



# SIEM INDUSTRIES

## PRESS RELEASE

For Immediate Release

## SIEM INDUSTRIES INC.

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### **SIEM INDUSTRIES INC. ANNOUNCES RESULTS FOR THE 3<sup>RD</sup> QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2015**

GEORGE TOWN, GRAND CAYMAN, 31 December 2015 – SIEM INDUSTRIES INC. (the “Company”) announces its unaudited results for the nine months and third quarter ended 30 September 2015 that have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

#### COMPARATIVE CONSOLIDATED FINANCIAL PERFORMANCE

*Quarter Ended 30 September 2015.* Net income attributable to Common Shares for the third quarter ended 30 September 2015 was \$42.1 million, or \$2.78 per share (3Q2014: \$29.4 million, or \$1.94 per share).

Operating revenues and operating expenses for the third quarter were \$58.3 million and \$45.4 million, respectively (2014: \$49.3 million and \$34.2 million, respectively). The share of profits of associates for the quarter was \$22.7 million (2014: \$54.5 million).

Net gains (losses) on investments during the quarter were \$15.2 million (2014: \$(9.6) million). At the end of the third quarter, the Company and counter-party to a put option mutually-agreed to terminate the put option which originated in March 2012. Accordingly, the Company recognized the \$22.6 million of premiums, that had been deferred pending the exercise or maturity of the option, as a gain. If the put option had been exercised, it would have given the counter-party the right to put the shares in a certain publicly-traded company to the Company for \$100 million.

General and administrative expenses for the quarter were \$3.3 million (2014: \$6.0 million). Major components of these expenses include performance unit plan expenses and management services fees. During the quarter, the Company recorded a reversal of the accrual for performance unit plan liabilities of \$0.8 million as a result of the decline in the net market-adjusted value of the Company at the end of the period. The Company incurs fee expenses under a management services agreement which amount is based on the level of the Company’s net income. The net currency exchange gains (losses) for the quarter were \$(6.5) million (2014: \$(22.4) million) and reflects the weakening of other currencies relative to the U.S. dollar during the third quarter 2015 with respect to the large amount of non-USD-denominated assets held by the Company.

*Nine Months Ended 30 September 2015.* Net income attributable to Common Shares for the nine months ended 30 September 2015 was \$61.3 million, or \$4.05 per share (2014: \$203.6 million, or \$13.45 per share).

Operating revenues and operating expenses for the nine months were \$170.1 million and \$131.0 million, respectively (2014: \$140.6 million and \$105.0 million, respectively). The share of profits of associates for the nine months was \$45.7 million (2014: \$152.3 million). The sharp drop in the share of

profits of associates reflects the significant impact on operations of the continued downturn of the oil and gas industry.

Net gains on investments during the nine months were \$0.6 million (2014: \$52.1 million). During 2015, losses incurred on the Company's discretionary investments were offset by the \$22.6 million gain arising from the recognition of the put option premium. Net gains on investments in 2014 included a gain of \$24.7 million on the sale of the Company's 21.0% interest in Veripos Inc. in the first quarter 2014 and a gain of \$36.8 million on the sale of the Company's 38.2% interest in Sinav Limited in the second quarter 2014. Net losses of \$17.0 million were recorded following the re-valuation of financial derivatives during 2014. The financial derivatives, which were initially valued at the closing of the Exchangeable Bond issue in early September 2012 and segregated from the debt liability of the bonds, were re-valued at the end of each quarter and the change in valuation, which can be significant, was recorded as a gain or loss. At the end of 2014, the Company determined that the significant drop in the market price of the shares underlying the Exchangeable Bonds had essentially eliminated the optionality of such bonds. As a consequence, the Company decided to reclass the financial derivative liability to long-term debt liability and account for the Exchangeable Bonds as a conventional debt liability so that re-valuations of the financial derivatives are no longer recorded.

General and administrative expenses for the nine months were \$12.6 million (2014: \$22.3 million). Much of the decrease in expenses during 2015 as compared to the same period in 2014 is attributed to the lower fees related to the management services agreement which is based on the level of net income. The net currency exchange gains (losses) for the nine months were \$(22.1) million (2014: \$(17.0) million). The exchange losses during 2015 reflect the appreciation of the U.S. dollar relative to other currencies and the impact on the values of the Company's significant investments that are denominated in other currencies.

#### CONSOLIDATED FINANCIAL POSITION

The Company held \$317.4 million of cash and cash equivalents at 30 September 2015, which included restricted cash of \$2.0 million.

Shareholders' equity was \$2.2 billion at 30 September 2015. There were 15,139,681 Common Shares issued and outstanding at 30 September 2015.

In May 2015, the Board of Directors declared and paid a dividend of \$0.20 per Common Share.

In June 2015, Siem Europe S.a r.l., a wholly-owned subsidiary of the Company and the largest shareholder of Siem Offshore Inc., agreed to underwrite a \$100 million Rights Issue conducted by Siem Offshore with the subscriptions for new shares commencing in August 2015 with settlement in September 2015. At the conclusion of the Rights Issue, Siem Europe acquired a total of 390,929,148 shares of the total 454,430,000 new shares distributed in the Rights Issue at NOK1.80 per new share as a result of its subscriptions for new shares through the subscription rights granted to existing shareholders and its guarantee of the Rights Issue. In addition, Siem Europe purchased 27,511,059 shares in market transactions at an average price of NOK1.78 per share.

As a result of the Company's beneficial ownership interest in Siem Offshore increasing from 33.4% to 65.5% at 30 September 2015, the Company discontinued its use of the equity method to account for its investment in Siem Offshore and, instead, included its financial statements in the

Group's consolidated financial statements. During consolidation, the net assets recorded exceeded the Company's investment in Siem Offshore by \$166.1 million and such amount was recorded as other reserves in shareholders' equity rather than in the income statement as a gain arising from the acquisition. The increase in the balance for non-controlling interests reflects the interests in Siem Offshore that are held by its 34.5% minority shareholders.

#### SUBSEQUENT EVENTS

At completion of the Rights Issue conducted by Siem Offshore in September 2015, Siem Europe was compelled to conduct a Mandatory Offer for the remaining shares of Siem Offshore that it did not own pursuant to the regulations of the Oslo Stock Exchange on which the Siem Offshore shares are listed. The Mandatory Offer for shares was made at NOK1.80 per share and was completed in November 2015. At settlement, Siem Europe acquired an additional 144,669,045 shares to increase its ownership in Siem Offshore to 696,388,673 shares, or 82.7%, of the issued and outstanding shares.

At the end of November 2015, the Company agreed to underwrite a maximum of 37.3% of a NOK278 million Rights Issue conducted by Electromagnetic Geoservices ASA, owner of proprietary electromagnetic technology to support the search for offshore oil and gas. At the time of the underwriting, the Company held a beneficial ownership interest of 11.5% in EMGS. At the conclusion of the Rights Issue in December 2015, the Company acquired a total of 290,843,061 shares of the total 1,112,000,000 new shares distributed in the Rights Issue at NOK0.25 per new share from its subscriptions for new shares using the subscription rights granted to existing shareholders, subscription rights which were purchased in the market and its guarantee of the Rights Issue. At settlement, the Company's ownership in EMGS increased to 313,769,927 shares, or 23.9%, of the issued and outstanding shares.

In December 2015, the Company repurchased \$18.0 million nominal value of its \$445 million Senior Secured Exchangeable Bonds 2012/2019 (the "Bonds") that are listed on the Oslo Stock Exchange (OSE Symbol: SIEIN02) at an average price of 94.5% of nominal value. The aggregate amount of Bonds repurchased by the Company is \$125.0 million.

In December 2015, the Company purchased 11,997,255 Class "B" non-voting shares, EUR1.00 nominal amount per share, issued by VSK Holding Ltd., a wholly-owned subsidiary, from third-party investors at 73.4% of nominal value. Consequently, the Company's aggregate ownership in Class "B" shares was increased to 33,097,255 shares, or 93.2%. These shares earn interest at 8% p.a. and the Company believes that the full value of these shares is recoverable.

Also in December 2015, Siem Capital AB, a 64%-owned subsidiary of the Company, sold its stake in Boule Diagnostics AB, which is listed on the Stockholm Stock Exchange and represented one of Siem Capital's two remaining investments. Following Siem Capital's distribution of the sales proceeds to its shareholders, the Company will have received almost SEK480 million from its investment in Siem Capital which was acquired at SEK149 million.

#### OPERATIONS AND INVESTMENTS IN ASSOCIATES

At 30 September 2015, the Company reports its investments in Subsea 7 S.A. (OSE Symbol: SUBC), Siem Capital AB, Deusa International GmbH (Deusa), Venn Partners LLP and Sustainable Power Generation Limited under the equity method of accounting. The detail financial statements of

the Company's investments in Siem Offshore Inc. (OSE Symbol: SIOFF), Siem Shipping Inc. (OSE Symbol: SSI), Siem Car Carriers AS, Siem Europe S.a r.l., VSK Holdings Ltd., Auto Marine Transport Inc., Flensburger Schiffbau-Gesellschaft mbH & Co. KG and Deep Seas Insurance Limited are incorporated within the Company's consolidated financial statements.

Subsea 7 is a seabed-to-surface engineering, construction and services contractor for the offshore energy industry. At 30 September 2015, the Company owned a beneficial interest in 69,731,931 Subsea 7 S.A. shares, or approximately 21.3% of Subsea 7 S.A.'s issued and outstanding shares. For more information on Subsea 7, please visit [www.subsea7.com](http://www.subsea7.com).

Siem Offshore owns interests in 46 vessels that are operating in the offshore industry and 9 vessels that are under-construction at the end of the period. In addition, Siem Offshore has a wholly-owned subsidiary, Siem Offshore Contractors GmbH, that performs operations for the installation of inner-array and export cables for the offshore renewable energy market and the related inspection, repair and maintenance business. At 30 September 2015, the Company owned a beneficial interest of 551,719,628 Siem Offshore shares, or 65.5%. For more information on Siem Offshore, please visit [www.siemoffshore.com](http://www.siemoffshore.com).

Siem Shipping operates under the STAR Reefers brand name and controls a modern fleet of approximately 28 owned and chartered reefer vessels engaged in the transportation of refrigerated fruit and other perishable products. In January 2015, Siem Shipping completed a tender offer to its shareholders to buyback its shares at a price of NOK60 per share. A total of 527,674 shares were acquired at a cost of \$4.1 million and were subsequently retired. At 30 September 2015, the Company owned a beneficial interest of 7,409,948 Siem Shipping shares, or 81.3%, of Siem Shipping. For more information, please visit [www.star-reefers.com](http://www.star-reefers.com).

Siem Car Carriers owns two vessels which are under contracts. In addition, Siem Car Carriers arranges for the transportation of cars, trucks and heavy equipment and other products using owned and chartered-in vessel capacity. The Company owns 100% of Siem Car Carriers.

Auto Marine Transport entered into contracts for the construction of three 7,000 CEU (car equivalent units) Pure Car/Truck Carrier ("PCTC") vessels at a contracted price of EUR46 million each at Uljanik d.d. shipyard in Croatia. Auto Marine Transport has reached agreement for the bank financing of 70% of the contract prices. The vessels are scheduled for delivery in the third quarter of 2016 and the first and second quarters of 2017 and, upon delivery, will be employed under contracts obtained by Siem Car Carriers. The Company owns 100% of Auto Marine Transport.

Venn Partners 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 Partners has been awarded an exclusive mandate by the UK government to arrange and manage all aspects of the Private-Rented Sector Guarantee Scheme which will offer government guarantees to raise in excess of GBP3.5 billion of competitive 10 to 30 years financing in the capital markets with the proceeds to be used for eligible rental housing after construction has been completed. The Company owns 40% of Venn Partners.

VSK Holding is the sole owner of a company that acquired a portfolio of Dutch residential mortgages in 2013. The performing loans were sold into an independent entity which financed the

acquisition with a combination of bank loans and subordinated loans from VSK Holdings. The entity prepared and completed a securitization of the loans and used proceeds from the securitization to repay the bank loan and make repayments to VSK Holdings. VSK Holdings has received amounts in excess of its loan. During the first quarter of 2015, VSK Holdings completed a capital restructuring which added a new class of shares. Consequently, the Company's ownership changed from a 55% interest in VSK Holdings to a 100% interest in the Class "A" voting shares of VSK Holdings and a 59.4% interest in the new Class "B" shares and these holdings were unchanged at 30 September 2015. The aggregate value of Class "B" shares is EUR35.5 million and pays dividends at a rate of 8% p.a.

Siem Europe, in addition to its ownership in Siem Offshore, is the owner of Venn Capital S.a r.l., Sustainable Power Generation Limited ("SPGL") and Flensburger Schiffbau-Gesellschaft mbH & Co. KG ("FSG"). Venn Capital provides loans for commercial real estate activity, primarily within the United Kingdom. SPGL is one of the largest developers of large-scale solar projects in the United Kingdom and performs engineering, procurement and construction of solar parks ranging in size from approximately 5MW to 70MW which it may retain or sell to third parties. FSG is a German shipyard that has operated for many years and is well-respected for the quality of its vessel construction. FSG is currently constructing two large, sophisticated well-intervention vessels for Siem Offshore.

Siem Capital AB, the Company's 64%-owned Swedish affiliate, holds an interest in two Swedish industrial and research companies.

Deusa, the Company's 49%-owned German affiliate, is engaged in the mining of potash and has potash reserves of greater than 60 years at current production levels.

Deep Seas Insurance Limited ("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 Siem Group by participating as co-insurer on marine insurances and as lead insurer on other risks on a fully reinsured basis. Subsea 7 S.A. owns the remaining 49% interest in DSI.

#### RISKS AND UNCERTAINTIES AND MARKET OUTLOOK

The principal risks and uncertainties confronting the Company reflect primarily the risks and uncertainties confronting its subsidiary, Siem Shipping, and its associates, Subsea 7 and Siem Offshore. The risks and uncertainties of each of these companies are more fully discussed in the individual Reports to Shareholders from each of the respective companies' websites as indicated above.

SIEM INDUSTRIES INC. is a diversified industrial holding company that operates through autonomous affiliates. The Company currently holds interests in the oil and gas services industry and renewable energy sector, ocean transportation of refrigerated cargoes and automobiles, shipyard engineering and construction, potash-mining and finance, which includes loans and guarantees, specialist credit advisory services and investments. For further information relating to the Company, please visit [www.siemindustries.com](http://www.siemindustries.com) .

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

<b>STATEMENTS OF INCOME</b> <i>(Dollars in thousands, except per share amounts)</i>	<i>Nine Months Ended 30 September</i>		<i>3rd Quarter Ended 30 September</i>		<i>Fiscal Year</i>
	2015	2014	2015	2014	2014
<b>INCOME:</b>					<i>(audited)</i>
Operating revenues	\$ 170,059	\$ 140,624	\$ 58,323	\$ 49,295	\$ 188,797
Share of profits (losses) of associates	45,657	152,300	22,696	54,481	266,054
Interest income	33,065	39,571	8,893	12,610	34,695
Gains (losses) on investments, net	588	52,144	15,182	(9,632)	46,030
Gains (losses) on re-valuation of financial derivatives, net	—	(17,045)	—	(8,375)	(26,515)
Other	952	354	104	78	1,052
<b>Total income</b>	<b>250,321</b>	<b>367,948</b>	<b>105,198</b>	<b>98,457</b>	<b>510,113</b>
<b>EXPENSES AND OTHER:</b>					
Operating expenses	(130,967)	(105,003)	(45,431)	(34,201)	(133,764)
Depreciation and amortization	(16,361)	(12,722)	(5,410)	(4,333)	(20,623)
Impairment of vessels and investments	—	—	—	—	(9,664)
Interest expense	(5,405)	(5,709)	(1,811)	(2,161)	(7,640)
General and administrative expenses	(12,595)	(22,333)	(3,284)	(6,043)	(28,382)
Currency exchange gains (losses), net	(22,121)	(17,030)	(6,488)	(22,381)	(47,280)
<b>Total expenses and other</b>	<b>(187,449)</b>	<b>(162,797)</b>	<b>(62,424)</b>	<b>(69,119)</b>	<b>(247,353)</b>
Income before income tax expense	62,872	205,151	42,774	29,338	262,760
Income tax expense	(488)	(938)	(310)	(50)	(975)
<b>Net income</b>	<b>\$ 62,384</b>	<b>\$ 204,213</b>	<b>\$ 42,464</b>	<b>\$ 29,288</b>	<b>\$ 261,785</b>
<b>Net income attributable to:</b>					
Holders of Common Shares	\$ 61,339	\$ 203,586	\$ 42,077	\$ 29,413	\$ 260,832
Non-controlling interests	\$ 1,045	\$ 627	\$ 387	\$ (125)	\$ 953
<b>Earnings per Common Share – Basic and Diluted</b>	<b>\$ 4.05</b>	<b>\$ 13.45</b>	<b>\$ 2.78</b>	<b>\$ 1.94</b>	<b>\$ 17.23</b>
<b>Weighted avg. no. of Common Shares outstanding for period</b>	<b>15,139,681</b>	<b>15,139,681</b>	<b>15,139,681</b>	<b>15,139,681</b>	<b>15,139,681</b>
<b>STATEMENTS OF FINANCIAL POSITION</b> <i>(Dollars in thousands)</i>			<i>30 September</i>	<i>31 December</i>	
			2015	2014	
<b>ASSETS</b>					<i>(audited)</i>
Cash and cash equivalents, excluding restricted cash			\$ 315,414	\$ 436,576	
Trading securities, and notes, loans and other financial assets			184,263	48,175	
Other current assets			328,224	57,025	
<b>Total current assets</b>			<b>827,901</b>	<b>541,776</b>	
Notes, loans and other financial assets			203,349	291,994	
Investments in associates			1,406,150	1,531,738	
Vessels, property and equipment, net			1,934,570	223,907	
Other assets, including restricted cash			41,647	2,446	
<b>Total Assets</b>			<b>\$ 4,413,617</b>	<b>\$ 2,591,861</b>	
<b>LIABILITIES</b>					
Accounts payable and other current liabilities			\$ 203,146	\$ 57,564	
Current maturities and short-term notes			120,945	10,995	
<b>Total current liabilities</b>			<b>324,091</b>	<b>68,559</b>	
Long-term debt			1,481,818	406,217	
Other			79,057	63,548	
<b>Total Liabilities</b>			<b>1,884,966</b>	<b>538,324</b>	
<b>EQUITY</b>					
Common Shares, \$0.25 par value, 15,139,681 shares issued and outstanding			\$ 3,785	\$ 3,785	
Additional paid-in capital			105,405	105,405	
Retained earnings			1,770,206	1,711,896	
Cumulative translation and other reserves			314,228	189,325	
<b>Total Shareholders' Equity</b>			<b>2,193,624</b>	<b>2,010,411</b>	
Non-controlling interests			335,027	43,126	
<b>Total Equity</b>			<b>2,528,651</b>	<b>2,053,537</b>	
<b>Total Liabilities and Equity</b>			<b>\$ 4,413,617</b>	<b>\$ 2,591,861</b>	