SIEM INDUSTRIES

SIEM INDUSTRIES INC.

2013

ANNUAL REPORT

The Company

Siem Industries Inc. is a diversified industrial holding company that operates through autonomous affiliates. We currently hold interests in several industrial areas including the oil and gas services industry and renewable energy sector, ocean transportation of refrigerated cargoes and automobiles, potash-mining and finance, which includes loans and guarantees, specialist credit advisory services and investments.

Group Values

SAFETY:	The Group promotes safety-consciousness to prevent harm to our employees and others who work with them and to protect the operating assets.
RESPONSIBLE:	The Group practices responsible behavior with respect to society and to the environment.
PREDICTABLE:	The Group will provide a predictable delivery of products and services as a business partner with its employees, customers, suppliers, shareholders and lenders.
QUALITY:	The Group will deliver quality products to its customers which meet both the customers' and our standards and expectations.
PROFITABLE:	The Group shall be profitable in order to sustain a long-term presence and give a competitive return on the capital employed.

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To Our Shareholders:

Good progress was made in all areas of the Group during 2013. The Company's consolidated net income attributable to shareholders for 2013 was $159,337,000, or $10.47 per share, total assets at the end of the year were $2.82 billion and shareholders' equity increased to $2.18 billion. Today, the fleet of vessels operated by Group companies, including newbuildings, has increased to more than 140 vessels, of which over 100 are involved in the oil service sector with the remainder engaged in the ocean-going transportation of fruit and automobiles. The number of employees in the Group is approximately 16,000. Throughout the Group, focus on safety has the highest priority but I regret to have to report that there were two fatalities during the year. One was onboard a Subsea 7 vessel offshore Brazil and the other onboard a Star Reefers vessel in St Petersburg. These two fatal accidents have been thoroughly investigated and every attempt is being made to prevent accidents and to avoid hurting anyone.

As the major shareholder in autonomously-operated companies and organisations, we try to exercise the role as principal to the best of our ability and perform the owner's duty and responsibility in a constructive manner. The strategy for each company is based on a long-term industrial approach. In 2005, Siem Offshore Inc. was spun-off by Subsea 7 to its shareholders as an independent public company in order to allow Subsea 7's to focus on its core subsea construction activity without the distraction of operating a fleet of ordinary supply vessels. Siem Offshore has since developed from a small operation of supply vessels in 2005 to owning and operating a large fleet of offshore support vessels, one of the youngest in the world. Including vessels under construction, the Siem Offshore fleet currently consists of 56 vessels. In a similar initiative, Veripos Inc. was spun-off by Subsea 7 to its shareholders in 2012 and became an independent public company. As a result, the focus on the Veripos operation was enhanced which led to improved performance and Subsea 7 management was freed from the distraction of governing a non-core activity. At the end of 2013, the shareholders of Veripos received a bid for the Veripos shares at NOK27. Siem Industries, together with a Japanese partner, provided competition to this bid by countering with progressively higher bids. The bidding process eventually led to the outside bidder offering NOK37 per share. Siem Industries and most other shareholders accepted this latest bid and received payments in February 2014.

Subsea 7 S.A. had a reasonably good year despite the challenges represented by the delays in the execution of the Guará-Lula project in Brazil where a total of $450 million of losses have been booked and paid. The main factors behind the operating problems of this project were the delays in deliveries from two subcontractors and the underestimation of the weather conditions in the Santos Basin during the winter months. If the subcontractors had delivered on time, the offshore installations would have been made during the Brazilian summer under better weather conditions. The magnitude of resources provided by Subsea 7 on this project demonstrates Subsea 7's abilities and represents higher predictability for clients. Substantial progress has been made on this project since the end of the previous Brazilian winter. Subsea 7 reported net income of $347.6 million and EBITDA of $980.7 million and an increase in the backlog to $11.8 billion. Capital expenditures during the year were $739.3 million. Subsea 7 is one of the world's leading global contractors in seabed-to-surface engineering, construction and services to the offshore industry with approximately 14,000 employees, using state-of-the-art technology, with a diversified high specification fleet of more than 40 vessels, with 175 remotely operated vehicles and extensive fabrication facilities.

Siem Offshore Inc. continues to take delivery of new vessels and increase its earnings capabilities. Operation has been safe and good. A cost reduction in the operating expenses of the international fleet was successfully implemented.

Siem Offshore reported net income of $22 million and EBITDA of $122.7 million for 2013 and a backlog of $1.1 billion for its fleet and $173 million for its offshore cable installation business at the end of the year. The capital expenditures for 2013 were $329.4 million.

Siem Shipping Inc. (formerly Star Reefers Inc.) reported a net profit of $2.7 million and EBITDA of $16.7 million. Siem Shipping is a leading owner and operator in the specialised industry transporting food and other perishable products. During the year, the Company made available a loan of $35 million to Siem Shipping for the purpose of lengthening four of its owned vessels at a cost of $10 million each. The work has been carried out at a Chinese shipyard during latter 2013 and early in 2014. All four vessels have now been redelivered from the yard and commenced seven-year time charters. The Company's strategy is to develop long-term relationships with customers and provide superior service with a modern and economical fleet. The contract coverage for 2014 at the beginning of the year was 80% of budgeted revenue. The contract backlog at the end of the year was $443 million.

Siem Car Carriers continued to make progress from 2012 but much work still remains to be done before we will see satisfactory returns on the capital invested. We remain committed to building this operation into a profitable, high-quality service.

Deusa International GmbH continued to operate profitably. Some progress was made on the strategy to increase the annual production by 50% to 120,000 tonnes.

GTL Resources Limited was acquired in January 2012. The company produces corn-based ethanol at a plant in Illinois, USA. Trading conditions are exceptionally good at present and the business has repaid all its debt. We own GTL together with a UK investment trust who has recommended that the company be put up for sale. This activity is not core to our Group. The sale is in process and expected to be concluded at a substantial profit before the middle of 2014.

Finance Area is a new activity in the Group which includes finance advisory services through Venn Partners (49%-ownership by the Company), lending and guarantees. We see opportunities to fill the gap left open by banks pulling back on lending in general to impact their balance sheet and eliminating the finance of projects with certain risk profiles altogether. The Company has an exposure of close to half a billion dollars in this area.

Uncertainty relating to world politics makes forecasting and planning more challenging. Energy pricing and exchange rates have a strong impact on our results and are largely outside of our control. Nevertheless, I am quite confident in the future of your Company. This confidence is based on the quality of the people in our organization and our ability to deliver quality and predictability throughout the Group. This enables us to deliver value for our shareholders, clients, suppliers and other business partners. I thank all my colleagues and employees for their contribution to the progress made during the past year.

Kristian Siem, Chairman
15 April 2014

DESCRIPTION OF BUSINESS

INTRODUCTION TO BUSINESS

Siem Industries Inc. operates as a diversified industrial holding company with its major holdings in the oil and gas service industry through its holdings in Subsea 7 S.A. and Siem Offshore Inc., in the shipping industry through its holdings in Siem Shipping Inc., Veripos Inc., Siem Car Carriers AS and related companies, SCC Shipowning I AS and SCC Shipowning II DA, and in other areas through its holdings in Siem Investments Inc., Deusa International GmbH, Sinav Limited and GTL Resources Limited, Deep Seas Insurance Ltd., Siem Capital AB, Venn Partners LLP, Venn Capital S.a r.l. and VSK Holdings Limited. "Siem Industries", the "Company", or the "Group", as used herein, refers to Siem Industries Inc. and its subsidiaries and associates unless the context indicates otherwise.

Press releases and quarterly financial reports issued by the Company may be obtained from the Company's website at **www.siemindustries.com** .

The currency symbols "$" (or "USD"), "NOK", "GBP" and "SEK" refer to United States dollars, Norwegian kroner, British pounds and Swedish krona representing the lawful currencies of the United States, Norway, Great Britain and Sweden, respectively, and "EUR" (or "Euros") refers to the official currency of the European Union.

DESCRIPTION OF MAJOR INDUSTRIAL HOLDINGS

SUBSEA 7 S.A.

At 31 December 2013, the Company beneficially owned 69,731,931 shares of Subsea 7 S.A. ("Subsea 7"; OSE Symbol: SUBC), or approximately 20.7% of its issued and outstanding shares. The Company accounts for the investment under the equity method of accounting.

Fiscal 2013 Discussion and Subsequent Events — Subsea 7 experienced strong performance throughout most of its operations and increased its backlog to $11.8 billion. The revenues were approximately the same as those earned in 2012 but the results were impacted by delays in a major project undertaken in Brazil, much of the delays caused by its supply chain which pushed the installation phase into the period of the year with difficult weather conditions. The company's work force has grown to more than 14,000 people, including 2,000 professionals in the global engineering team, in over 70 countries. The operations are conducted using a diversified high-specification fleet of more than 40 vessels and a fleet of more than 175 remotely operated vehicles with access to extensive fabrication and onshore facilities and utilizing state-of-the-art technology. The company continues to enhance the capabilities of its fleetwith deliveries of newbuilds in 2013 and additional newbuilds under construction at shipyards in Europe and Korea for delivery during 2014-2016.

During the fourth quarter of 2013, Subsea 7 continued its $200 million share buyback program.

The following financial highlights show results and amounts for Subsea 7 S.A. for the years ended 31 December 2013 and 2012:

Subsea 7 Financial Highlights (in thousands):		*As of and for the Fiscal Periods Ended 31 December* 2013	2012
Financial Performance:	Revenues	$ 6,297,100	$ 6,296,600
	EBITDA	$ 980,700	$ 1,138,900
	Tax expense	$ 160,900	$ 221,600
	Net income attributable to shareholders	$ 347,600	$ 830,400
Financial Position:	Assets	$ 10,357,300	$ 10,495,100
	Liabilities	$ 3,745,100	$ 4,126,800
Other notable:	Capital expenditures	$ 739,300	$ 708,700
	Backlog	$ 11,770,000	$ 9,086,000

For more information regarding Subsea 7, please visit its website at **www.subsea7.com**.

In March 2014, Subsea 7 announced that its board of directors will recommend that shareholders approve the payment of a special dividend of NOK3.60 per share at the company's annual meeting in June 2014.

At 4 April 2014, the Company beneficially owned 69,731,931 shares of Subsea7 S.A. with a market value of approximately $1.28 billion based on a closing market price of NOK110.40 and an exchange rate of NOK6.0002/$1.00.

SIEM OFFSHORE INC.

At 31 December 2013, the Company owned 133,279,421 shares of Siem Offshore Inc. (OSE Symbol: SIOFF), or approximately 34.4% of its issued and outstanding shares. The Company accounts for the investment under the equity method of accounting.

Fiscal 2013 Discussion and Subsequent Events — At the end of 2013, Siem Offshore had 42 vessels in operation and 13 newbuilds under construction. The fleet in operation consisted of 11 mid-size and large-size platform supply vessels ("PSVs"), 4 offshore subsea construction support vessels ("OSCVs"; category includes multipurpose field and ROV support vessels, "MRSVs"), 8 large-capacity anchor-handling, tug and supply ("AHTS") vessels, 9 crew/supply vessels located in Brazil, 6 offshore support vessels in Canada, 1 scientific core-drilling vessel and 1 well stimulation vessel. In addition to the AHTS vessels owned by the Company, the Company managed 2 AHTS vessels, sister vessels to the AHTS vessels owned by the Company, in a pool arrangement for its pool partner. The vessels under construction in Norwegian and Polish yards included 2 OSCVs of STX 03 design for delivery in 2014, 6 dual-fuel PSVs of VS4411DF design for deliveries 2014 through 2016, 1 installation support vessel ("ISV") of Ulstein SX 163 X-Bow design for delivery in 2014 and 1 cable lay vessel ("CLV") of Vard CLV 01 design for delivery in 2015. The vessels under construction in Brazilian yards included 2 oil spill recovery vessels ("OSRV") of Ulstein P801 design scheduled for delivery in 2014 and 1 large PSVs of STX 09 CD design scheduled for delivery in 2014. The company has secured long-term employment for 1 of its OSCVs and 2 of its dual-fuel PSVs. The 2 OSRVs will commence 8-year contracts with Petrobras upon delivery. Siem Offshore Contractors will utilize the ISV and CLV in its operations upon delivery. The Company is in discussions for long-term contracts for the OSCV, the large PSV and the 4 duel-fuel PSVs.

Siem Offshore's wholly-owned subsidiary, Overseas Drilling Limited, is the owner of the scientific ocean drilling vessel, the *JOIDES Resolution* (Joint Oceanographic Institutions for Deep Earth Sampling), which is chartered to the Texas A&M Research Foundation ("TAMRF") to conduct expeditions for researchers in the scientific community. The expeditions employ riserless drilling technologies to acquire sediment and rock samples and to install monitoring instrumentation beneath the ocean floor. The firm part of the contract was completed in September 2013 which is followed by a series of options for up to 10 additional years. The option for the first year was exercised.

Siem Offshore acquired a 50%-ownership in Secunda Holdings LP ("Secunda") in the third quarter of 2013. Secunda owns and manages a fleet of six harsh-weather OSVs and is a leader in support services for platform supply, anchor-handling, rescue-standby and towage in its primary area of operation off the coast of Eastern Canada.

The total backlog of firm contracts for the fleet, including for vessels under construction, was $1.15 billion at 31 December 2013.

Siem Offshore's wholly-owned subsidiary, Siem Offshore Contractors GmbH ("SOC"), performs operations in the installation of inter-array and export cables in the offshore renewable energy market and related repair and maintenance business. Since March 2012, SOC has been awarded 3 contracts for the installation of submarine cables for the European windfarm market which commenced execution during 2013 and the orderbook has increased to $180 million. The projects will combine the project engineering and management experience of SOC with the marine operating capabilities of Siem Offshore. The operations of the ISV and CLV newbuilds will be dedicated to SOC's projects.

The company's 60%-owned subsidiary, Siem WIS, has designed patented well-intervention technologies and solutions that are designed to improve managed pressure drilling during well-intervention and to maintain continous circulation of drilling fluids. Attention is currently focused on the pressure control device ("PCD") for use on fixed installations.The PCD has successfully performed tests to exacting standards and believes that its product meets the standards which will be required by all major customers in the most demanding and challenging environments. Siem WIS currently has several projects in the planning stages and two units are expected to commence operations in June 2014. Two newbuild PCD units are under construction and are expected to be delivered in June 2014, thus increasing the total number of available PCD units to 5. The focus is on safe and efficient operations which will increase the opportunities available to the company and enable it to penetrate the market and build market share with this technology.

The following financial highlights show results and amounts for Siem Offshore for fiscal years 2013 and 2012 (some amounts in 2012 have been restated):

Siem Offshore Financial Highlights (in thousands)		*As of and for the Year Ended 31 December* 2013	2012
			Restated
Financial Performance:	Operating revenue	$ 363,955	$ 368,213
	Operating margin	$ 122,663	$ 110,597
	Currency exchange gains (losses)	$ (30,407)	$ 15,395
	Tax benefit (expense)	$ 3,585	$ (4,949)
	Net income attributable to shareholders	$ 22,000	$ 16,576
Financial Position:	Assets	$ 1,902,702	$ 1,738,457
	Liabilities	$ 1,108,815	$ 951,947
Other notable:	Capital expenditures	$ 329,413	$ 53,367

For more information regarding Siem Offshore, please visit its website at **www.siemoffshore.com**.

In February 2014, Siem Offshore announced that it had entered into a contract with Helix Energy Solutions Group, Inc. ("Helix") to charter two large well-intervention vessels for a firm period of 7 years with options to extend the charter period for up to 22 years. Helix will use these vessels to provide well-intervention services to Petrobras in the areas offshore Brazil. The vessels are of SALT 307 WIV design and will be built at Flensburger Shipyard in Germany with deliveries scheduled in 2016.

In March 2014, Siem Offshore successfully placed a NOK700 million bond issue with a coupon of 3-month NIBOR plus 4.40% and a 5-year term. The Company subscribed to NOK233 million of the issue.

In April 2014, Siem Offshore announced that its board of directors will recommend that shareholders approve the payment of a dividend of NOK0.10 per share at the company's annual meeting in May 2014.

At 4 April 2014, the Company owned 133,279,421 shares of Siem Offshore with a market value of approximately $200,135,000 based on a closing market price of NOK9.01 and an exchange rate of NOK6.0002/$1.00.

SIEM SHIPPING INC.

At 31 December 2013, the Company owned 7,339,498 shares of Siem Shipping Inc. (OSE Symbol: SSI), or approximately 76.1% of its issued and outstanding shares. Siem Shipping's financial statements are included in the consolidated financial statements of the Company. The shareholders of Siem Shipping approved the change of name of the public-holding company from STAR Reefers Inc. to Siem Shipping at its 2012 annual general meeting in May 2012. The purpose of the name change was to reflect a broader interest in the various shipping sectors rather than to confine the name description to one particular sector. The company continues to conduct business in its specialized shipping market under the STAR Reefers brand name.

Fiscal 2013 Discussion and Subsequent Events — Siem Shipping Inc. is one of the world's leading reefer vessel owners and operators. At the end of 2013, Siem Shipping controlled a modern fleet of 32 owned and chartered-in refrigerated container vessels ("reefers") with a total capacity of 18.2 million cubic feet ("cbft") and an average age of 14 years. The operations involve the ocean-borne transportation of refrigerated perishable commodities such as fruits and vegetables.

In 2011 and 2012, Siem Shipping responded to several challenges that confronted its market sector. These challenges included aggressive rate competition by the container lines, high fuel costs, political disturbances in North Africa and poor weather conditions in major producing countries. These challenges impacted the financial performances of the company and its peer and drove results down to historical lows. Siem Shipping aggressively responded to the uncertain outlook by re-assessing its fleet and sending into lay-up or scrapping all such vessels which could not be run economically under such market conditions and by entering into term contracts for much of its remaining available capacity. Since 2011, Siem Shipping has sold a total of 11 of its older and less-economical vessels for scrap and used the proceeds received from the sales to repay bank loans and to use for working capital purposes.

In 2012, Siem Shipping's in-house shipmanagement operations completed the takeover of shipmanagement from independent ship managers. As a whole, the operating performance of the fleet has improved since the takeover.

In June 2012, Siem Shipping was awarded a 12-month contract for the weekly transportation of bananas into St. Petersburg that was previously serviced by a major container line. This contract required the use of 7 vessels and it was necessary to perform ice-strengthen work on several of the hulls. In June 2013, the contract was extended for an additional 12-month period. Many in the sector believe that the award of this contract to Siem Shipping validated the argument that the specialized reefer mode can provide a superior, more flexible service at a competitive price.

In September 2012, the Company purchased 256,152 shares in Siem Shipping in market transactions at an average cost of NOK41 per share to increase its ownship in Siem Shipping to 7,345,501 shares, or 76.1%. In February 2013, the Company noticed some unusual trading activity in Siem Shipping shares that had driven the price up to more than NOK80 per share on small volumes. The Company made 10,000 shares available for sale of which 6,003 shares were sold in the market at an average price of NOK75.83.

In January 2013, Siem Shipping and the Company reached agreement whereby the Company will provide a credit facility for up to $35,000,000 to finance the projects to lengthen and retrofit side-loading systems to its 4 "C-Class" vessels and to perform other rejuvenation and renovation to the vessels as were determined to be necessary. The negotiations were performed at arms' length and with reference to quotes by other financial lenders.

In the latter half of 2013, each of the 4 C-Class vessels entered the shipyard in China at 4-6 week intervals. The lengthening project was performed by the insertion of a new prefabricated section in the center of the vessel to provide additional container holds and enable the fitting of side-loading systems. New cranes were installed and other refurbishment undertaken. The work at the shipyard took longer than expected with only two of the vessels re-delivered in 2013 and the remaining two vessels delivered in 2014. Each of the vessels went on a 7-year contract following delivery from the shipyard.

The following financial information shows Siem Shipping's results and amounts for 2013 and 2012.

		As of and for the Year Ended 31 December	
Siem Shipping Financial Highlights (in thousands)		*2013*	*2012*
Financial Performance:	Net operating revenues	$ 149,706	$ 144,587
	EBITDA	$ 16,747	$ 13,270
	Impairment	$ (300)	$ (4,172)
	Net income (loss)	$ 2,722	$ (3,889)
Financial Position:	Assets	$ 250,599	$ 222,811
	Liabilities	$ 94,148	$ 69,082

For more information regarding Siem Shipping, please visit its website at **www.star-reefers.com**.

In March 2014, Siem Shipping and the Company reached agreement whereby the Company will provide a credit facility for up to $9,000,000. Terms of the facility were considered at arms-length and provide for interest at 8.50% p.a., maturity in April 2015 and related arrangement and commitment fees.

At 4 April 2014, the Company owned 7,339,498 shares of Siem Shipping with a market value of approximately $92,964,000 based on its most recent closing market price of NOK76.00 and an exchange rate of NOK6.0002/$1.00.

VERIPOS INC.

At 31 December 2013, the Company owned 6,973,192 shares of Veripos Inc. (OSE Symbol: VPOS), or approximately 21.0% of its issued and outstanding shares The Company accounts for the investment under the equity method of accounting.

Veripos originated following its spin-off by Subsea 7 to Subsea 7's shareholders in July 2012 and commenced trading on the Olso Stock Exchange on 26 July 2012. The company's business is to provide precise-positioning and navigation solutions to the offshore industry, including offshore oil and gas, shipping and other marine industries.

In October 2013, Hexagon AB made a tender offer to acquire shares in Veripos at NOK28 per share. The Company assessed the offer and made a counter-offer to shareholders to acquire the shares at NOK30 per shares. Hexagon raised its bid and the Company countered at NOK35 per share. Hexagon raised its bid to NOK37 per share. In January 2014, the Company accepted the offer to tender its shares at NOK37 per share and received the sales proceeds in mid-February 2014.

The following financial information shows Veripos' unaudited results and amounts for 2013 and 2012.

		As of and for the Year Ended 31 December	
Veripos Financial Highlights (in thousands)		*2013*	*2012*
Financial Performance:	Revenues	$ 45,609	$ 42,254
	EBITDA	$ 15,630	$ 14,353
	Net income (loss)	$ 8,676	$ 8,972
Financial Position:	Assets	$ 46,900	$ 38,975
	Liabilities	$ 7,057	$ 6,104

For more information regarding Veripos, please visit its website at **www.veripos.com**.

SINAV LIMITED AND GTL RESOURCES LIMITED

In October 2011, Sinav Limited ("Sinav") was incorporated for the purpose to acquire all of the issued and outstanding common stock of GTL Resources PLC, a publicly-traded company listed on the AIM stock exchange. The shareholders approved the offer by Sinav and the purchase was completed in January 2012 at which time GTL Resources PLC became a private company and changed its name to GTL Resources Limited ("GTL"; Sinav and GTL are collectively referred to as GTL). GTL's main asset was an 88% holding in Illinois River Energy Holdings, LLC ("IRE"), an ethanol processing plant located in the U.S. Following the acquisition of GTL, GTL commenced the process to buyout the minority interest in IRE (hereinafter, references to GTL are inclusive of IRE). The Company's beneficial interest is GTL is 38.15%.

GTL's operations consist of two plants, each with a nameplate production capacity of 50 million gallons of ethanol per year ("mgpy"). GTL has undertaken modifications and improved the efficiency which increased the capacity to an annualized rate of more than 125mgpy during several months. Further processing of the by-products generated from the ethanol production process produces distillers grains and inedible corn oil. GTL actively researches methods to further process the by-products into higher-value products.

Commencing in August 2013, the Company made a series of loans to GTL which enabled GTL to repay the senior bank loan and prepay the expensive subordinated debt. In October 2013, GTL closed on a new bank loan with much better terms and flexibility and repaid all loans advanced by the Company. In March 2014, GTL became debt-free.

GTL's fiscal year-end is 31 March. During GTL's fiscal year ended 31 March 2013, the company's results were significantly impacted by the drought during 2012, which drove up the costs of corn which is the feedstock for GTL's processing plant, and GTL recorded a net loss of $(2,473,000) and an EBITDA of $10,572,000. During its fiscal year ended 31 March 2014, the growing conditions improved as the drought's hold lessened in GTL's geographic area and GTL expects to record net income of approximately $42 million and an EBITDA of approximately $67 million.

In January 2014, the Company and other shareholders retained an investment bank to market the sale of GTL. The Company expects the sale to be concluded in the second quarter of 2014.

SIEM CAR CARRIERS OPERATIONS

In November 2011, Siem Car Carriers Inc. sold its two 2000-built sister ships, the *Verona* and *Dresden*, which are engaged in the ocean-transportation of vehicles, each with a carrying capacity of 4,100 CEU (car equivalent unit) standard cars, to Norwegian subsidiaries of Siem Kapital AS. Siem Car Carriers and Siem Kapital are both wholly-owned subsidiaries of the Company. Following the acquisition of the two vessels, the vessels entered into the Norwegian Tonnage Tax Regime. The two vessels operate under time charters.

In July 2009, the Company invested in a 50%-interest in Partner Shipping, which has since been renamed Siem Car Carriers AS ("SCC"). The operations involve car and RO-RO (roll-on/roll-off) transportation solutions and capabilities on a worldwide basis through partnerships with car manufacturers, shipping lines and logistics companies. This extensive network is necessary for the operations in order to source cars and other cargo in an effort to keep the vessels filled from one voyage leg to the next. After it became apparent that the operational performance was not satisfactory and that its management was not predictable, the Company reached agreement to buyout the remaining 50% interest in SCC and installed its own management to address the serious deficiencies in operational, financial and control processes. The new management implemented the necessary operational and financial processes and controls, built a new IT system, terminated loss-making partnerships, rationalized scheduled voyages by eliminating uneconomical routes and unnecessary and expensive port calls, improved existing relationships and added new relationships with customers, strengthened the sales organization through better agency relationships, cut bunker costs, improved the management of chartered-in and owned vessels and won new business with original equipment manufacturers ("OEMs"). Due to the actions taken by SCC's new management and additional funding provided by the Company, the operations have been stabilized. Although SCC's results are not yet satisfactory, the Company believes that SCC's strategy will yield further improvements and profitable results.

As a consequence of its activitities in the car carriers market, the Company has seen the effects of the scrapping of older, less economical car carrier vessel tonnage and believes that the sector is ready for larger, more fuel-efficient tonnage. In November 2012, the Company reached agreement to enter into shipbuilding contracts for the construction of 6,700 CEU Pure Car/Truck Carrier ("PCTC") vessels for a price of $57,500,000 each. The PCTC vessels will be built by a Korean shipbuilder in its yard in China The PCTC vessels have an efficient hull form, which has been confirmed by tank testing in Korea, and class-leading flexible cargo characteristics. In addition to the two contracts, the Company received options for additional newbuilds on a 2x2x2 option arrangement. At the time of closing in November 2012, 20% of the purchase price, or $11,500,000, was paid to the shipbuilder for each vessel and the Company received refund guarantees for the downpayments from major Korean banks. During 2013, the Company exercised options to enter into contracts for 4 additional newbuilds on the same terms as the first 2 contracts. The shipyard has agreed that downpayments will not be made until refund guarantees have been provided to the Company. Deliveries of the first newbuild PCTCs are not expected before 2015.

INVESTMENTS AND OTHER ACTIVITIES

SIEM INVESTMENTS INC. — During 2013, in addition to GTL, Siem Investments' other major investment was a 49%-interest in Deusa International GmbH ("Deusa") and notes receivables reflecting advances made to Deusa. Deusa owns significant deposits of potash at its location in Germany. The operations consist of mining the potash and refining the raw materials into commercial products.

During 2013, Deusa recorded operating revenues of EUR25.3 million and net results of EUR0.7 million (2012: EUR26.6 million and EUR2.5 million, respectively). The EBITDA for 2013 was EUR7.5 million (2012: EUR9.3 million). Deusa has used its strong cash flow to make needed capital expenditures and to make repayments of almost EUR2.7 million and EUR4.5 million in 2013 and 2012, respectively, on loans advanced to it by Siem Investments. Deusa continued to experience some production problems during 2013 with certain of its caverns which restricted potash production to 67,400 metric tonnes from 63,200mt in 2012. New wells will be drilled, new caverns developed and other solutions implemented to increase the capacity of the operations to 120,000mt over the next several years.

VENN PARTNERS LLP — The Company owns a 49%-interest in Venn Partners which itself owns an 80%-interest in Venn Finance LLP, both UK companies (for ease of reference, collectively "Venn"). Venn provides specialist credit and advisory services and focuses on private asset-based financing in European markets. Its activities extend to commercial real estate and residential mortgage finance, asset-backed securities and other specialist asset finance markets. Venn fills a need for financing left open when commercial banks and other financial institutions stepped back because of uncertainties arising from complex and onerous new rules imposed by regulatory bodies.

Following the success achieved by Venn in producing financing solutions, Venn has established relationships with a pension fund and an asset manager that will significantly increase the ability to provide mezzanine financing solutions to prospective borrowers.

VENN CAPITAL S.a r.l. — Venn Capital ("VCap"), a Luxembourg company, is a wholly-owned subsidiary Siem Europe S.a r.l. which is itself a wholly-owned subsidiary of the Company. The Company has provided funds to VCap and its wholly-owned subsidiary, VeTC S.a r.l., for finance projects that have been arranged by Venn. The projects funded by VCap meet strict investment criteria to manage exposures arising from downturns in the economy and are backed by the underlying commercial real estate in the specific project. The objective is to sell participations in these financings within 2-4 months after the project's closing and to retain a portion of each financing. The proceeds from these sales will be used to fund further projects.

In November 2013, VCap transferred GBP38.8 million of notes receivable, and the related note payable to the Company for funds made available to VCap for the underlying finance projects, to VeTC. VeTC received a GBP24 million loan from an insurance company and used the proceeds to repay a portion of the loan owed to the Company of approximately $40 million.

At 31 December 2013, VCap and VeTC had a total of USD240.1 million in loans outstanding to various commercial real estate projects. Thus far in 2014, VCap has sold participations in the financing and sold its ownership interest in VeTC for approximately $108.8 million.

VSK HOLDINGS LIMITED — The Company owns a 55%-interest in VSK Holdings, a Cayman Islands company, and a group of funds managed by a global private-equity investment firm (the "Funds") owns the remaining 45%-interest. Ember VRM S.a r.l. ("Ember"), a Luxembourg company, is a wholly-owned subsidiary of VSK Holdings.

In December 2013, the Company and the Funds contributed additional capital and provided funding of EUR63.6 million to VSK Holdings. VSK Holdings provided the proceeds of the funding to Ember in exchange for tracking preference equity certificates.

On 13 December 2013, Ember purchased a EUR489.8 million portfolio of Dutch residential mortgages for approximately EUR409.7 million and paid approximately EUR4.7 million in acquisition expenses. Ember financed the purchase with the proceeds of a EUR354 million loan from the Royal Bank of Scotland and equity. Approximately EUR483.2 million of the loans were considered to be performing.

On 19 December 2013, Ember sold the performing loans to Cartesian Residential Mortgages 1 S.A. ("Cartesian"), a Luxembourg entity, which is owned by a Dutch foundation. Cartesian financed the acquisition with proceeds of a EUR354 million loan from the Royal Bank of Scotland, which proceeds were used to repay the EUR354 million loan advanced to Ember by RBS, and a subordinated loan to Ember.

In March 2014, Venn arranged the securitization of the portfolio held by Cartesian. The proceeds of the securitization were used to repay the EUR354 million bank loan and to repay EUR78 million of the subordinated loan owed to Ember. Ember used a portion of the proceeds to repay the equity certificates issued to VSK Holdings. In April 2014, the Company received approximately EUR41.4 million.

In addition to the cash proceeds received from Cartesian, Ember received approximately EUR34 million of notes issued in the securitization and still holds approximately EUR6.6 million of nonperforming loans, from which loans Ember expects to realize a significant recovery.

A portion of the Dutch residential mortgage receivables bears fixed interest rates.The notes issued to finance the initial acquisition of the residential mortgage portfolio and the notes that will subsequently be issued in connection with the securitization of the portfolio will bear variable interest rates which will be calculated based on a margin over 3-month Euribor. In order to improve the success and pricing of the securitization, it was agreed that the interest rate flows from the portion of the mortgage portfolio that pays fixed interest rates will be swapped so that interest will be received on a variable rate basis.

To optimize the swap function and manage costs, VSK Holdings established VSK Finance Limited, a Cayman Islands company, as a swap vehicle to perform the swap transactions. VSK Finance ("Swapco") was capitalized with EUR10 million, of which EUR5.5 million was contributed by the Company and EUR4.5 million by the Funds, to serve as collateral for the swap transactions. BNP Paribas, as intermediary bank, arranges the required swaps for the securitization vehicle and concurrently arranges the same swaps back-to-back with Swapco. Swapco hedges its risk taken on through the back-to-back swaps by buying normal market swaps using BNP Paribas. The payments under the back-to-back swaps between BNP Paribas and Swapco and between Swapco and the market are netted. The Company has guaranteed the performance of Swapco to BNP Paribas and receives a guarantee fee. Further, the Company has agreed to provide BNP Paribas with collateral of up to EUR25 million in either cash or Subsea 7 shares. The Company will receive Euribor plus 3% for any cash collateral and 0.5% p.a. of the market value for Subsea 7 shares as a stock lending fee if placed as collateral.

SIEM EUROPE S.a r.l. — Siem Europe is the Company's wholly-owned Luxembourg subsidiary and the parent company of VCap and Siem Capital AB. In December 2013, Venn arranged for Siem Europe to commit up to GBP34.8 million in project financing to a solar renewables developer in the U.K. The proceeds of the financing were dedicated to the completion of four solar parks that were under various stages of completion in South England. At 31 December 2013, Siem Europe had advanced a total of GBP11.7 million to the developer/borrower.

SIEM CAPITAL AB — The Company purchased a 64% interest in share capital and 50% voting interest in Siem Capital AB, a Swedish company, for approximately SEK148,997,000, equivalent to $18,425,000, in February 1998. The remaining 36% share capital and 50% voting interest was held by the previous managers of Siem Capital. The Company accounts for this investment using the equity method. At the end of 2013, Siem Capital held interests in Boule Diagnostics International AB, a developer of hematology diagnostic systems, and Grespo AB, a research biotech company.

During the past few years, Siem Capital liquidated a substantial portion of its portfolio and made several distribution to the Company. The total distributions received by the Company through December 2013 are approximately SEK415,240,000.

DEEP SEAS INSURANCE LTD. — Deep Seas Insurance ("DSI"), the Company's 51%-owned Cayman Islands captive insurance affiliate, commenced operations in early-2006. DSI provides a risk management function to companies within the Group by participating as co-insurer on marine insurances and as lead insurer on other risks on a fully reinsured basis. Subsea 7 owns the remaining 49% interest in DSI. DSI's financial statements are included in the Company's consolidated financial statements.

SHAREHOLDER MATTERS

NATURE OF TRADING MARKET

Quotes for the Company's common shares, U.S. $0.25 par value per share ("Common Shares"), which is the Company's only issued and outstanding form of equity securities, are available from OTC Markets Group Inc., a centralized quotation service that collects and publishes market maker quotes for OTC securities, in the OTC Pink market under the symbol "SEMUF" at www.otcmarkets.com. Previously, the Company's Common Shares were publicly-traded on the American Stock Exchange commencing in 1987 and on the Oslo Stock Exchange commencing in 1997. The Company voluntarily delisted from the American Stock Exchange effective October 1998. The Company was delisted by the Oslo Stock Exchange in November 1999 when it failed to satisfy a requirement for a minimum number of shareholders to be registered on the VPS in Norway. The Company is no longer registered with the Securities and Exchange Commission.

There are approximately 83 holders of record, with an additional estimate 350-400 shareholders holding shares in street, and it is estimated that less than 1,000,000 Common Shares are available for active trading, or approximately 5% of the outstanding shares. The 3-month average daily trading volume of Common Shares on the Pink Sheets is in the low hundreds of shares. The low liquidity of the Company's Common Shares has made the trading susceptible to volatile pricing.

The Company will, from time-to-time, purchase Common Shares which have been offered for sell to the Company by its shareholders. During 2013 and 2012, the Company purchased and retired 120,246 Common Shares and 30,000 Common Shares, respectively.

At the end of the day on 4 April 2014, the best bid and ask prices were $90.25 and $93.00, respectively, with the most recent sale being 200 shares at $90.00 per Common Share on 1 April 2014. The 52-week high and low were $96.00 and $70.50, respectively.

DIVIDEND POLICY

The Company's policy is to reinvest available funds into the business and, consequently, the Company does not pay dividends on a regular basis. The Board of Directors declared and paid an extraordinary cash dividend in May 2013 of $0.20 per Common Share.

CONTROL

The following table sets forth certain information, as of 4 April 2014 with respect to the only persons known to the Company who owned beneficially more than 10% of the Company's 15,259,927 issued and outstanding Common Shares and the number of Common Shares owned by the other Directors and Officers of the Company, as a group:

Name of Beneficial Owners or Identity of Group	*Shares Beneficially Owned*	*Percentage of Common Shares*
Old Yard Trust Company Limited *(1)*	10,108,070	66.8%
Kristian Siem	1,882,856	12.4%
Other Officers and Directors as a Group	101,671	0.7%

(1) Old Yard Trust Company is the trustee for a trust whose potential beneficiaries include Mr. Krisitan Siem and his family. The trustee holds voting and dispositive power over its shareholding.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SHAREHOLDERS

The Company may not carry on business in the Cayman Islands except in furtherance of its business outside the Cayman Islands and is prohibited from inviting the public of the Cayman Islands to subscribe for any of its Common Shares.

Neither the Company's Memorandum or Articles of Association nor Cayman Islands law impose any limitations on the right of nonresident or foreign owners to hold or vote their common shares except in the event of insanity of a holder. The laws of the Cayman Islands freely permit the import and export of capital including, but not limited to, the payment of dividends to persons who do not reside in the Cayman Islands.

SELECTED FINANCIAL DATA

The following selected comparative financial data has been derived from the consolidated financial statements of the Company for the five years ended 31 December 2013. The fiscal years ended 31 December 2013 and 2012 should be read in conjunction with the consolidated financial statements of the Company (including the related notes) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	Years Ended 31 December				
(in thousands, except per share amounts)	*2013*	*2012*	*2011*	*2010*	*2009*
FINANCIAL PERFORMANCE:					
Total income *(1)*	$ 357,016	$ 457,477	$ 272,042	$ 279,095	$ 357,504
Total expenses and other	(196,452)	(212,136)	(324,453)	(212,838)	(220,713)
Income (loss) before income tax expense	160,564	245,341	(52,411)	66,257	136,791
Income tax (expense) benefit	(273)	(138)	(895)	(62)	(88)
Net income (loss)	$ 160,291	$ 245,203	$ (53,306)	$ 66,195	$ 136,703
Net income (loss) attributable to:					
Holders of Common Shares	$ 159,337	$ 246,511	$ (20,586)	$ 65,664	$ 131,021
Non-controlling interests	$ 954	$ (1,308)	$ (32,720)	$ 531	$ 5,682
Earnings (loss) per Common Share:					
Basic and Diluted	$ 10.47	$ 16.15	$ (1.34)	$ 4.28	$ 8.53
FINANCIAL POSITION:					
Working capital	$ 316,670	$ 535,225	$ 52,911	$ (25,258)	$ (28,320)
Total assets	$ 2,820,795	$ 2,665,059	$ 1,974,685	$ 1,524,883	$ 1,652,506
Interest-bearing debt *(2)*	$ 457,884	$ 481,421	$ 79,994	$ 136,414	$ 332,760
Shareholders' equity	$ 2,184,310	$ 2,044,363	$ 1,776,092	$ 1,223,031	$ 1,158,613
Wtd. avg. no. shares outstanding	15,222	15,263	15,330	15,360	15,360
Ending no. of shares outstanding	15,140	15,260	15,290	15,360	15,360

(1) *Includes share of profit (loss) of associates of $93,764, $177,412, $85,904, $71,617 and $156,282 for each of the years ended 31 December 2013, 2012, 2011, 2010, and 2009, respectively.*

(2) *At the time of issuance of the Exchangeable Bonds in September 2012, a portion of the Exchangeable Bonds was treated as financial derivatives and the remaining portion was recorded as a debt liability. The interest-bearing debt above includes both the debt liability and financial derivative portions of Exchangeable Bonds.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GOING-CONCERN

The Company's financial statements have been prepared under the assumption that the Company is a going-concern. This assumption is based on the level of cash and cash equivalents at the end of 2013, the availability of cash under revolving credit facilities, the liquidity and market value of the Company's investments and the forecast cash flows.

OVERVIEW

In January 2013, the Company and Siem Shipping reached agreement on a credit facility whereby the Company will provide up to $35 million in financing for the purposes to lengthen and retrofit side-loading systems to its 4 "C-Class" vessels and to perform other rejuvenation and renovation to the vessels as may be necessary. The first drawing was in early April 2013 for $8 million and by mid-December 2013 the facility was fully drawn.

In February 2013, Siem Investments sold the $10 million, 3-year barrier reverse convertible note with underlying shares in Petrobras, as discussed in Note 4, at face value plus accrued and unpaid interest at a rate of 11% p.a.

In March 2013, Subsea 7 announced that its board of directors will recommend that shareholders approve the payment of a special dividend of $0.60 per share at the company's annual meeting in June 2013.

In March 2013, the borrower of a $50 million junior secured facility, which had closed in December 2012 and in which Siem Investments held a 50% interest as a lender, informed Siem Investments that it had completed a bond offering and requested the terms for a prepayment of the facility in its entirety even though such prepayment option was not allowed during the first 9 months. Siem Investments consented to the early prepayment of the facility and received the early prepayment option fee of $1,250,000 and all accrued and unpaid interests that would have been earned during the 9 month period had the loan remained outstanding in accordance with the terms of the facility agreement.

In April 2013, the Buyer of the Put option (see *Note 17* in Notes to Consolidated Financial Statements for discussion) extended the availability of the Put for a second 12-month period by the payment of the $8 million premium before the April anniversary date. If the Buyer terminates the Put option before the end of the second anniversary date, then Siem Investments will be entitled to a $1 million termination fee.

In April 2013, Venn arranged its first financing project for VCap for an amount of EUR4.1 million.

In May 2013, the Company's Board of Directors declared and paid a dividend of $0.20 per Common Share.

Also in May 2013, the shareholders of Veripos approved the declaration and payment of a dividend of NOK0.10 per share.

In June 2013, Siem Investments purchased $195 million nominal amount of preference shares and all related return since issuance in November 2012 for $185,250,000, or 95 flat on nominal amount. The preference shares return 10% p.a. which is payable semi-annually as payment-in-kind.

In July 2013, the Company received payment of the $0.60 per share dividend approved by the Subsea 7 shareholders at its June 2013 annual general meeting.

In July 2013, Venn began to close on a number of financing projects which were added to VCap's portfolio. All financings were funded by the Company.

In August and September 2013, the Company provided a series of loans to GTL which enabled it to, first, payoff the senior bank loan and, second, to negotiate the prepayment of the subordinated notes which was not scheduled to commence until 2016. The repayment in full of the senior bank loan was a prerequisite to any payment of the subordinated notes. The subordinated notes were repaid in September 2013 and GTL closed on new bank financing in October 2013 which it used to repay all loans provided by the Company.

In October 2013, the issuer of the preference shares refinanced and redeemed all preference shares and issued and accrued PIK at par value. The Company received $212,030,000.

During November and December 2013, the Company funded a number of projects arranged by Venn. At 31 December 2013, VCap, VeTC and Siem Europe held, in USD-equivalents, a total of $176,155,000, $63,891,000 and $19,244,000, respectively, in loan financings. In addition, the Company had advanced $47,725,000 to VSK Holdings for the purpose of funding Ember's acquisition of the Dutch residential mortgage portfolio which, because VSK Holdings is accounted for as an associate, is recorded as a note receivable.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED 31 DECEMBER 2013 AND 2012

Operating revenues recorded during fiscal years 2013 and 2012 were $179,665,000 and $176,378,000, respectively.

The share of profits of associates recorded during fiscal years 2013 and 2012 was approximately $93,764,000 and $177,412,000, respectively.

Interest income recorded during fiscal years 2013 and 2012 was approximately $22,183,000 and $6,976,000, respectively, and reflects the substantially higher notes receivable balances and interest rates during 2013.

Net gains (losses) on investments for fiscal years 2013 and 2012 were approximately $29,199,000 and $6,546,000, respectively. Much of the gain recorded in 2013 is attributed to the investment in preference shares which were redeemed at par. Also, the Company continued to invest a higher level of discretionary funds during 2013 than in prior periods and was more active in taking and disposing of positions.

Net gain on the re-valuation of financial derivatives was $30,458,000 for fiscal year 2013. The re-valuation is performed quarterly using the Black-Scholes Option Pricing Model.

Operating expenses were $141,322,000 and $143,379,000 for fiscal years 2013 and 2012, respectively. The decrease is primarily attributed to the 4 C-Class vessels which entered the shipyard for lengthening and refurbishment during the fourth quarter 2013.

Depreciation and amortization expense was $17,615,000 and $18,434,000 for fiscal years 2013 and 2012, respectively. The decrease in depreciation expense is due to the reduced number of owned vessels during 2013.

Impairments of $300,000 and $22,172,000 were recorded in fiscal years 2013 and 2012, respectively. The impairment in 2013 is related to the disposal of the vessel recorded as held-for-sale at the end of 2012 and reflects the sales price received. Impairments during 2012 were attributed to Siem Shipping and Siem Car Carriers AS in the amounts of $4,172,000 and $18,000,000. During 2012, Siem Shipping performed impairment testing on its vessels and determined that impairments of the valuation of its fleet were appropriate. The Company assessed its investment and the loans that had been advanced to Siem Car Carriers and determined that any goodwill recorded in connection with the acquisition of the business should be fully impaired and a provision should be recorded as a result of the uncertainty related to the repayment and timing of repayment of the Company's loans to Siem Car Carriers.

Interest expense was approximately $7,145,000 and $5,575,000 for fiscal years 2013 and 2012, respectively. The increase in interest expense reflects a full year of interest incurred on the 1% Exchangeable Bonds as compared to less than 4 months in 2012.

General and administrative expenses for fiscal years 2013 and 2012 were approximately $24,703,000 and $33,541,000, respectively. Significant factors in the decreases of these expenses are attributed to the Performance Unit Plan and the Management Services Agreement ("MSA"). With respect to the Performance Unit Plan for which expenses are calculated based on movements in the market-adjusted net asset value of the Company in relation to the performance units in issue, the Company recorded a reversal of previously recorded compensation liability of $(1,736,000) in 2013 and an expense for compensation liability of $5,589,000 in 2012. The MSA provides for a base compensation fee of $600,000 plus bonus compensation fees equal to 5% of the audited net income in excess of $5,000,000. The Company recorded fee expenses of $8,316,000 and $12,751,000 for 2013 and 2012, respectively. The decrease results from the reduced net income recorded by the Company.

Currency exchange gains (losses) were $(5,367,000) and $10,966,000 for fiscal years 2013 and 2012, respectively. The Company holds a significant amount of non-U.S.-denominated holdings in cash and monetary investments that were not hedged and were exposed to the large volatility in rates during 2013 and 2012.

Income tax expense (benefit) for fiscal years 2013 and 2012 was $273,000 and $138,000, respectively. Subsea7 and Siem Offshore are the largest taxpayers in the Siem Industries group of companies. However, the significant tax expenses recorded by each of these companies are recorded in the net share of the after-tax profits (losses) from associates and are therefore not separately identified as tax expenses in the Company's consolidated financial statements.

FINANCIAL CONDITION AND LIQUIDITY

The current ratios were 5.00 and 10.25 at 31 December 2013 and 2012, respectively. The interest-bearing debt-to-total assets ratio were 0.16 and 0.18 at 31 December 2013 and 2012, respectively.

The Company's investments are highly liquid and can be sold to generate liquidity if required.

SUBSEQUENT EVENTS

At the end of 2013, an investment banker was retained for the purpose of marketing the sale of GTL and the process commenced in early-January 2014. The sale is expected to close in the second quarter of 2014 and is expected to reflect one of the highest prices ever paid for such operations in the industry.

In January 2014, the Company accepted a tender offer made by Hexagon AB and agreed to sell all of its 6,973,192 shares in Veripos Inc. at NOK37 per share. The initial offer by Hexagon was NOK28 per share, but was increased in stages when the Company and one of its partners countered with tender offers at NOK30 per share and NOK35 per share.

In February 2014, VCap sold its interest in VeTC S.a r.l. for approximately GBP15 million. The net assets consisted of two notes receivable backed by commercial real estate an aggregate amount of approximately GBP38.8 million and a note payable of GBP24 million.

In March 2014, Subsea 7 announced that its board of directors will recommend that shareholders approve the payment of a special dividend of NOK3.60 per share at the company's annual general meeting in June 2014.

In March 2014, Siem Offshore successfully placed a NOK700 million bond issue with a coupon of 3-month NIBOR plus 4.40% and a 5-year term. The Company subscribed to NOK233 million of this issue.

Also in March 2014, Siem Offshore announced that its board of directors will propose and recommend that its shareholders approve the payment of a dividend of NOK0.10 per share at the company's annual general meeting to be held in May 2014.

In March 2014, the Company agreed to provide a credit facility of up to $9 million to Siem Shipping. Terms of the facility provide for interest at the rate of 8.50% p.a., maturity in April 2015, a commitment fee on undrawn and uncancelled commitments at 2.50% p.a. and an arrangement fee of 0.50%.

In March 2014, Cartesian completed the successful securitization of the Dutch mortgage portfolio that it had acquired from Ember in December 2013. The Company received in excess of EUR41 million in early-April 2014 as repayments of funds made available to the project.

In March 2014, Venn Capital sold approximately GBP50 million of a GBP63 million note backed by commercial real estate that it had financed. Venn Capital received the funds in early-April 2014.

In April 2014, the Buyer of the Put option paid a $3 million premium to extend the option by six months to October 2014. As a result, the amendment to the Put option agreement which was negotiated in February 2014 becomes effective. The amended Put option agreement provides for further payments of $3 million in each of October 2014, April 2015 and October 2015, payments of $1.5 million in each of April 2016 and July 2016 and a payment of $1,250,000 in October 2016. The Buyer has the right to cancel the amended agreement by payment of $6 million if cancelled before April 2015, payment of $3 million if cancelled before October 2015, payment of $2 million if cancelled before April 2016 and payments of smaller amounts thereafter.

MARKET RISKS DISCLOSURES

The Company's balance sheet includes a substantial amount of assets whose fair values are subject to market risks. Due to the Company's significant level of investments in equity securities, fluctuations in equity prices represent the largest market risk factor affecting the Company's financial position. The following sections address the significant market risks associated with the Company's business activities.

EQUITY PRICE RISK

Strategically, the Company strives to invest at reasonable prices in businesses possessing good economics and competent management. The Company prefers to own a meaningful amount in each business and, as a result, the Company is concentrated in relatively few holdings.

The Company's primary strategy is to engage in businesses in which it possesses experience on a long-term basis. Thus, short-term price volatility with respect to its holdings is understood and accepted by the Company provided that the underlying business, economic and management qualities of the operations remain favorable.

The carrying values of holdings subject to equity price risks accounted for under the equity method of accounting are based on costs adjusted for the Company's proportionate share of investee earnings. The carrying values of investments which the Company has classified as available-for-sale securities are adjusted to reflect market prices at the end of the period with the appreciation or depreciation in the investments reflected as a component of other reserves. The carrying values of investments which the Company has classified as trading securities are adjusted to reflect market prices at the end of the period with the adjustment reflected as a gain or loss. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

INVESTMENT CONCENTRATION RISK

The Company believes that it may have investment concentration risks with respect to its operational holdings in the oil and gas services industry.

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this document, as well as some statements made by the Company in periodic press releases and some oral statements made by its management during presentations about the Company, are "forward-looking" statements. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, which include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company actions, which may be provided by management, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about the Company, economic and market factors and the industries in which the Company conducts business, among other things. These statements are not guarantees of future performance and the Company has no specific intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause the Company's actual performance and future events and actions to differ materially from such forward-looking statements, include, but are not limited to, changes in market prices of the Company's significant equity investees, changes in income tax laws, and changes in general economic and market factors that affect the prices of securities or the industries in which the Company and its associates conduct business.

DIRECTORS AND OFFICERS

The following persons are currently Directors and Executive Officers of the Company:

DIRECTORS

Name	*Position*	*Director Since*	*Present Term Expires*
Ivar Siem	Director	2007	2014
M.D. Moross	Director *(1,2)*	1995	2015
Kristian Siem	Director and Chairman	1982	2016
Barry W. Ridings	Director *(1,2)*	1993	2016

(1) *Member of Audit Committee.*

(2) *Member of Compensation Committee.*

Directors are normally elected for terms of three years at the Annual General Meeting of Shareholders. Executive officers are appointed by and serve at the pleasure of the Board. Officer appointments are normally confirmed at the Board meeting which promptly follows the Annual General Meeting of Shareholders.

EXECUTIVE OFFICERS

Name	*Office*	*Officer Since*
Eystein Eriksrud	Deputy CEO	2011
Michael Delouche	President and Secretary	1991

Kristian Siem is chairman of Subsea 7 S.A. and Siem Capital AB and a director on the boards of Siem Offshore Inc., Siem Shipping Inc. and North Atlantic Small Companies Investment Trust plc and vice-chairman of NKT Holding AS.

M.D. Moross is a private investor and the father-in-law of Kristian Siem.

Barry W. Ridings is vice-chairman of U.S. Investment Banking for Lazard Frères & Co., the chairman of LFCM Holdings which includes the operations of Lazard Capital Markets and Lazard Alternative Investments and the chairman of Lazard Middle Market LLC, a subsidiary of Lazard, which focuses on middle market mergers and acquisitions. Mr. Ridings is also a director of iStar Financial, Inc.

Ivar Siem is chairman of Blue Dolphin Energy Company, chairman and president of Drillmar Energy Inc. and chairman of Siem WIS AS. He is the brother of Kristian Siem.

Eystein Eriksrud was appointed Deputy CEO of the Company in October 2011 and is the chairman of Siem Kapital AS and Siem Offshore Inc. and a director on the board of Subsea 7 S.A. Prior to his appointment, Mr. Eriksrud was a partner in the Norwegian law firm of Wiersholm, Mellbye & Bech since 2005 and served as the Company's General Counsel from 2002 to 2005.

Michael Delouche, an officer of the Company since 1991, was appointed President in 2003 and is a director on the boards of Siem Offshore Inc. and Siem Shipping Inc.

COMPENSATION OF DIRECTORS AND OFFICERS

Messrs. Moross, Ridings and Ivar Siem receive annual director's fees of $18,000 and reimbursements for expenses incurred on behalf of the Company. Separate management services agreements provide for the services of Messrs. Kristian Siem, Eriksrud and Delouche and are discussed in the Notes to the Financial Statements.

To the Annual Shareholders' Meeting of Siem Industries Inc.

Independent Auditor's Report

We have audited the accompanying financial statements of Siem Industries Inc., which comprise the financial statements of the group. The financial statements of the group comprise the balance sheet as at 31 December 2013, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 financial statements are prepared and present fairly, in all material respects, the financial position for the group Siem Industries Inc. as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Kristiansand, 15 April 2014
PricewaterhouseCoopers AS

Svein A Andresen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

PricewaterhouseCoopers AS, Postboks 447, NO-4664 Kristiansand
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Dollars in thousands, except per share amounts)	Notes	*For Years Ended 31 December* 2013	2012
INCOME:			
Operating revenues	*10*	$ 179,665	$ 176,378
Share of profits of associates	*5*	93,764	177,412
Interest income	*4*	22,183	6,976
Gains (losses) on investments and other assets, net	*12*	29,199	6,546
Gains (losses) on re-valuation of financial derivatives, net	*8*	30,458	7,688
Gain on recovery of claims against Lehman Bros Int'l (Europe)		–	81,438
Dividend income		378	299
Other		1,369	740
Total income	22	357,016	457,477
EXPENSES AND OTHER:			
Operating expenses	*7,10*	141,322	143,379
Depreciation and amortization	*6,7,13*	17,615	18,434
Impairment of vessels and investments	*5,6*	300	22,172
Interest expense	*8*	7,145	5,575
General and administrative expenses	*14,15,17,19*	24,703	33,541
Currency exchange losses (gains), net	*16*	5,367	(10,966)
Other		–	1
Total expenses and other		196,452	212,136
Income (loss) before income tax expense		160,564	245,341
Income tax expense	9	273	138
Net income (loss)		$ 160,291	$ 245,203
Net income (loss) attributable to:			
Holders of Common Shares		$ 159,337	$ 246,511
Non-controlling interests		$ 954	$ (1,308)
Earnings (Loss) per Common Share:			
Basic and Diluted		$ 10.47	$ 16.15
Weighted avg. no. of Common Shares outstanding for period		15,221,712	15,263,241

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	*For Years Ended 31 December* 2013	2012
Net income (loss)	$ 160,291	$ 245,203
Items that may be reclassified to the income statement in subsequent periods:		
Currency exchange differences	$ (6,866)	$ 259
Share of other comprehensive income of associates	(1,118)	24,242
Items that will not be reclassified to the income statement in subsequent periods:		
Share of other comprehensive income of associates	1,275	(1,119)
Other comprehensive income (loss)	(6,709)	23,382
Total comprehensive income (loss)	$ 153,582	$ 268,585
Total comprehensive income (loss) attributable to:		
Holders of Common Shares	$ 152,628	$ 269,893
Non-controlling interests	$ 954	$ (1,308)

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

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	*Notes*	*31 December 2013*	*31 December 2012*
ASSETS:			
Current assets:			
Cash and cash equivalents	3	$ 298,397	$ 499,424
Accounts receivable, other		27,487	14,938
Accrued interest receivable		3,660	2,495
Trading securitites	4	16,948	33,044
Inventories		10,833	13,353
Notes, loans and other receivables	4	24,368	13,715
Due from affiliates	19	300	300
Vessels and related equipment held for sale	6	–	1,600
Prepaid expenses and other current assets		13,756	14,224
Total current assets		395,749	593,093
Restricted cash	3	2,000	2,000
Notes, loans and other receivables	4	344,772	74,179
Investments in associates	5	1,796,255	1,734,236
Vessels, property and equipment, net	6	277,783	258,788
Other assets	15	4,236	2,763
Total Assets		$ 2,820,795	$ 2,665,059

LIABILITIES AND EQUITY:			
Current liabilities:			
Accounts payable, other accrued costs and short-term liabilities		$ 33,195	$ 19,588
Accrued interest payable		1,447	1,360
Due to affiliates	19	5,815	2,359
Current maturities and short-term notes	8	11,512	11,518
Other accrued costs and short-term liabilities	16	27,110	23,043
Total current liabilities		79,079	57,868
Long-term debt and notes payable	8	352,074	334,177
Financial derivatives	8	94,298	128,039
Other liabilities and deferred credits	14,16	67,738	58,365
Total Liabilities		593,189	578,449
Shareholders' equity:			
Preferred shares, $1.00 par value, 5,000,000 shares authorized		–	–
Redeemable preferred shares, $0.01 par value, 50,000,000 shares authorized		–	–
Common shares, $0.25 par value, 100,000,000 shares authorized, 15,139,681 shares and 15,289,927 shares, respectively, issued and outstanding	20	3,785	3,815
Additional paid-in capital		105,405	105,405
Retained earnings		1,454,093	1,307,407
Currency translation reserves		(1,904)	4,962
Other reserves		622,931	622,774
Total shareholders' equity		2,184,310	2,044,363
Non-controlling interests		43,296	42,247
Total Equity		2,227,606	2,086,610
Total Liabilities and Equity		$ 2,820,795	$ 2,665,059

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

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Common Shares						
	Common Shares		*Additional Paid-in*	*Retained*	*Currency Translation*	*Other*	*Non-controlling*
(in thousands, except number of shares)	*Number*	*Share Capital*	*Capital*	*Earnings*	*Reserves*	*Reserves*	*Interests*
Balances at 31 December 2011	15,289,927	$ 3,822	$ 105,405	$ 1,062,511	$ 4,703	$ 599,651	$ 47,763
Net income	–	–	–	246,511	–	–	(1,308)
Currency translation differences	–	–	–	–	259	–	–
Share of other comprehensive income (loss) of associates	–	–	–	–	–	23,123	–
Total comprehensive income (loss)	–	–	–	246,511	259	23,123	(1,308)
Purchase and retirement of Company Shares	(30,000)	(7)	–	(1,615)	–	–	–
Purchase of shares in affiliates from non-controlling interests	–	–	–	–	–	–	(4,208)
Total transactions with owners	(30,000)	(7)	–	(1,615)	–	–	(4,208)
Balances at 31 December 2012	15,259,927	$ 3,815	$ 105,405	$ 1,307,407	$ 4,962	$ 622,774	$ 42,247
Net income	–	–	–	159,337	–	–	954
Currency translation differences	–	–	–	–	(6,866)	–	–
Share of other comprehensive income (loss) of associates	–	–	–	–	–	157	–
Total comprehensive income (loss)	–	–	–	159,337	(6,866)	157	954
Payment of dividends ($0.20 per Common Share)				(3,059)			
Purchase and retirement of Company Shares	(120,246)	(30)	–	(9,592)	–	–	–
Sales of shares in affiliates to non-controlling interests	–	–	–	–	–	–	95
Total transactions with owners	(120,246)	(30)	–	(12,651)	–	–	95
Balances at 31 December 2013	15,139,681	$ 3,785	$ 105,405	$ 1,454,093	$ (1,904)	$ 622,931	$ 43,296

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

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	*Notes*	*For Years Ended 31 December* *2013*	*2012*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		$ 160,291	$ 245,203
Adjustments to reconcile net income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation and amortization, including drydocking amortization	6,7	17,615	18,434
Undistributed share of losses (profits) of associates	5	(93,764)	(177,412)
Losses (gains) on investments	12	(29,199)	(6,546)
Losses (gains) on re-valuation of financial derivatives	8	(30,458)	(7,688)
Impairment of vessels and investments	4,5	300	22,172
Deferred compensation expense (reversal) for performance unit plan	14	(1,736)	5,589
Currency exchange losses (gains)	16	5,367	(10,965)
Other		684	213
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable, other		(12,549)	6,743
Accrued interest receivable		(1,165)	2,503
Trading securities		21,168	(18,354)
Inventories		2,520	5,782
Prepaid expenses and other current assets		1,768	(6,934)
Increase (decrease) in:			
Accounts payable		13,607	(1,456)
Accrued interest payable		87	1,199
Due to affiliates		3,456	2,359
Other accrued costs and short-term liabilities		4,067	(687)
Net cash provided by (used in) operating activities		62,059	80,155
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to notes receivable and other investments	4	(579,201)	(51,899)
Proceeds from repayment of notes receivable and other investments	4	319,921	14,178
Investments in associates	5	(9,205)	(25,228)
Distributions from associates	18	42,467	41,839
Capital expenditures for vessels, shipping related assets and other	6,7	(39,980)	(4,614)
Capital expenditures for newbuild construction	6,17	–	(23,000)
Proceeds from disposition of vessels, related equipment, other property		–	11,406
Deferred recognition of premium income	17	8,000	8,000
Other		(4,827)	(2,531)
Net cash provided by (used in) investing activities		(262,825)	(31,849)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid to Company's Shareholders	20	(3,059)	–
Proceeds from long-term debt and notes payable	8	39,507	449,000
Repayment of long-term debt and notes payable	8	(12,195)	(44,678)
Redemptions and repurchases of Exchangeable Bonds	8	(13,054)	–
Purchase and retirement of Common Shares	20	(9,620)	(1,622)
(Increase) Decrease in restricted cash		–	2,500
Other		(239)	(2,848)
Net cash provided by (used in) financing activities		1,340	402,352
Effect of exchange rate changes on cash		(1,601)	3,787
Net increase (decrease) in cash and cash equivalents		(201,027)	454,445
Cash and cash equivalents, beginning of period		499,424	44,979
Cash and cash equivalents, end of period		$ 298,397	$ 499,424
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during period for:			
Interest		$ 6,374	$ 4,376
Taxes		$ 273	$ 138

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) General Information

Siem Industries Inc. was incorporated in October 1980 under the laws of the Cayman Islands as Bahama Cruise Line, Inc. The name was changed to Bermuda Star Line, Inc. in 1986, to Norex America, Inc. in 1989, to Norex Industries Inc. in 1996 and to Siem Industries Inc. in 1998. "Siem Industries", the "Company" or the "Group", as used herein, refers to Siem Industries Inc. and its subsidiaries and associates unless the context indicates otherwise.

The Company's registered office address is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.

Quotes for the Company's Common Shares are available from OTC Markets Group Inc., a centralized quotation service that collects and publishes market maker quotes for OTC securities, in the OTC Pink market under the symbol "SEMUF" at www.otcmarkets.com.

The currency symbols "$" (or "USD"), "NOK", "GBP" and "SEK" refer to United States dollars, Norwegian kroner, British pounds and Swedish krona representing the lawful currencies of the United States, Norway, Great Britain and Sweden, respectively, and "EUR" refers to Euros.

At 31 December 2013, the Company held beneficial ownership in the following major holdings: 69,731,931 shares, or 20.7% of the issued and outstanding shares, of Subsea 7 S.A. ("Subsea 7"; OSE Symbol: SUBC), a publicly-traded Luxembourg company and one of the world's leading subsea engineering and construction contractors; 133,279,421 shares, or 34.4%, of Siem Offshore Inc. ("Siem Offshore"; OSE Symbol: "SIOFF"), a publicly-traded Cayman Islands company that operates 41 vessels operating in the energy service industry and manages 2 AHTS vessels under a pool arrangement, operates 1 scientific core-drilling vessel and has 13 vessels under construction; 7,339,498 shares, or 76.1%, of Siem Shipping Inc., (OSE Symbol: "SSI") (SSI was formerly "STAR Reefers Inc." prior to its name change that was approved at its 2012 Annual General Meeting; the company continues to operate in the specialized reefer industry as STAR Reefers and will hereinafter be referred to as Siem Shipping unless the context indicates otherwise), a publicly-traded Cayman Islands company that at year-end controlled a fleet of approximately 32 owned and chartered vessels engaged in the refrigerated transportation of fruits and other perishable products; a 100% interest in two vessels engaged in the car carriers business and Siem Car Carriers AS ("Car Carriers"), a Norwegian company with car carrier operations involving car and RO-RO (roll-on/roll-off) transportation solutions and capabilities on a worldwide basis through partnerships with car manufacturers, shipping lines and logistics companies; 6,973,192 shares, or a 21.0%, of Veripos Ltd. ("Veripos"; OSE Symbol: VPOS), a market leader in precise position and navigation solutions for the offshore industry, which investment originated as a spin-off by Subsea 7 to its shareholders as a dividend-in-kind distribution in July 2012; a 38.2% interest in Sinav Limited, the owner of GTL Resources Limited and its wholly-owned operating subsidiary, Illinois River Energy LLC, a dry mill, corn-based processing facility which produces fuel-grade ethanol, dried distiller's grains with soluble and inedible corn oil (all entities are collectively referred to as "GTL"); a 49%-interest in Venn Partners LLP who, in conjunction with its 80%-owned subsidiary, Venn Finance LLP, are U.K. companies which provide specialist credit advisory and investment services focusing on private asset-based financing in European markets with current investment activity extending across commercial real estate finance, residential mortgage finance, asset-backed securities and other specialist asset finance markets; a 100%-interest in Siem Europe S.a r.l., a Luxembourg company whose wholly-owned subsidiary, Venn Capital S.a r.l., has funded a number of the financing solutions that have been arranged by Venn Partners; and a 55%-interest in VSK Holdings Limited, a Cayman Islands company, whose wholly-owned Luxembourg subsidiary, Ember VRM S.a r.l., acquired a EUR490 million portfolio of Dutch residential mortgages in December 2013. Also at year-end 2013, the Company owned a 64%-interest in Siem Capital AB, a 49%-interest in Deusa International GmbH ("Deusa"), a German company and a 51%-interest in Deep Seas Insurance Limited, a captive insurance company incorporated in the Cayman Islands. At year-end, Siem Capital held interests in Boule Diagnostics International AB, a developer of hematology diagnostic systems; and Grespo AB, a research biotech company. Deusa's operations include the mining of potash which is used for fertilizer production, bischofite for the construction industry, magnesium chloride for de-icing and other materials. Deep Seas Insurance provides a risk management function to companies within the Siem

Group of Companies by participating as co-insurer on marine insurances and as lead insurer on other risks on a fully reinsured basis.

At 31 December 2013, Old Yard Trust Company Limited, a trustee for a trust whose beneficiaries include Kristian Siem and his family, owned 10,108,070 shares, or approximately 66.8% of the issued and outstanding shares, of the Company's Common Stock. Mr. Siem personally owned 1,882,856 shares, or approximately 12.4% of the Common Stock. Mr. Siem and the trustee for the trust hold separate voting and dispositive powers over their respective holdings.

Subsea7, Siem Offshore, Siem Shipping, Siem Car Carriers, Deusa, Veripos, GTL, Venn Capital and VSK Holdings represent significant subsidiaries and associates of the Company.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations by the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed by the European Union under the assumption that the Company is a going-concern and are presented in United States dollars. The consolidated financial statements are based on historical costs, as modified by adjustments of financial assets and liabilities to fair value through profit or loss.

The preparation of financial statements requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the fiscal year and the reported amounts of income and expenses during the fiscal year. Estimates and assumptions made by management include selecting useful lives of property and equipment, estimating provisions for uncollectible receivables, determining the carrying value and possible impairment of long-lived assets, goodwill and intangible assets, estimating income tax provision and performing other similar evaluations.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED IFRS EFFECTIVE FOR FISCAL 2013

The IASB and IFRIC issued standards, interpretations and amendments to standards which were effective for periods commencing on or after 1 January 2013.

IFRS 7 (amendments), "Financial Instruments – Offsetting Financial Assets and Financial Liabilities". These amendments require an entity to disclose information in relation to rights of set-off and related arrangements. The amendments only affect presentation and did not have an impact on the Company's financial statements.

IFRS 13, "Fair Value Measurement". This standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change the circumstances which require the use of fair value; rather, guidance is provided on the process of measuring fair value under IFRS when fair value is required or permitted and related additional disclosures. The application of IFRS 13 did not have a material impact on the Company's financial statements.

IAS 1 (amendments), "Presentation of Items in Other Comprehensive Income". These amendments change the grouping of items presented in other comprehensive income. Items that can potentially be reclassified or recycled to profit or loss at a future date, such as exchange differences on the translation of foreign operations, will be presented separately from items that will never be reclassified or recycled to profit or loss. These amendments affect only the presentation of information and did not affect the Company's financial position or performance.

IAS 19 (amendments), "Employee Benefits". These amendments eliminate the corridor approach, recognize all actuarial gains and losses in other comprehensive income as they occur, allow immediate recognition of all past service costs and replaces interest cost and and expected return on on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability or asset. These amendments did not materially affect the Company's financial position or performance.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED IFRS EFFECTIVE IN FISCAL 2014 OR LATER

The IASB and IFRIC have issued standards, interpretations and amendments to standards which are effective for periods commencing on or after 1 January 2014. Standards and interpretations that are evidently not applicable to the Company or those that would not give rise to a material effect on the Company's financial statements have been omitted.

IFRS 10, "Consolidated Financial Statements". This standard replaces the consolidation requirements in IAS 27 and SIC-12 and establishes the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements of the group and this applies to all entities, including special-purpose entities. The changes will require management to exercise significant judgment to determine which entities are in fact controlled and, therefore, required to be consolidated by the parent company. The standard is not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 11, "Joint Arrangements". This standard replaces IAS 31 and SIC-13. IFRS 11 eliminates the option to account for jointly-controlled entities using proportional consolidation and, instead, requires the entities satisfying the definition of joint ventures to be accounted for under the equity method of accounting. The standard is not expected to have an impact on the Company's financial statements.

IFRS 12, "Disclosures of Interest in Other Entities". This standard consolidates the existing disclosure requirements as set forth in IAS 27, IAS 31 and IAS 28 with respect to an entity's interests in subsidiaries, joint ventures, associates and structured entities and identifies new disclosure requirements. The standard is not expected to have a significant impact on the Company's financial statements.

IAS 27, "Separate Financial Statements". As a consequence of the issuances of IFRS 10 and IFRS 12, many of the provisions of IAS 27 have been superseded. The remaining provisions in IAS are limited to and address the accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements. The standard is not expected to have a significant impact on the Company's financial statements.

IAS 28, "Investments in Associates and Joint Ventures". As a consequence of the issuances of IFRS 11 and IFRS 12, IAS 28 was renamed and updated and now describes the application of the equity method to investments in joint ventures in addition to the investments in associates. The standard is not expected to have a significant impact on the Company's financial statements.

IAS 32 (amendments), "Offsetting Financial Assets and Financial Liabilities". The amendments provide clarifications of certain terms. Further, the IASB has issued disclosure requirements concerning the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. These disclosures will provide information as to the extent to which the entity has set-off in its consolidated statement of financial position and the effects of the rights of set-off on the consolidated entity's rights and obligations. These amendments are not expected to have a significant impact on the Company's financial statements.

CONSOLIDATION OF SUBSIDIARIES AND ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Subsidiaries — Subsidiaries are entities over which the Company generally controls more than 50% of the entity's issued and outstanding voting shares and has the power to control its operating and financial policies. Details of the subsidiary's financial statements are included within the Company's consolidated financial statements from the date that control is established. The subsidiary's financial statements are deconsolidated from the date that control is ended.

Non-controlling interests represent third party shareholders who may have influence, but not control, over a company's activities. The proportionate share of a company's net assets at the end of a fiscal period and the net income during a period that are attributed to third parties are recorded to non-controlling interests in equity and as an allocation of net income (losses) to non-controlling interests in the income statement, respectively.

Intercompany transactions and balances between consolidated companies are eliminated.

Associates — Associates are entities over which the Company generally controls between 20% to 50% of the voting rights in the entity and has significant influence with, but not the ability to control, the entity's operating and financial policies. Investments in associates are accounted for under the equity method of accounting and are initially recorded at cost. An investment in an associate may include notional goodwill arising from the acquisition.

The Company accounts for its investments in associates under the equity method. The equity method provides that the investment in an associate is carried in the Company's balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate, less any provisions for impairments, and that Company's share of the after-tax results of operation of the associate are recorded in the Company's income statement. Any losses by the associate that are in excess of the Company's interest are only recognized to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Where the associate has recognized a change directly in its equity, then the Company recognizes its share of the change in its statement of comprehensive income. Revenues and expenses arising from transactions between the Company and the associate are eliminated to the extent of the Company's interest.

Accounting policies for associates have been changed where necessary to ensure consistency with the policies adopted within the consolidated group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

BUSINESS COMBINATIONS

The acquisition method is used to account for the acquisitions of subsidiaries and businesses. The consideration for each acquisition is measured as the aggregate of the fair values at the date of acquisition of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the new subsidiary. Costs related to the acquisition are recognized in the Company's income statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where the changes qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration that are classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

The subsidiary's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3R "Business Combinations"* are recognized at their fair value at the acquisition date, except that:

- assets, or disposal groups, that are classified as held-for-sale in accordance with *IFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations"*, are measured in accordance with that standard;
- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with *IAS 12 "Income Taxes"* and *IAS 19 "Employee Benefits"*, respectively; and
- liabilities or equity instruments related to the replacement by the Group of a subsidiary's share-based payment awards are measured in accordance with *IFRS 2 "Share-based Payments"*.

If the initial accounting for a business combination not completed by the end of the reporting period during which the combination occurs, then the Company will report provisional amounts for the items for which the accounting is incomplete to the extent that such amounts can be reasonably calculated. These provisional amounts are adjusted, or additional assets or liabilities are recognized, during the measurement period to reflect new information obtained regarding facts and circumstances that existed as of the acquisition date that, if such facts or circumstances had been known, would have affected the amounts recognized as of that date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information regarding facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

GOODWILL

Goodwill that arises from a business combination is recognized as an asset at the acquisition date. Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the subsidiary and the fair value of the Company's previously-held equity interest, if any, in the subsidiary over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

If, following a re-assessment, the Company's interest in the fair value of the subsidiary's identifiable net assets exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the subsidiary and the fair value of the Company's previously-held equity interest in the subsidiary, then such excess will be immediately recognized in the Company's income statement.

Goodwill is not amortized; however, goodwill is reviewed for impairment at least on an annual basis.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's board of directors. The board is ultimately responsible for the allocation of resources and assessment of performance of the individual operating segments.

FOREIGN CURRENCY TRANSLATION

Functional and Presentation Currency — The Company uses the USD as the functional and presentation currency in the financial statements since the USD is the primary currency in the environment in which the Company and its subsidiaries and associates operate.

Transactions and Balances — Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities using the currency rates prevailing on the last day of the fiscal period are recorded in the income statement.

Changes in the fair value of a monetary security that is classified as available-for-sale and is denominated in a foreign currency are analyzed between changes arising from translation differences in the amortized cost of the security and other changes in the carrying amount of such security. Translation differences are recognized as currency exchange gains or losses in the income statement and other changes are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are included as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized as part of the fair value gain or loss and are recorded as exchange gains or losses in the income statement.

Subsidiaries — The Company translates the results and balances of its consolidated subsidiaries that have a functional currency different from the USD as follows:

- Assets and liabilities for each fiscal period are translated at the closing exchange rate on the date of the balance sheet.
- Income and expenses for each fiscal period are translated at the average exchange rate for the period.
- Resulting exchange differences are recognized as a separate component of equity.

Goodwill and fair value adjustments that are identified on the date of acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate on the reporting date. Exchange differences that arise are recognized as other comprehensive income.

ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires management to make good faith estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. The Company continually evaluates its estimates, including those related to investments, materials and supplies obsolescence, property and equipment and other long-lived assets, intangible assets and goodwill, bad debts, income taxes, financing operations and contingent liabilities as of the date of the financial statements and the period then ended. The Company's estimates are based on historical experience and various assumptions, including expectations of future events, that are believed reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates and assumptions used in the preparation of the consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, certificates of deposit and all highly liquid investments purchased with original maturities of three months or less. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

The Company is required to maintain certain minimum cash balances or to pledge securities and/or cash deposits as security for drawdowns under its revolving credit facilities. Pledged cash deposits and minimum cash balances required by loan facilities are reported as restricted cash in the consolidated balance sheet.

ACCOUNTS AND OTHER RECEIVABLES AND POSSIBLE IMPAIRMENT

Accounts and other receivables include trade receivables which are recognized initially at fair value and, subsequently, at amortized cost using the effective interest method less any provision for impairment. A provision for impairment of trade receivables is recorded when objective evidence indicates that the Company may not be able to collect all amounts that are due in accordance with the originals terms of the transaction. Such objective evidence includes default or delinquency of payments, significant financial difficulties of the debtor and probability that the debtor may enter bankruptcy or financial reorganization. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows as discounted at the effective rate of interest. The provision is recorded in the income statement as a general and administrative expense.

INVENTORIES

The major components of inventory include bunkers and lubrication oil. These inventories are recorded at the lower of cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

Financial Assets and Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets are classified into categories, depending on the nature and purpose of the financial assets as determined at the time of initial recognition, as follows:

- Fair value through the profit or loss;
- Notes, loans and other receivables; and
- Derivatives designated as hedging instruments in an effective hedge.

The Company's financial assets include cash and short-term deposits, restricted cash, trade and other receivables, loans and other receivables and derivative financial instruments. Purchases and sales of financial assets are accounted for on the trade date.

Financial liabilities and equity instruments are classified as either "other financial liabilities" or as derivatives designated as hedging instruments in an effective hedge according to the substance of the contractual arrangements entered by the Company. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded as the proceeds received, net of direct issue costs. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

The Company's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

All financial assets are recognized in the Company's balance sheet, and subsequently derecognized, on the date on which the purchase or sale of the financial asset is under a contract whose terms require delivery of the investment within the period established by the relevant market.

Financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost plus transaction costs, with the exception of those classified as "fair value through the profit or loss" and all derivatives which are measured at fair value.

Following the initial recognition of financial instruments, the fair values of derivatives are measured based on values of bid prices for assets held and offer prices for issued liabilities as quoted in active markets.

The Company may enter into both derivative financial instruments and non-derivative financial instruments in order to manage its exposure to fluctuations in foreign exchange rates, interest rates and fuel bunker prices. Accordingly, the Company recognizes all currency exchange contracts, interest rate swap contracts and bunker contracts in the financial statements and measures such contracts at fair value regardless of the purpose or intent for holding them. The Company has elected to not account for any of its derivative financial instruments as hedges for accounting purposes as prescribed by IAS 39 and, accordingly, all changes in the fair market value of derivative financial instruments are recorded in net income for the current period.

The Company uses forward currency exchange contracts to reduce the exchange rate risk for specific non-U.S. currency transactions. These contracts require the exchange of USD for non-U.S. currency at a fixed rate with maturities that are generally less than 6 months. The carrying amounts of these contracts are adjusted to their market values at each reporting date and recorded to income. The Company has entered into forward contracts to sell USD and buy NOK to provide for administrative expenses in Oslo and to sell USD and buy GBP to provide for administrative expenses in London.

Interest rate swaps are used to manage exposure to changes in interest rates by adjusting the proportion of total debt that is subject to variable and fixed interest rates. The interest rate terms under the outstanding bank loans provide for a variable, or floating, rate of interest based on LIBOR. Consequently, the Company has entered into interest rate swap contracts and agreed to pay an amount equal to a specified fixed rate of interest multiplied by the notional principal amount and to receive in return an amount equal to a specified variable rate of interest multiplied by the same notional principal amount.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Unrealized gains or losses are reported in the Company's income statement and are included within derivatives in the Company's balance sheet. The Company will only reassess the existence of an embedded derivative if the terms of the host financial instrument change significantly.

Changes in the fair value of derivatives that do not qualify for hedge accounting and changes in the fair value of embedded derivatives are recognized in the Company's income statement.

IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses whether a financial asset or group of financial assets is impaired on an annual basis or during interim periods if circumstances warrant such evaluation. Impairment losses are recorded if objective evidence of impairment exists as the result of one or more events that occurred after the initial recognition of the asset and that such event will have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, that are discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, then the discount rate for measuring any impairment loss is the current effective interest rate determined by the contract. The Company may also elect to measure an impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurs after the impairment was recognized, then the previously recognized impairment loss may be reversed and is recognized in the income statement.

PROPERTY AND EQUIPMENT AND POSSIBLE IMPAIRMENT

Property and equipment consist primarily of vessels designed for the ocean-transport of refrigerated goods ("reefer vessels" or "vessels") and the ocean-transport of cars and high and heavy units ("car carriers"). Vessels and related shipping assets are stated at historical cost, which includes costs directly attributable to the acquisition, less accumulated depreciation. The carrying value of vessels and related shipping assets are based on estimates, assumptions and judgments relative to capitalized costs, useful lives and residual values reflecting both historical experience and expectations of future industry conditions and operations. Depreciation for vessels is provided on a straight-line basis over the estimated useful life of 15-30 years after allowing for residual values. Equipment and other fixed asset costs less residual values are depreciated on a straight-line basis over the estimated useful life of 3-5 years.

Buildings are generally depreciated over a useful life of 20 years. Remaining long-lived assets include furniture, fixtures and cars that are carried at cost and depreciated on a straight-line basis over the estimated useful life of 3-5 years.

Subsequent costs that may be included in the asset's carrying value may include expenditures for renewals, major modifications or betterments. These costs are capitalized as separate assets when it is probable that future economic benefits associated with these assets will result and the costs can be measured reliably. These costs of these assets may be amortized over the adjusted remaining useful life of the related asset.

Following the disposal or retirement of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are recorded in the statements of operations.

The assets' residual, or scrap, values and useful lives are reviewed annually and adjusted if appropriate. Estimated residual value is determined as the estimated sales price for steel less the cost related to the scrapping of the vessel. The estimate is reassessed at each reporting date. The carrying values of assets are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. This determination of recoverability for property and equipment held for use is based on the estimated discounted future net cash flows of the underlying asset and the difference is recorded as an impairment loss in the income statement.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Maintenance, major repairs and costs incurred to maintain the certification of assets and comply with current regulations are charged to operating expense as incurred.

NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Assets are classified as held-for-sale when the following criteria are met: Management has committed to a plan to sell the asset, the asset is available for immediate sale in its present condition, the sale of the asset is highly probable to be completed within a one year period and the asset is being actively marketed at a sale price that is reasonable in relation to its current market value. Assets classified as held-for-sale are measured at the lower of their carrying value or fair value less the costs of disposal. Held-for-sale assets are no longer depreciated and are shown separately in the financial statements.

DEFERRED DRYDOCKING COSTS

Drydocking costs are costs incurred pursuant to a program of vessel classification and scheduled, periodic drydockings of the vessels. The costs are accumulated and capitalized as a separate component of the vessels' carrying values because such costs have a different pattern of benefits that require different rates of amortization from the related vessel. The costs are amortized over the period until the next scheduled drydocking, ranging from 3 to 5 years.

LOANS AND NOTES PAYABLE AND DEFERRED FINANCING COSTS

Loans and notes payable are recognized initially at fair value net of financing costs incurred to obtain the financing. Financing costs, including debt arrangement fees, are deferred and amortized using the effective interest method of amortization over the term of the underlying facility agreement. Loans and notes payable are recorded as noncurrent liabilities for payments that extend more than 12 months from the reporting date. Payments on loans and notes payable due less than 12 months from the reporting date are recorded as current liabilities. The unamortized balances of deferred financing costs are recorded as a reduction of noncurrent loans and notes payable. The amortization of deferred financing costs is recorded in the income statement as interest expense.

EXCHANGEABLE BONDS

The exchangeable bonds are initially recognised in two components: (1) the present value of the liability; and (2) the market value of the exchange option, classified as a financial derivative. The liability is subsequently measured at amortized cost and subsequent changes in the fair value of the exchange option are recognized in profit or loss.

An embedded derivative shall be separated from the host contract and accounted for as a derivative if, among other criteria, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Accordingly, the financial derivatives related to the redeemable right were valued at the date of closing using the Black-Scholes Option Pricing Model. The option hold by the company to call the exchangeable bond after 5 years is considered closely related to the host contract and is therefore not separated from the host contract and valued on a separate basis.

REVENUE RECOGNITION

Voyage revenues and expenses are recognized on the accrual basis. Revenues are generated from freight billings, time charter and bareboat charter hires. The operating results of voyages in progress are estimated and recorded pro-rata on a per day basis in the consolidated statements of operations. Probable losses on voyages are provided for in full at the time such losses can be estimated. Time charter and bareboat charter revenues are recorded over the term of the charter as service is provided. Operating costs and costs in connection with freight-seeking activities are expensed as incurred.

Revenues generated by vessels deployed by Siem Shipping are booked on a gross basis. Voyage expenses such as fuel costs, port costs and other voyage-related expenses are deducted from gross revenue to reflect net charter earnings. Revenue from vessels deployed in third party pools are recorded on a net time charter basis because such vessels are operating either under a straight time charter or on pool-terms where Siem Shipping does not have access to gross revenues or voyage expense data.

Interest is recorded using the effective interest method. Dividend income is recognized when declared.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease. All time charter contracts are considered to be operating leases and, accordingly, charter hire is expensed as incurred.

The Company controls several vessels under bareboat charters and sale-leaseback agreements. All such bareboat charters and sale-leaseback transactions are evaluated individually to determine whether the arrangement should be classified as a finance lease. A vessel under a finance lease is depreciated on either a straight-line basis over the vessel's remaining economic useful life or on a straight-line basis over the term of the lease. The method to be applied is determined by the criteria according to which the lease has been assessed to be a finance lease. Depreciation of vessels under finance leases is recorded in depreciation and amortization expense in the income statement.

All bareboat charters and sale-leaseback agreements were classified as operating leases at 31 December 2013. Furthermore, all other significant leases are operating leases.

EMPLOYEE BENEFITS

Share-Based Compensation

According to IFRS 2, all share-based payment transactions must be recognized in the financial statements using a fair value measurement basis.

Performance Unit Plan – The parent company has maintained a Performance Unit Plan for its officers, directors and others who contribute to the success of the Company since 1987. Compensation expense is measured at the end of each period as the amount by which the fair value of the Company's Common Stock covering a grant of performance units exceeds the value specified under the plan and is charged to expense over the periods that the recipient of the grant performs the related services. The Company has the option to satisfy the redemption of the performance units in either cash or Common Shares. This plan reflects IAS19 treatment.

Pension Obligations

Siem Shipping maintains a defined benefit plan for its employees in Norway. The net present value of the future obligations of the pension plan is determined using insurance accounting principles. Net pension expenses are recorded as salary-related expenses in the income statement. The estimated net funds are recorded as noncurrent assets in the balance sheet. The effect of changes in the estimates and differences between estimated and actual return are recognized as they occur. The excess amount is amortized over the remaining service life of the employees.

Siem Shipping maintains two defined contribution plans for its employees in the U.K. Yearly contributions for the two plans are expensed as incurred.

INCOME TAXES

The Company is incorporated in the Cayman Islands and is exempt from income taxes in that jurisdiction. For the two years ended 31 December 2013, there were no Cayman Islands income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a Cayman Islands company or its shareholders. The Company has received assurance from the Cayman Islands government under the Tax Concessions Law (1995 Revision) that, in the event that any legislation is enacted in the Cayman Islands imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company. Therefore, there will be no Cayman Islands tax consequences affecting distributions under present law.

Income taxes have been provided based upon the tax laws and rates in the countries in which the operations are conducted and income is earned. The income tax rates imposed by these taxing authorities may vary substantially. Income for tax purposes may differ from income before taxes for financial accounting purposes, particularly in those tax regimes that are revenue-based. There is no expected relationship between the provision for income taxes and income before income taxes because the countries have different tax regimes which vary not only with respect to the nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations may also arise because income earned and taxed in any particular country or countries may fluctuate from period to period. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities and the operating losses carried forward using the applicable tax rates in effect at year-end. Deferred tax assets are recognized only if the Company has determined that it is probable that the tax assets will be realized. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

NET EARNINGS, OR NET INCOME, PER COMMON SHARE

The Company reports both basic earnings per common share and diluted earnings per common share. Basic earnings per common share is determined by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is determined by using the average market price per common share when applying the treasury stock method to determine the number of common share equivalents which should be added to the weighted average number of shares outstanding. For the Company, diluted earnings per common share is the same as basic earnings per common share since there are no common share equivalents because the Performance Units, which are potentially common share equivalents, are expected to be settled in cash.

RECLASSIFICATIONS

The Company has reclassified certain amounts in the prior period financial statements in order to conform to the current year presentation. Such reclassification had no effect on the Company's net income (loss), financial position, total shareholders' equity or cash flows.

(3) CASH AND CASH EQUIVALENTS

Terms in certain of the Company's loan, revolving credit or bond facilities require minimum cash balances or the pledge of cash deposits. Minimum cash balances and pledged cash deposits represent a form of security for long-term liabilities and are not available for unrestricted use. Accordingly, these balances are recorded as noncurrent assets. At 31 December, the following cash amounts are recorded at fair value through profit and loss:

(in thousands)	*2013*	*2012*
Total cash and cash equivalents	$ 298,397	$ 499,424
Less: Restricted cash - noncurrent asset	2,000	2,000
Cash and cash equivalents - current assets	$ 300,397	$ 501,424

The Company's cash holdings are denominated in several currencies as presented below:

(in thousands)	*2013*	*2012*
Cash and cash equivalents denominated in following currencies:		
USD	$ 221,222	$ 458,842
NOK	62,651	42,321
EUR	4,409	27
GBP	11,909	153
Other	206	81
Total cash and cash equivalents	$ 300,397	$ 501,424

(4) Financial Assets

Financial Assets at Fair Value through Profit or Loss

At 31 December, the following securities are recorded at fair value through profit and loss and are classified as trading securities:

(in thousands)	*2013*	*2012*
Trading securities:		
Listed equity securities	$ 16,948	$ 33,044
Trading securities, net fair value	$ 16,948	$ 33,044

The activity in trading securities during the fiscal years ended 31 December is presented below:

(in thousands)	*2013*	*2012*
Trading securities:		
Balance, 1 January	$ 33,044	$ 9,151
Purchases	33,546	32,642
Proceeds from sales	(54,714)	(14,288)
Gains (losses), see Note 12	6,146	4,595
Currency exchange gains (losses), see Note 16	(1,074)	944
Trading securities, 31 December	$ 16,948	$ 33,044

The trading securities are classified as Level I financial instruments. The valuation for such securities is based on quoted prices available in the market for identical assets.

Notes, Loans and Other Receivables

At 31 December, the following notes, loans and other receivables are recorded:

(in thousands)	*2013*	*2012*
Notes, loans and other receivables:		
Listed securities:		
Floating rate notes	$ –	$ 11,572
Fixed rate notes	37,587	12,798
Unlisted securities:		
Notes receivable, various rates	331,553	63,524
Notes, loans and other receivables	$ 369,140	$ 87,894
Notes, loans and other receivables:		
Current	$ 24,368	$ 13,715
Noncurrent	$ 344,772	$ 74,179

The activity in notes, loans and other receivables during the fiscal years ended 31 December is presented below:

(in thousands)	*2013*	*2012*
Notes, loans and other receivables:		
Balance, 1 January	$ 87,894	$ 46,443
Additions	579,201	51,899
Proceeds from maturities, repayments and sales	(319,921)	(14,178)
Gains (losses) on investments, net, see Note 12	23,049	2,014
Reclassification	(2,733)	289
Currency exchange gains (losses), see Note 16	1,650	1,427
Notes, loans and other receivables, 31 December	$ 369,140	$ 87,894

Siem Investments Portfolio — In 2005, Siem Investments agreed to finance the construction of the thermolysis process facility on behalf of Deusa, its 49%-owned associate. The plan was for Deusa to be paid to take municipal wastes with a given quality grade and incinerate the wastes in the facility. The thermolysis process would generate gas to be used to generate energy to run the thermolysis plant itself and for use in Deusa's potash mining operations. The energy produced by the thermolysis process was expected to reduce the amount of natural gas and other costs currently purchased from third party providers which represents approximately 60% of Deusa's operating costs. As a result of the recent fall in natural gas prices which we believe we stay low for a couple of years, the economics of the thermolysis plant were re-assessed and it was determined that the facility should be mothballed until such time that the economics justify further investment and effort. The balance of the loans to Deusa is recorded as an unlisted note receivable.

Commencing in December 2011, Siem Investments purchased a number of bonds issued by Eksportfinans ASA. Eksportfinans, which is owned by a consortium of banks and the Norwegian government, was established in 1962 to provide long-term financing for the Norwegian export sector and, from 1978 to 2011, managed the Norwegian state-supported export financing scheme. Eksportfinans finances its activities through bond debt and commercial paper issued to the international capital markets. At 31 December 2013, Siem Investments owned $33,000,000 nominal amount of fixed interest bonds. The bonds were purchased at varying levels of discounts and are marked-to-market at the end of each reporting period.

In June 2012, Siem Investments purchased a $10 million, 3-year barrier reverse convertible note with underlying shares in Petroleo Brasileiro S.A. The note was sold at a slight gain in March 2013.

In December 2012, Siem Investments reached agreement to invest in a $50 million junior secured facility on a 50:50 basis with the facility agent, or a $25 million participation by Siem Investments. The facility was secured by a newbuild semi-submersible which was scheduled to go on contract for an operator upon delivery in May 2013. The facility had a term of 2 years with a 3rd option year, incurred interest at a rate of 12% p.a., provided an early repayment option to the borrower after 9 months upon payment of a prepayment penalty fee of $1,250,000 and paid a 1% arrangement fee at closing. In April 2013, the borrower elected to refinance the overall debt package. Siem Investments agreed to the early prepayment in April in exchange for the repayment of principal and the payment of all accrued and unpaid interest, the payment of the penalty fee and payment of an amount to compensate for the foregone interest that would have been earned had the facility remained outstanding until the scheduled prepayment date.

In June 2013, Siem Investments acquired a nominal amount of $195,000,000 of preference shares that were issued by an international offshore drilling contractor. The preference shares yielded a return of 10% p.a. that was payable-in-kind on a semi-annual basis. Siem Investments purchased the amount at 95 flat for the preference shares and PIK, or an aggregate $185,250,000. In October 2013, the issuer of the preference shares redeemed the preference shares and related PIK for $212,030,000. During 2013, the Company recognized PIK of $5,801,000 and gains of $20,979,000.

Venn Partners and Venn Finance (collectively, "Venn") — Commencing in July and August 2013, Venn ramped up its activity and arranged a series of financing solutions for various projects and borrowers in the European commercial real estate sector. The Company provided much of the funding for the financings through its wholly-owned Luxembourg subsidiary, Venn Capital ("VCap"). One of the goals of the business model is to sell-off participations in each of the financings to third parties within a short timeframe after closing but to retain a portion of each project. The proceeds from the sales of participations are then rolled-over into new project financings. At the end of 2013, VCap and its wholly-owned subsidiary, VeTC, held $240.1 million in notes from the finance projects.

VSK Holdings — The Company owns a 55%-interest in VSK Holdings and a group of funds managed by a global private-equity investment firm (the "Funds") owns the remaining 45%-interest. Ember VRM S.a r.l. ("Ember") is a wholly-owned subsidiary of VSK Holdings.

In December 2013, the Company and the Funds contributed additional capital and provided funding of EUR63.6 million to VSK Holdings. VSK Holdings provided the proceeds of the funding to Ember in exchange for tracking preference equity certificates.

On 13 December 2013, commenced a three-phase transaction. In the first phase, Ember purchased a EUR489.8 million portfolio of Dutch residential mortgages for approximately EUR409.7 million and paid approximately EUR4.7 million in acquisition expenses. Ember financed the purchase with the proceeds of a EUR354 million loan from the Royal Bank of Scotland and equity. Approximately EUR483.2 million of the loans were considered to be performing.

In the second phase conducted on 19 December 2013, Ember sold the performing loans to Cartesian Residential Mortgages 1 S.A. ("Cartesian"), a Luxembourg entity, which is owned by a Dutch foundation. Cartesian financed the acquisition with proceeds of a EUR354 million loan from the Royal Bank of Scotland, which proceeds were used to redeem the loan advanced earlier to Ember by RBS, and a subordinated loan to Ember.

During the third phase which was completed in March 2014, Venn arranged the securitization of the portfolio held by Cartesian. The proceeds of the securitization were used to repay the EUR354 million bank loan and to repay EUR78 million of the subordinated loan owed to Ember. Ember used a portion of the proceeds to repay the equity certificates issued to VSK Holdings. In April 2014, the Company received approximately EUR41.4 million.

The net recorded value of the notes, loans and other similar receivables approximates the fair value of such notes, loans and other similar receivables at 31 December 2013.

(5) INVESTMENTS IN ASSOCIATES

A summary of the share of profits (losses) of and the investments in associates as of and for the years ended 31 December is presented below:

			Summary of Investments in Associates (in thousands)	
Year Ended	*Associate*	*Percentage Ownership*	*Share of Profits (Losses)*	*Investments in*
31 December 2013	Subsea 7 S.A.	20.7%	$ 72,811	$ 1,471,051
	Veripos Inc.	21.0%	1,916	17,723
	Siem Offshore	34.4%	7,504	261,037
	Siem Capital	64.0%	—	—
	Deusa	49.0%	420	1,481
	GTL	38.2%	11,316	35,961
	VSK Holdings	55.0%	—	9,049
	Other		(203)	(47)
			$ 93,764	$ 1,796,255
31 December 2012	Subsea 7 S.A.	21.0%	$ 172,222	$ 1,438,219
	Veripos Inc.	21.0%	921	16,344
	Siem Offshore	33.9%	5,806	255,327
	Siem Capital	64.0%	(1,139)	—
	Deusa	49.0%	1,584	1,060
	GTL	38.2%	(1,982)	23,286
			$ 177,412	$ 1,734,236

The activity in investments in associates during the fiscal year ended 31 December 2013 follows:

(in thousands)	*2013*	*2012*
Investments in associates:		
Balance, 1 January	$ 1,734,236	$ 1,549,669
Additions to investments	9,205	25,228
Share of profits (losses) of associates	93,764	177,412
Distributions by associates	(42,467)	(41,839)
Reclassification	—	603
Share of associates' other comprehensive income	157	23,122
Other	1,360	41
Investments in associates, 31 December	$ 1,796,255	$ 1,734,236

Subsea 7 — Subsea 7's shareholders approved payments of a dividend of $0.60 per share at its annual general meeting held in June during each of the past 2 years and the Company received $41,839,000 in July following each approval. Under IFRS, the dividends are recorded as a distribution by Subsea 7 rather than as dividend income.

Veripos — Veripos' shareholders approved payments of a dividend of $0.09 per share at its annual general meeting in June 2013 and the Company received $628,000 in July. The dividends are recorded as distributions by Veripos rather than as dividend income.

Siem Offshore — The Company acquired its interest in Siem Offshore in August 2005.

Siem Offshore announced a share buy-back programme in September 2012 to repurchase up to 10 million shares which programme expired at Siem Offshore's annual general meeting in May 2013. A new buy-back programme was implemented which will expire at the May 2014 annual general meeting. Since the commencement of the buy-back programmes, Siem Offshore has repurchased 8,360,260 shares.

Siem Capital — The Company acquired a 50% voting interest and a 64% interest in share capital in Siem Capital in February 1998 for approximately SEK148,997,000, or $18,425,000. The remaining 50% voting interest and 36% share capital interest is held by the other, non-related owner of Siem Capital. At the time of the acquisition, Siem Capital owned several land-based Swedish companies. In recent years, Siem Capital has liquidated much of its portfolio consisting of investments in companies. These companies had strengthened and appreciated in value significantly. Since 2005, the Company has received a total of SEK415,240,000 in distributions from Siem Capital. However, since 2009, Siem Capital has incurred losses that were greater than the Company's remaining amount of the investment in Siem Capital and the book value of the Company's investment has been reduced to zero.

Siem Capital's remaining holdings consist of interests in Boule Diagnostics International AB, a developer of hematology diagnostic systems; and Grespo AB, a research biotech company.

GTL — At the end of October 2011, the boards of directors of Sinav Limited ("Sinav") and GTL Resources PLC ("GTL Limited") announced that they had reached an agreement on the recommended terms of a cash offer under which Sinav would acquire all of the issued or to be issued share capital of GTL Limited for GBP1.00 cash per share. This agreement was approved by GTL Limited's shareholders in December 2011 and the acquisition closed in January 2012 at a total cost of GBP32,861,000, or approximately $52,627,000. Following the acquisition, GTL Limited changed its name to GTL Resources Limited ("GTL"). At the time of the acquisition, GTL's primary asset was an 87% interest in Illinois River Energy LLC ("IRE"). GTL subsequently commenced the buyout of the remaining ownership interests in IRE for approximately $4 million. IRE owns a dry mill, corn-based processing facility located in Rochelle, Illinois which annually processes over 40 million bushels of corn and produces approximately 120 million gallons of fuel-grade ethanol and 300,000 tonnes of dried distiller's grains with soluble ("DDGS").

GTL's operations were affected by the severe drought which impacted much of the U.S. Midwest in 2012. The drought conditions lessened significantly in 2013 and the quality and efficiency of GTL's operations were reflected in its performance.

VSK Holdings — VSK Holdings was capitalized during the fourth quarter 2013 with the Company holding a 55%-interest. In December, VSK Holdings' shareholders provided additional funding to the company in the form of tracking preferred equity certificates. VSK Holdings used the proceeds to advance funds to its wholly-owned subsidiary, Ember, in exchange for shares and TPECs. In mid-December, Ember used EUR60.4 million of the funding made available by VSK Holdings and EUR354 million made available by the Royal Bank of Scotland to purchase the EUR490 million Dutch residential mortgage portfolio and pay transaction costs. In late-December, Ember sold the performing mortgages in the portfolio to Cartesian and used the proceeds to redeem the EUR354 million of senior notes issued to RBS. The net results for VSK Holdings were insignificant during the period that it held the portfolio and was obligated for the senior notes.

(6) VESSELS, PROPERTY AND EQUIPMENT

Summaries of the vessels and related shipping assets and property, equipment and other at 31 December are presented below:

(in thousands)	*2013* Vessels and Related Assets	*2013* Property, Equipment and Other	*2012* Vessels and Related Assets	*2012* Property, Equipment and Other
Cost:				
Balance, 1 January	$ 403,193	$ 9,651	$ 410,148	$ 9,249
Additions	32,658	84	2,067	185
Disposals	–	–	(2,371)	(151)
Reclassification to Held-for-Sale	–	–	(10,457)	–
Translation adjustment and other	(2,272)	(572)	3,806	368
Cost, 31 December	433,579	9,163	403,193	9,651
Less: Accumulated depreciation:				
Balance, 1 January	$ (184,664)	$ (1,775)	$ (177,641)	$ (1,438)
Depreciation, see Note 13	(13,622)	(418)	(14,290)	(337)
Disposals and eliminations	–	–	–	–
Impairment	–	–	(2,941)	–
Reclassification to Held-for-Sale	–	–	10,208	–
Accum. depreciation, 31 December	(198,286)	(2,193)	(184,664)	(1,775)
Net book value, 31 December	235,293	$ 6,970	$ 218,529	$ 7,876
Property, equipment and other, net	6,970		7,876	
Deferred drydocking costs, see Note 7	12,520		9,383	
Shipbuilding contracts – instalments paid	23,000		23,000	
Vessels, property and equipment, net	$ 277,783		$ 258,788	

Siem Shipping — During 2011, Siem Shipping responded to the dismal, short-term outlook for its sector by re-assessing its fleet and sending into lay-up or scrapping vessels which could not be run economically under the existing market conditions. Siem Shipping recorded an impairment charge of $99.1 million against the book values of the older, less-efficient vessels or the vessels considered to be likely candidates for scrapping in 2011 and an additional impairment of $4,172,000 was recorded in 2012. In 2013, Siem Shipping sold the last remaining vessel that had been held-for-sale and recorded an impairment charge of $300,000.

(7) DEFERRED DRYDOCKING COSTS

A summary of the drydocking activity for the years ended 31 December is presented below:

(in thousands)	*Year Ended 31 December* 2013	2012
Deferred drydocking costs:		
Balance, 1 January	$ 9,383	$ 11,881
Additions	7,238	2,361
Disposals	(526)	(1,053)
Amortization, see Note 13	(3,575)	(3,806)
Deferred drydocking costs, 31 December	$ 12,520	$ 9,383

The amortization period is generally 3-5 years and the amortization of deferred drydocking costs is recorded as an operating expense.

(8) LONG-TERM DEBT

A summary of long-term debt and notes payable, net of unamortized discounts and premiums, at 31 December is presented below:

(in thousands)	*Interest Rate*	*2013*	*2012*
USD-denominated long-term debt and notes payable:			
Exchangeable Bonds	1% p.a.	$ 299,503	$ 309,274
ABN Amro Bank N.V.	LIBOR plus 2.50%	24,260	36,390
USD-denominated long-term debt and notes payable		323,763	345,664
NOK-denominated long-term debt and notes payable, USD-equivalents:			
NOK36.5mm Loan	NIBOR plus 0.60%	3,519	3,766
NOK-denominated long-term debt and notes payable		3,519	3,766
GBP-denominated long-term debt and notes payable, USD-equivalents:			
GBP24mm Loan	LIBOR plus 3.70%	39,507	—
GBP-denominated long-term debt and notes payable		39,507	—
Total long-term debt and notes payable		366,789	349,582
Unamortized financing fees		(3,203)	(3,887)
Long-term debt and notes payable		$ 363,586	$ 345,695
Long-term debt and notes payable:			
Current		$ 11,512	$ 11,518
Noncurrent		$ 352,074	$ 334,177

The scheduled maturities of the face values of the Company's debt and notes payable for each of the years ended 31 December are presented below:

Years Ended 31 December	*Maturities (in thousands)*
2014	$ 11,512
2015	11,513
2016	39,158
2017	148
2018 and thereafter	301,255
Total	$ 363,586

Exchangeable Bonds — In September 2012, the Company completed the private placement of 1.00% $445,000,000 Senior Secured Exchangeable Bonds ("Exchangeable Bonds") which are exchangeable into shares of Subsea 7. The Exchangeable Bonds were issued on 12 September 2012 at an Exchange Price of $29.0021 per Subsea 7 share, representing a premium of 30% to the volume-weighted average price of such shares on the Oslo Stock Exchange, and will mature 12 September 2019. Interest is payable semi-annually in March and September at the rate of 1% p.a. The Exchangeable Bonds are secured by the pledge of 39,893,677 shares of Subsea 7, or a collateral ratio of 260%, and recourse to the Company is limited to the value of the secured property. The Exchangeable Bonds provide that bondholders may redeem the bonds on the 4-year anniversary date at face value at face value together with accrued and unpaid interest. Certain other rights apply to the redemption by bondholders and to the call rights held by the Company. The Exchangeable Bonds are listed on the Oslo Stock Exchange.

As a consequence of the exchange provision, a portion of the Exchangeable Bonds is accounted for as a financial derivative and remaining portion is long-term debt liability. Accordingly, the amount of financial derivatives was valued at the date of closing using the Black-Scholes Option Pricing Model with a price of $22.3093 per Subsea 7 share, an exchange price of $29.0021, risk-free interest rate of 1.60% p.a., an expected life of 7 years and historical volatility of the share price based on the previous 12 months of market prices ("Financial Derivatives"). The valuation was separated from the underlying debt liability and recorded as a Financial Derivatives liability as follows:

(in thousands)	
Exchangeable Bonds, face value at issue on 12 September 2012	$ 445,000
Valuation of Financial Derivatives	(135,726)
Exchangeable Bonds – Long-term debt portion	309,274
Less unamortized finance fees incurred in connection with issue	(3,477)
Exchangeable Bonds, debt liability at 12 September 2012	$ 305,797
Amortization – yield-to-maturity recorded as interest expense	150
Exchangeable Bonds, amortized debt liability at 31 December 2012	$ 305,947
Amortization – yield-to-maturity recorded as interest expense	497
Buyback of Exchangeable Bonds	-(9,771)
Exchangeable Bonds, amortized debt liability at 31 December 2013, net	$ 296,673
Reverse related amount of amortizable deferred finance fees	2,830
Exchangeable Bonds, amortized debt liability at 31 December 2013, gross	$ 299,503

The Financial Derivatives are re-valued at the end of each reporting period and the resulting increase or decrease is recorded as a loss or gain, respectively. The calculation is strongly influenced by the volatility of the market prices of Subsea 7 shares and the price at the end of the reporting period. As result, the Financial Derivatives liability is subject to large swings in valuation which may have a significant impact on the Company's net income as shown in the table below.

(in thousands)	*Value of Financial Derivatives*
Valuation of Financial Derivatives liability at closing on 12 September 2012	$ 135,726
Loss (gain) on re-valuation of Financial Derivatives, remainder of 3Q2012	2,630
Valuation of Financial Derivatives at 30 September 2012	138,356
Loss (gain) on re-valuation of Financial Derivatives	(10,317)
Valuation of Financial Derivatives at 31 December 2012	$ 128,039
Loss (gain) on re-valuation of Financial Derivatives	(30,458)
Buyback of Exchangeable Bonds	(3,283)
Valuation of Financial Derivatives at 31 December 2013	$ 94,298

In March 2013, Subsea 7 announced that its board of directors had proposed that a $0.60 per share cash dividend be approved at the company's annual general meeting in June 2013. Subsea 7's shareholders approved the cash dividend which the company paid in July 2013. In accordance with the Exchangeable Bond Agreement, the Exchange Price was adjusted from $29.0021 per share to $28.29 per share effective on 3 July 2013, which was the first day that the shares of Subsea 7 traded ex-dividend.

Siem Shipping Credit Facility —Siem Shipping entered into a $65,000,000 credit facility with ABN Amro Bank N.V. in December 2010 ("Credit Facility"). The Credit Facility provided for interest at a rate of LIBOR plus 2.50%p.a., an arrangement fee of 0.875% payable at drawdown, equal annual principal payments during each of the five years during the term of the Credit Facility, security in the form of first priority mortgages over certain vessels and negative pledges over certain other vessels, assignments of earnings and insurances, and pledges of the shares in the vessel-owning subsidiaries of Siem Shipping and related bank accounts.

Siem Shipping was in compliance with all covenants at the end of 2013.

The weighted average interest rates for the Siem Shipping Credit Facility were 6.1% and 4.8% for 2013 and 2012, respectively. During 2012, Siem Shipping repaid approximately $12,130,000 principal amount of the Credit Facility.

VeTC S.a r.l. Credit Facility — VeTC is a wholly-owned Luxembourg subsidiary of VCap. After VeTC was established, VCap transferred two notes receivable backed by commercial real estate for an aggregate GBP38.8 million into VeTC. As consideration for the transfer, VeTC accepted the novation of a multicurrency loan facility of a similar amount that was payable by VCap to the Company. Shortly thereafter, a Canadian insurance company provided a GBP24 million loan ("GBP24mm Loan") to VeTC. VeTC used the proceeds for a partial paydown of the outstanding balance under the multicurrency loan facility. Terms of the GBP24mm Loan provided for interest rates at 3-mo. LIBOR plus 3.70% with maturity in 2016. VCap sold VeTC in February 2014 and any obligations to the lender were ended.

Other Term Loan Agreements — In April 2001, DSND Bygg DA, a Norwegian company established for the express purpose of constructing and owning an office building in Grimstad, Norway, entered into an agreement for a NOK36,500,000 term loan to finance the cost of the building (the "NOK36.5mm Loan"). The terms provided for a 20-year loan period and a floating rate of interest commencing in 2006 at NIBOR plus 0.60% p.a. thereafter with interest and principal payable semiannually. Security for the loan is in the form of a first mortgage on the building and assignments of earnings and insurance.

Taking into consideration the variable rate structure of the Company's long-term debt, the fair value of long-term debt approximates its carrying value.

(9) INCOME TAXES

The Company is incorporated in the Cayman Islands and, as such, is not subject to income taxes in that jurisdiction. Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year.

Income Tax Expense (Benefit), in thousands	*2013*	*2012*
Current	$ 241	$ 111
Deferred	32	27
Income tax expense (benefit)	$ 273	$ 138

The Company reports its share of the profits (losses) of associates which are recorded net of the income tax expenses incurred by each of the associates. In their respective income statements for 2013, the Company's associates have reported the following: Subsea7 with income before income taxes of $510.8 million and related income tax expense of $160.9 million; Siem Offshore with income before income taxes of $18.0 million and related income tax benefit of $3.6 million; Veripos with income before income taxes of $11.5 million and related income tax expense of $2.8 million; and Sinav with income before income taxes of $45.8 million and related income tax expense of $16.2 million.

(in thousands)	*2013*	*2012*
Deferred tax liabilities (assets):		
Fixed assets	$ 2,221	2,168
Deferred capital gains	(646)	(882)
Drydock and other assets	128	140
Provisions and accruals	2,235	2,189
Temporary differences	3,938	3,615
Net operating loss carryforwards	(24,560)	(27,572)
Net deferred tax liabilities (assets)	(20,622)	(23,957)
Valuation allowance	20,622	23,597
Net deferred tax liabilities (assets)	$ —	$ —

Deferred taxes are recorded to recognize temporary differences existing between the tax bases of assets or liabilities and their reported amounts in the financial statements using the applicable tax rates in effect at year-end. The tax effects of temporary differences are recorded as deferred tax assets or deferred tax liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years.

Deferred tax liabilities generally represent items that have been taken as a tax deduction but have not yet been recorded in the statement of operations. The Company has determined that it is not probable at this time that the deferred tax assets will be recovered. Therefore, a valuation allowance has been provided to offset deferred tax assets on net operating losses incurred during the year in certain jurisdictions where, in the opinion of management, it is more likely than not that the financial statement benefits will not be realized.

A significant portion of the income tax detail presented in the tables above is attributed to Siem Shipping. With respect to Siem Shipping, tax losses in Norway can be carried forward indefinitely.

The Company has received assurances from the Cayman Islands government that, in the event that any legislation is enacted in the Cayman Islands imposing taxes on profit or income, taxes on capital assets, either gain or appreciation, or any taxes in the nature of estate duties or inheritance taxes, such tax shall not be applicable to the Company or to any of its operations or to the shares or other obligations of the Company. Consequently, under present law, there will be no Cayman Islands tax consequences affecting distributions.

(10) OPERATING REVENUES AND EXPENSES

Operating revenues consist of freight revenues on a time charter basis from voyage charters, time and bareboat charters, pool arrangements, property rentals and other are presented below:

	Year Ended 31 December	
(in thousands)	*2013*	*2012*
Operating revenues:		
Net vessel revenues	$ 174,769	$ 173,870
Other	4,896	2,508
Operating revenues	$ 179,665	$ 176,378

Ship operating expenses are a component of operating expenses and include crew payroll, spares parts, maintenance and repair, lube oil and consumables, and other related expenses. Operating expenses are presented below:

	Year Ended 31 December	
(in thousands)	*2013*	*2012*
Operating expenses:		
Ship operating expenses	$ 31,700	$ 32,188
Crew payroll	22,995	21,647
Time charter expenses	79,891	82,509
Bareboat charter expenses	1,662	1,627
Insurance	3,076	2,920
Other	1,998	2,488
Operating expenses	$ 141,322	$ 143,379

(11) Operating Leases

Charter-hire payments to third parties for certain contracted-in vessels are accounted for as operating leases. The charter expense and future minimum rental payments under the Company's non-cancelable operating leases are presented below:

(in thousands)	*Year Ended 31 December 2013*	*2012*
Charter expenses:		
Time charter, see Note 10	$ 79,891	$ 82,509
Bareboat, see Note 10	1,662	1,627
Total charter expenses	$ 81,553	$ 84,217
Minimum lease payments:		
2014	$ 65,130	
2015	63,419	
2016	63,419	
2017	63,419	
2018 and thereafter	235,083	
Total minimum lease payments	$ 490,470	

The net present value of the minimum lease payments is $381,776,000 using a 6% discount rate.

Siem Shipping took delivery of each of the 12 STAR First class of specialized reefer vessels under a 10-year charter-in contract from the vessel owner effective on the date of delivery. During 2012, Siem Shipping and the vessel owner reached agreement to amend the charter rates in exchange for a 3-year extension for each of the time charter contracts. Siem Shipping holds options to acquire 8 of the 12 vessels.

All 12 of the STAR First class of vessels are chartered-out on long-term contracts with 4 charters expiring at the end of 2014, 4 charters expiring at the end of 2019 and the last 4 charters expiring in 2020.

(12) Gains (Losses) from Investments and Sales of Property and Equipment

A summary of the net gains (losses) related to the Company's investments and the sales of property and equipment is presented below:

(in thousands)	*Year Ended 31 December 2013*	*2012*
Gains (losses) on investments, net:		
Financial assets at fair value through profit or loss, see Note 4	$ 6,146	$ 4,595
Notes, loans and other receivables, see Note 4	23,049	2,014
Sale of vessel	–	(61)
Other	4	(2)
Gains (losses) on investments, net	$ 29,199	$ 6,546

(13) Depreciation and Amortization

A summary of the depreciation and amortization is presented below:

(in thousands)	*Year Ended 31 December 2013*	*2012*
Depreciation and amortization:		
Depreciation, see Note 6	$ 14,040	$ 14,628
Amortization, drydock and other, see Note 7	3,575	3,806
Depreciation and amortization	$ 17,615	$ 18,434

As a result of the impairments recorded by Siem Shipping in 2011 and 2012 and the sales of 4 vessels in 2011 and 7 vessels in 2012, the depreciable base for the Siem Shipping fleet has been substantially reduced.

(14) PERFORMANCE UNIT PLAN AND STOCK OPTION PLANS

A summary of the performance unit awards which have been granted and are currently outstanding is presented below:

	No. of Performance Units Awarded and Outstanding	
Name	*Granted June 2005 at $48.21 per Unit*	*Granted April 2007 at $128.00 per Unit*
Kristian Siem	115,000	–
M.D. Moross	7,000	–
Barry W. Ridings	7,000	–
Michael Delouche	10,000	–
Others	32,025	–
Ivar Siem	–	28,000

Performance units have been awarded pursuant to provisions of the Company's 2005 Performance Unit Plan (the "2005 Plan"), as amended, by the Compensation Committee of the Board of Directors.

The 2005 Plan provides that performance units shall be granted at a value no less than 110% of the net asset value per Common Share based on the balance sheets prepared by the Company on a quarterly basis in accordance with applicable law and prevailing generally accepted accounting principles. Net asset value for purposes of the 2005 Plan means the amount that is determined after adjustments have been made to the balance sheet to reflect the market values for the Company's investments in securities issued by publicly-traded companies for which market prices are readily available. This approach was used because it corresponds to methods used in similar situations where low liquidity or illiquid shares exist. The performance unit value of the grant, which is determined by multiplying the number of performance units by the value per performance unit, is credited to the individual's performance unit account on the date of the award. Grants of awards vest over a five-year award periods at 20% per year; however, all rights to the performance unit account are forfeited if the individual's employment ceases before the end of the award period with certain reasonable exceptions including the death, total disability or retirement after age 60 of the individual. The Company may elect to make payments in either cash or Common Shares. If the Company makes payment in Common Shares and there is no liquid market for such shares, then the Company is obligated either to provide a market for the Common Shares within 9 months of the new share issue or to redeem or purchase the Common Shares for the cash amount that would have been paid had the original payment been made in cash.

The 2005 Plan expires on the earlier of the vesting of an aggregate 1,000,000 performance units by the participants or 31 December 2014, which is the end of a 10-year period from the effective date of agreement.

The Company records compensation expense with respect to the Plan. This expense is determined using the number of units which have vested and the higher of the market value of Common Shares as traded on a regulated exchange or 80% of the adjusted net asset value per Common Share at the end of the reporting period. In 2013, the Company reversed previously recorded compensation liability with the reversal recorded against compensation expense, a component of general and administrative expenses, in the amount of $(1,736,000). In 2012, the Company recorded compensation expense of $5,589,000. The obligation is recorded in other liabilities and deferred credits.

An aggregate 24,975 units granted under the 2005 Plan have been forfeited.

(15) PENSION PLANS

Siem Shipping' wholly-owned Norwegian subsidiary, STAR Reefers AS, maintains a defined benefit pension plan that covers 1 active and 9 retired employees in Norway in in both 2013 and 2012. Benefits under the defined benefit pension plan are based primarily upon the participant's years of service and compensation at time of retirement which is assumed to be 67 years of age. The basis for calculating pensions is limited to 12G (indexation of the public national insurance base amount which, from 1 May 2013, is 1G=NOK85). The actuarial calculation of the pension obligation is as follows (in thousands):

Weighted Average Assumptions	*2013*	*2012*
Discount rate	4.00%	3.90%
Expected return on funds	4.00%	4.00%
Expected increase in salaries	3.80%	3.50%
Expected pension regulation	0.60%	0.20%
Expected G-regulation/inflation	3.50%	3.30%
Social security tax	14.10%	14.10%

Components of Pension Cost	*2013*	*2012*
Service cost	$ 28	$ 32
Interest cost	36	22
Return on plan assets	(55)	(57)
Effect of changes in estimates	—	2
Net pension cost (benefit)	$ 9	$ (1)

Status of Plan Funding	*2013*	*2012*
Fair value of pension funds	$ 1,315	$ 1,384
Estimated pension benefit obligation	(1,017)	(938)
Pension funds (obligations)	$ 298	$ 446
Unrecognized actuarial gains (losses)	(103)	(233)
Net pension funds (obligations)	$ 195	$ 213

In prior years, Siem Shipping prepaid pension premiums for tax purposes. The overfunding is recorded in other assets because the excess amounts can be released to cover future premiums.

At the end of 2013, the plan assets were invested as follows: bonds, money market, loans and receivables (70%); real estate (11%); equities (12%); and other (7%).

Siem Shipping' wholly-owned U.K. subsidiary, STAR Reefers UK, maintains a defined contribution pension plan that covered 20 employees in 2013 and 17 employees in 2012. Under this plan, STAR Reefers UK contributes a fixed percentage of the employee's base salary. The percentage is dependent on the number of years employed and the employee's position within the company. The company also maintains a separate pension plans for its CEO and COO. Total contributions to these plans are recorded as general and administrative expenses when incurred and were approximately $286,000 and $283,000 for 2013 and 2012, respectively.

Certain information concerning pension assets and benefit obligations related to foreign subsidiaries has not been presented since the information is not readily available and is immaterial.

(16) CURRENCY EXCHANGE GAINS (LOSSES)

A summary of the components of currency exchange gains (losses) is presented below:

	Year Ended 31 December	
(in thousands)	*2013*	*2012*
Currency exchange gains (losses):		
Financial assets at fair value through profit and loss, see Note 4	$ (1,074)	$ 944
Notes, loans and other receivables, see Note 4	1,650	1,427
Cash and cash equivalents, adjusted using period-ending exchange rates	(1,601)	3,787
Intercompany notes and other receivables	(3,320)	3,403
Siem Shipping, breakdown not available	(50)	280
Other	(972)	1,125
Currency exchange gains (losses)	$ (5,367)	$ 10,966

(17) COMMITMENTS AND CONTINGENCIES

The Company or any of its subsidiaries or associates may become involved in various legal proceedings during the ordinary course of business. It is the Company's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount can be reasonably estimated. The Company is not aware of any litigation which, in the opinion of management, is likely to have a material adverse effect on the Company's financial position, results of operations or cashflows other than as discussed.

Siem Shipping — In 2007, the Company agreed to provide a secondary guarantee of Siem Shipping' charter payments for each of the four vessels in the second series of newbuild reefer vessels delivered to Siem Shipping. The maximum amount of each guarantee is $10,000,000 following delivery of the vessel to Siem Shipping and reduces by $1,000,000 at the end of each year for the ten-year guarantee period. Siem Shipping has agreed to pay the Company a fee at the rate of 1% p.a. on the outstanding balance of the guarantee. The fee is payable quarterly in advance.

In 2008, the Company agreed to provide a secondary guarantee of Siem Shipping' charter payments for each of the four vessels in the third series of newbuild reefer vessels delivered to Siem Shipping. The maximum amount of each guarantee is $10,000,000 following delivery of the vessel to Siem Shipping and reduces by $1,000,000 at the end of each year for the ten-year guarantee period. Siem Shipping has agreed to pay the Company a fee at the rate of 1.5% p.a. on the outstanding balance of the guarantee. The fee is payable quarterly in advance.

Siem Investments – In March 2012, Siem Investments and a third party (the "Buyer") reached an agreement whereby Siem Investments sold a put option (the "Put") to the Buyer. The option granted the Buyer the right to put shares issued by a certain publicly-traded company to Siem Investments for $222 million. The Put is an American-style option with a maximum period of 30 months during which time the option can be exercised. The company, whose underlying shares can be put to the Siem Investments, conducts operations in an industry in which the Company has past experience. If the Put is exercised, then the shareholding will give the Company some influence but not control in the company. Siem Investments received option premiums of $8 million in each of April 2012 and 2013, but has elected to defer recognition of the income.

In February 2014, the option agreement was amended which provided the Buyer with 3 alternatives: (i) to continue under the terms of the current agreement by payment of a $4 million premium in April 2014 which will extend the option by six months to the beginning of October 2014; (ii) to terminate the agreement in April 2014 by payment of a $1 million termination fee; or (iii) to extend the agreement by another 27 months to mid-December 2016 by payment of a $3 million premium in April 2014.

Terms of the amended agreement provide for premium payments of $3 million in each of April 2014, October 2014, April 2015 and October 2015, payments of $1.5 million in each of April 2016 and July 2016 and a payment of $1,250,000 in October 2016. The Buyer can cancel the amended agreement by a payment of $6 million if cancelled before April 2015, a payment of $3 million if cancelled before October 2015, a payment of $2 million if cancelled before April 2016 and payments of smaller amounts thereafter.

In addition, the shares can be put to Siem Investments for no more than $200 million, which is a reduction from the original agreement, even though the number of underlying shares has remained unchanged and the market share price has increased.

On behalf of Siem Investments, the Company has agreed to secure its obligations for any cash settlement that will be required upon exercise of the Put by placing shares of Subsea 7 in a pledged account. The number of Subsea 7 shares required for security depends on the calculated exposure for the Put being exercised. At present, the number of Subsea 7 shares placed in the account is 10,000,000 shares which can be reduced.

Siem Car Carriers – In November 2012, the Company reached agreement to enter into shipbuilding contracts for the construction of 6,700 CEU Pure Car/Truck Carrier ("PCTC") vessels for a price of $57.5 million each. The PCTC vessels will be built by a Korean shipbuilder in its yard in China and are scheduled for delivery in 2014. The PCTC vessels have an efficient hull form, which has been confirmed by tank testing in Korea, and class-leading flexible cargo characteristics. In addition to the two contracts, the Company held options for additional newbuilds on a 2x2x2 option arrangement. At the time of closing, 20% of the purchase price, or $11.5 million, was paid to the shipbuilder with the advance payments secured by refund guarantees provided by two separate Korean banks. Although financing of the newbuilds has not been completed, it is expected that 60-70% financing can be achieved.

In 2013, options for an additional 4 vessels have been exercised with the orders for vessel newbuilds not firm until downpayments have been paid. Downpayments of the purchase price will not be made until agreements with respect to refund guarantees are concluded. The capital expenditure commitments are shown below for the years ended 31 December:

(in thousands)	*2013*	*2012*
Shipbuilding contracts with variation orders	$ 115,000	$ 115,000
Less: Instalments paid	23,000	23,000
Remaining balance due and payable under contracts	$ 92,000	$ 92,000

The remaining balances owed under each of the shipbuilding contracts will be paid at the time of delivery of each vessel.

VSK Holdings – A portion of the Dutch residential mortgage receivables bears fixed interest rates.The notes issued to finance the acquisition of the residential mortgage portfolio and the notes that will be subsequently issued in connection with the securitization of the portfolio will bear variable interest rates which are calculated based on a margin over 3-month Euribor. In order to improve the success and pricing of the securitization, it was agreed that the interest rate flows from the portion of the mortgage portfolio that pays fixed interest rates will be swapped so that interest will be received on a variable rate basis.

To optimize the swap function and manage costs, VSK Holdings established VSK Finance Limited, a Cayman Islands company, as a swap vehicle to perform the swap transactions. VSK Finance ("Swapco") was capitalized with EUR10 million, of which EUR5.5 million was contributed by the Company, to serve as collateral for the swap transactions. BNP Paribas, as intermediary bank, arranges the required swaps for the securitization vehicle and concurrently arranges the same swaps back-to-back with Swapco. Swapco hedges its risk taken on through the back-to-back swaps by buying normal market swaps using BNP Paribas. The payments under the back-to-back swaps between BNP Paribas and Swapco and between Swapco and the market are netted. The Company has guaranteed the performance of Swapco to BNP Paribas and receives a guarantee fee. Further, the Company has agreed to provide BNP Paribas with collateral of up to EUR25 million in either cash or Subsea 7 shares. The Company receives Euribor plus 3% for any cash collateral and a stock lending fee of 0.5% p.a. of the market value for Subsea 7 shares.

(18) RISK MANAGEMENT AND CAPITAL MANAGEMENT

Liquidity Risk – The Company's working capital position of $316.7 million at end of 2013 remains strong. The decrease from the 2012 ending working capital position of $535.2 million is attributed to the Company's investments of almost $300 million in commercial real estate projects and acquisition of the mortgage portfolio. Although these investments as scheduled as long-term, they are in fact expected to roll-over within several months.

Based on the information above, the Company believes that it has sufficient liquidity to meet its short-term obligations during 2013.

Foreign Exchange Risk — The nature of the operations conducted by the Company exposes the Company to foreign exchange risk. This risk is primarily associated with compensation costs and purchases from suppliers that are denominated in currencies other than the USD. Gains and losses on foreign exchange derivative instruments which do not qualify as hedges for accounting purposes are recognized based on the change in the market value of the derivative instruments.

The Company has on occasion purchased foreign exchange contracts with contracts terms less than six months to protect against the adverse effects of exchange rate fluctuations. These derivatives did not meet the strict guidelines to qualify for hedge accounting and the gains and losses on both the derivatives and the existing foreign currency-denominated assets and liabilities were recorded as currency gains or losses in the statements of operations.

Siem Shipping operates in an industry in which a majority of its transactions are denominated in USD, whether such activity involves revenues or operating expenses or assets or liabilities. Siem Shipping's overhead expenses, however, are denominated in NOK, GBP or PLN (Polish zloty). Siem Shipping holds options to purchase vessels that are currently on time charter with the purchase option price subject to adjustment according to the Japanese yen/USD rate of exchange. Management monitors these risks and enters into hedge contracts from time to time to manage the exposure. Siem Shipping has entered into forward contracts in the past to hedge its currency fluctuation exposures but there were no contracts open during 2013 and 2012.

The Company's primary exposure to currency exchange fluctuations is attributed to its cash holdings as shown in Note 3 which provides an allocation between currencies.

Interest Rate Risk — The Company's use of debt exposes the Company to risks of adverse interest rate development. Floating rate debt, in which the interest rate can change from one interest period to the next in periods as short as one month, exposes the Company to short-term changes in market interest rates. Fixed rate debt, in which the interest rate is fixed over the life of the facility, exposes the Company to changes in market interest rates if the Company should decide to refinance maturing debt with new debt.

The Company may, from time to time, use interest rate swap agreements to manage the effect of interest rate changes on future income. These derivatives are used as a hedge of underlying future interest payments and are not used for speculative or trading purposes. The agreements involve the exchange of amounts based on variable interest rates and amounts based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based. The interest rate differential to be paid or to be received on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. The agreements are adjusted to market at each reporting date.

The major risks in using interest rate derivatives include changes in interest rates that affect the value of such instruments, potential increases in the interest expense of the Company due to market increases in floating interest rates in the case of derivatives which exchange fixed interest rates for floating interest rates and the creditworthiness of the counterparties in such transactions.

At the end of 2013 and 2012, Siem Shipping held $40,000,000 of 5-year interest rate swaps that are intended to hedge its exposure to interest rate volatility on its floating rate date.

The Company's long-term debt and notes payable are presented in sufficient detail in Note 8 to provide an indication of the Company's sensitivity to interest rate changes.

Credit Risk — Credit risk is managed on an entity basis. Each entity is responsible for managing and analyzing the credit risk for their new and existing customers. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions as well as to customers, including outstanding receivables and committed transactions. Management does not expect any losses from nonperformance by its counterparties at this time.

Bunker Hedging — Siem Shipping may at times be exposed to price fluctuations in the purchase of bunker fuel for vessels. Approximately 97% of Siem Shipping's fixed business includes a bunkers adjustment factor clause in contracts or is under time charter where there is no bunkering expense exposure Therefore, the exposure to price fluctuation is limited to the voyage charters where the bunker expenses are for the account of Siem Shipping. Siem Shipping' management has been authorized by its board of directors to enter into bunker hedge contracts if considered necessary. There were no such contracts outstanding at the end of 2013 or 2012.

Capital Management — The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going-concern in order to provide returns for its shareholders, to provide benefits to its stakeholders and and to maintain an optimal capital structure to reduce the cost of capital. Further objectives include safeguarding the ability of its subsidiaries and associates as going-concerns to an extent that is both reasonable and prudent.

(19) Related Party Transactions

Subsea 7 — Subsea 7 makes payments to the Company in relation to chairman and director fees for the services provided by Mr. Siem as its chairman and reimbursements of expenses for office, travel and communication.

Siem Offshore — Siem Offshore makes payments to the Company in relation to chairman and director fees for the services provided by Messrs. Siem and Delouche and for consultation on financings and corporate development and reimbursements of expenses for office, travel and communication.

Siem Shipping — Siem Shipping makes payments to the Company in relation to chairman and director fees for the services provided by Messrs. Siem and Delouche and for consultation on financings and corporate development and reimbursements of expenses for office, travel and communication.

In January 2013, the Company and Siem Shipping reached agreement on a credit facility whereby the Company made up to $35 million available for financing for the purpose to lengthen and retrofit side-loading systems to its 4 "C-Class" vessels and to perform other rejuvenation and renovation to the vessels as may be necessary. The facility was fully drawn and provides for interest payable at 3-Month Libor plus a margin of 8.50% at the end of each calendar quarter. Maturity of the facility is August 2016. The negotiations were performed at arms' length and with reference to quotes by other financial lenders.

Compensation of Directors and Officers — The Company recorded aggregate fees or compensation for the services of its directors and officers during fiscal years 2013 and 2012 of approximately $8.8 million and $13.1 million, respectively. Directors are entitled to a director's fee of $18,000 per annum and reimbursements of expenses incurred on behalf of the Company. Specific agreements for the services of certain other directors and officers are as follows:

Management Services Agreement, Years 2005-2014 — Following the expiration of the former MSA at the end of 2004, a new 5-year MSA was agreed between the Company and its Chairman effective January 1, 2005. The MSA provided that a second 5-year period would commence under the same terms upon expiration of the initial 5-year period if no changes were sought. There were no requests for changes and the new 5-year period commenced at beginning of 2010 under the same terms as the initial period. Terms of the MSA require the Chairman to devote a minimum 50% of his professional time, skill and labor to perform his duties for, and promote the interests of, the Company. The annual compensation consists of a base compensation in the amount of $600,000 plus additional compensation equal to 5% of the audited net income in excess of $5 million. The fees payable for 2013 and 2012 were $8.3 million and $12.8 million, respectively.

Management Services Agreement — Mr. Delouche is seconded to the Company under a separate management services agreement which provides for reimbursement for certain compensation and office expenses incurred by him. The regular compensation reimbursements for fiscal years 2013 and 2012 were approximately $337,500 and $310,000, respectively.

The Company's Chairman holds an option to purchase the property which houses the offices of Siem Kapital AS, a wholly-owned subsidiary, located in Oslo, Norway. The option provides for a one-year option period, which commences on the date that he is no longer an officer or director with the Company or any of its subsidiaries, during which time he can purchase the property at the price paid by Siem Kapital. This option is subject to review by the Compensation Committee.

A summary of receivables and payables with associates and other related parties at 31 December is presented below:

(in thousands)	2013	2012
Due from associates and other related parties:		
Siem Offshore	$ 300	$ 300
Other	—	—
Total due from associates and other related parties	$ 300	$ 300
Due to associates and other related parties:		
Chairman	$ 5,815	$ 2,359
Total due to associates and other related parties	$ 5,815	$ 2,359

(20) CAPITALIZATION AND CAPITAL ACCOUNTS

The Company purchases Common Shares from time to time from its shareholders who have offered to sell such shares to the Company. In September 2013, the Company was offered 120,246 Common Shares at an average price of $80.00 per Common Share which it accepted. During 2012, the Company was offered 30,000 Common Shares at an average cost of $54 per Common Share which offer was accepted. All Common Shares purchased by the Company are retired and cancelled.

The Board of Directors will, on occasion, declare an extraordinary dividend. The Directors declared and paidan extraordinary dividend of $0.20 per Common Share in May 2013.

(21) SUBSEQUENT EVENTS

In January 2014, an investment banker was retained for the purpose of marketing the sale of GTL. The sale is expected to close in the second quarter of 2014 and reflect one of the highest prices ever paid for such operations in the industry.

In January 2014, the Company accepted a tender offer made by Hexagon AB and agreed to sell all of its 6,973,192 shares in Veripos Inc. at NOK37 per share. The initial offer by Hexagon was NOK28 per share, but was increased in stages when the Company and one of its partners countered with tender offers at NOK30 per share and NOK35 per share.

In February 2014, Venn Capital sold its interest in VeTC S.a r.l. for approximately GBP15 million. The net assets consisted of two notes receivable, backed by commercial real estate, with an aggregate amount of approximately GBP38.8 million and a note payable of GBP24 million.

In March 2014, Subsea 7 announced that its board of directors will recommend that shareholders approve the payment of a special dividend of NOK3.60 per share at the company's annual general meeting in June 2014.

In March 2014, Siem Offshore successfully placed a NOK700 million bond issue with a coupon of 3-month NIBOR plus 4.40% and a 5-year term. The Company subscribed to NOK233 million of this issue.

Also in March 2014, Siem Offshore announced that its board of directors will propose and recommend that its shareholders approve the payment of a dividend of NOK0.10 per share at the company's annual general meeting to be held in May 2014.

In March 2014, the Company agreed to provide a credit facility of up to $9 million to Siem Shipping. Terms of the facility provide for interest at the rate of 8.50% p.a., maturity in April 2015, a commitment fee on undrawn and uncancelled commitments at 2.50% p.a. and an arrangement fee of 0.50%.

In March 2014, Cartesian completed the successful securitization of the Dutch residential mortgage portfolio that it had acquired from Ember in December 2013. Cartesian paid Ember EUR78 million in proceeds from the securitization which Ember used to pay to VSK Holdings. VSK Holding used the proceeds to make payments to its shareholders of which the Company received EUR41.4 million in early-April 2014.

In March 2014, VCap sold a participation of approximately GBP50 million of a GBP63 million note backed by commercial real estate that it had financed. VCap received the funds in early-April 2014.

In April 2014, the Buyer of the Put option paid a $3 million premium to extend the option by six months to October 2014. As a result of the exercise and payment, the amendment to the Put option agreement, which was negotiated in February 2014, becomes effective.

(22) SEGMENT INFORMATION

Primary Reporting Format – Operating Segments. For purposes of operating segment reporting, the Company has segregated its operations into refrigerated ocean transportation of perishable products, car carrier ocean transportation, other which includes investments in associates and unallocated.

(in thousands)	Refrigerated Ocean Transportation of Perishables	Car Carriers Ocean Transportation	Other	Unallocated	Total
Fiscal Year 2013					
Operating revenues	$ 149,706	$ 26,291	$ 3,668	$ –	$ 179,665
Share of profits of associates	–	–	93,764	–	93,764
Gains (losses) on investments, net	–	–	–	29,199	29,199
Gains re-valuation Fin Derivatives, net	–	–	–	30,458	30,458
Other	–	–	877	23,053	23,930
Total income					357,016
Operating expenses	(121,176)	(18,365)	(1,781)	–	(141,322)
Depreciation and amortization	(13,226)	(4,482)	(311)	404	(17,615)
Interest expense	(1,797)	–	(335)	(5,013)	(7,145)
Impairments	(300)	–	–	–	(300)
Other, including minority interest	(8,635)	(6,875)	(543)	(14,971)	(31,024)
Income (loss) before income tax					159,610
Income tax (expense) benefit					(273)
Net income (loss) to Common Shares					$ 159,337
Fiscal Year 2012					
Operating revenues	$ 250,374	$ 29,283	$ 2,508	$ –	$ 176,378
Share of profits of associates	–	–	177,412	–	177,412
Gains (losses) on investments, net	–	–	–	6,546	6,546
Gains re-valuation Fin Derivatives, net	–	–	–	7,688	7,688
Gain on recovery of claims	–	–	–	81,438	81,438
Other	–	–	980	7,035	8,015
Total income					457,477
Operating expenses	(122,672)	(22,025)	(2,488)	–	(147,185)
Depreciation and amortization	(20,179)	(2,770)	(315)	(1,082)	(14,628)
Interest expense	(2,624)	(468)	(157)	(2,256)	(5,575)
Impairments	(4,172)	(18,000)	–	–	(22,172)
Other, including minority interest	(6,727)	(3,561)	203	(11,183)	(21,268)
Income (loss) before income tax					246,649
Income tax (expense) benefit					(138)
Net income (loss) to Common Shares					$ 246,511

(in thousands)	Refrigerated Ocean Transportation of Perishables	Car Carriers Ocean Transportation	Other	Unallocated	Total
Fiscal Year 2013					
Assets	$ 250,374	$ 59,573	$1,813,533	$ 697,315	$ 2,820,795
Liabilities	$ 58,220	$ 13,103	$ 3,454	$ 518,412	$ 593,189
Capital expenditures	$ 39,978	$ –	$ –	$ –	$ 39,978
Fiscal Year 2012					
Assets	$ 222,811	$ 92,910	$1,770,604	$ 578,734	$2,665,059
Liabilities	$ 68,835	$ 6,162	$ 3,918	$ 499,534	578,449
Capital expenditures	$ 4,614	$ 23,000	$ –	$ –	$ 27,614

Geographical Segments. The Company business operations are worldwide with constantly changing geographical markets. Therefore, a presentation is not included.

2013 CORPORATE GOVERNANCE REPORT

The Company's Board of Directors and its Management are committed to meeting high corporate governance standards at all times during its business proceedings. The Board of Directors recognizes its responsibility for proper corporate governance and believes that maintaining exacting standards for moral and ethical behaviour, professionalism and performance will benefit all stakeholders.

The Company is an exempted company duly organized and existing under and according to the laws and regulations of the Cayman Islands. The Company's registration number is CR-1248 and its registered office is located P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The Company is subject to the laws and regulations of the Cayman Islands with respect to corporate governance.

Because the Company's Exchangeable Bonds are traded on the Oslo Stock Exchange, the Company follows the Norwegian Code of Practice for Corporate Governance (the "Code") on a "comply or explain" basis to the extent that it does not contradict the laws and regulations of the Cayman Islands. The Code is available at www.nues.no/en/ .

The Company's corporate policies and procedures are discussed below with reference to the principles of corporate governance as set forth in the sections identified in the Norwegian Code of Practice for Corporate Governance dated 23 October 2012.

MEMORANDUM AND ARTICLES OF ASSOCIATION

Cayman Islands' laws and regulations do not require the objects clause of the Company's Memorandum and Articles of Association to be clearly defined. The Articles of Association establish the rights of the Shareholders and the responsibilities and obligations of the Board of Directors and Management. The Board of Directors acknowledges the division of roles and ensures that good corporate governance is instilled in the Company culture by holding regular Board of Directors meetings at which Management presents the Company's recent performance and discusses existing and proposed operational, strategic and financial matters.

BUSINESS

The Board of Directors believes that the foundation for success in business is the Company's enduring commitment to quality, health, safety, environmental matters in its operations and the operations of its subsidiaries and associates.

The Board of Directors reviews and approves, where appropriate, the strategies, goals and objectives presented by its Management. Details of the Company's activities are presented in pages 1-8 in the Company's 2013 Annual Report.

EQUITY AND DIVIDENDS

The Company's Shareholders' Equity is $2.2 billion at 31 December 2013 as compared to $2.1 billion at the end of 2012. The Board of Directors believes that the level of equity is satisfactory for the Company to pursue its strategy, goals and objectives given the risk profile.

The Company's long-term goal is to provide its Shareholders with a competitive return of their invested capital over time through a combination of increases in the value of the Company's share, share buybacks and dividends.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Classes of Shares. Cayman Islands laws and the Company's Articles of Association draw a distinction between authorized share capital and issued share capital. The Company's authorized share capital, which fixes the maximum number of shares that the Company is authorized to issue, is determined at a general meeting of the Shareholders by a vote on a proposed ordinary resolution. Within the limits of the authorized share capital, the Board of Directors has the power to issue new shares subject, however, to certain pre-emption rights held by existing Shareholders.

At present, the following classes of shares are authorized: 100,000,000 shares of Common Shares, $0.25 par value per Common Share; 5,000,000 shares of preferred shares, $1.00 par value; and 50,000,000 redeemable preferred shares, $0.01 par value. Only the Common Shares are issued and outstanding (references to “shares” in this report mean Common Shares unless the context implies otherwise).

Shares Issues. In the event that the Board of Directors deems it appropriate to issue new shares in accordance with the Articles of Association and waive the pre-emption rights of existing Shareholders, the Company will comply with the recommendation of the Code that the justification for such waiver will be disclosed in press release announcing the share issue.

The Code provides that authorizations to issue new shares should be divided into separate mandates, each to be considered and voted upon at a General Meeting of Shareholders. In order for the Company to comply with this guidance, it would be necessary to amend the Company’s Articles of Association. The Company will, therefore, maintain its current practice which provides the Board of Directors with more flexibility to issue new shares when the need arises.

Rights of Shareholders. The Company has one class of shares in issue which carries equal rights including equal voting rights at all annual and extraordinary general meetings of the Company’s Shareholders. No shares carry any special control rights and there are no restrictions on voting rights. The Board of Directors’ right to authorize the re-purchase and cancellation of its own shares is conditional upon such purchases being made in open market transactions through a broker subject to certain restrictions.

General Meetings. The Company holds an annual general meeting for its Shareholders at its registered office in the Cayman Islands. The notice of the meeting and the proxy statement detailing the business to be presented and, as required, to be voted on at the Shareholders is distributed by mail and posted on the Company’s website at www.siemindustries.com . Approximately 99.5% of the holders of Common Shares entitled to vote were present in person or by proxy at the May 2013 Annual General Meeting.

The Board of Directors will set a record date and all Shareholders included in the share register on the record date will be eligible to attend the meeting in person or vote by proxy. Proxy forms are available and may be submitted by eligible Shareholders which permit separate voting, or voting instructions to be given in case a proxy is appointed, on each of the matters presented for vote. Shareholders may present proposals for consideration by the Shareholders at the next annual general meeting provided that the submitted proposals are in proper form and are delivered on a timely basis. Notice of the date, prior to which time the Shareholders can submit a timely proposal for inclusion in the proxy statement for the next annual general meeting, is included in the previous year’s proxy statement which his available on the Company’s website or by written request.

The business of the annual general meetings includes, but is not limited to, the election of members to the Board of Directors for stipulated terms of appointment, the approval of the Company’s Annual Report, the discharge of the Directors and Management and the appointment of the external auditor. The Chairman of the Board of Directors is elected by the Directors at the subsequent meeting of the Board of Directors which typically immediately follows the conclusion of the General Meeting.

Related Parties. Transactions between the Company and related parties are detailed in Notes 14 and 19 of the 2013 Annual Report. When possible, the Company will seek third-party valuations on related party transactions in an effort to ensure that the terms are satisfactorily based on arms’ length negotiations.

NOMINATION COMMITTEE

The trustee for the Ores Trust, a trust whose beneficiaries include Kristian Siem and his immediate family, owns approximately 66.8% of the Company’s issued and outstanding shares. Mr. Siem, the Company’s Chairman, personally owns 12.4% of the Company’s issued and outstanding shares. The remaining Directors own, in aggregate, less than 10% of the remaining issued and outstanding shares.

The responsibility for nominating candidates to the Board rests with the Company’s Board of Directors. Prior to nominating a candidate, the Board of Directors will consult with the trustee of the Ores Trust to assess whether the candidate possesses the requisite experience to serve on the Board. Shareholders may propose candidates in accordance with the Company’s Articles of Association. On this basis, the Board of Directors has determined that it is not necessary to form a Nomination Committee.

The Articles of Association provide that a vacancy on the Board of Directors may be filled by a replacement Director who is appointed by the remaining Directors on the Board who have been duly elected at annual general meetings. Replacement Directors must be placed in nomination for election by the Shareholders at the next annual general meeting.

CORPORATE ASSEMBLY AND THE BOARD OF DIRECTORS

There is no requirement for the Company to establish a corporate assembly under Cayman Islands law. With the exception of the Chairman, all Directors are independent of the Company's management and material business relationships. At all times, the Board of Directors must satisfy the independence criteria set forth in the Code.

The Directors include Mr. Kristian Siem who also serves as Chairman, Mr. M.D. Moross, Mr. Barry Ridings and Mr. Ivar Siem. The biographies of the Board of Directors are included in the Proxy Statement to the 2014 Annual General Meeting and are incorporated herein by reference.

Each Director is elected by the Shareholders at an annual general meeting to a term not to exceed three years as provided by the Articles of Association, or less than three years if necessary to adjust the voting on the staggered terms.

The Board of Directors, as a whole, possesses extensive experience in areas which are important and relevant to the Company.

ATTENDANCE RECORD OF DIRECTORS IN 2013

During 2013, a total of 8 Board of Directors meetings took place. Messrs. K. Siem, Moross and I. Siem attended all meetings and Mr. Ridings attended 6 of the 8 meetings.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors reviews the Company's strategy, goals and objectives and their implementation and progress, reviews and approves the Company's budget for the next plan year and reviews and monitors the Company's current performance in relation to the approved budget. The Board has constituted a Compensation Committee and an Audit Committee.

In cases where a Director has a personal or other direct interest, such Director will abstain from deliberation and voting on the issues. The Company has no deputy chairman but, if the Chairman is an interested party to a transaction, then another Director will be elected to chair the meeting by the other Directors.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of Directors has the responsibility for the system of internal control and reviewing its effectiveness. The Company maintains its internal control systems to the extent practical. The Board of Directors reviews the previous quarter and year-to-date performance as presented at meetings by Management.

The Board of Directors is kept advised of the developments in the Company at each meeting and the Board or the Audit Committee is updated regularly on the status of the control environment in the Company.

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Directors is established by Board of Directors and is placed for a vote of approval by the Shareholders at the annual general meeting.

REMUNERATION OF MANAGEMENT

The Compensation Committee of the Board of Directors reviews and approves the compensation of the Chairman and other members of Management. Any bonuses are based on achievement of specific goals for the individuals and the overall performance of the Company. The Board does not see a need for an absolute limit for performance related remuneration as the final decision on the amount is at the discretion of the Board.

The Company has a performance unit plan that has been in place since 1995 and expires at the end of 2014. No performance units have been awarded since 2005. Details of the plan are available in Note 14 in the 2013 Annual Report.

INFORMATION AND COMMUNICATIONS

The Board of Directors' policy is to treat all of its interested parties equally and to keep them properly informed and updated concerning significant developments which may impact the Company. This communication is conducted by the distribution of notices and announcement to the Oslo Stock Exchange and by the posting of such notices and announcements on our website.

TAKE-OVER SITUATIONS

The Company's shares are freely tradable and the Articles of Association of the Company does not provide for specific defense mechanisms against take-over situations. The Board of Directors believes that Shareholders should seek their own professional advice to guide them on whether or not to accept a take-over bid. If appropriate, the Board will make a recommendation as to whether Shareholders should or should not accept an offer that has been tendered to the Company's Shareholders. The Board of Directors will not hinder or obstruct take-over bids and will always act in the best common interests of the Company and its Shareholders.

AUDITOR

The Auditor of the Company is nominated by the Board of Directors and the recommendation is voted on by the Shareholders at the annual general meeting who also vote to approve the Auditor's remuneration. The Audit Committee is responsible for ensuring that the Group has an independent and effective external audit process. The Auditor meets with the Audit Committee and Chairman, as necessary, to present and discuss the plans for the preparation of the annual report and for approval of the scope of work and levels of fees proposed by the Auditor. The Auditor also reports on internal controls, risk areas and improvement potential in control systems once a year or more frequently if deemed appropriate. The audit process is planned in detail and the findings of the auditors are discussed with Management. Potentially significant issues are brought directly to the attention of the Audit Committee who will then report to the Board of Directors.

DIRECTORS' STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the Company's Consolidated Financial Statements as of and for the year ended 31 December 2013 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, the Company's 2013 Annual Report and Consolidated Financial Statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties facing the Company.

For and on behalf of the
Board of Directors of Siem Industries Inc.

15 April 2014

SIEM INDUSTRIES

Subsidiaries and Associates

Subsea 7 S.A.
Siem Offshore Inc.
Siem Offshore do Brasil S.A.
Siem Offshore Contractors GmbH
Overseas Drilling Limited
Siem Shipping Inc.
STAR Reefers Pool Inc.
Siem Car Carriers AS
Siem Investments Inc.
Deusa International GmbH
Venn Partners LLP
Siem Europe S.a r.l.
Venn Capital S.a r.l.
VSK Holdings Limited
Siem Capital AB
Siem Kapital AS
Siem Capital UK Ltd.
DSND Bygg DA
Deep Seas Insurance Limited

Directors

Kristian Siem, Chairman
M.D. Moross
Barry W. Ridings
Ivar Siem

Registered Office

Siem Industries Inc.
P.O. Box 309
South Church Street
George Town
Grand Cayman KY1-1104
CAYMAN ISLANDS

Executive Office

Siem Industries Inc.
P.O. Box 10718
George Town
Grand Cayman KY1-1006
CAYMAN ISLANDS
Telephone: +1.345.949.1030
Telefax: +1.345.946.3342

Offices

Siem Kapital AS
Jerpefaret 12, Voksenlia
0788 Oslo, NORWAY

Siem Industries Inc.
Le Mirabel – 4, Avenue des Citronniers
Monaco

Siem Industries Inc. Website

www.siemindustries.com

Annual Report: Shareholders may request copies without charge. Please refer to the Company's Website for contact information.