733	1,073,497

1) Commercial Interest Reference Rate

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2022	2021	2021
<i>(Amounts in USD 1,000)</i>	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash flow from operating activities			
Net profit/(loss)	6,611	-9,579	102,912
Interest expense	4,870	6,321	24,187
Interest income	-732	-739	-3,240
Tax expense	-511	544	-1,000
Results from associated companies	-67	392	-42
Loss/(gain) on sale of assets	-	-92	-997
Debt forgiveness from restructuring	-	-	-91,553
Depreciation and amortization	15,943	16,078	63,539
Unrealized currency gain/(loss)	-11,787	-2,156	-3,578
Changes in short-term receivables and payables	996	-7,389	9,174
Other changes	3,614	3,081	2,493
Cash flow from operating activities	18,937	6,462	101,895
Interest paid	-4,869	-6,407	-23,342
Interest received	269	875	3,183
Taxes paid	-	-544	363
Net Cash flow from operating activities	14,337	386	82,099
Cash flow from investing activities			
Capital expenditure in vessels and equipment	-14,497	-4,488	-27,736
Proceeds from sale of fixed assets	-	3,045	52,463
Change in other non-current receivables	-3	2,622	4,202
Cash flow from investing activities	-14,500	1,178	28,929
Cash flow from financing activities			
Contribution from non-controlling interests of consolidated	1,092	-	10,000
Effect from restatement of bonds to convertible bonds	-	-207	-
Changes in other non-current liabilities	-49	-20	-230
Repayment of long-term borrowings	-11,842	-852	-124,270
Cash flow from financing activities	-10,799	-1,079	-114,500
Net change in cash and cash equivalents	-10,962	485	-3,472
Cash and cash equivalents, beginning of period	91,839	103,225	103,225
Effect of exchange rate differences	-663	10,467	-7,914
Cash and cash equivalents, end of period	80,214	114,177	91,839

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	Share- holders' equity	Non- Contr. interest	Total equity
Equity at 1 January 2021	934,738,777	9,347	634,959	-29,333	-557,822	57,152	-44,730	12,422
Net profit/(loss) for the period	-	-	-	-	-7,689	-7,689	-1,890	-9,579
Cash flow hedge	-	-	-	-4,924	-	-4,924	-	-4,924
Currency translation differences	-	-	-	6,352	-	6,352	-	6,352
Equity at 31 March 2021	934,738,777	9,347	634,959	-27,904	-565,511	50,892	-46,619	4,272

<i>(Amounts in USD 1,000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Share- holders' equity	Non- Contr. interest	Total equity
Equity at 1 January 2021	934,738,777	9,347	634,959	-29,333	-557,822	57,152	-44,730	12,422
Net profit/(loss) for the period	-	-	-	-	107,858	107,858	-4,947	102,912
Pension remeasurement	-	-	-	-	-203	-203	-	-203
Cash flow hedge	-	-	-	-2,217	-	-2,217	-	-2,217
Currency translation differences	-	-	-	825	-	825	-	825
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 31 December 2021	238,852,052	238,852	582,875	-30,725	-450,166	340,836	-538	340,298

<i>(Amounts in USD 1,000)</i>	Total no. of shares	Share capital	Share premium reserves	Other reserves	Retained earnings	Share- holders' equity	Non- Contr. interest	Total equity
Equity at 1 January 2022	238,852,052	238,852	582,875	-30,725	-450,166	340,836	-538	340,298
Net profit/(loss) for the period	-	-	-	-	8,031	8,031	-1,420	6,611
Cash flow hedge	-	-	-	10,753	-	10,753	-	10,753
Currency translation differences	-	-	-	-8,539	-	-8,539	-	-8,539
Equity at 31 March 2022	238,852,052	238,852	582,875	-28,511	-442,136	351,080	-1,958	349,122

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Preparation

The consolidated financial information for the period 1 January to 31 March 2022 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 2021 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 2021 and with new standards, amendments to standards and interpretations that have become effective in 2022.

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 March 2022. 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 Inflation Risk

The Company is exposed to inflation risk as inflation rates are expected to increase. The revenues may not be inflated at levels that could compensate for inflated operating cost. In addition to general inflation-rates, the operating expenses related to spare parts, service-personnel and logistics within the shipping industry are further exposed to inflation.

3.4 Liquidity Risk

The financial statements have been prepared under the assumption that the Company and the Parent are going concerns. The assumption is based on the Company's strong equity position, cash position and forecasted cash flows. No debt will mature till end of 2024, except for debt that will be subject to cash sweep if applicable. The volatile market conditions and the impact of the COVID-19 pandemic on vessel operations and world economy may still have a negative influence.

NOTES TO THE FINANCIAL STATEMENTS

The OSV market is now in its 9th year of depressed conditions, however early indicators of improvement are observed. The Company expects the market to remain volatile going forward. 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 may have an adverse effect on uplifts in charter rates and vessel utilization.

Following a refinancing in Q2 2021, fixed repayments of debt have been reduced substantially and cash sweep mechanisms are in place that will balance repayments of debt to the Company's cash generation. If cash flows are negatively impacted from a depressed market, the amount of cash held in the Company will be less affected since cash sweeps will be reduced. If the Company's cash flows are exceeding agreed values, related to cash position and related measures, excess installments will become payable following a set of agreed cash sweep mechanisms. There are various cash sweeps mechanisms in place that relate to specific facilities, segments and corporate cash flows. On 31 March 2022 the Company is in compliance with the financial covenants as agreed with its lenders.

As of 31 March 2022 no new indicators of impairment were identified and no impairments were recognized in Q1 2022. 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 more negative assumptions were used in the value-in-use calculation.

Total Equity (inclusive of non-controlling interests) is USD349.1 million on 31 March 2022 and the cash balance is USD80.2 million.

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 impaired by shortage of qualified crew. Provided COVID-19 measurements last for an extended time, there is a potential risk of contract cancellations with negative effects on earnings and cash flow. The Company takes all reasonable precautions to minimize such risk. Governmental regulations are frequently being revised. While some nations have cancelled their COVID-19 restrictions, extensive regulations are still valid in some geographical areas. It is a challenge to move crews, spare parts, and service-personnel around the globe to attend to our vessels. Spare part lead times and global inflation are of major concerns and are believed to add additional risk to vessel maintenance programs for a prolonged time.

The Company is exposed to credit risk due to the financial position of counterparties.

The COVID-19 pandemic, actions of war in Ukraine and fluctuations in the energy prices have resulted in volatility in currency exchange rates. The USD has strengthened against other currencies. The BRL currency in particular is extremely volatile against the USD. As part of the financial restructuring in 2021, the Company cancelled all currency and interest rate hedging agreements with its lenders. No new financial derivatives have been agreed. Thus, the Company is exposed to changes in currency rates and interest rates on its loans going forward.

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Segment Reporting

	2022	2021	2021
<i>(Amounts in USD 1,000)</i>	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating revenue by segments			
Platform Supply Vessels	5,847	12,488	39,869
Offshore Subsea Construction Vessels and WIV	31,119	19,690	111,718
Anchor Handling Tug Supply Vessels	9,297	9,796	43,067
Brazilian Fleet	4,055	3,993	15,698
Canadian Fleet	2,558	2,853	12,670
Other/Intercompany elimination	331	359	1,489
Scientific Core-Drilling Vessel	7,746	7,085	29,984
Total operating revenue	60,954	56,263	254,493
Operating margin by segments			
Platform Supply Vessels	-417	6,451	14,812
Offshore Subsea Construction Vessels and WIV	14,473	10,879	64,387
Anchor Handling Tug Supply Vessels	-626	-214	3,780
Brazilian Fleet	2,127	2,253	8,922
Canadian Fleet	1,349	1,936	9,140
Other/Intercompany elimination	622	683	2,892
Scientific Core-Drilling Vessel	4,543	3,612	16,445
Administrative expenses	-5,331	-4,897	-19,793
Total operating margin from segments	16,741	20,704	100,585
Depreciation by segments			
Platform Supply Vessels	-2,348	-2,434	-9,755
Offshore Subsea Construction Vessels and WIV	-7,105	-6,406	-26,042
Anchor Handling Tug Supply Vessels	-3,542	-4,319	-15,554
Brazilian Fleet	-956	-797	-3,334
Canadian Fleet	-553	-539	-2,244
Other/Intercompany elimination	-336	-531	-2,193
Scientific Core-Drilling Vessel	-1,104	-1,052	-4,417
Total depreciation by segments	-15,943	-16,078	-63,539

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 2022	3,506	2,171,967	8,512	2,183,985
Capital expenditure	-	14,497	-	14,497
The period's disposal at cost	-	-1,871	-	-1,871
Effect of exchange rate differences	159	21,720	24	21,903
Purchase cost at 31 March 2022	3,665	2,206,313	8,536	2,218,514
Accumulated depreciation at 1 January 2022	-2,257	-778,827	-6,079	-787,163
Accumulated impairment at 1 January 2022	-	-549,737	-	-549,737
The period's depreciation	-123	-15,668	-151	-15,943
The period's disposal of accumulated depreciation	-	1,871	-	1,871
Effect of exchange rate differences	-102	-8,644	-21	-8,766
Accumulated depreciation and impairment at 31 March 2022	-2,483	-1,351,005	-6,251	-1,359,738
Net book value at 31 March 2022	1,182	855,308	2,285	858,775

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

NOTES TO THE FINANCIAL STATEMENTS

Note 6 – Interest-Bearing Debt

<i>(Amounts in USD 1,000)</i>	31.03.2022	31.12.2021
	<i>Unaudited</i>	<i>Audited</i>
Total cash and cash equivalents	80,214	91,839
Current portion of borrowings	-58,126	-47,650
Non-current portion of borrowings	-554,878	-576,596
Gross interest-bearing debt	-613,004	-624,246
Net interest-bearing debt	-532,790	-532,407

The interest-bearing debt is denominated in currencies as follows: USD 93% and NOK 7 %.

The long-term interest bearing-debt per 31 March 2022 includes a shareholder's loan from the minority shareholder in Siem AHTS Pool AS at USD3.4 million. The loan is subordinated to other financial debt and any debt servicing is contingent on lending banks approval.

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 Company holds a significant taxable position of losses carried forward that may be offset against future tax positions, provided that the Company earns taxable profits and that current tax regulations are maintained. As the timing and valuation of the tax positions are uncertain, the Company has included only a minor share of its potential deferred tax asset in the Balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - 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 2022	3,192
Additions in 2022	0
Disposal in 2022	0
The period's depreciation	-368
Effect of exchange rate differences	55
Right of use assets at 31 March 2022	2,879

The balance sheet shows the following amounts relating to leases:

<i>(Amounts in USD 1,000)</i>	31.03.2022	31.12.2021
Right of use assets*		
Land and buildings	1,170	1,238
Vessels and Equipment	1,709	1,954
Total	2,879	3,192

*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 2022	3,523
Additions in 2022	0
Disposal in 2022	0
Lease payments	-444
Interest cost	55
Effect of exchange rate differences	66
Lease liability at 31 March 2022	3,200

<i>(Amounts in USD 1,000)</i>	31.03.2022	31.12.2021
Lease liabilities**		
Current	1,680	1,554
Non-Current	1,520	1,969
Total lease liabilities	3,200	3,523

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

NOTES TO THE FINANCIAL STATEMENTS

Note 9 – Financial Items

	2022	2021	2021
<i>(Amounts in USD 1,000)</i>	1Q	1Q	Jan-Dec
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Interest expenses	-4,870	-6,321	-24,187
Interest income	732	739	3,240
Net currency gain/(loss)	9,683	-6,872	-4,531
Dividend	-	-	1,546
Other financial income	13	214	388
Other financial expenses	-323	-1,062	-4,386
Restructuring effects			
Gain from debt converted to equity 1)	-	-	91,553
Net financial items	5,235	-13,302	63,623

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 margin is the net of operating revenue and operating expenses. For 2021 operating revenues USD254,493 less operating expenses at USD153,909 equals operating margin at USD100,585. The Company considers the operating margin to be a key number when analyzing the fleets operating performance and the margin that can be applied to the finance of capital expenditures, debt service and other cash disbursements.

Operating margin percentage – Operating Margin, % is the nominal operating margin calculated as a percentage of operating revenue. For 2021 the operating margin at USD100,585 equals 40% of the operating revenue at USD254,493. The operating margin percentage is used to compare, period by period, the development in relative margin from operations. The operating margin, % is also used for comparing segments' relative performance.

OTHER DEFINITIONS

Contract backlog – the total, nominal value of future revenues from firm contracts, excluding optional periods. The contract backlog is categorized per year, and reflects coming years' operating revenues that are considered firm following contracts agreed with clients.

Utilization – vessels' effective time on hire relative to total time available in the reporting period, excluding vessels in lay-up. The relative utilization is reflecting the time that a vessel or the fleet has been on hire with clients. Zero utilization is reported when a vessel is off-hire caused by technical issues or when idle, awaiting employment.

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

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.

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

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

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