Annual Report 2009

SIEM OFFSHORE

Contents

Key Figures

CONSOLIDATED

(Amounts in USD 1,000)

INCOME STATEMENT	2009	2008
Operating revenue	183 558	192 773
Operating margin	57 934	87 738
Operating profit	80 691	680
Net profit/(loss) attributable to shareholders	102 390	-27 568

STATEMENT OF FINANCIAL POSITION	2009	2008
Total assets	1 283 978	863 850
Equity	702 728	425 944
Non-current liabilities	484 582	343 962
Total equity and liabilities	1 283 978	863 850

STATEMENT OF CASH FLOWS	2009	2008
Net cash flow from operations	79 230	54 315

KEY RATIOS	2009	2008
Weighted average number of outstanding shares (1,000)	292 474	253 892
Earnings per share (USD)	0.35	-0.11
Share price per year end (NOK)	8.90	8.20
Share price per year end (USD)	1.54	1.17
Book shareholders' equity per share (USD)	1.89	1.61
Book equity ratio	55 %	49 %
Price/earnings per share (P/E)	4.4	-10.8
Liquidity ratio	2.0	1.6


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SIEM EMERALD

This is
Siem Offshore Inc.

The Company's vision is to be a preferred supplier of marine services to the oil and gas industry based on quality and reliability, and by providing cost efficient solutions by close cooperation with customers.

The Company was founded as a stand-alone entity in 2005 and has become a significant operator of modern support vessels for the global oil and gas industry. The Group had 29 vessels in operation and 15 vessels under construction at the year-end 2009. The total fleet of 44 in operation and under construction, includes, among others, fourteen platform supply vessels ("PSVs"), five multipurpose, ROV support vessels ("MRSVs") and eight anchor handling, tug, supply vessels ("AHTS vessels").

The Company will become one of the world's largest owner and operator of large AHTS vessels following the delivery of the newbuilding program.

Siem Offshore has one of the world's most modern fleet of offshore support vessels and is as such capable to meet the increased requirements from clients and new geographical areas. The Group provides a wide range of services from its vessels, equipment and experienced onshore and offshore personnel with high focus on Health, Safety, Environment and Quality.

The Group's headquarters is located in Kristiansand, Norway. The Group has also offices in Brazil, Turkey and India and is represented in Nigeria.

The Company's shares are listed on the Oslo Stock Exchange.

Board of Directors' Report

The Board of Directors of Siem Offshore Inc. (the "Board") presents its report for the year ended 31 December 2009 together with the audited financial statements of the Group and the parent company for the year. The financial statements and related notes were authorised for issue by the Board of Directors the "Board" on 14 April 2010 and will be laid before the shareholders at the Annual General Meeting (the "AGM") to be held 10 May 2010.

The company

Siem Offshore Inc. commenced operations effective 1 July 2005 following its spin-off by Subsea 7 Inc. Siem Offshore Inc. is registered in the Cayman Islands and is listed on the Oslo Stock Exchange. All references to "Siem Offshore", the "Group" and the "Company" shall mean Siem Offshore Inc. and its subsidiaries and associates unless the context indicates otherwise.

In November 2009 the Board resolved to relocate the tax residency of the Company from the Cayman Islands to Norway with effect from 1st January 2010.

Siem Offshore is an owner and operator of support vessels for the offshore oil and gas service industry with a fleet of 29 vessels in operation and 15 vessels under construction at the end of 2009.

Financial Results, Position and Risks

IFRS

The financial statements for the Group and the parent company are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going-Concern

The financial statements have been prepared under the assumption of going concern. This assumption is based on the level of cash and cash equivalents at year end, the forecast cash flows for the Group, available credit facilities and the market value of assets.

Results

In 2009 the Group recorded operating revenues of USD 183.6 million and a net profit of USD 102.4 million, or USD 0.35 per share, compared to operating revenues of USD 192.8 million and a net loss of 27.6 million or USD (0.11) per share, in 2008.

The Group's operating margins for 2009 was USD 57.9 million compared to USD 87.7 million in 2008. Net operating margins as a percentage of operating revenue was 31.6% in 2009 compared to 45.5% in 2008. The reduction in margin is attributable to reduced vessel earnings as result of a weak market.

The Group's operating profit for 2009 was USD 80.7 million compared to USD 0.7 million in 2008. The operating profit was heavily influenced by the volatility of the NOK/USD exchange rates during 2009 and 2008 and the effects on the forward contracts which were entered into for the purpose of fixing its NOK obligations for future yard instalments on its newbuilding programme. The Company recorded gains of USD 52.8 million in 2009 (losses of USD 47.3 million in 2008) arising from the revaluation of currency exchange contracts [1], or maturity of such contracts during the year. Approximately USD 31.2 million of such gains in 2009 was unrealised at year-end.

Net financial items for the Group were USD 21.3 million for 2009 compared to USD (24.5) million in 2008. The 2009 figure included a revaluation of non-USD currency items of USD 19.1 million in 2009 compared to USD (18.3) million in 2008.

The Board proposes that the net profit of USD 102.4 million for 2009 be allocated to retained earnings and that no dividend be paid for 2009. As of 31 December 2009, retained earnings were USD 205.8 million.

Financing activities

In February 2009, the Group entered into a 12-year USD 112 million loan and guarantee facility for the debt financing of the two remaining multipurpose ROV support vessels ("MRSVs") under construction and the first of eight anchor-handling tug supply ("AHTS") vessels under construction. The USD 112 million loan and guarantee facility

1 *Currency exchange contracts have been entered into in order to hedge the future NOK instalments for vessels under construction at Norwegian yards. The Company held USD 354 million in such currency exchange contracts at year-end at an average contract price of NOK 6.23/USD.*

represents 60% of the total project cost for the three vessels to be delivered by a Norwegian yard. The loan will be provided by the Norwegian export credit agency for Export Financing ("Eksportfinans") and the guarantees will be provided by the Norwegian Guarantee Institute for Export Credits ("GIEK") and a commercial bank.

In June 2009, the Company raised gross proceeds of NOK 900 million in a private placement directed towards institutional and other investors to support the financing of the newbuilding program. A total of 105,882,353 new shares were issued in relation to the private placement at a price of NOK 8.50 per share.

In June 2009, the Group entered into a NOK 1.8 billion loan and guarantee facility for 50% debt-financing of six AHTS vessels under construction. The loan will be provided by Eksportfinans and the guarantees will be provided by GIEK, a commercial bank and by an arrangement with Siem Industries Inc., our major shareholder. The loan will have a 12-year profile with a 5-year guarantee facility maturing no later than 30 September 2014.

In June 2009, the Group entered into a NOK 427 million loan and guarantee facility for a 70% debt-financing of one AHTS vessel under construction at a Norwegian yard.

The Group has entered into loan and guarantee facilities for up to 90% debt-financing of two fast crew vessels and two fast supply vessels under construction in Brazil. The loan will be provided by Fundo de Marinha Mercante ("FMM"), which is the Brazilian Government Fund for Development of Merchant Shipping, and the guarantees will be provided by a Brazilian guarantee institute.

The Group is granted up to 82% debt financing from FMM for two oil spill recovery vessels ("OSRVs") and two large-size platform supply vessels ("PSVs") to be built in Brazil. A Brazilian guarantee institute will provide the relevant guarantees.

The Group's gross interest-bearing debt at 31 December 2009 was USD 448 million. The Group's cash position at year-end was USD 91.1 million.

Shareholders' equity for the Group was USD 679.9 million and there were 359,774,219 shares issued and outstanding at year-end 2009.

Financial Risks

Interest risk

The Company is exposed to changes in interest rates as approximately 74% of the long-term interest bearing debt was subject to floating interest rates per year-end. The remaining part of the debt is subject to fixed interest rates.

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 due to future yard instalments in relation to shipbuilding contracts and long-term debt in various currencies. Forward exchange contracts are entered into in order to reduce the currency risk related to future cash flows.

Liquidity risk

The Company is financed by debt and equity. If the Company fails to repay or refinance its credit facilities, additional equity financing may be required. There can be no assurance that the Company will be able to repay its debts or extend the debt repayment schedule through re-financing of credit facilities. There can be no assurance that the Company will not experience cash flow shortfalls exceeding the Company's available funding sources or to comply with minimum cash requirements. Finally, there can be 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.

Yard risk

The process for construction of new vessels is associated with numerous risks. Among the most critical risk factors in relation to such construction is the risk of not receiving the vessels on time, at budget and with agreed specifications. In addition, there is the risk of yards experiencing financial or operational difficulties resulting in bankruptcy or otherwise adversely affecting the construction process. The Company has obtained certain guarantees of financial compensation including refund guarantees in case of delays and non-delivery. Further, the Company has the right to cancel contracts if delivery of vessels is significantly delayed. However, no assurance can be given that all risks have been fully covered.

Delays and non-delivery of the vessels under construction will likely result in a loss of revenue for the Company and could possibly lead to breach of contract in respect of contracts entered into between the Company and third parties concerning employment of vessels.

Credit risk

The Company is exposed to potential losses on receivables from customers. However, the credit risk is diversified as the Company is not significantly exposed to one individual customer or contract.

Operations

Fleet, Performance and Employment

The Group had ownership in 29 vessels in operation at year-end. The fleet in operation include eleven PSVs, five MRSVs, two AHTS vessels, a fleet of nine crew/ supply boats operated in Brazil, one well stimulation vessel and one scientific core drilling vessel.

The Group agreed a significant number of term contracts for its fleet during 2009. Such contracts include, among others;

- two 4-year contracts with ONGC (India) for two mid-size PSVs
- two 2-year contracts with Petrobras (Turkey) for two mid-size PSVs
- two 8-year contracts with Petrobras (Brazil) for two OSRVs under construction
- one 3-year contract with Petrobras (Brazil) for one large-size PSV
- one 1-year contract with ConnocoPhillips (North Sea) for one large-size PSV
- one 3-year contract (extension) with Five Oceans (Middle East) for one large-size PSV

The table below summarizes obtained utilization in 2009 and contract backlog per year end for 2010 and 2011.

	Utilization 2009	Backlog 2010	Backlog 2011
PSVs	94%	87%	73%
MRSVs	94%	70%	60%
AHTS	57%	Spot	Spot
Crew/supply boats operated in Brazil	88%	69%	54%

The two AHTS vessels were employed in the North Sea spot market at year-end 2009.

The 50%-owned core drilling vessel, JOIDES Resolution, commenced in January 2009 the operation phase of the contract with Texas A&M Research Foundation as a Scientific Ocean Drilling Vessel for the Integrated Ocean Drilling Program's phase II. The operational phase of the contract has an initial term until September 2013, with ten additional years of options. The estimated contract value for the initial term of the operation phase is approximately USD 115 million excluding reimbursable costs. The operation phase of the contract can be terminated by TAMRF at any time with a USD 3 million termination fee. The conversion cost incurred at the yard in Singapore and paid for by TAMRF would remain as part of the vessel in case of early termination.

The 41% owned well stimulation vessel, Big Orange XVIII, continued on its charter with Schlumberger with operations in the North Sea. The charter has a term until August 2010.

Newbuilding Program

The Company and a Norwegian yard agreed in March 2009 to cancel shipbuilding contracts for two of the ten AHTS vessels. Capacity issues with major subcontractors as well as the general market turmoil were instrumental factors for both Siem Offshore and the yard to arrive at this decision.

In December 2009, the Company announced the ordering of two large-size PSVs at STX Europe Brazil through the Company's Brazilian subsidiary. The design is PSV 09 CD STX Norway and the contractual deliveries are second quarter 2012 and second quarter 2013. The average vessel cost is approximately USD 80 million, of which 20% is to be paid prior to delivery of the vessels. The ordering of the two large-size PSVs is made in order to capitalise on the Brazilian subsidiary's strong market position in Brazil which is a key strategic region and a growth platform for Siem Offshore. This order gives preferential treatment for the employment of the Group's non Brazilian-flag vessels in Brazil during the construction period and after delivery of the new large-size PSVs.

The Group had a total of 15 vessels under construction at year-end 2009, of which seven vessels are to be delivered by Norwegian yards and eight vessels to be delivered by Brazilian yards.

The vessels to be delivered from yards in Norway include one large-size PSV and six AHTS vessels. The large-size PSV will be delivered in April 2010 and shall commence a firm contract with a fixed term until year-end 2011. The AHTS vessels are scheduled for delivery within first quarter 2011.

The vessels to be delivered from yards in Brazil include two fast supply vessels scheduled for delivery in fourth quarter 2010, two fast crew vessels scheduled for delivery in fourth quarter 2012 and second quarter 2013, two oil spill recovery vessels scheduled for delivery in third quarter 2012, and two large-size PSV scheduled for delivery in third quarter 2012 and third quarter 2013. All of the vessels to be built in Brazil, except for the two large-size PSVs, shall commence firm contracts with fixed terms of eight years.

The gross project cost for the remaining newbuilding program at year-end 2009 was USD 936 million, of which USD 209 million is paid as pre-delivery instalments and USD 727 million represents future yard instalments. Approximately USD 471 million of such future yard instalments are scheduled for payment during 2010 and USD 256 million is scheduled for payment during 2011-2013.

QHSE

Siem Offshore's vision is to become a preferred supplier of marine services to the oil and gas industry based on quality and reliability. To support the vision, the Company has designed and operates an integrated Quality, Health, Safety and Environmental (QHSE) management system.

The Company's QHSE philosophy is based upon internationally recognised standards and is supported by management commitment, personal accountability, training and performance measurement. Accordingly, the Company is committed to preventing injuries, pollution to the environment and damage to or loss of property or equipment. The Company is in compliance with environmental regulations imposed by relevant national authorities and international conventions. There is always a risk that bunkers and oils onboard vessels may cause pollution to the environment, however, the Company has devised systems with the aim to prevent such incidents and to mitigate the damages should they occur.

The Board is pleased with the QHSE records for 2009 during which period there was no serious injury to personnel, environmental pollution or damage to property.

Technology Investments

Siem WIS

The 60%-owned subsidiary Siem WIS is developing technology for a new and improved method to make Managed Pressure Drilling ("MPD") a standard, also referred to as Closed Loop Drilling ("CLD"). MPD is expected to become the next growth area if several of the major oil companies make MDP a mandatory service. MPD services are increasing due to the global challenge with depleted reservoirs, drilling of additional and infield wells. The demand to achieve a more constant well pressure during drilling and tripping operations is increasing as a function of the depletion of the reservoir.

In fourth quarter 2009, Siem WIS successfully completed a test and qualification of Siem WIS' Pressure Control Device ("PCD") technology together with Statoil's control system for MPD. The test included realistic drilling operations. Siem WIS' PCD and Statoil's MPD control system enable closed loop drilling operations, which represent a method to increase oil recovery, improve drilling efficiency and improve risk mitigation of the drilling processes. The first commercial contract for the application was announced in first quarter 2010 and the operation will be performed on Statoil's Gullfaks field.

Siem WIS envisages that it can control all CLD operations on floaters with its Riser Pressure Control Device ("RPCD"). This RPCD is installed below a traditional slip-joint and makes it possible to maintain pressure in the riser-drill pipe annulus. The product development is ongoing.

Siem WIS completed a full scale testing of its CircSub in 2008, on a test rig in Aberdeen, and will together with Statoil qualify the CircSub technology during 2010. The CircSub technology is an important system to enable constant mud circulation during drilling.

Siem WIS has secured intellectual property rights for all key components of its portfolio.

Siem Offshore's accumulated investment in Siem WIS totals USD 11 million whereof USD 9.2 million is recorded as intangible assets in the consolidated accounts.

WellCem

WellCem continues to pursue commercial applications for utilisation of its leak-stop technology represented by the patented product, ThermaSet. WellCem has performed in excess of 20 stop-leakage projects in the North Sea with satisfactory results. The projects have primarily been particularly challenging where there have been no realistic alternative materials to the company's ThermaSet. The majority of the projects have been for ConocoPhillips.

The market prospects for the company are considered to be good, with reference to the successfully performed projects.

Siem Offshore's accumulated investment for 34% of the shares in WellCem totals USD 2.8 million and is recorded as an investment in the consolidated accounts.

Shareholders and Corporate Covernance

Shareholder Information

The Company's authorised share capital is USD 5,000,000.00 divided into 500,000,000 ordinary shares of a nominal value of USD 0.01 each. The issued share capital at 14 April 2010 is USD 3,597,742.19 divided into 359,774,219 shares. The shares of the Company are listed on the Oslo Stock Exchange with the ticker symbol SIOFF. The largest shareholder of the Company is Siem Industries Inc., which held 34% of the shares at 14 April 2010. During 2009, the share reached a high of NOK 9.50, a low of NOK 5.38, and closed at NOK 8.90 at year-end.

Corporate Governance
The Company has implemented guidelines for corporate governance based on the recommendations and guidelines given by the Oslo Stock Exchange. The purpose of these guidelines is to clarify the division of roles between shareholders, the General Meeting, Board of Directors and day-to-day management beyond what follows from the legislation. A detailed summary of our corporate governance principles may be found in a separate section of this report.

The Working Environment and the Employees

The Group had 753 employees at year-end 2009, of which 168 were onshore employees and 585 were employed on vessels.

The Group seeks to provide a workplace with equal opportunities. The Company seeks to fairly treat current and prospective employees with respect to salaries, promotions and recruiting. The Company offers its employees a sound working environment with possibilities for professional development where men and women are treated equally and where there is no discrimination.

The sick leave for the onshore and offshore employees was 1.7% and 3.2%, respectively.

No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year.

The development of the onshore and offshore organisations continues in order to prepare for increased future activities. The knowledge of the crew is vital for a safe and secure operation of any vessel. Such knowledge includes good seamanship in general, an overall understanding of the demanding assignments to be executed, knowledge of capabilities and limitations of the vessel and equipment, extensive experience, and understanding and respect of circumstances that may affect safe execution of tasks.

The Group contributes to the reinforcement of good training in the industry and support the development of suitable training concepts. The long-term collaboration with Offshore Simulator Centre and Alesund University College – Norway is an initiative to safeguard both.

Outlook

The Company's plan of operations are based on the assumption that the oil price will remain at an average of USD 60 per barrel or above for the years 2010 and 2011.

Industry consensus is that the long term demand for global energy will increase and that there will be a continued need to drill for new oil and develop offshore production. The world's finance markets have to some degree recovered and the oil price has currently stabilised within the range of USD 70 to USD 80 per barrel providing a more optimistic climate for increase activity.

The near-term uncertainty in the sector of the offshore service industry is exacerbated by the high number of newbuildings anticipated for delivery over the next two years. The long term outlook for activity within the offshore service industry is considered to be good and the question is whether the activity level will be high enough to employ the present surplus of vessels.

Market conditions in the North Sea supply market was weak during 2009, because of low demand and excess vessel capacity. We expect the market condition in the North Sea to remain challenging through 2010 as more new vessels continue to enter the market.

The market for PSVs has improved over the last few months as we see the effect of several vessels leaving for other geographic areas. Large AHTS vessels have aggressively competed against PSVs because AHTS vessels have similar supply and fuel capacities.

The tender activity for large AHTS vessels is increasing. Several large and medium-size AHTS vessels are likely to leave the North Sea spot market for term contracts in other regions. Consequently, we expect that the North Sea spot market for large AHTS vessels to improve in 2010. A recent Petrobras (Brazil) tender for several vessels will set the level for the market for large-size AHTS vessels in 2010. Petrobras has disclosed the list of qualified vessels in respect of its tender and several of the Company's vessels are placed favourably.

The Group has been successful in securing long term contracts in areas such as Far East, South America and West Africa which gives a world wide footprint as good basis for marketing of the fleet in all offshore growth areas.

14 April 2010

Kristian Siem
Chairman
(Sign.)

Michael Delouche
Director
(Sign.)

Richard England
Director
(Sign.)

Bjørn Johansen
Director
(Sign.)

David Mullen
Director
(Sign.)

Ulf Sørdal
Director
(Sign.)

Terje Sørensen
Chief Executive Officer
(Sign.)

Income Statement

PARENT COMPANY				CONSOLIDATED	
2009	**2008**	*(Amounts in USD 1,000)*	**Note**	**2009**	**2008**
87 878	115 557	Operating revenue	4,23	183 558	192 773
-32 838	-40 992	Operating expenses	8,18,19,20,23	-125 624	-105 035
55 040	**74 565**	**Operating margin**		**57 934**	**87 737**
-22 358	-24 926	Depreciation and amortization	5	-37 191	-32 080
29 551	-8 028	Gain/(loss) on sale of assets	6,25	1 047	-8 011
6 097	342	Gain on sale of interest rate derivatives (CIRR)	12	6 097	342
51 773	-45 600	Gain/(loss) on currency exchange forward contracts	28	52 805	-47 308
120 103	**-3 647**	**Operating profit**	**4**	**80 691**	**680**
		FINANCIAL INCOME AND EXPENSES			
78 979	12 327	Financial income	6,21	7 760	10 588
-7 335	-11 286	Financial expenses	21	-13 238	-17 283
3 495	-1 035	Result from associated companies	7,21	7 660	483
22 386	-20 452	Net currency gain/(loss)	21	19 124	-18 283
97 525	**-20 446**	**Net financial items**		**21 306**	**-24 496**
217 628	**-24 094**	**Profit/(loss) before taxes**		**101 997**	**-23 816**
-2 029	-3 748	Tax benefit/(expense)	11	1 831	-1 950
215 599	**-27 841**	**Net profit/(loss)**		**103 829**	**-25 766**
-	-	Minorities interest		1 439	1 801
215 599	**-27 841**	**Attributable to equity shareholders**		**102 390**	**-27 568**
		Weighted average number of outstanding shares (1,000)		292 474	253 892
		Earnings per share: Basic and diluted	22	0.35	-0.11

COMPREHENSIVE INCOME STATEMENT

PARENT COMPANY				CONSOLIDATED	
2009	**2008**	*(Amounts in USD 1,000)*	**Note**	**2009**	**2008**
215 599	-27 841	Net profit (loss) before minorities		103 829	-25 766
		Other comprehensive income (expense):			
76	-174	Currency translation differences		25 545	-20 037
215 675	**-28 015**	**Net profit/(loss)**		**129 374**	**-45 803**
-	-	Minorities interest		4 430	-2 388
215 675	**-28 015**	**Comprehensive income (expense) attributable to equity shareholders**		**124 944**	**-43 415**

Statement of Cash Flows

PARENT COMPANY				CONSOLIDATED	
2009	**2008**	*(Amounts in USD 1,000)*	**Note**	**2009**	**2008**
		CASH FLOW FROM OPERATIONS			
217 810	-20 888	Profit/(loss) before taxes, excluding interest	30	106 588	-17 614
-6 667	-10 947	Interest paid		-10 782	-16 535
442	-5 558	Paid taxes in the period		-2 363	-7 263
-3 495	1 035	Result from associated companies	7	-7 660	-483
-29 551	8 028	Gain/(loss) on sale of assets	25	-1 047	8 011
22 358	24 926	Depreciation and amortization	5	37 191	32 080
-71 859	-	Gain/(loss) on sale of shares	21	-	-
-30 801	45 890	Effect of unreal. currency exchange forward contracts	28	-31 202	45 382
-166 353	-12 489	Changes in short-term receivables and payables		3 009	15 373
-6 097	-1 151	CIRR		-6 097	-1 151
-43 169	-1 665	Other changes		-8 409	-3 485
-117 382	**27 181**	**Net cash flow from operations**		**79 230**	**54 315**
		CASH FLOW FROM INVESTMENT ACTIVITIES			
5 495	6 945	Interest received		6 110	9 699
-114 457	-147 137	Investment in fixed assets	5	-361 568	-176 023
-	-32 267	Loan to shipyard	9	-	-32 267
502 453	6 782	Received from sale of fixed assets		4 208	6 981
93 381	-	Received from sale of shares		-	-
-305 605	-1 761	Investments in subsidiaries		-	-
-	-	Dividend from associated companies	7	629	1 218
-	-2 940	Investments in associated companies	7	-972	-2 940
181 266	**-170 378**	**Net cash flow from investment activities**		**-351 593**	**-193 332**
		CASH FLOW FROM FINANCING ACTIVITIES			
-12 554	-809	Settlement for sale of interest rate derivatives	12	-12 554	-809
147 099	-	Received from raising of new equity		147 410	6 624
-295 654	-	Intercompany change of borrower		-	-
85 830	37 350	Received from raising of new long-term borrowing	12	217 984	46 546
-14 101	-13 239	Repayment of long-term borrowing	12	-61 228	-16 479
-89 380	**23 302**	**Net cash flow from financing activities**		**291 612**	**35 882**
-3 788	4 413	Effect of exchange rate differences		-1 532	-11 802
-29 285	**-115 482**	**Net change in cash**		**17 717**	**-114 937**
36 330	151 812	Cash at bank as of 01.01		73 371	188 308
7 045	**36 330**	**Cash at bank as of 31.12**		**91 088**	**73 371**

Statement of Financial Position
Assets

PARENT COMPANY				CONSOLIDATED	
2009	**2008**	*(Amounts in USD 1,000)*	**Note**	**2009**	**2008**
		NON-CURRENT INTANGIBLES			
-	-	Deferred tax asset	11	4 888	3 430
-	-	Intangible assets	5	9 232	9 232
-	**-**	**Total non-current intangibles**		**14 120**	**12 662**
		NON-CURRENT TANGIBLES			
-	140 224	Vessels under construction	5,17	208 511	161 596
144 894	385 473	Vessels and equipment	5	761 921	452 402
-	-	Capitalised project costs	5	546	1 206
144 894	**525 697**	**Total non-current tangibles**		**970 978**	**615 204**
		FINANCIAL NON-CURRENT ASSETS			
373 107	76 388	Investment in subsidiaries	6	-	-
-	9 065	Investment in associated companies	7	25 352	15 432
73 225	66 482	CIRR Loan deposit	12	73 225	66 482
48 065	2 426	Long-term receivables	9,29	8 013	3 287
494 397	**154 361**	**Total financial non-current assets**		**106 590**	**85 201**
639 291	**680 058**	**Total non-current assets**		**1 091 688**	**713 067**
		CURRENT ASSETS			
15 955	14 299	Accounts receivable	2,29	47 907	36 119
220 004	50 939	Other short-term receivables	9,29	50 151	39 279
333	311	Inventories		1 943	1 215
-	-	Non-current asset held for sale	24,29	800	800
-	-	Derivative financial instruments	15,28,29	401	-
7 045	36 330	Cash	2,10,29	91 088	73 371
243 338	**101 880**	**Total current assets**		**192 290**	**150 783**
882 628	**781 937**	**TOTAL ASSETS**		**1 283 978**	**863 850**

Statement of Financial Position
Equity and Liabilities

PARENT COMPANY 2009	PARENT COMPANY 2008	*(Amounts in USD 1,000)*	Note	CONSOLIDATED 2009	CONSOLIDATED 2008
		EQUITY			
482 697	335 598	Paid-in capital		482 697	335 598
-22 303	-22 378	Other reserves		-8 646	-31 200
327 704	112 105	Retained earnings		205 805	103 415
788 098	**425 324**	**Shareholders' equity**	**26**	**679 855**	**407 813**
-	-	Minorities		22 872	18 131
788 098	**425 324**	**Total equity**		**702 728**	**425 944**
		LIABILITIES			
		Non-current liabilities			
-	198 817	Borrowings falling due after 1 year	2,12	403 134	250 410
73 225	66 482	CIRR Loan	12	73 225	66 482
2 446	-	Tax liabilities	11	2 589	4 027
3 627	22 278	Deferred CIRR	12	3 627	22 278
-	-	Pension liabilities	8	235	480
-	-	Other non-current liabilities		1 772	284
79 298	**287 577**	**Total non-current liabilities**		**484 582**	**343 962**
		Current liabilities			
882	921	Accounts payable	2	8 148	5 292
-	24 004	Borrowings falling due within 1 year	2,12	43 036	28 286
-	30 801	Forward currency contracts	15,28	-	30 801
13 772	12 918	Taxes payable	11	13 290	13 351
578	391	Other current liabilities	13,14	32 194	16 215
15 232	**69 035**	**Total current liabilities**		**96 668**	**93 945**
94 530	**356 612**	**Total liabilities**		**581 250**	**437 906**
882 628	**781 937**	**TOTAL EQUITY AND LIABILITIES**		**1 283 978**	**863 850**
-	**223 457**	**Secured debt**	**12**	**447 969**	**276 227**
-	**-**	**Guarantees**	**16**	**5 736**	**2 467**

Statement of Changes in Equity

(Amounts in USD 1,000)	Total number of shares	Share capital	Share prem. reserves	Issue cost
CONSOLIDATED				
Equity as of 31.12.07	**253 891 866**	**2 539**	**335 448**	**-2 380**
Share issues in partially owned subsidiaries				
Other items				-9
The year's net profit				
Effect of exchange rate differences				
Equity as of 31.12.08	**253 891 866**	**2 539**	**335 448**	**-2 389**
Share issues in partially owned subsidiaries				
Share issue August 2009	105 882 353	1 059	148 183	-2 143
The year's net profit				
Effect of exchange rate differences				
Equity as of 31.12.09	**359 774 219**	**3 598**	**483 631**	**-4 531**
Share issues in partially owned subsidiaries				
Minority share of new equity Siem Offshore Meling DA				
Minority share of new equity Siem WIS AS				
Minority share of new equity Næringsbygg Idrettsveien 13 DA				
Total				

USD 28.742 of other reserves is booked equity adjustment from the spin-off in 2005.

PARENT COMPANY	Total number of shares	Share capital	Share prem. reserves	Issue cost
Equity as of 31.12.07	**253 891 866**	**2 539**	**335 448**	**-2 380**
Other items				-9
The year's net profit				
Effect of exchange rate differences				
Equity as of 31.12.08	**253 891 866**	**2 539**	**335 448**	**-2 389**
Share issue August 2009	105 882 353	1 059	148 183	-2 143
The year's net profit				
Effect of exchange rate differences				
Equity as of 31.12.09	**359 774 219**	**3 598**	**483 631**	**-4 532**

Exchange rate differences	Other reserves	Retained earnings	Shareholders' equity	Minority interest	Total equity
13 423	**-28 729**	**130 983**	**451 284**	**13 895**	**465 179**
			-	6 624	6 624
	-46		-55	-	-55
		-27 568	-27 568	1 801	-25 767
-15 848			-15 848	-4 189	-20 037
-2 425	**-28 775**	**103 415**	**407 813**	**18 131**	**425 944**
			-	311	311
			147 099		147 099
		102 390	102 390	1 439	103 829
22 554			22 554	2 991	25 545
20 129	**-28 775**	**205 805**	**679 855**	**22 872**	**702 728**

2009	2008
-	5 332
311	1 174
-	118
311	**6 624**

-1	**-22 203**	**139 946**	**453 349**
			-9
		-27 841	-27 841
-174			-174
-176	**-22 203**	**112 105**	**425 324**
			147 099
		215 599	215 599
76			76
-100	**-22 203**	**327 704**	**788 098**

Notes to the Accounts

Note 1 - Accounting Principles

1.1 General

Siem Offshore Inc. is registered in the Cayman Islands and is listed on the Oslo Stock Exchange. All references to “Siem Offshore Inc.”, the “Group” and the “Company” shall mean Siem Offshore Inc. and its subsidiaries and associates unless the context indicates otherwise. All references to “parent company” shall mean Siem Offshore Inc. as a stand-alone company unless the context indicates otherwise. Siem Offshore Inc. was established on 1 July 2005 through a restructuring spin-off from the Subsea 7 Inc.

1.2 Basis of preparation

The consolidated and parent company financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, endorsed by the European Union and the regulations of the Oslo Stock Exchange. As of 31 December 2009, there were no differences between these standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and the policies adopted by the Company. The consolidated financial statements have been prepared under the historical cost convention, as modified by fair value of non-current assets held for sale, and financial assets, including derivative instruments at fair value through profit or loss. The financial statements have been prepared under the assumption that the Company is a going-concern. A summary of the principal accounting policies applied in the preparation of these financial statements are set out below.

The financial statements are presented at and for the years ended December 31. All figures are in USD thousands unless otherwise clearly stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed under "Critical accounting estimates and judgements" presented below.

1.3 Accounting policies

(a) New standards, amendments and interpretations adopted by the Company.

The Company has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 'Operating segments'. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes, provided to the chief operating decision maker. The corporate management is defined as the company's highest decision–maker, and is responsible for allocation of resources to and considers profitability in the different segments. The main business areas are platform supply vessels ("PSV"), crew vessels, Multi Role Support Vessels ("MRSV"), Anchor Handling Tug Supply vessels ("AHTS") and Combat Management Systems. Overheads are distributed in relation to the segment's relative vessel share. Financial information concerning segments are presented in note 4 "Segment Reporting". As the new standard is related to the presentation form of a disclosure, there is no impact on earnings per share.

IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of other comprehensive income in the statement of changes in equity. As a result the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company and the parent company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Company's or parent company's financial statements.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company and the parent company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Company or the parent company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Company and the parent company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Company's or parent company's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company and the parent company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Company's or the parent company's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company and parent company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Company's or the parent company's financial statements.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Company's financial statements.

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2013) replaces the multiple classification and measurement models for financial assets in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. The Company and the parent company are currently evaluating the impact of adoption of IFRS 9.

IAS 24 (revised), 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011). The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities; and clarifies and simplifies the definition of a related party. It is not expected to have a material impact on the Company's or the parent company's financial statements.

Amendment to IAS 32: Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The amendment allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. A rights issue is used as a means of capital-raising whereby an entity issues a right, option or warrant on a pro rata basis to all existing shareholders of a class of equity to acquire a fixed number of additional shares at a fixed strike price (usually less than the market value of the shares on that date). It is not expected to have a material impact on the Company's or the parent company's financial statements.

IFRIC 18, 'Transfers of Assets from Customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009, endorsed by EU for annual financial periods beginning on or after 1 November 2009). IFRIC 18 states that when an entity receives from a customer a transfer of an item of property, plant and equipment, it shall assess whether the transferred item meets the definition of an asset set out in the Framework. If the entity concludes that the definition of an asset is met, it shall recognise the transferred asset as an item of property, plant and equipment and measure its cost on initial recognition at its fair value. It is not expected to have a material impact on the Company's or the parent company's financial statements.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a "debt for equity swap"). IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. It is not expected to have a material impact on the Company's or the parent company's financial statements.

1.4 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Identifiable assets consist of tangible assets and intangible assets other than goodwill.

Inter-company transactions, inter-company balances and unrealized profit between group companies have been eliminated. Unrealized loss is eliminated, but considered an impairment indicator of the asset transferred.

The minority interests in equity and in net profit are reported separately in the consolidated financial statements.

(b) Associated companies
Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The share of earnings recorded in the consolidated financial statements are based on the after tax earnings of the associates. In the income statement, the share of earnings from associates is shown as a financial item.

The Company's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been reconciled where necessary to ensure consistency with the policies adopted by the Company.

1.5 Classification of items in the financial statements

Assets designated for long-term ownership or use and receivables falling due later than one year after drawdown have been recorded as non-current assets. Other assets are classified as current assets. Receivables are stated at par value less provision for doubtful accounts. Liabilities which fall due later than one year after the end of the accounting year are posted as non-current liabilities. Other liabilities are classified as current liabilities.

1.6 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Company is organized into five different segments, Supply/Crew fleet, MRSV, AHTS, Combat Management Systems, and Other, in which the Company operates.

1.7 Foreign currency translation

(a) Functional and reporting currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Company's functional and reporting currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The following exchange rates in USD are used in 2009:

	Average	**31.12.2009**
NOK (Norwegian krones):	0.1586	0.1731
EUR (Euros):	1.3972	1.4394
GBP (Pound Sterling):	1.5598	1.6129
REAS (Brazilian Reals):	0.4958	0.5743

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each reporting presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

In consolidation, exchange differences arising from the translation of the net investment in foreign operations and from borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.8 Fixed assets and maintenance costs

Vessels are measured in the consolidated statement of financial position at cost less accumulated depreciation and impairment loss. Depreciation is on a straight-line basis and determined by an estimate of the remaining useful economic life of the asset. Estimated scrap value is taken into account and reassessed at 31 December each year. The vessels presently owned by Siem Offshore are considered to have an economic life of 30 years. The vessels are decomposed into different components and amortized over estimated economic life time. For further information, see Note 5. Other fixed assets are depreciated on a straight-line basis over the anticipated useful life.

Each part of a fixed asset that is significant to the total cost of the asset is separately identified and depreciated over that component's useful lifetime. Components with similar useful lives will be included in one component. The Company has identified 5 significant components relating to their different types of vessels.

In accordance with IAS 16 and the cost model, dry-dock costs are considered a separate component of the ships' cost at purchase with a different pattern of benefits and therefore, need to be amortized separately.
Day-to-day maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations and periodic maintenance of vessels is capitalised and depreciated over the useful lifetime of the parts replaced. The useful life of the regular vessels docking expenses will be the period until next docking, normally from 2 to 3 years.

The residual value and expected useful lifetime assumptions of fixed-assets are reviewed at each reporting date and where they differ significantly from previous estimates, depreciation charges are changed accordingly.

Vessels in the same business segments, as defined in IAS 14 "Segment Reporting", are treated as one cash-generating unit when determining the recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

1.9 Newbuild contracts

Instalments on newbuild contracts are entered in the statement of financial position as non-current assets. Costs related to the on-site supervision and other pre-delivery construction costs are capitalized per vessel. Borrowing costs related to newbuilding contracts commenced before 31 December 2009 are recognized as an expense immediately. For newbuilding contracts which the commencement date for capitalization is on or after 1 January 2010, the Company capitalize borrowing costs directly attributable to the construction as a part of the cost of the asset.

1.10 Impairment of fixed assets

Each year, non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The asset's cash generating ability either through use or sale is reviewed and compared to the asset's carrying amount in the statement of financial position. If the carrying amount is higher, the difference must be written off as an impairment loss. Fair value reduced by estimated sales costs is the amount achievable on sale to an independent third party. The recoverable amount is established individually for all assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments

of the time and the risk specific to the asset that is considered impaired.
A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversal of previously recognised impairment is limited to the amount the carrying value of the asset would have been, had the initial impairment charge not taken place.

1.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimate.
The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets within indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

1.12 Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value, Loans and receivables, and Available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as ”trade and other receivables” in the statement of financial position.

(c) Available for sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within net gains (losses) in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company’s right to receive payment is established.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

1.13 Inventories

Lubricating oil and bunkers inventories are valued at the lower of historical cost and market value applying the FIFO (first-in, first-out) principle. The Company makes inventory provisions based on an assessment of excess and obsolete inventories.

1.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.15 Accounts receivable

Accounts receivable are reported at amortized cost. The interest factor is ignored if insignificant. In the case of objective evidence of a fall in value, the difference between reported value and the present value of the future cash flow is discounted with the original effective interest rate for the receivable and reported as a loss.

Provisions for losses are recognised when there are objective indicators that the Company will not receive settlement in accordance with the original terms. Significant financial problems facing the customer, probability that the customer will go bankrupt or undergo financial restructuring, postponements and non-payment are regarded as indicators that the receivables from customers must be written down.

1.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. When the Company purchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted as appropriate from share capital and share premium reserve and the shares are cancelled.

1.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.18 Commercial Interest Reference Rate (CIRR) loan

The Company has applied for three Commercial Interest Reference Rate (CIRR) loans from the Norwegian Export Credit Agency. The duration of the loans is 12 years and the cash proceeds from the loans have been deposited in fixed deposit account with a Norwegian bank at the same interest rate as the loans. The agreed periods of the deposits are identical with the periods of the loans.

1.19 Taxation

Tax expense/benefit includes current taxes and the change in deferred taxes. Deferred income tax is provided for all temporary differences between the book value and the tax basis of assets and liabilities and for tax losses carried forward. Deferred tax assets made probable through prospective earnings that can be utilized against the tax reducing temporary differences are recognized as intangible assets. Deferred tax asset and deferred tax liability are recognised independently of when the differences will be reversed and, as a rule, at nominal value. Deferred tax asset and tax liability are measured on the basis of estimated future tax rate.

Due to the vessels Siem Hanne and Siem Sasha being taken out of Norwegian tax jurisdiction during 2009, the Norwegian Exit tax regime came into effect and a taxable gain became payable in 2009. As a part of the Company’s reorganization in 2009, several vessels were sold to Siem Offshore Rederi AS, a company subject to the regulations for the Norwegian Tonnage Tax system.

Parts of the Company’s activities within the Norwegian subsidiaries are structured within the regulations for the Norwegian Tonnage Tax System for shipping companies. The tax expense and deferred tax liability for its organized under this tax regime depend on the subsidiaries dividend policy and future estimated profits.

1.20 Pension costs and obligations

The Company has a defined benefit plan for its employees in Norway. The pension scheme is financed through contributions to insurance companies or pension funds. A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised on the statement of financial position relating to defined benefit plans is the net present value for the defined benefits on the reporting date less the fair value of the pension fund assets adjusted for unrecognised estimate deviations and costs relating to pension benefits earned from prior periods. The pension obligations are calculated annually by an independent actuary on the basis of a linear model. The net present value of the defined benefits is determined by discounting the estimated future payments based on the interest rate for Norwegian government bonds. Since Norwegian government bonds are not issued for terms exceeding 10 years, a supplement to this bond rate is calculated by means of estimation techniques to establish a discount rate that is approximately the same as the term of the pension obligation.

Estimate deviations due to new information or changes in the actuarial assumptions in excess of 10% of the value of the pension fund assets or 10% of the pension obligations will be recognised in the profit and loss account over a period that corresponds to the employees' expected remaining service lifetime.

Changes in the pension plan's benefits are entered as an expense or income on a current basis in the profit and loss account, unless the rights in accordance with the new pension plan are contingent on the employee remaining in service for a period of time (accrual period). In this case the cost related to the change in benefits is amortized linearly over the accrual period.

1.21 Contingent liabilities and provisions

The Company recognises provisions for any environmental improvements and legal requirements when there is a legal or self-imposed obligation to do so as a result of earlier events, there is a preponderance of evidence that the obligation will be settled by a transfer of economic resources, and the size of the obligation can be estimated with an adequate degree of reliability.

In cases where there are additional obligations of the same nature, the probability that the litigation will be settled will be assessed for the Company as a whole. Provisions for the Company are recognised even if the probability for settlement related to the Company's individual elements may be low.

Provisions are measured as the net present value of the expected payments to redeem the obligation. A pre-tax discount rate is used that reflects the current market situation and risk specific to the obligation. An increase in the obligation as the result of a change in the time value is recognised as an interest cost.

1.22 Financial derivatives

Siem Offshore enters into derivative instruments, primarily foreign currency contracts, to hedge the foreign currency rates. The criteria for qualifying as a hedge under IFRS are strict.

The Company's foreign currency contracts do not qualify as hedging. The fair market value of these contracts is recorded as a receivable or liability and any change in the valuation is recognized in the profit and loss as operating expenses.

1.23 Revenue recognition

The Company's activity is to employ different types of offshore support vessels, such as platform supply vessels ("PSVs"), Multipurpose ROV support vessels ("MRSVs"), Anchor-handling tug and supply vessels ("AHTS"), oil spill recovery vessels ("OSRVs"), standby vessels and crew-boats. In addition, the Company holds interests in two limited liability partnerships, owning one scientific core-drilling vessel and one well-stimulation vessel, respectively. In one of the subsidiaries of the Company, revenues are mainly generated from income from construction contracts. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, withholding tax, returns, rebates and discounts and after elimination of sales within the Company. Revenue is recognised as follows:

Charter rate contracts

The Company's operational vessels are leased out on time charter parties. The Company has evaluated "IFRIC 4 Determination whether an arrangement contains a lease" and has concluded that the time charters represent lease of assets and are therefore subjected to IAS 17. IFRIC 4 involves no change in the revenue recognition principle. Revenue derived from charter hire contracts or other service contracts is recognised in the period that services are rendered at rates established in the relevant contracts. Certain contracts include mobilisation fees payable at the start of the contract. In cases where the fee covers specific upgrades or equipment specific to the contract, the mobilisation fees are recognised as revenue over the estimated contract period. The related investment is depreciated over the estimated contract period. In cases where the fee covers specific operating expenses at the start of the contract, the fees are recognised in the same period as the expenses.

Vessels without signed contracts in place at discharge have no revenue before a new contract is signed. Charter-related expenses incurred for vessels in the idle time are expensed.

Construction contracts

The Company follows the generally accepted practice of accounting for long-term construction, engineering and project management contracts on the percentage-of-completion basis as costs are incurred. Under this method, revenue and income is recognised as work progresses on the contract.

For all contracts, no profit is recognised before the outcome of the contract can be measured reliably and, generally, this will mean no profit is recognised until progress has reached at least 20% of completion. The estimated cost used to determine profit at completion reflects all facts or occurrences expected to affect the final cost of the contract; therefore, the entire amount of any estimated contract loss is recognised when it first becomes evident.

For projects that are assumed to result in a loss, the total estimated loss is recognized immediately.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, which is determined as the estimated future cash flow discounted at original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Rendering of services

Service revenue is generally recognised when a signed contract or other persuasive evidence of an arrangement exists, the service has been provided, the fee is fixed or determinable and collection of resulting receivables is reasonably assured. Other services are recognised on percentage-of-completion basis.

1.24 Use of estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities. Further information is set out in Note 3.

1.25 Earnings per share

Earnings per share are calculated by dividing the net profit/loss for shareholders of the Company by the weighted average number of outstanding shares over the period in question. Diluted earnings per share include the effect of the assumed conversion of potentially dilutive instruments such as stock options. The impact of share equivalents is computed using the treasury stock method for share options.

1.26 Statement of Cash Flows

The Statement of Cash Flows is prepared in accordance with the indirect model.

1.27 Related party transactions

All transactions, agreements and business activities with related parties are set on arm's length basis in a manner similar to transactions with third parties.

1.28 Events after reporting date

New information regarding the Company's financial position on the reporting date is included in the accounts. Events occurring after the reporting date which do not impact the Company's standing on the reporting date, but which have a significant impact on future periods, are presented in the notes to the accounts.

1.29 Government grants

Grants relating to net wages arrangement in Norway are recognised as a reduction of wage cost.

1.30 Exchange gain/ loss account receivables and account payable

All foreign exchange gains and losses related to account receivables and account payable are recognised in the income statement under net currency items.

1.31 Operating leases

Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Company are classified as operating leases. Lease payments are classified as operating costs and recognized in the income statement in a straight line during the contract period.

Note 2 - Financial Risk Management

2.1 Financial risk factors

The Company is exposed to a variety of financial risks through its ordinary operations and debt financing. Such risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk. To reduce and manage these risks, management reviews and assesses its primary financial and market risks. Once risks are identified, appropriate action is taken to mitigate the identified risk. The Company's risk management is exercised in line with guidelines approved by the Board.

2.2 Foreign exchange risks

USD is the functional and reporting currency for the Company. The Company operates internationally and is exposed to foreign exchange risks arising from various currency exposures primary with respect to NOK, GBP and EUR. Foreign exchange risks arise from future commercial transactions and recognized assets and liabilities. The Company had in 2009 and 2008 mainly USD, NOK, GBP and EUR revenues, and mainly USD and NOK expenses.

CONSOLIDATED		Foreign exchange risk rate (10)			
(Amounts in USD 1,000)		10 %		-10 %	
2009	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	91 088	1 004	1 669	-1 004	-1 669
Derivatives	401	27 441	27 441	-26 639	-26 639
Accounts receivable	47 907	1 425	2 037	-1 425	-2 037
Impact on financial assets before tax	**139 396**	**29 869**	**31 147**	**-29 068**	**-30 345**
Financial liabilities					
Accounts payable	8 148	-140	-671	140	671
Derivatives	-	-	-	-	-
Borrowings	446 170	-1 473	-10 748	1 473	10 748
Impact on financial liabilities before tax	**454 318**	**-1 613**	**-11 419**	**1 613**	**11 419**
Income statement					
Operating revenue	183 558	5 906	5 906	-5 906	-5 906
Operating expenses	125 624	-3 666	-3 666	3 666	3 666
Impact on operating result before tax	**57 934**	**2 240**	**2 240**	**-2 240**	**-2 240**
Total increase/decrease before tax		**30 496**	**21 967**	**-29 695**	**-21 166**
Allocation per currency					
NOK		26 293	17 764	-25 492	-16 963
EUR		3 974	3 974	-3 974	-3 974
GBP		229	229	-229	-229
Total increase/ decrease before tax		**30 496**	**21 967**	**-29 695**	**-21 166**

The Company has shipbuilding contracts with Norwegian yards for the construction of six AHTS vessels and one large-size PSV. The Company has in 2009 entered into new shipbuilding contracts in Brazil for two PSVs and two OSRVs. Further information regarding these contracts is set out in Note 17. Currency exchange contracts have been entered into in order to fix the NOK commitment in relation to the vessel under construction at Norwegian yards.

The Company is exposed to foreign exchange risk of its subsidiaries, including the development of the Brazilian Real. The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit and equity before tax.

CONSOLIDATED		Foreign exchange risk rate (10)			
(Amounts in USD 1,000)		10 %		-10 %	
2008	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	73 371	3 561	6 018	-3 561	-6 018
Accounts receivable	36 119	1 571	1 929	-1 571	-1 929
Impact on financial assets before tax	**109 490**	**5 132**	**7 947**	**-5 132**	**-7 947**
Financial liabilities					
Accounts payable	5 292	-89	-330	89	330
Derivatives	30 801	30 984	30 984	-29 022	-29 022
Borrowings	278 696	-1 471	-6 748	1 471	6 748
Impact on financial liabilities before tax	**314 789**	**29 425**	**23 906**	**-27 462**	**-21 944**
Income statement					
Operating revenue	192 773	9 698	9 698	-9 698	-9 698
Operating expenses	105 035	-5 990	-5 990	5 990	5 990
Impact on operating result before tax	**87 738**	**3 708**	**3 708**	**-3 708**	**-3 708**
Total increase/decrease before tax		**38 265**	**35 561**	**-36 302**	**-33 599**
Allocation per currency					
NOK		33 034	30 330	-31 072	-28 369
EUR		3 628	3 628	-3 628	-3 628
GBP		1 603	1 603	-1 603	-1 603
Total increase/ decrease before tax		**38 265**	**35 561**	**-36 302**	**-33 599**

PARENT COMPANY

(Amounts in USD 1,000)

		Foreign exchange risk rate (10)			
		10 %		-10 %	
2009	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	7 045	556	556	-556	-556
Accounts receivable	15 955	838	838	-838	-838
Impact on financial assets before tax	**23 000**	**1 394**	**1 394**	**-1 394**	**-1 394**
Financial liabilities					
Accounts payable	882	-76	-76	76	76
Derivatives	-	-	-	-	-
Borrowings	-	-	-	-	-
Impact on financial liabilities before tax	**882**	**-76**	**-76**	**76**	**76**
Income statement					
Operating revenue	87 878	1 523	1 523	-1 523	-1 523
Operating expenses	32 838	-1 088	-1 088	1 088	1 088
Impact on operating result before tax	**55 040**	**435**	**435**	**-435**	**-435**
Total increase/decrease before tax		**1 753**	**1 753**	**-1 753**	**-1 753**
Allocation per currency					
NOK		-666	-666	666	666
EUR		2 268	2 268	-2 268	-2 268
GBP		151	151	-151	-151
Total increase/ decrease before tax		**1 753**	**1 753**	**-1 753**	**-1 753**

PARENT COMPANY

(Amounts in USD 1,000)

		Foreign exchange risk rate (10)			
		10 %		-10 %	
2008	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	36 330	3 499	3 499	-3 499	-3 499
Accounts receivable	14 299	950	950	-950	-950
Impact on financial assets before tax	**50 629**	**4 449**	**4 449**	**-4 449**	**-4 449**
Financial liabilities					
Accounts payable	921	-77	-77	77	77
Derivatives	30 801	30 984	30 984	-29 022	-29 022
Borrowings	222 821	-1 471	-1 471	1 471	1 471
Impact on financial liabilities before tax	**254 543**	**29 436**	**29 436**	**-27 473**	**-27 473**
Income statement					
Operating revenue	115 557	6 509	6 509	-6 509	-6 509
Operating expenses	40 992	-1 292	-1 292	1 292	1 292
Impact on operating result before tax	**74 565**	**5 217**	**5 217**	**-5 217**	**-5 217**
Total increase/decrease before tax		**39 102**	**39 102**	**-37 139**	**-37 139**
Allocation per currency					
NOK		35 513	35 513	-33 550	-33 550
EUR		3 454	3 454	-3 454	-3 454
GBP		135	135	-135	-135
Total increase/ decrease before tax		**39 102**	**39 102**	**-37 139**	**-37 139**

2.3 Credit risks

Concentration risks

The Company`s credit risk is primarily attributable to its trade and other short-term receivables. The exposure to credit risk is measured on an ongoing basis and credit evaluations are performed for customer assessed to be a risk. The Company's debtors are mainly major oil companies and offshore service companies, which are considered to be creditworthy third parties. Historically, the loss percentage has been low. Ongoing provisions are made and at 31 December 2009, the Company maintained a USD 5.3 million general reserve for certain accounts receivable which may not be fully paid.

The table below shows the concentration risks for 2009 and 2008.

PARENT COMPANY			CONSOLIDATED	
USD	% of total	*(Amounts in USD 1.000)*	USD	% of total
		Receivables at 31.12.2009		
15 758	98.8 %	1 to 5 largest	29 180	60.9 %
80	0.5 %	6 to 10 largest	11 462	23.9 %
117	0.7 %	Others	7 265	15.2 %
15 955	**100 %**	**Total accounts receivables**	**47 907**	**100 %**
USD	% of total	*(Amounts in USD 1.000)*	USD	% of total
		Receivables at 31.12.2008		
14 215	99.4 %	1 to 5 largest	22 921	63.5 %
83	0.6 %	6 to 10 largest	8 709	24.1 %
-	0.0 %	Others	4 488	12.4 %
14 299	**100 %**	**Total accounts receivables**	**36 119**	**100 %**

Trade and receivables:

The table below shows an aging analysis of the outstanding receivables by year end 2009 and 2008.

PARENT COMPANY			CONSOLIDATED	
USD	% of total	*(Amounts in USD 1.000)*	USD	% of total
		Aging at 31.12.2009		
5 739	36.0 %	Up to 1 month	32 716	68.3 %
2 756	17.3 %	1-4 months	7 344	15.3 %
7 460	46.8 %	More than 4 months	7 847	16.4 %
15 955	**100 %**	**Total accounts receivables**	**47 907**	**100 %**
USD	% of total	*(Amounts in USD 1.000)*	USD	% of total
		Aging at 31.12.2008		
7 571	53.0 %	Up to 1 month	27 677	77 %
1 020	7.1 %	1-4 months	1 852	5 %
5 708	39.9 %	More than 4 months	6 589	18 %
14 299	**100 %**	**Total accounts receivables**	**36 119**	**100 %**

The carrying amounts of the Company's accounts receivables are denominated in the following currencies:

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
		Currency		
7 573	4 801	USD	27 538	16 832
70	1 796	NOK	6 192	5 375
7 677	7 395	EUR	13 095	8 413
635	307	GBP	1 082	5 499
15 955	**14 299**		**47 907**	**36 119**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of accounts receivables mentioned above.

2.4 Cash flow, interest risk, fair value

The Company is financed by debt and equity. If the Company fails to repay or refinance its loan facilities, additional equity financing may be required. There can be no assurance that the Company will be able to repay its debts or extend their re-payment schedule through re-financing of the loan agreements or not experience net cash flow shortfalls exceeding the Company's available funding sources or to comply with a minimum cash requirements, nor can there be any assurance that the Company will be able to raise new equity, or arrange new borrowing facilities, on favourable terms and in amounts necessary to conduct its ongoing and future operations, should this be required.
In the event of insolvency, liquidation or similar event relating to a subsidiary of the Company, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before the Company, as a shareholder, would be entitled to any payments.
Defaults by, or the insolvency of, a subsidiary of the Company could result

CONSOLIDATED

(Amounts in USD 1,000)

		Interest rate risk (IR)			
		-1 %		1 %	
2009	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	91 088	-911	-911	911	911
Impact on financial assets before tax	**91 088**	**-911**	**-911**	**911**	**911**
Financial liabilities					
Borrowings	382 471	3 825	3 825	-3 825	-3 825
Impact on financial liabilities before tax	**382 471**	**3 825**	**3 825**	**-3 825**	**-3 825**
Total increase/decrease before tax		**2 914**	**2 914**	**-2 914**	**-2 914**

CONSOLIDATED

(Amounts in USD 1,000)

		Interest rate risk (IR)			
		-1 %		1 %	
2008	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	73 371	-734	-734	734	734
Impact on financial assets before tax	**73 371**	**-734**	**-734**	**734**	**734**
Financial liabilities					
Borrowings	275 479	2 755	2 755	-2 755	-2 755
Impact on financial liabilities before tax	**275 479**	**2 755**	**2 755**	**-2 755**	**-2 755**
Total increase/decrease before tax		**2 021**	**2 021**	**-2 021**	**-2 021**

in the obligation of the Company to make payments under parent company guarantees issued in favour of such subsidiary.

The Company is moreover exposed to changes in interest rates, which may affect the Company's financial results. These risks are mainly related to the Company's long term borrowings with floating interest rates.
Further details of the Company's borrowings are set out in Note 12.

The Company has no significant interest-bearing assets other than cash and cash equivalents and therefore the Company's income and operating cash flows are substantially independent of changes in market interest rates. Cash and cash equivalents are invested for short maturity periods, generally from 1 day to 3 months, which mitigates the potential interest rate risk.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity.

PARENT COMPANY

(Amounts in USD 1,000)

		Interest rate risk (IR)			
		-1 %		1 %	
2009	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	7 045	-70	-70	70	70
Impact on financial assets before tax	**7 045**	**-70**	**-70**	**70**	**70**
Financial liabilities					
Borrowings	-	-	-	-	-
Impact on financial liabilities before tax	**-**	**-**	**-**	**-**	**-**
Total increase/decrease before tax		**-70**	**-70**	**70**	**70**

PARENT COMPANY

(Amounts in USD 1,000)

		Interest rate risk (IR)			
		-1 %		1 %	
2008	**Carrying amount**	**Profit/(loss)**	**Equity**	**Profit/(loss)**	**Equity**
Financial assets					
Cash and cash equivalent	36 330	-363	-363	363	363
Impact on financial assets before tax	**36 330**	**-363**	**-363**	**363**	**363**
Financial liabilities					
Borrowings	222 821	2 228	2 228	-2 228	-2 228
Impact on financial liabilities before tax	**222 821**	**2 228**	**2 228**	**-2 228**	**-2 228**
Total increase/decrease before tax		**1 865**	**1 865**	**-1 865**	**-1 865**

The Company's financial assets are classified into the categories: loans and receivables, assets at fair value through the profit and loss and available for sale. Financial liabilities are classified as liabilities at fair value through the profit and loss and other financial liabilities. For further information about comparison by category, see Note 29.

The value of forward exchange contracts is set by comparing forward exchange rate and the rate on the reporting date. The Company's following financial instruments are not evaluated at fair value. Accounts receivable, cash and cash equivalents, other short -term receivables, accounts payable and long term liabilities with floating interest.

Because of the short term to maturity, the value of cash and cash equivalents entered into the statement of financial position is almost the same as the fair value of these. Accordingly, the values of accounts receivables and accounts payables are almost the same as their fair values since they are entered on "normal" conditions.

The fair value of the Company's non-current liabilities subjected to fixed interest rates is calculated by comparing the Company's terms and market terms for liabilities with the same terms to maturity and credit risk.

The following tables show the booked value and the fair value of financial assets and obligations.

CONSOLIDATED

(Amounts in USD 1,000)	2009		2008	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets				
Financial assets held for sale	800	800	800	800
Derivative financial instruments	401	401	-	-
Trade and other instruments	168 081	168 081	135 306	135 306
Cash and cash equivalents	91 088	91 088	73 371	73 371
Total	**260 370**	**260 370**	**209 477**	**209 477**
Financial liabilities				
Borrowings	554 408	571 591	353 374	348 809
Derivative financial instruments	-	-	30 801	30 801
Total	**554 408**	**571 591**	**384 175**	**379 610**

PARENT COMPANY

(Amounts in USD 1,000)	2009		2008	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets				
Trade and other instruments	354 846	354 846	130 651	130 651
Cash and cash equivalents	7 045	7 045	36 330	36 330
Total	**361 891**	**361 891**	**166 981**	**166 981**
Financial liabilities				
Borrowings	74 685	74 549	290 224	285 489
Derivative financial instruments	-	-	30 801	30 801
Total	**74 685**	**74 549**	**321 025**	**316 290**

2.5 Liquidity risk

The Company has substantial commitments in the newbuilding program in the years ahead. Executive management and the Board of Directors are focused on managing the liquidity risk by closely monitoring the projected cash flow from operations, financial expenses, and its capital expenditure program in particular related to above-mentioned newbuilding program.

The Company may require additional capital in the future due to unforeseen liabilities or in order to take advantage of business opportunities. There can be no assurance that Company will be able to obtain necessary financing in a timely manner on acceptable terms. Future share issues may result in the existing shareholders of Siem Offshore sustaining dilution to their relative proportion of the equity in the Company.

The tables below summarize the maturity profile of the Company's financial liabilities.

CONSOLIDATED

	Less than 3 months	3 to 12 months	1 to 5 years	Thereafter	Total
2009					
Interest bearing loans and borrowings	9 059	33 976	182 303	224 929	450 267
Trade and other payables	8 148	-	-	-	8 148
Total	**17 207**	**33 976**	**182 303**	**224 929**	**458 415**
2008					
Interest bearing loans and borrowings	8 399	19 887	105 511	212 130	345 927
Trade and other payables	5 292	-	-	-	5 292
Total	**13 691**	**19 887**	**105 511**	**212 130**	**351 219**
Yard instalments falling due over the next 5 years					
2009					
Yard instalments falling due	**100 765**	**370 265**	**256 691**	**-**	**727 721**
2008					
Yard instalments falling due	**83 977**	**368 324**	**412 326**	**-**	**864 627**

PARENT COMPANY

	Less than 3 months	3 to 12 months	1 to 5 years	Thereafter	Total
2009					
Interest bearing loans and borrowings	-	-	-	-	-
Trade and other payables	882	-	-	-	882
Total	**882**	**-**	**-**	**-**	**882**
2008					
Interest bearing loans and borrowings	6 377	17 627	86 638	179 297	289 939
Trade and other payables	921	-	-	-	921
Total	**7 298**	**17 627**	**86 638**	**179 297**	**290 860**

Yard instalments falling due over the next 5 years

2009					
Yard instalments falling due	**-**	**-**	**-**	**-**	**-**
2008					
Yard instalments falling due	**83 977**	**316 357**	**409 514**	**-**	**809 849**

2.6 Capital risk management

The Company aims to obtain long-term financing supported by long-term contracts and thereby reduce the frequency and risk associated with refinancing of loans. Long-term charter parties will also enable higher degree of debt financing. Based on the current capital structure, the Company will pursue a high level of debt financing for its new buildings.

The Company has secured debt financing for all vessels under construction in Norway and Brazil.

The Company has six AHTS vessels and one large-size PSV under construction at Norwegian yards. A debt facility of NOK 1.764 billion is secured for a minimum 50% debt financing of five of the remaining six AHTS vessels under construction. A separate debt facility of NOK 427 million is secured for a 70% debt financing of one AHTS vessel. The remaining will be financed by cash deposit from the private placement completed in 2009 and earnings from operation. The Company has paid 20% of the cost price for all of the six remaining AHTS vessels under construction.

The large-size PSV, which is owned by the 51%-owned subsidiary, Siem Melling Offshore DA, is financed under the NOK 583.6 million facility. The undrawn amount of NOK 36 million under a NOK 583.6 million facility will be drawn upon delivery.

The wholly-owned Brazilian subsidiary, Siem Consub SA, has eight vessels under construction in Brazil. Siem Consub has secured debt facilities for a total of USD 24 million for the two fast supply boats and the two fast crew boats under construction, of which USD 7.9 million was drawn per year end 2009. Siem Consub is offered 82% debt financing under the Merchant Maritime Brazilian Government Fund program (“FMM program”) for debt-financing of the two OSRVs. The project cost is estimated to be USD 73 million for both vessels. Siem Consub is offered 82% debt financing under the FMM program for the two large PSVs ordered at a Brazilian yard. The project cost for both vessels is estimated to be USD 160 million. A 10% instalment was paid at contract signing. A further 10% instalment will be paid in second quarter 2010 for the first PSV and a 10% instalment will be paid in fourth quarter 2010 for the second PSV. The two PSVs are scheduled for delivery in second quarter 2012 and second quarter 2013.

2.7 Risks related to loan agreements, restrictions on dividends and distribution

The Company’s current and future loan agreements may include terms, conditions and covenants which impose restrictions on the operations of the Company.

These restrictions may negatively affect the Company’s operations, hereunder, but not limited to, the Company’s ability to meet the fierce competition in the market in which it operates.

2.8 Risks related to possible tax liabilities

The Company will seek to optimise its tax structure to minimise withholding taxes when operating vessels abroad, avoiding double taxation, and minimising corporate tax paid by optimally making use of the shipping taxation rules that applies. It is, however, a challenging task to optimise taxation, and there is always a risk that the Company may end up paying more taxes than the theoretical minimum, which may in turn affect the financial results negatively.

Note 3 - Critical Accounting Estimates and Judgements

IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as information on contingent assets and latent obligations on the reporting date, including income and expenses for the reported period. The final outcomes may deviate from the estimates. Certain amounts included in, or that have an effect on, the accounts and the associated notes require estimation, which in turn entails that the Company must make assessments related to values and circumstances that are not known at the point in time when the accounts are prepared. A significant accounting estimate can be defined as an estimate that is important to provide a correct picture of the Company's financial position, which is at the same time the result of difficult, subjective and complex assessments performed by the management. Such estimates are often uncertain by nature. The management evaluates such estimates continuously based on historical data and experience, consultation with experts, trend analyses and other methods that are considered relevant for the individual estimate. Estimates and assessments that can have a significant impact on the accounts are listed below.

Vessels

Economic life

The level of depreciation is dependent upon the estimated economic life of the vessels. The estimate is based on historical data and experience related to the vessels that are included in the Company. The estimate is reassessed annually. A change in the estimates will affect depreciation in future periods.

Residual value at the end of the economic life

The level of depreciation is dependent on the estimated residual value on the reporting date. The anticipated residual value is based on knowledge of the scrap value of vessels. The scrap value is dependent on the price of steel. The scrap value estimates is subject to an annual reassessment.

Write-downs

On the reporting date the Company has assessed whether there are any indications that it may be necessary to write down a vessel. When such indications exist, the recoverable value of the vessel is estimated, and the vessel's value is written down to the recoverable amount. The recoverable amount for vessels is estimated by means of broker estimates. If a vessel is fixed on a long contract, the broker also estimates an excess value of the charter party and this value is discounted based on an estimated discount rate. For vessels fixed on long contract, the recoverable amount constitutes of brokers estimates and discounted excess value.

Market value of derivatives and financial assets available for sale

All derivatives, including financial assets available for sale, are recognised in the statement of financial position at market value. The market value of derivatives is typically based on an expected future performance and is calculated by means of complicated valuation models. The estimates are based on the information available on the reporting date and will be influenced by changes in the interest rates, foreign currency exchange rates and other input for the calculations.

Recognition of purchase cost for new buildings in the statement of financial position

Only purchase costs that are directly related to the asset under construction may be recognised in the statement of financial position. The term "directly related to" requires the use of judgement for several costs that are relevant to construction to determine whether costs shall be recognised in the statement of financial position or as an expense.

Consolidated accounts

All significant investments in shares and units must be classified as a subsidiary, joint venture or associated company in order to prepare the consolidated accounts. This classification is linked to the degree of control that the Company has over the individual company. An evaluation of the degree of control requires the use of judgment for a number of parameters.

Tax legislation

Tax legislation is subject to varying interpretations. Further information is set out in Note 11.

Note 4 - Segment Reporting

(Amounts in USD 1,000)	CONSOLIDATED 2009	2008
Revenue by business area		
PSV/ crew vessels	113 422	143 878
MRSV	62 935	38 517
AHTS vessels	164	-
Combat Management Systems	4 859	8 691
Other	2 178	1 687
Total	**183 558**	**192 773**
Depreciation by business area		
PSV/ crew vessels	25 044	25 808
MRSV	10 375	5 591
AHTS vessels	1 125	-
Other	647	681
Total	**37 191**	**32 080**
Operating profit by business area		
PSV/ crew vessels	31 689	61 011
MRSV	16 024	10 292
AHTS vessels	-5 724	-
Combat Management Systems	10	59
Other	38 692	-70 682
Total	**80 691**	**680**

Operating profit related to the line other, consist mainly of gain of sale of interest rate derivatives (CIRR), gain/(loss) on currency exchange forward contracts and general and administration expenses.

Capital expenditures by business area	2009	2008
PSV/ crew vessels	69 686	41 282
MRSV	88 877	55 504
AHTS vessels	202 337	73 599
Combat Management Systems	-	-
Other	668	5 638
Total	**361 568**	**176 023**

Note 5 - Vessels under Construction and Vessels and Equipment

PARENT COMPANY			CONSOLIDATED	
Vessels under construction	Vessels and equipment	*(Amounts in USD 1,000)*	Vessels under construction	Vessels and equipment
79 724	355 059	Purchase cost per 01.01.2008	79 724	436 555
139 822	7 315	Capital expenditure	161 193	14 816
-66 303	66 303	Vessels delivered in 2008	-66 303	66 303
-13 018	-1 792	The year's disposal at cost	-13 018	-1 996
-	-	Effect of exchange rate differences	-	-17 349
140 224	**426 886**	**Purchase cost per 31.12.2008**	**161 596**	**498 329**
-	-16 487	Accumulated depreciation per 01.01.2008	-	-15 165
-	-24 926	The year's depreciation	-	-30 785
-	-	The year's disposal of acc. depreciation	-	23
-	**-41 413**	**Acc. depreciation per 31.12.2008**	**-**	**-45 927**
140 224	**385 473**	**Net book value per 31.12.2008**	**161 596**	**452 402**
140 224	426 886	Purchase cost per 01.01.2009	161 596	498 329
109 368	5 089	Capital expenditure	352 779	8 789
-112 695	112 695	Vessels delivered in 2009	-315 587	315 587
-136 898	-376 782	The year's disposal at cost	-	-3 349
-	-	Effect of exchange rate differences	9 723	24 569
0	**167 888**	**Purchase cost per 31.12.2009**	**208 511**	**843 925**
-	-41 413	Accumulated depreciation per 01.01.2009	-	-45 927
-	-22 358	The year's depreciation	-	-36 265
-	40 777	The year's disposal of acc. depreciation	-	188
-	**-22 994**	**Acc. depreciation per 31.12.2009**	**-**	**-82 004**
0	**144 894**	**Net book value per 31.12.2009**	**208 511**	**761 921**

Vessels and equipment includes activated docking costs. For the Company, the opening balance at 1 January 2009 was USD 5,067. Capitalized docking cost during 2009 was USD 3,547, the year's depreciation was USD 4,027, effect of exchange rate differences was USD 812 and the closing balance at 31.12.2009 was USD 5,399.

The balance of capitalized project costs was USD 546 at 31 December 2009. Such expenditures relate to specific contracts for the Brazilian crew/supply fleet. The costs are amortized over the term of the specific charter contracts. Total charter amortization in 2009 was USD 926, and was included in depreciation and amortization expense.

The vessels presently owned by Siem Offshore are considered to have an economic life of 30 years.

The vessels are divided into the following components and lifetime:

Component:	Percentage of total	Economic life
Hull	27.00 %	30 years
Cargo equipment	17.00 %	30 years
Marine equipment	10.00 %	15 years
Crew equipment	9.00 %	15 years
Engine	18.00 %	30 years
Engine system	6.00 %	30 years
Combined sewerage system	13.00 %	30 years
Docking		2.5 years
Equipment		3 years

At 31 December 2009, the Company assessed whether there were any indications that it may be necessary to write down a vessel. The financial crisis has impacted the valuation of vessels and newbuildings. For that reason, management has made an analysis to estimate the recoverable values. This estimate is calculated by means of broker estimates. Estimated recoverable values are compared against carrying amounts in the statement of financial position and provide support that there is no requirement to record an impairment loss.

The intangible assets recorded at USD 9,232 at 31 December 2009 are related to Siem WIS AS patented technology for the drilling industry. Siem WIS is developing a new "Drillability" technology for complex low/high pressure reservoirs. By using Siem WIS' technologies, the future potential for extended drilling and methods is enabled. At the same time, the solutions enable a safer, and more efficient, drilling and well maintenance service. Asset under development are not depreciated. Analyses made by management based on future earnings ability indicate no impairment of the activated asset under development.


SIEM
OFFSHORE

Note 6 - Investment in Subsidiaries

Company	Registered office	Ownership and voting share	Revenue
Siem Offshore AS	Kristiansand, Norway	100 %	15 166
Siem Offshore Invest AS	Kristiansand, Norway	100 %	2 028
Siem Offshore Rederi AS	Kristiansand, Norway	100 %	80 332
Siem Consub SA	Rio de Janeiro, Brazil	100 %	26 439
Siem Offshore US Inc	Delaware, USA	100 %	19 836
Siem Supply Inc	Cayman Islands	100 %	-
Siem AHTS Pool Inc	Cayman Islands	100 %	-
DSND Subsea Ltd	London, England	100 %	-
Arcade Offshore BV	Amsterdam, The Netherlands	100 %	-
Total value recorded in the statement of financial position of the parent company			

The above mentioned companies are directly owned by the parent company.

In addition the subsidiaries owns the following companies:

Company	Registered office	Share and voting rights
Norsul Offshore Inc	Panama City, Panama	100 %
Consub Delaware LLC	Delaware, USA	100 %
Aracaju Serviços Auxiliares Ltda	Aracaju, Brazil	100 %
Ocean Commander AS	Vanylven, Norway	100 %
Siem Offshore Crewing AS	Vanylven, Norway	100 %
Siem Shipping AS	Kristiansand, Norway	100 %
Siem Meling Offshore DA	Stavanger, Norway	51 %
Næringsbygg Industriveien 13 DA	Fjell, Norway	95 %
Siem WIS AS	Bergen, Norway	60 %
Siem Offshore Maritime Personnel AS	Kristiansand, Norway	100 %

Net profit	Share capital	Book equity	Cost price	Book value
423	36	3 125	1 022	1 022
903	469	56 163	52 907	52 907
-11 602	3 343	288 452	302 673	302 673
-1 149	22 468	17 170	16 506	16 506
2 772	-	4 125	-	-
-6	-	80	-	-
-	-	-	-	-
-164	-	-126	18 352	-
-22	97	-1 674	1	-
		367 315	**391 460**	**373 107**

During 2009, a reorganization of the corporate structure in the Company was implemented. Nine of thirteen vessels directly owned by Siem Offshore Inc. were sold to Siem Offshore Rederi AS during the second half 2009. Further, the eight newbuilding contracts owned by Siem Offshore Inc were sold to Siem Offshore Rederi AS in the same period. All borrowings related to the vessels sold were also transferred to Siem Offshore Rederi AS as part of the transaction. For the parent company, these transactions gave a gain of USD 31 million. Information about tax effect for these transactions is set out in Note 11.

To provide sufficient equity reflecting the increased activity in Siem Offshore Rederi AS after the purchase of vessels, NOK 1,511 million of the sales price was converted to equity. This is reflected in the cost price for the shares in Siem Offshore Rederi AS in the table above.

As a part of the reorganization, all shares in the subsidiary Siem WIS AS (60%) and shares in the associated companies Overseas Drilling Ltd (50%) and Wellcem AS (33.41%) owned directly by Siem Offshore Inc., were sold to the 100%-owned subsidiary, Siem Offshore Invest AS. For the parent company, these transactions resulted in a gain of USD 71.9 million.

The transaction was partly settled by converting the purchase price to equity in Siem Offshore Invest AS. The equity in Siem Offshore Invest AS was increased by NOK 268 million, which also is reflected in the cost price for the shares in Siem Offshore Invest AS in the table above.

The transactions are based on arm's-length price. Prices for vessels sold are based on average of market estimates from three independent brokers and the sales price for shares sold are also supported by external valuation.
Rovde Supply AS was merged with Siem Offshore Rederi AS with effect from 1 January 2009. Rovde Supply AS was previously a 100% owned subsidiary of Siem Offshore Rederi AS.

On 13 January 2010, the last four vessels directly owned by the parent company were sold to Siem Offshore Rederi AS. After this transaction, all vessels previous owned directly by the parent company are owned by Siem Offshore Rederi AS. Siem Offshore Rederi AS operates under the Norwegian Tonnage Tax Regime.

Note 7 - Investment in Associated Companies

Figures for associated companies included in the consolidated accounts based on the equity accounting.

2009

(Amounts in USD 1,000)

Company name	**Overseas Drilling Ltd.**	**Wellcem AS**	**PR Tracer Offshore ANS**
Profit and loss account			
The year's net profit after tax	12 525	-322	-2 594
Siem Offshore´s share of net profit	**6 263**	**-107**	**-1 072**
Adjustments consolidated accounts	-	20	585
This year`s share of net profit after tax	**6 263**	**-87**	**-487**
Statement of financial position			
Total assets	**67 382**	**3 313**	**3 468**
Equity	22 183	1 795	-1 117
Total liabilities	45 198	1 518	4 585
Total equity and liabilities	**67 382**	**3 313**	**3 468**
Siem Offshore's share of booked equity	**11 092**	**600**	**-462**
Added/reduced in the period			
Adjustments IFRS and fair value in excess of book value for vessel and goodwill as of 31.12	-	2 156	1 323
Net book value in Siem Offshore as of 31.12.	**11 092**	**2 754**	**861**
Ownership interest	**50.00 %**	**33.41 %**	**41.33 %**
Specification of changes net book value in Siem Offshore's accounts			
Net book value as of 01.01	4 829	2 736	263
Investment in associated companies	-	-	972
This year's share of net profit	6 263	-87	-1 072
Adjustments consolidated accounts	-	-	585
Dividends	-	-	-
Effect of exchange rate differences	-	105	113
Net book value as of 31.12	**11 092**	**2 754**	**861**
Of which:			
Adjustments IFRS and fair value in excess of book value for vessel and goodwill as of 01.01	-	2 156	565
Excess value	-	-	-
Adjustment for depreciation IFRS	-	-	585
Amortisation of fair value in excess of book value for vessels and goodwill	-	-	-
Effect of exchange rate differences	-	-	173
Fair value in excess of book value for vessels and goodwill as of 31.12	**-**	**2 156**	**1 323**

KS Big Orange XVIII	Ocean Commander KS	Rovde Ind.park AS	Luster Mek. Ind. AS	Total
1 546	4 072	92	-294	15 026
639	**1 425**	**46**	**-101**	**7 093**
64	-90	-27	15	567
703	**1 335**	**19**	**-86**	**7 660**
6 695	**35 105**	**3 641**	**-**	**119 603**
6 595	14 636	699	-	44 791
100	20 469	2 942	-	74 813
6 695	**35 105**	**3 641**	**-**	**119 603**
2 726	**5 123**	**349**	**-**	**19 427**
421	1 763	262	-	5 925
3 147	**6 885**	**613**	**-**	**25 352**
41.33 %	**35.00 %**	**50.00 %**	**34.20 %**	
1 964	5 045	488	107	15 432
-	-	-	-35	937
639	1 425	46	-101	7 113
64	-90	-27	15	547
-	-629	-	-	-629
480	1 134	105	14	1 951
3 147	**6 885**	**613**	**-**	**25 352**
289	1 501	228	-	4 738
-	-	-	-	-
64	-90	-11	-	548
-	-	-	-	-
68	352	46	-	639
421	**1 763**	**262**	**-**	**5 925**

In October, the Company's share in Luster Mekaniske Industri AS was sold.
In October, the parent company sold the ownership of Overseas Drilling Ltd and Wellcem AS to Siem Offshore Invest AS. Net result booked in the parent company for the owning period in 2009 is USD 3,495.Gain from the disposals of shares was USD 38,434.

Company name	Registered office	Consolidated as
Overseas Drilling Ltd.	Monrovia, Liberia	Equity accounting
Wellcem AS	Trondheim, Norway	Equity accounting
PR Tracer Offshore ANS	Lysaker, Norway	Equity accounting
KS Big Orange XVIII	Lysaker, Norway	Equity accounting
Ocean Commander KS	Oslo, Norway	Equity accounting
Rovde Industripark AS	Vanylven, Norway	Equity accounting
Kenny Seateam Ltd.	London, England	Cost accounting
Total		

2008

(Amounts in USD 1,000)

Company name	Overseas Drilling Ltd.	Wellcem AS	PR Tracer Offshore ANS
Profit and loss account			
The year's net profit after tax	**-2 012**	**-782**	**-619**
Siem Offshore´s share of net profit	**-1 006**	**-261**	**-256**
Adjustments consolidated accounts	-	232	-168
This year`s share of net profit after tax	**-1 006**	**-29**	**-424**
Booked Equity	**9 658**	**1 737**	**-728**
Siem Offshore's share of booked equity	**4 829**	**580**	**-301**
Added/reduced in the period			
Adjustments IFRS and fair value in excess of book value for vessel and goodwill as of 31.12	-	2 156	565
Net book value in Siem Offshore as of 31.12.	**4 829**	**2 736**	**264**
Ownership interest	**50.00 %**	**33.41 %**	**41.33 %**
Specification of changes net book value in Siem Offshore's accounts			
Net book value as of 01.01	5 834	-	782
Investment in associated companies	-	2 940	-
This year's share of net profit	-1 006	-29	-256
Adjustments consolidated accounts	-	-	-168
Dividends	-	-	-
Effect of exchange rate differences	-	-174	-93
Net book value as of 31.12	**4 828**	**2 736**	**264**

The parent company was the owner of Overseas Drilling Ltd and Wellcem AS at 31.12.2008. Net result for 2008 is USD -1,035.
Booked value in the parent company of USD 9,065 includes an intercompany gain of USD 1,500.

Owner interest	Voting rights	Paid in capital	Issued, not paid in capital
50.00 %	50.00 %	493	-
33.41 %	33.41 %	784	-
41.33 %	41.33 %	1 429	-
41.33 %	41.33 %	1 739	2 516
35.00 %	35.00 %	2 146	647
50.00 %	50.00 %	222	-
50.00 %	50.00 %	-	-
		6 813	**3 163**

KS Big Orange XVIII	Ocean Commander KS	Rovde Ind.park AS	Luster Mek. Ind. AS	Total
2 004	**3 202**	**122**	**32**	**1 946**
828	**1 121**	**61**	**11**	**498**
72	-100	-16	-34	-15
900	**1 021**	**44**	**-23**	**483**
4 051	**10 125**	**521**	**311**	**25 675**
1 674	**3 544**	**260**	**106**	**10 694**
289	1 501	228	-	4 738
1 963	**5 045**	**488**	**106**	**15 432**
41.33 %	**35.00 %**	**50.00 %**	**34.20 %**	
2 506	5 851	583	161	15 717
-	-	-	-	2 940
828	1 121	61	11	730
72	-100	-16	-34	-247
-842	-375	-	-	-1 218
-600	-1 451	-139	-32	-2 491
1 963	**5 045**	**488**	**106**	**15 432**

Note 8 - Pension Costs and Obligations

	CONSOLIDATED	
(Amounts in USD 1,000)	**2009**	**2008**
The amount recognised in the income statement is as follows;		
Service cost	1 564	830
Interest cost	232	180
Expected return on plan assets	-217	-166
Amortisation of net actuarial loss/ (gain)	53	10
Net periodic pension cost (see Note 19)	**1 632**	**854**
The movement in the defined benefit obligation over the year is as follows;		
Beginning of year	7 122	5 126
Current service cost	1 564	830
Interest cost	242	180
Actuarial loss/(gain)	125	-46
Payroll tax of employer contribution, assets	-269	-127
Benefits paid	-213	-137
Exchange differences	-900	-900
End of year	**7 670**	**4 927**
The movement in the fair value of plan assets of the year is as follows;		
Beginning of year	4 532	4 038
Expected return on plan assets	217	166
Actuarial loss/ (gain)	-400	-1 070
Employer contribution	1 909	898
Benefits paid	-151	-132
Exchange differences	-912	-912
End of year	**5 195**	**2 988**

(Amounts in USD 1,000)	CONSOLIDATED **2009**	 **2008**
Present value of funded obligations	7 124	4 630
Fair value of plan assets	-5 195	-2 988
Unrecognised net actuarial loss/ (gain)	-2 240	-1 460
Present value of funded obligations	-312	182
Present value of unfunded obligations	546	298
Liability in the balance sheet	**235**	**480**
Financial assumptions:		
Discount rate	4.50 %	4.30 %
Expected wage adjustment	4.50 %	4.50 %
Expected pension increase	1.40 %	2.00 %
Adjustm. of the basic National Insur. amount	4.25 %	4.25 %
Expected return on funds	5.70 %	5.80 %

Note 9 - Receivables

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
		LONG-TERM RECEIVABLES		
-	-	Seller credit	-	286
-	-	Deposits	1 769	253
3 925	2 183	Loan employees	4 306	2 495
43 846	-	Intercompany receivables	-	-
-	-	Project related prepayment	453	-
294	243	Other long term receivables	1 485	253
48 065	**2 426**	**Total long-term receivables**	**8 013**	**3 287**
		OTHER SHORT-TERM RECEIVABLES		
1 731	1 069	Prepaid expenses	4 271	1 907
628	23	Unbilled revenue	1 109	6 449
-	-	Outstanding insurance claims	3 173	1 144
27 697	22 861	Loan to shipyard *	27 697	22 861
-	-	Prepaid income taxes and other taxes	6 491	4 666
-	-	Accrued government grant - seamen	2 067	1 800
186 981	26 987	Intercompany receivables	-	-
2 967	-	Other short-term receivables	5 343	453
220 004	**50 939**	**Total other short-term receivables**	**50 151**	**39 279**

** The Company has provided a short-term subordinated loan to a shipyard in the amount of NOK 160 million. The loan is at market rates for such loan and matures 31 December 2010.*

Note 10 - Restricted Funds

USD 14,549 of the Company cash balance was restricted funds of which USD 2,774 was for tax withholdings and USD 11,775 represented security for bank guarantees and loans.

None of the parent company cash balance was restricted.

Note 11 - Taxes

(Amounts in USD 1,000)

Temporary differences		**CONSOLIDATED 2009**	**2008**
Deferred tax	**Time frame**		
Participation in limited liability companies	Long	-1 919	-1 914
Operating assets	Long	-2 189	-2 201
Special tax account	Long	-406	-419
Pension funds/obligations	Long	-330	-566
Other short-term differences	Short	-276	-292
Other long-term differences	Long	-	935
Net temporary differences as of 31.12		**-5 120**	**-4 457**
Tax loss carried forward		-15 479	-10 131
Basis for deferred tax (tax asset)		**-20 599**	**-14 588**
Deferred tax (tax asset) (28%) Norway		-4 888	-3 430
Deferred tax (tax asset) (34%) Brazil		-1 068	-795
Deferred tax (tax asset)		**-5 956**	**-4 225**
Deferred tax asset recognized in statement of financial position as of 31.12		**4 888**	**3 430**

There is no tax asset in the parent company. Deferred tax assets in Norway are recognized as intangible assets because it is made probable through prospective earnings that it can be utilized against the tax reducing temporary differences.

The Company is subject to taxes in several jurisdictions, where significant judgment 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 an assessment of 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.

Companies that were taxed under the old tonnage tax regime could choose between entering into the new tonnage tax system or exit the old tonnage tax regime with effect from 1 January 2007. Siem Offshore decided to enter the new tonnage tax regime for relevant companies and qualified vessels. Two thirds of a transitional taxable gain was levied upon entry and 10% of the original balance was to be entered as income each year from 2007 through 2017. Tax expenses of USD 6,157 regarding the old tonnage tax regime have been reversed in December 2009 based on the Norwegian Supreme Court, 12 December 2009, which ruled in favor of the ship owners and came to the conclusion that the transitional rules, where the untaxed profits under the old tonnage tax regime became payable when entering into the new regime, was unconstitutional.

The reversed tax expense in December 2009 is related to the two thirds of the transitional taxable gain. Tax expense of USD 3,117 regarding one thirds of the transitional taxable gain, the environmental funds, recognized as a tax liability, was derecognized to equity at 31.12.2008.

The Government announced 26 March 2010 that it will propose a change in the tax code. The change will allow the Company to pay a lump sum over the years 2011-2013 which settles all latent tax on untaxed profit from the abandoned shipping tax regime. If approved as announced, the Company will be able to settle this tax by paying NOK 15 mill (USD 2.6 mill) in the statement of financial position. At the reporting date, the corresponding tax is recognised at NOK 0. The company will consider whether the lump sum arrangement will be utilised when the change in the tax code has been approved.

	2009	2008
Tonnage tax regime in subsidiaries, as of 1.1	5 140	9 739
Tax charge	-5 706	1 059
Environmental investments	-	-3 117
Paid	-1 420	-914
Effect of exchange rate differences	442	-1 627
Total tonnage tax in subsidiaries, as of 31.12	**-1 544**	**5 140**

Total tax consolidated

(Amounts in USD 1,000)	**Tonnage tax regime**	**Other tax regime**	**Total tax liabilities**
			2009
Long term tax liabilities falling due after 1 year	-	2 589	2 589
Payable taxes falling due within 1 year	-1 544	14 834	13 290
Tax liabilities	**-1 544**	**17 422**	**15 878**

Tax expense

(Amounts in USD 1,000)	**Tonnage tax regime**	**Other tax regime**	**Total tax expense**
			2009
Taxes payable	5 706	-5 333	373
Change in deferred tax/deferred tax asset	-	1 458	1 458
Tax effect of environmental investments	-	-	-
Total	**5 706**	**-3 875**	**1 831**

Total tax consolidated

(Amounts in USD 1,000)	2008 Tonnage tax regime	2008 Other tax regime	2008 Total tax liabilities
Long term tax liabilities falling due after 1 year	3 900	127	4 027
Payable taxes falling due within 1 year	1 240	12 111	13 351
Tax liabilities	**5 140**	**12 238**	**17 377**

Tax expense

(Amounts in USD 1,000)	2008 Tonnage tax regime	2008 Other tax regime	2008 Total tax expense
Taxes payable	-1 059	-3 999	-5 058
Change in deferred tax/deferred tax asset	-	102	102
Tax effect of environmental investments	3 117	-	3 117
Over/under provisions in previous year	-	-111	-111
Total	**2 058**	**-4 008**	**-1 950**

The Board of Directors resolved on 25 November to relocate the tax residency of Siem Offshore Inc. from the Cayman Islands to Norway with effect from 1January 2010. The Company recorded a tax expense of NOK 32 million in fourth quarter for the transfer of vessel ownership to Norwegian Tonnage Tax Regime.

Total tax parent company

(Amounts in USD 1,000)	2009 Other tax regime	2008 Other tax regime
Long term tax liabilities falling due after 1 year	2 446	-
Payable taxes falling due within 1 year	13 772	12 918
Tax liabilities	**16 218**	**12 918**

Tax expense

	2009	2008
Taxes payable	-2 029	-3 748
Total	**-2 029**	**-3 748**

Note 12 - Borrowings

PARENT COMPANY	*(Amounts in USD 1,000)*				CONSOLIDATED
2009				**Drawn**	**Drawn**
			Facility	**amount**	**amount**
(USD)	**Creditor / guarantor**	**Currency**	**amount**	**currency**	**USD**
-	HSH Nordbank AG	USD	186 250	186 250	186 250
-	Eksportfinans /GIEK / HSH Nordbank AG	USD	112 000	96 004	96 004
-	Eksportfinans /GIEK / HSH Nordbank AG	GBP	1 764 000	294 000	50 336
-	SpareBank1 SR-Bank	GBP	427 000	-	-
-	DvB Bank N.V. Nordic Branch	GBP	9 130	9 130	14 726
-	Banco do Brasil	GBP	24 037	7 902	7 902
-	SpareBank1 SR-Bank	GBP	315 800	315 800	54 668
-	SpareBank1 SR-Bank	NOK	256 000	220 000	38 084
-	**Total secured debt**				**447 969**
-	Banco Nacional Development Social	USD	2 298	2 298	2 298
73 225	Eksportfinans (CIRR loan)	NOK	423 000	423 000	73 225
73 225	**Total**	**USD**			**523 492**
-	Fees and expenses				-4 097
73 225	**Total long-term debt including fees and expenses**	**USD**			**519 396**

** Under the USD 112 million facility, part of the loan (USD 53.5 million) is fixed for a 12 year term to average interest rate of 7.6% per annum.*

PARENT COMPANY	*(Amounts in USD 1,000)*				CONSOLIDATED
2008				**Drawn**	**Drawn**
			Facility	**amount**	**amount**
(USD)	**Creditor / guarantor**	**Currency**	**amount**	**currency**	**USD**
208 750	HSH Nordbank AG	USD	208 750	208 750	208 750
-	HSH Nordbank AG - Working Capital Facility	USD	30 000	-	-
14 707	DvB Bank N.V. Nordic Branch	GBP	10 170	10 170	14 707
-	SpareBank1 SR-Bank	NOK	595 333	369 333	52 770
223 457	**Total secured debt**				**276 227**
-	Banco Nacional Development Social	USD	3 217	3 217	3 217
66 482	Eksportfinans (CIRR loan)	NOK	465 300	465 300	66 482
289 939	**Total**	**USD**			**345 926**
-635	Fees and expenses				-748
289 303	**Total long-term debt including fees and expenses**	**USD**			**345 178**

Fair value	Interest rate	Duration	Instalments
186 250	(Libor + 1.75 %, effective 2.63%)	2015	10 Quarterly instalments of USD 5,625
101 410	(Fixed and Libor + 1.75 %, effective 7.34%)	2021	12 Quarterly instalments of USD 4,062 semi annual instalments of USD 4,097
50 336	(Libor + 2.25 %, effective 3.42%)	2015	semi annual instalments
-	(Nibor + 2.25 %)	2022	Quarterly instalments of NOK 8,895
14 726	(Libor + 1.00 %, effective 2.9%)	2013	Semi annual instalments of GBP 520
7 902	3.3% fixed	2027	Monthly instalments of USD 129
54 668	(Nibor + 0.90 %, effective 3.01%)	2013	Semi annual instalments of NOK 11,766
38 084	(Nibor + 1.50 %, effective 3.37%)	2022	Semi annual instalments of NOK 8,553
453 376			
2 491	6.8125% (fixed)	2012	Semi annual instalments of USD 460
73 089	4.49% (fixed)	2019	Semi annually, 12 years
528 956			
-4 097			
524 859			

Fair value	Interest rate	Duration	Instalments
208 750	(Libor + 0.95 %, effective 4.62%)	2015	16 Quarterly instalments of USD 5,625
-	(Libor + 1.15 %, effective 4.62%)	2009	12 Quarterly instalments of USD 4,062
14 707	(Libor + 1.00 %, effective 6.80%)	2013	14 Semi annual instalments of GBP 520
52 770	(Nibor + 0.90 %, effective 7.28%)	2013	14 Semi annual instalments of NOK 11,766
276 227			
3 388	6.8125% (fixed)	2012	Semi annual instalments of USD 460
61 747	4.49% (fixed)	2019	Semi annually, 12 years
341 362			
-748			
340 613			

PARENT COMPANY				CONSOLIDATED
	Instalments per 31.12.2009 falling due over the next 5 years	Mortgage debt	Other interest bearing debt	Total
-	2010	42 116	919	43 036
-	2011	44 104	919	45 023
-	2012	94 791	460	95 251
-	2 013	34 310	-	34 310
-	2 014	34 310	-	34 310
-	Thereafter	198 338	-	198 338
-	**Total**	**447 969**	**2 298**	**450 267**

The book value of assets mortgaged for own debt is USD 778 million.

There are various financial covenants related to the Company's debt agreements. The main covenants are:
- equity ratio to total assets in excess of 25%
- positive working capital
- certain amount of freely available cash and bank deposit balance
- certain ratio of the Company's EBITDA to interest and principal payment expenses
- certain ratio of net debt to the Company's EBITDA

The Company and parent company are in compliance with the financial covenants as per 31.12.2009.

CIRR loan (Both consolidated and parent company)	2009	2008
Total CIRR loan commitment	73 225	732 793
CIRR loan drawn at 31.12.	73 225	66 482
Commitment as of 31.12.	**-**	**666 311**

Prior to ordering vessels from Norwegian yards, the Company applied for fixed 12-year interest rate options related to the long-term financing of such vessels. The Company was granted such options for each of the relevant vessel by the Norwegian Export Credit Agency. During 2007, the Company sold the right to exercise such options to a first class international bank (the "Bank") in consideration for an up-front payment of USD 23.5 million. Any long-term loans drawn from the Norwegian Export Credit Agency will be placed as corresponding deposits in the Bank as financial security for any loans drawn. Recognition of the gain, related to each option, shall be recorded over the term of any drawn loans, or in whole if the relevant option is not exercised. As of 31 December 2009, the Bank has exercised options for loans of an equivalent USD 73 million, and USD 0.8 million of the total up-front payment is recorded in the income statement for 2008 and 2009, respectively.

Unearned CIRR	2009	2008
Beginning of year	22 278	23 429
Recognized in the profit and loss account	-6 097	-342
Paid-back CIRR	-12 554	-809
End of year	**3 627**	**22 278**

Note 13 - Other Current Liabilities

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
-	-	Non-interest-bearing short-term liabilities	9 857	2 195
-	-	Social security etc.	5 329	2 827
-	-	Prepayment from customer	-	8
-	-	Unearned income	575	-
116	80	Accrued interest	1 029	325
462	311	Other accrued cost, mainly regarding operating expenses vessels	15 207	10 783
-	-	Intercompany liabilities	-	-
-	-	Other current liabilities	197	77
578	**391**	**Total other current liabilities**	**32 194**	**16 215**

Other accrued cost include costs as accrued commission, salary, profit-split, project and other.

Note 14 - Related Party Transactions

Siem Offshore Invest AS, 100% subsidiary of the Company, owns 50% of Rovde Industripark AS. On 31 December 2009, the Company held USD 1,192 as a long-term loan to Rovde Industripark AS. A total of USD 61 was booked as interest income.

The Company has also a lease agreement with Rovde Industripark AS, and the rent expenditure amounts to USD 179 for 2009. The lease agreement is entered into by Siem Offshore AS, a 100%-owned subsidiary of the Company.

Siem Offshore Rederi AS, a 100%-owned subsidiary of the Company, leases the vessel Ocean Commander as bareboat from Ocean Commander KS. This contract expired 23rd March 2010. Further, a rate-sharing agreement between the parties has been agreed. Total cost related to the lease of Ocean Commander amounts to USD 6,818. On 31 December 2009, the Company recorded USD 1,670 as a short term liability to Ocean Commander KS. The liability is related to the lease of Ocean Commander.

The Company owns 35% of Ocean Commander KS.

On 31 December 2009, the Company held USD 9,500 as a short-term interest-free liability to Overseas Drilling Ltd. Siem Offshore Invest AS, a 100%-owned subsidiary of the Company, owns 50% of Overseas Drilling Ltd.

Siem Meling Offshore DA, 51% owned by the Company, held USD 357 as a short term liability and USD 1,772 as a long term-liability from its partner in Siem Offshore Meling DA at 31 December 2009. A total of USD 34 was booked as interest cost during 2009.

Siem Meling DA is also supported by administrative and operational corporate services supplied by the partner in Siem Offshore Meling DA. Booked administration fee amount to USD 602 and crew related cost amount to USD 4,967.

The Company is obligated to the main shareholder, Siem Industries Inc., for a fee of USD 300 for 2009. This fee is the remuneration for the services of the Chairman and one of the Board members. This fee also covers office in the Cayman Islands and administrative cost.

Details related to transactions and remuneration to the managing directors and the board of directors are set out in Note 19.

Note 15 - Derivative Financial Instruments – Assets (Liabilities)

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
-	-30 801	Forward currency contracts - cash flow	401	-30 801
-	**-30 801**	**Total derivative financial instruments**	**401**	**-30 801**

For further information see Note 28.

Note 16 - Guarantees

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
-	-	Contractual guarantees to Brazilian Navy (1)	4 447	1 517
-	-	Contractual guarantees other	1 289	950
-	**-**	**Total guarantees**	**5 736**	**2 467**

(1) Guarantees issued by Siem Consub SA

Note 17 - Commitments

Capital expenditure contracted for at the reporting date, but not yet paid is as follows:

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
-	950 073	Shipbuilding contracts with variation orders	936 232	1 026 223
-	140 224	Instalments paid	208 511	161 596
-	**809 849**	**Unpaid instalments**	**727 721**	**864 627**

PARENT COMPANY		Instalments falling due over the next 3 years	CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
-	400 334	2009	-	452 301
-	409 514	2010	471 029	412 076
-	-	2011	139 737	250
-	-	2012	116 955	-
-	**809 849**	**Total**	**727 721**	**864 627**

The Company has entered into contracts with a Norwegian yard for the construction of six large Anchor Handling Tug Supply vessels. The Company has also, through the 51% owned partnership Siem Meling Offshore DA, entered into a contract with Eidsvik Skipsbyggeri AS for the outfitting of a large-size platform supply vessel. The Company's subsidiary, Siem Consub SA, has entered into contracts for the building of two fast supply vessels, two fast crew boats, two ORSVs and two large-size PSVs.

Newbuildings contracts
As of 31.12.2009 the following ships are under construction:

(Amounts in USD 1,000)

Company	Owner	Delivery	Contract price	Paid instalment	Siem share
VS 491 CD AHTS	Siem Offshore Rederi AS	1Q-10	102 396	21 520	100 %
VS 491 CD AHTS	Siem Offshore Rederi AS	2Q-10	102 118	20 549	100 %
VS 491 CD AHTS	Siem Offshore Rederi AS	2Q-10	102 078	20 509	100 %
VS 491 CD AHTS	Siem Offshore Rederi AS	3Q-10	102 465	20 896	100 %
VS 491 CD AHTS	Siem Offshore Rederi AS	3Q-10	103 392	20 438	100 %
VS 491 CD AHTS	Siem Offshore Rederi AS	1Q-11	103 647	16 019	100 %
VS 485 - PSV	Siem Meling Offshore DA	1Q-10	62 956	58 542	51 %
FSV - UT 4000	Siem Consub SA	3Q-10	9 067	4 426	100 %
FSV - UT 4000	Siem Consub SA	4Q-10	9 067	3 160	100 %
FCV - P2	Siem Consub SA	1Q-11	4 287	2 266	100 %
FCV - P2	Siem Consub SA	2Q-11	4 287	1 352	100 %
OSRV	Siem Consub SA	2Q-12	36 406	1 526	100 %
OSRV	Siem Consub SA	2Q-12	36 406	1 526	100 %
PSV	Siem Consub SA	2Q-12	77 400	7 738	100 %
PSV	Siem Consub SA	2Q-13	80 259	8 044	100 %
			936 232	**208 511**	

Note 18 - Operating Expenses

PARENT COMPANY			CONSOLIDATED	
2009	**2008**	*(Amounts in USD 1,000)*	**2009**	**2008**
13 843	25 949	Vessel crew expenses	59 671	48 773
11 466	11 945	Other vessels operating expenses	46 333	40 692
7 528	3 098	General and administration	19 620	15 570
32 838	**40 992**	**Total operating expenses**	**125 624**	**105 035**

Note 19 - Salaries and Wages, Number of Employees, etc.

(*Amounts in USD 1,000*)	CONSOLIDATED 2009	2008
Personnel expenses		
Salaries and wages	58 669	46 579
Government grants - net wages arrangement in Norway	-8 525	-9 191
Payroll tax	9 811	8 713
Pension costs, see Note 8	1 632	854
Other benefit	5 952	5 518
Total personnel expenses	**67 539**	**52 473**

Government grants is a special Norwegian seaman payroll and tax refund given to Norwegian shipping companies.

The average number of employees in the Company for 2009 was 762 which includes land-based and offshore workers. No employees are employed in the parent company.

The total payroll registered to the CEO in 2009 was USD 630, to the CFO USD 153, to the COO USD 329 and to the CCO USD 236.

The CEO held 1,874,000 shares in the Company at 31.12.2009. Other Directors held 1,203,136 shares in the Company at 31.12.2009.

Loans advanced to 7 employees of the Company in 2009 equal USD 3,779 (2008: USD 2,101) No interest is charged on the loans to the employees. The loans are repayable by the employee when the employee's shares in the company are realized or if the employee leaves the Company. No provision has been required in 2009 for loans made to the employees. The loans are secured by pledge in relevant shares.

The Remuneration to the Directors in 2009 was USD 207 (2008: USD 230).

Auditor's remuneration

The Company is charged with auditor's remuneration of USD 492. This includes USD 185 in audit fees and USD 307 in fees for other services. The parent company's portion of the auditor's remuneration is USD 311 which includes USD 57 in audit fees and USD 254 in fees for other services.

Note 20 - Operating Leases as Lessee

The Company has entered into different operating leases for office premises, office machines, cars, communication satellite equipment for the vessels and one vessel on bare boat. The bareboat agreement for the vessel Ocean Commander expires ultimo March 2010. The lease period for the remaining leases agreements varies, and most of the leases contain an option for extension.
The lease cost s were as follows:

	CONSOLIDATED	
(Amounts in USD 1,000)	**2009**	**2008**
Annual lease payment on operational leases	8 114	7 178

As of 31 December 2009 the Company had some commitments relating to lease agreements which fall due as follows.

Fall due	**Operating lease**
2010	2 132
2011	986
2012 and thereafter	2 174
Total	**5 292**

Net present value of future commitments relating to lease agreements are calculated to be USD 4,803. The discount rate in the calculation of net present value is 5%. There are no operating leases in the parent company.

Note 21 - Financial Items

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
		Financial income		
6 601	7 820	Interest income	7 219	10 575
71 859	-	Gain on sale of shares intercompany	-	-
519	4 507	Other financial income	542	13
78 979	**12 327**	**Total financial income**	**7 760**	**10 588**
		Financial expenses		
-6 783	-11 025	Interest expenses	-11 810	-16 776
-552	-261	Other financial expenses	-1 429	-507
-7 335	**-11 286**	**Total financial expenses**	**-13 238**	**-17 283**
3 495	-1 035	Results from associated companies	7 660	483
22 386	-20 452	Net currency gain/(loss)	19 124	-18 283
97 525	**-20 446**	**Net financial items**	**21 306**	**-24 496**

The net currency gain/(loss) for the Company of USD 19 124 includes an intercompany currency gain of USD 5,288.

Note 22 - Earnings per Share

(Amounts in USD 1,000)	2009	2008
Earnings per share		
Weighted average number of shares outstanding	292 474	253 892
Result attributable to shareholders	102 390	-27 568
Earnings per share attributable to equity shareholders	**0.35**	**-0.11**

There are no options or other instruments outstanding that are dilutive.

Note 23 - Contracts in Progress

CONSOLIDATED

(Amounts in USD 1,000)	**Recognized 2009**	**Accumulated at 31.12.2009**	**Total project 2009**
Revenue	4 859	24 898	33 659
Cost	4 849	20 653	27 254
Total	**10**	**4 245**	**6 405**

Assets / liabilities			**2009**
	Prepaid cost	**Unearned income**	**Due from customer**
Revenue	-	-575	-
Cost	122	-	-
Total	**122**	**-575**	**-**

(Amounts in USD 1,000)	**Recognized 2008**	**Accumulated at 31.12.2008**	**Total project 2008**
Revenue	8 691	22 023	31 359
Cost	8 632	18 049	25 246
Total	**59**	**3 974**	**6 114**

Assets / liabilities			**2008**
	Accrued project cost	**Unbilled revenue**	**Due from customer**
Revenue	-	4 336	-
Cost	12	-	-
Total	**12**	**4 336**	**-**

Contracts in progress refers to the Combat Management Systems. See Note 4.
There are no contracts in progress in the parent company.

Note 24 - Asset Held for Sale

(Amounts in USD 1,000)	CONSOLIDATED 2009	2008
Purchase cost per 01.01	**800**	**800**
Capital expenditure	-	-
The year's disposal at cost	-	-
Effect of exchange rate differences	-	-
Purchase cost per 31.12	800	800

The non-current asset held for sale comprise equipment related to a past cable project in Brazil.
It is probable that the asset held for sale will be sold within 12 months.

There is no asset held for sale in the parent company.

Note 25 - Other Gain/(Loss)

PARENT COMPANY 2009	2008	*(Amounts in USD 1,000)*	CONSOLIDATED 2009	2008
-1 453	-8 028	Gain/(loss) on sale of assets, net	1 047	-8 011
31 004	-	Gain/(loss) on sale of assets intercompany	-	-
-	-	Received amounts on previous losses on accounts receivable	-	2 450
-	-	Provisions for loss on accounts receivable	-	-2 450
29 551	**-8 028**	**Total**	**1 047**	**-8 011**

The charterer of Siem Swordfish has declared its option to purchase the vessel and a 70-ton crane installed on board the vessel. The total sales price is approximately USD 61 million. The charterer assumed ownership of the crane within fourth quarter 2009 and the vessel will be delivered to its new owner at the expiry of the current charter contract 30 June 2012.

The Company will recognize total gains of approximately USD 6 million, of which USD 3 million has been recorded in fourth quarter 2009 and USD 3 million will be recorded in second quarter 2012. Proceeds from the sale of the vessel will be used to repay approximately USD 27 million of bank loans at time of delivery of the vessel.

The Company has recorded a provision of USD 2 million for prepaid instalments for three offshore cranes after the supplier went into bankruptcy during 2009. The parent company's provision was about USD 1.5 million.


20
40
60
80
100

Note 26 - Listing of the 20 Largest Shareholders as of 31 December 2009

SHAREHOLDER	NUMBER OF SHARES	OWNER INTEREST
SIEM INDUSTRIES INC.	121 163 111	33.68 %
ACE CROWN INTERNATIONAL LIMITED	69 800 735	19.40 %
MP PENSJON	8 265 798	2.30 %
SKAGEN VEKST	7 400 000	2.06 %
ROVDE INVEST AS	6 203 410	1.72 %
ROVDEFRAKT AS	6 198 153	1.72 %
NORDEA BANK NORGE ASA	5 442 850	1.51 %
OJADA AS	5 213 000	1.45 %
ODIN OFFSHORE	5 000 000	1.39 %
KNARDAL INVEST AS	4 401 076	1.22 %
BGL BNP PARIBAS	4 222 556	1.17 %
DNB NOR SMB	4 050 000	1.13 %
HOLBERG NORGE	3 926 000	1.09 %
VERDIPAPIRFONDET FONDSFINANS SPA	3 600 000	1.00 %
VERDIPAPIRFONDET HANDELSBANKEN	2 910 000	0.81 %
PUMPØS A/S	2 882 574	0.80 %
SKANDINAVISKA ENSKILDA BANKEN	2 561 000	0.71 %
WATERMAN HOLDING INC.	2 535 000	0.70 %
OPSAHL	2 457 916	0.68 %
WELLIS AS	2 156 666	0.60 %
Total 20 largest shareholders	**270 389 845**	**75.16 %**
Other shareholders	89 384 374	27.43 %
Total number of outstanding shares	**359 774 219**	**100.00 %**

Siem Industries Inc. is the main shareholder of Siem Offshore Inc. and is controlled by trusts where certain members of Kristian Siem's family are potential beneficiaries. Kristian Siem, who is Chairman of the Company, is also the chairman of Siem Industries Inc.

Terje Sørensen is CEO of the Company and held 1,874,000 shares at 31 December 2009.

Note 27 – Subsequent Events

Resolved change of tax residency

With effect from 1st January 2010, Siem Offshore Inc. relocated the tax residency from Cayman Islands to Norway. The Company will maintain its Cayman Islands corporate status. Following the relocation, the Company's operation will be effectively managed from Norway. The head office of the Company will be in Kristiansand.

An investment in the Company's shares by Norwegian shareholders will, for tax purposes, be treated similar to an investment in a Norwegian public limited company.

Contract award for MRSV

Siem Offshore Rederi AS and Adams Offshore have entered into a 3-year bareboat contract for the MRSV *Siem Dorado*. The vessel commenced the bareboat contract 31 January 2010 and the contract value is approximately USD 22 million. Upon commencement of the contract, the vessel was renamed *Adams Vision*.

Contract extension

Siem Offshore Meling DA, a 51%-owned subsidiary, and Statoil have agreed to extend the firm period for the charter of *Siddis Skipper* by 12 months until 15 January 2012. The parties have agreed new and lower terms for the firm period with effect from 15 January 2010.

The charterer of the mid-size PSV *Sophie Siem* exercised its option to extend the charter of the vessel for 12 additional months until March 2011.

New vessels

Siem Offshore Rederi AS took delivery of the third AHTS vessel *Siem Sapphire* from the Norwegian yard 25 March 2010. The vessel is the third of eight similar vessels to be delivered to Siem Offshore from the same yard.

The *Siem Sapphire* is a very large AHTS vessel of VS 491 CD design with a length of 91 meters and a beam of 22 meters. The vessel will commence its operations in the North Sea spot market.

Debt Covenants

The Company has various financial covenants in the loan agreements, see Note 12. As per 31.12.2009 the Company was in compliance with these covenants. The financial development in 2010 indicates that the Company probably will be in non-conformity to one financial covenants as per 31.03.2010. Current bank groups are informed and a waiver is discussed and application is under processing.

Tax issue

On 12th of February 2010 the majority of the Norwegian Supreme Court concluded that the transitional rules for tonnage taxed companies from 2007 were unconstitutional. The Ministry of Finance has on 26th of March issued a press release announcing that amendments to the tonnage tax regulations will be proposed later this year. The amendments imply that the tax liability related to untaxed profits accumulated prior to 2007 can be settled once and for all with an effective taxation of approximately 6.7 per cent tax. It will be voluntarily for the tonnage taxed companies to accept the 6.7 per cent taxation. The tax liability related to the "environmental funds" will be waived for companies that choose the voluntary settlement by paying 10% tax on the remaining two thirds of the untaxed profits. This will lead to an effective tax rate of 6.7 per cent.

Companies that do not elect voluntary settlement of the tax liability, will be subject to continued taxation as under the old tonnage tax regime. This implies 28% taxation of untaxed profits upon distributions to shareholders outside the tonnage tax regime or at exit from the tonnage tax regime. For the companies not electing the voluntary settlement the possibility to waive one third of the tax liability by investing in environmental measures will be abolished. The Government will propose a first in first out rule with respect to dividend distributions which implies that untaxed profits from the years prior to 2007 will be regarded as distributed, before profits earned in 2009 and later years should be regarded as distributed.

The Company views the voluntary settlement as the most favorable and will settle on this basis. This will be recorded as tax cost in 2010 if announced amendments to the tonnage tax regulations are approved.

Note 28 - Gain/(Loss) on Currency Exchange Forward Contracts

PARENT COMPANY			CONSOLIDATED	
2009	2008	*(Amounts in USD 1,000)*	2009	2008
30 801	-45 891	Unrealised gain/(loss)	31 168	-45 891
20 972	291	Realised gain/(loss)	21 637	-1 417
51 773	**-45 600**	**Total**	**52 805**	**-47 308**

Currency exchange contracts have been entered into in order to fix the NOK commitment in relation to the vessels under construction at Norwegian yards. As of 31 December 2009, the Company has sold forward approximately USD 270 million, equivalent to NOK 1.6 billion (USD 277 million), of the total future yard instalments of NOK 2.9 billion (USD 502 million).

Note 29 - Financial Instrument by Category

Below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments that are included in the financial statements.

CONSOLIDATED

(Amounts in USD 1,000)

2009	Loans and receivables	Assets at fair value through the profit and loss	Available for sale	Total
Assets as per statement of financial position				
Financial assets held for sale	-	-	800	800
Derivative financial instruments	-	401	-	401
Trade and other instruments	168 081	-	-	168 081
Cash and cash equivalents	91 088	-	-	91 088
Total	**259 169**	**401**	**800**	**260 370**

2009	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
Liabilities as per statement of financial position			
Borrowings	-	554 408	554 408
Derivative financial instruments	-	-	-
Total	**-**	**554 408**	**554 408**

CONSOLIDATED

(Amounts in USD 1,000)

2008	Loans and receivables	Assets at fair value through the profit and loss	Available for sale	Total
Assets as per statement of financial position				
Financial assets held for sale	-	-	800	800
Derivative financial instruments	-	-	-	-
Trade and other instruments	135 306	-	-	135 306
Cash and cash equivalents	73 371	-	-	73 371
Total	**208 677**	**-**	**800**	**209 477**

2008	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
Liabilities as per statement of financial position			
Borrowings	-	353 374	353 374
Derivative financial instruments	30 801	-	30 801
Total	**30 801**	**353 374**	**384 175**

PARENT COMPANY

(Amounts in USD 1,000)

2009	Loans and receivables	Assets at fair value through the profit and loss	Available for sale	Total
Assets as per statement of financial position				
Derivative financial instruments	-	-	-	-
Trade and other instruments	354 846	-	-	354 846
Cash and cash equivalents	7 045	-	-	7 045
Total	**361 891**	**-**	**-**	**361 891**

2009	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
Liabilities as per statement of financial position			
Borrowings	-	74 685	74 685
Derivative financial instruments	-	-	-
Total	**-**	**74 685**	**74 685**

PARENT COMPANY

(Amounts in USD 1,000) 2008	Loans and receivables	Assets at fair value through the profit and loss	Available for sale	Total
Assets as per statement of financial position				
Derivative financial instruments	-	-	-	-
Trade and other instruments	130 651	-	-	130 651
Cash and cash equivalents	36 330	-	-	36 330
Total	**166 981**	**-**	**-**	**166 981**

2008	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
Liabilities as per statement of financial position			
Borrowings	-	290 224	290 224
Derivative financial instruments	30 801	-	30 801
Total	**30 801**	**290 224**	**321 025**

Note 30 – Profit Before Taxes, Excluding Interests

Reconciliation of net profit for the financial year to profit/(loss) before taxes, excluding interest.

PARENT COMPANY			CONSOLIDATED	
2009	**2008**	*(Amounts in USD 1,000)*	**2009**	**2008**
215 599	-27 841	Net profit/(loss)	103 829	-25 766
6 783	11 025	Interest expenses	11 810	16 776
-6 601	-7 820	Interest income	-7 219	-10 575
2 029	3 748	Tax expense	-1 831	1 950
217 810	**-20 888**	**Profit before taxes, excluding interest**	**106 588**	**-17 614**

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS
Postboks 447
NO-4664 Kristiansand
Telefon 02316
Telefaks 23 16 10 00

Independent auditor's report

To the shareholders and Board of directors of Siem Offshore Inc.

We have audited the accompanying financial statements of Siem Offshore Inc. and its subsidiaries (the 'Group') which comprise the statement of financial position as of 31 December 2009 and income statement, comprehensive income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. We have also audited the accompanying parent company financial statements of Siem Offshore Inc. (the 'Parent company') which comprise the statement of financial position as of 31 December 2009 and income statement, comprehensive income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion:
- the accompanying group consolidated financial statements give a true and fair view of the financial position, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements give a true give a true and fair view of the financial position, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Kristiansand, 14 April 2010
PricewaterhouseCoopers AS

Svein A Andresen
State Authorised Public Accountant (Norway)

Responsibility Statement

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

14 April 2010

Kristian Siem
Chairman
(Sign.)

Michael Delouche
Director
(Sign.)

Richard England
Director
(Sign.)

Bjørn Johansen
Director
(Sign.)

David Mullen
Director
(Sign.)

Ulf Sørdal
Director
(Sign.)

Terje Sørensen
Chief Executive Officer
(Sign.)

Board of Directors

Pursuant to the Company's Articles of Association, the Board of Directors of Siem Offshore shall have from three to seven shareholder-elected members.

Kristian Siem (born 1949),
Chairman of the Board

Mr. Siem is the Chairman of Siem Offshore Inc. and is also chairman of Siem Industries Inc., Subsea 7 Inc., and Siem Industrikapital AB and a director of Star Reefers Inc. and North Atlantic Smaller Companies Investment Trust plc. Mr. Siem is a Norwegian citizen.

Michael Delouche (born 1957),
Board member

Mr. Delouche is the President and the Secretary of Siem Industries Inc. and is responsible for the financial and corporate management function. He is in charge of the Company's operations at the head office in George Town, Cayman Islands and is a director on the boards of Subsea 7 Inc. and STAR Reefers Inc. Mr. Delouche received degrees in civil engineering (structural) and business and was previously an audit manager with KPMG Peat Marwick LLP. Mr. Delouche is a US citizen.

Richard England (born 1931),
Board member

Mr. England was a professional officer in the Royal Navy, specialising in submarines including command. Subsequently he has had wide experience in the offshore industry, including Managing Director designate of Overseas Towage Salvage Co, CEO of both International Offshore Services Ltd and OSA Ltd; followed by, as Managing Director of Vickers Offshore Engineering Group, a member of Vickers Ltd Executive Committee. Mr. England is a UK citizen.

Bjørn Johansen (born 1932),
Board member

Mr. Johansen is an educated business economist and has been employed at Fred. Olsen & Co., Oslo, for about 50 years. He has had central positions in Fred. Olsen's tanker engagement and in the offshore sector from the start in 1971 up to his retirement. Mr. Johansen has served as chairman and board member of several Olsen companies and also as a board member of ASO/Norwegian Ship-owners association for about 12 years. From 1998 to 2003 he was appointed expert judge by Stavanger City Court in the "Balder case" between Norsk Esso and Smedvig. Mr. Johansen is a Norwegian citizen.

David Mullen (born 1958),
Board member

Mr. Mullen currently serves as the Chief Executive Officer for Ocean rig ASA. Prior to working at Ocean Rig, he was the Senior Vice President of Transocean Inc. where he was responsible for the worldwide marketing, corporate strategy and mergers and acquisitions activities.

Between 2001 and 2004, Mr. Mullen was the president of Schlumberger Oilfield Services, North and South America. Prior to this, Mr. Mullen served as vice president of Human Resources for Transocean Sedco Forex, Inc. He has also been the director of personnel for Geco-Prakla, managing director of Schlumberger (Nigeria) Ltd., and the district manager for Eastern Venezuela, Wireline & Testing. Mr. Mullen began his career with Schlumberger in 1983.

Mr. Mullen holds a degree in geology from Trinity College, Dublin, and a master degree in geophysics from the University College Galway, Ireland. Mr. Mullen is an Irish citizen.

Ulf Sørdal (born 1960),
Board member

Mr Sørdal is a business lawyer with main focus area on corporate tax issues. He works both with national and international tax matters, corporate law, company transactions, transfer pricing, restructurings and general contract law. He has specialized industry knowledge, particular about the fishing, fish farming and shipping/offshore industries. He has extensive experience in creation, classification and use, including tax treatment, of intangible property rights.

He is educated both from the Norwegian School of Economics and Administration, and Candidate of Jurisprudence from the University of Bergen. He has been Head of Department at the local tax administration in Bergen and served as lawyer over the past 10 years. He is currently a partner in the Norwegian based law firm Steenstrup Stordrange. Mr. Sørdal is a Norwegian citizen.

The remuneration of the Board for 2009 is proposed as USD 30,000 per year per Director. Remuneration for the services of the Chairman and Mr. Delouche is included to the fixed fee of USD 100,000 p.a. to Siem Industries. This fee also covers office and administrative costs. The remuneration is subject to approval by the shareholders at the annual general meeting of the Company to be held on May 10, 2010.

Corporate Governance

Corporate Governance Policy of Siem Offshore

The principles for corporate governance adopted by the Company is based on the "Norwegian Recommendation for Corporate Governance" issued on the 21th October 2009, which is a revised version of the recommendation issued on the 4th December 2007, and good common sense.

As a company incorporated in the Cayman Islands, Siem Offshore Inc. is subject to Cayman Island Laws and regulations with respect to corporate governance. Cayman Islands corporate law is to a great extent based on English Law. In addition, due to the Company's listing on the Oslo Stock Exchange, certain aspects of Norwegian Securities law apply to the Company and there is a requirement to adhere to the Norwegian Code of Practice for Corporate Governance. The Company endeavours to maintain high standards of corporate governance and is committed to ensure that all shareholders of the Company are treated equally and the same information is communicated to all shareholders at the same time.

It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance, but would like to comment on the following:

Business

Cayman Islands laws and regulation do not require the objects clause of the Companies Memorandum and Articles of Association to be clearly defined. The Company has however adopted clear objectives and strategies for its business.

Siem Offshore aims to grow the company within offshore support vessels, both organically and through combination with other operators, in order to achieve economies of scale and stronger presence in the market.

Siem Offshore aims to become a preferred supplier of marine services to the oil & gas industries based on quality and reliability and provide cost efficient solutions for its customers by understanding their operation and applying technology and experience.

The Company builds its business around a motivated workforce with the appropriate technical solutions and creating sustainable value to all shareholders.

Equity and Dividends

The priorities of the use of Company funds are firstly the investment opportunities in the business, secondly the repayment of debt and thirdly the return of capital to the shareholders in form of dividends or share buy-back.

The Board's mandate to increase the Company's share capital is limited only to the extent of the authorised share capital of the Company but with pre-emption rights for shareholders and in accordance with the Company's Memorandum and Articles of Association which comply with Cayman Island law.

Under the Articles of Association, the Board can issue new shares, convertible bonds or warrants at any time within the limits of the authorised capital without the consent of the general meeting but with pre-emption rights for shareholders. A General Meeting has further authorised the Board to issue new shares without pre-emption rights to all shareholders up to a limit of 50% of Siem Offshore' shares at the time the authorisation was given. The Board holds authorisation from General Meeting 8 May 2009 to issue 140,225,781 new shares. The authority gives the Board flexibility to finance investments, acquisitions and other business combinations on short notice through the issue of shares or certain other equity instruments in the Company. Furthermore the Board considers the granting of a new standing authority at the time of holding an Annual General Meeting rather than convening an Extraordinary General Meeting at some future time to be in the best interests of the Company, as this will result in cost savings and more effective time management for both the Company's senior management and its Shareholders.

Equal Treatment of Shareholders, Freely Tradable Shares and Transactions with Related Parties

The Company is committed to ensuring that all shareholders of the Company are treated equally and all the issued shares in Siem Offshore are freely tradable and carry the same rights with no restrictions on voting.

Siem Industries which owns 33,68% of Siem Offshore is represented by its Chairman, Kristian Siem, and President, Michael Delouche, on the Board of Siem Offshore. The Company pays an annual fee to Siem Industries as compensation for directorships, provision of an office and presence in the Cayman Islands, and other services. The fee is adopted by the annual general meeting based on a recommendation from the independent Board Members. Related part transactions are disclosed in the notes to the accounts.

General Meetings

The annual general meeting of the Company is held at the registered office of the Company in Cayman Islands on May 10, 2010 12:00 noon local time and Shareholders can be represented by proxy.

Board of Directors

The appointment of a nomination committee is not a requirement under Cayman Islands Law. In the appointment of board of directors, the Board consults with the Company's major shareholders and ensures that the board is constituted by directors with the necessary expertise and capacity. In addition, there is no requirement under Cayman Islands Law for the Company to establish a corporate assembly.

The Board of Directors as a group have extensive experience in areas which are important to Siem Offshore, including offshore services, international shipping, ship broking, financing and corporate governance and restructuring.

Work of the Board of Directors

The Board monitors the performance of management through regular meetings and reporting. The Company has a Compensation Committee and an Audit Committee.

Remuneration of Board of Directors

The remuneration of the Board members reflect their experience and is adopted by the annual general meeting based on the recommendation from the Board. The Board members do not have options or profit based remuneration.

Remuneration of Leading Employees

The Company has a Compensation Committee which reviews and approves the compensation of the CEO and the bonuses to all leading employees. The Articles of Association of the Company permit the board to approve the granting of share options to employees. Currently there are no option programs in force. The remuneration of the CEO is disclosed in the notes to the accounts.

Information and Communication

The Company has a policy of treating all its owners equally, and keeping them properly updated of significant developments which impact on the Company. It does this through notices to the Oslo Stock Exchange, and placements of notices and other information on the Company's website (www.siemoffshore.com).

Take-over Situations

The shares in the Company are freely tradable and the Articles of Association of the Company does not hold specific defence mechanisms against take-over situations.

Auditor

The Auditor of the Company is elected at the annual general meeting which also approves its remuneration. The auditor reports on internal controls, risk areas and improvement potential in control systems once a year to the Audit Committee and Chairman. The audit process is planned in detail and the findings of the auditors are discussed with management and potential bigger issues are brought to the attention of the Audit Committee.

Financial Calendar

Financial Calendar

	2010
Q4 2009	*Thursday 25 February*
Q1 2010	*Tuesday 11 May*
Q2 2010	*Thursday 19 August*
Q3 2010	*Thursday 28 October*

Fleet List March 2010

Platform Support Vessels (PSV)





	Siem Carrier	Siem Hanne	Siem Sasha	Siddis Skipper	Siem Danis
Built:	1996	2007	2005	2003	2006
Design:	VS 483	VS 470 MK II	VS 470 MK II	VS 470 MK II	VS 470 MK II
Dp Class:	2	2	1	2	2
LOA:	82,85 m	73,40 m	73,40 m	73,40 m	73,40 m
Breadth:	19,00 m	16,60 m	16,60 m	16,60 m	16,60 m
Draught:	6,30 m	6,42 m	6,42 m	6,42 m	6,42 m
Dwt:	4679 T	3570 T	3570 T	3500 T	3570 T
Accommodation:	23	34	34	36	34
Cargo Deck Area:	840 m^2	680 m2 usable	680 m2 usable	680 m2 usable	680 m2 usable

Anchor Handling Tug Supply Vessels (AHTS)





	Siem Pearl	Siem Emerald	Siem Sapphire	Siem TBN 332	Siem TBN 333
Built:	2009	2009	2010	2010	2010
Design:	VS 491 CD	VS 470 MK II	VS 491 CD	VS 491 CD	VS 491 CD
Dp Class:	2	2	2	2	2
LOA:	91,00 m	91,00 m	91,00 m	91,00 m	91,00 m
Breadth:	22,00 m	22,00 m	22,00 m	22,00 m	22,00 m
Draught:	7,90 m	7,90 m	7,90 m	7,90 m	7,90 m
Dwt:	3800 T	3800 T	3800 T	3800 T	3800 T
Accommodation:	60	60	60	60	60
Cargo Deck Area:	800 m2	800 m2	800 m2	800 m2	800 m2
BHP:	28000	28000	28000	28000	28000
Bollard Pull:	275 T	275 T	275 T	275 T	275 T

Multi Role Support Vessels (MRSV)





	Ocean Commander	Siem Swordfish	Seven Sisters	Siem Marlin	Siem Dorado
Built:	1999	2007	2008	2009	2009
Design:	UT 745	MT 6016 L	MT 6016 L	MT 6017 MK II	MT 6017 MK II
Dp Class:	2	2	2	2	2
LOA:	84,00 m	103,70 m	103,70 m	93,60 m	93,60 m
Breadth:	18,80 m	19,70 m	19,70 m	19,70 m	19,70 m
Draught:	6,30 m	6,20 m	6,20 m	6,30 m	6,30 m
Dwt:	4268 T	4500 T	4500 T	4500 T	4500 T
Accommodation:	50	100	100	68	68
Cargo Deck Area:	840 m2	1150 m2	1150 m2	1046 m2	1046 m2
Crane:	50 ts Offshore/Subsea crane	1x150 ts Offshore/Subsea crane	1x150 ts Offshore/Subsea crane	100 ts Offshore/Subsea crane	100 ts Offshore/Subsea crane

     

Siem Louisa	Hugin Explorer	Siem Mollie	Siem Sailor	Sophie Siem	Siem Supplier
2006	2006	2007	2007	2006	1999
VS 470 MK II	MT 6000 MK II	VS 470 MK II	VS 485 CD	VS 470 MK II	MT 6000
2	2	2	2	2	2
73,40 m	86,20 m	73,40 m	85,00 m	73,40 m	83,70 m
16,60 m	19,70 m	16,60 m	20,00 m	16,60 m	17,70 m
6,42 m	6,18 m	6,42 m	7,00 m	6,42 m	6,10 m
3570 T	3236 T	3570 T	5000 T	3570 T	4250 T
34	56	34	50	34	20
680 m2 usable	935 m2	680 m2 usable	1005 m2	680 m2 usable	912 m2

  

Siem TBN 334	Siem TBN 335	Siem TBN 336
2010	2010	2010
VS 491 CD	VS 491 CD	VS 491 CD
2	2	2
91,00 m	91,00 m	91,00 m
22,00 m	22,00 m	22,00 m
7,90 m	7,90 m	7,90 m
3800 T	3800 T	3800 T
60	60	60
800 m2	800 m2	800 m2
28000	28000	28000
275 T	275 T	275 T

Platform Supply Vessels – Newbuilding

	Hull no. 075 – Siem Pilot
Built:	2010
Design:	VS 485
Dp Class:	2
LOA:	88.3 m
Breadth:	20 m
Draught:	approx 7.0 m
Dwt:	4500 T
Accommodation:	64
Cargo Deck Area:	970 m2

Other

  

BRAZIL – Fleet of 17 vessels (including 8 newbuildings)	**JOIDES RESOLUTION**	**BIG ORANGE XVIII**
EERV / PSV / CREW	Scientific Core Drilling Vessel (SCDV)	Well Stimulation Vessel (WSV)
	50% owned	41.3% owned

SIEM
OFFSHORE

Design: http://www.innoventi.no 04/2010 / Foto: Fuglefjellet

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