SIEM INDUSTRIES INC.

ANNUAL REPORT
2014

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:

The Group reports its second best performance ever for 2014 despite the onset of challenging economic conditions as the oil and gas industry experiences a precipitous down-cycle. The industry has been here before. The demand for the products and services of the oil and gas industry will not go away. The industry has always recovered and returned with more improved, innovative and efficient solutions for its markets. The Company's consolidated net income attributable to shareholders for 2014 was $260,832,000, or $17.23 per share, total assets at the end of the year were $2.59 billion and shareholders' equity was $2.05 billion. Today, the fleet of vessels operated by Group companies, including newbuildings, includes more than 130 vessels, of which almost 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 15,000. Throughout the Group, focus on safety continues to be the highest priority.

Our main strategy has been and will continue to be a focus on creating value for the Company's stakeholders. A rigid strategy may help the focus but could potentially limit and restrict creative processes. Value is created through good execution and operations. Opportunities are often detected through operations and interaction with suppliers and clients, which are in addition to the innovation that is inspired by the operation itself.

The world of industrial activity is changing at an increasingly faster pace in terms of the ways in which we operate, our methods of marketing and our communication. Products and processes become obsolete more quickly. Flexibility and openness to change are necessary qualities in this new world. A fixed strategy can be limiting the dynamic development of the Group and thereby hinder the creation of value. The Group strategy is therefore looser than the strategy for each defined activity.

We intend to keep the holding company organization small and staffed by competent leaders with sufficient background and experience to direct the Group activities as directors on the boards of subsidiaries and associated Group companies. There are ten separate activities today. It is our objective to reduce this number to around half over time by finding better "homes" for the smaller activities.

Our Group can be described as a conglomerate based on its different, unrelated activities. A good operation with a promising future will not be disposed of simply to meet a defined strategy. As long as we believe that we are well-equipped as the best owner with the ability to develop the activity, then we are happy to maintain that role. Modern technological developments can change the future for some industries quickly and create new opportunities while the change may cause other activities to diminish or disappear altogether. The risk profile of the Group is therefore reduced by having more legs to stand on. We believe that priority should always be given to what is best for the activity rather than what is best for the owner when determining the future of an activity. By concentrating on the long-term development of each industrial activity, we are more likely to make the right decisions for the business itself despite the short-term interests of its owners and thus create enhanced value for the stakeholders over time and at a lower risk.

Subsea 7 S.A. achieved record revenues and adjusted EBITDA during the year driven by excellent project execution. Subsea 7 recognized signs of a softening in the market early in the down-cycle and began to reduce costs in early 2014 in anticipation of slower activity. Subsea 7 reported net income of $802 million excluding the impact of a charge for goodwill impairment of $1.2 billion, adjusted EBITDA of $1.4 billion and a backlog of $8.2 billion. Capital expenditures during the year were $868 million. Subsea 7 is a world-leading global contractor in seabed-to-surface engineering, construction and services to the offshore industry with approximately 13,000 employees, using state-of-the-art technology, with a diversified high specification fleet of more than 40 vessels including newbuilds, with 175 remotely operated vehicles and extensive fabrication facilities.

Siem Offshore Inc. continues to take delivery of new vessels and increase its earnings capabilities. Operations have been safe and good. Siem Offshore's subsidiary, Siem Offshore Contracts, which is engaged in the installation of inner-array grid and export cables for the offshore windfarm market and subsequent maintenance, has progressed from planning to the installation phase for a number of its projects in 2014.

Siem Offshore reported net income of $58.1 million, which included an impairment of $29 million, and EBITDA of $165.1 million for 2014. The backlog at the end of the year was $1.5 billion for its fleet and $118 million for its offshore cable installation business. The capital expenditures for 2015 were $526 million.

Siem Shipping Inc. (which operates in the refrigerated container shipping industry as Star Reefers Inc.) reported a net profit of $616,000 and EBITDA of $25.2 million. Siem Shipping is a leading owner and operator in the specialised industry transporting food and other perishable products. During the year, the Company completed a lengthening project for 4 of its owned vessels all vessels have now been redelivered from the shipyard 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. For 2014, approximately 80% of Siem Shipping's capacity operated under fixed charters. The contract backlog at the end of the year was $460 million.

Siem Car Carriers continued to make progress in 2014. The company received a multi-year vessel transportation contract from a major automobile manufacturer that employs 3 car carriers that have been chartered-in by the company. The company has entered into shipbuilding contracts for 3 car carrier vessels that will replace the chartered-in vessels.

Deusa International GmbH continued to build its operations and brought several new caverns into operation for the production of potash as it progressed towards its goal of 120,000 tonnes in annual production.

Sustainable Power Generation Limited is the 2nd largest developer of large-scale solar projects in the U.K. and performs engineering, procurement and construction (EPC) activities for solar parks. The Company acquired a 40%-interest at the end of September 2014 and participates as both a lender of EPC-related financing to, and an owner of, solar parks.

Venn Partners LLP, a 40%-owned associate, provides specialist credit and advisory services and focuses on private asset-based financing in European markets. Venn Partners has been successful in producing financing solutions and has established relationships with a pension fund and an asset manager to further improve its ability to provide mezzanine financing solutions. Venn Partners was recently awarded an exclusive mandate by the U.K. government to manage all aspects of a program which will offer government guarantees for the purpose to raise more than GBP3.5 billion of competitive financing in the capital markets with the proceeds to be used for eligible private rental housing after construction has been completed.

As I discussed last year, the uncertainty relating to world politics makes forecasting and planning more challenging. Energy pricing and exchange rates will always have a strong impact on our results and are largely outside of our control and the impact of the current downturn in the oil and gas industry will become more evident in 2015. Despite these challenges, the Company remains committed to delivering value for our shareholders, clients, suppliers and other business partners. I thank all my colleagues and employees for their continued contribution to the success achieved in 2014 and the groundwork laid for the future.

Kristian Siem, Chairman
16 April 2015

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., Siem Car Carriers AS and Flensburger Schiffbau-Gesellschaft mbH & Co. KG, and in other areas through its holdings in Siem Investments Inc., Deusa International GmbH, Deep Seas Insurance Ltd., Siem Capital AB, Venn Partners LLP, Venn Capital S.a r.l., VSK Holdings Limited and Sustainable Power Generation Ltd. "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 2014, the Company beneficially owned 69,731,931 shares of Subsea 7 S.A. ("Subsea 7"; OSE Symbol: SUBC), or approximately 21.3% of its issued and outstanding shares. The Company accounts for the investment under the equity method of accounting.

Fiscal 2014 Discussion and Subsequent Events — Subsea 7 reported a strong performance throughout most of its operations during 2014 that was shadowed by the downturn in the oil and gas industry and the postponement of projects and reduction of tenders. Revenues and the gross profit margin increased reflecting good execution and completion of major projects. The reduction in the backlog to $8.2 billion gives evidence to the industry slowdown. Subsea 7 had recognized signs of the pullback and established a strong liquidity position that will provide support until the industry begins to strengthen again. The company's work force decreased to 13,000 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 39 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 fleet with 5 newbuilds under construction at shipyards in Europe and Korea for delivery during 2015-2016.

During the fourth quarter of 2014, Subsea 7 recorded a goodwill impairment charge of approximately $1.2 billion following its periodic evaluation of goodwill.

The following financial highlights show results and amounts for Subsea 7 S.A. for the years ended 31 December 2014 and 2013:

Subsea 7 Financial Highlights (in thousands):		*As of and for the Fiscal Periods Ended 31 December* *2014*	*2013*
Financial Performance:	Revenues	$ 6,869,900	$ 6,297,100
	EBITDA	$ 1,438,800	$ 980,700
	Tax benefit (expense)	$ (151,700)	$ (160,900)
	Impairment charge	$ (1,183,300)	$ –
	Net income (loss) attributable to shareholders	$ (337,800)	$ 349,700
Financial Position:	Assets	$ 8,624,400	$ 10,316,300
	Liabilities	$ 3,062,700	$ 3,745,100
Other notable:	Capital expenditures	$ 861,200	$ 787,500
	Backlog	$ 8,239,000	$ 11,770,000

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

In 2015, Subsea 7 announced that its board of directors recommend that a dividend should not be paid to shareholders in 2015 with the intent to preserve cash in order to meet the challenges in the short- to medium-term future.

At 8 April 2015, the Company beneficially owned 69,731,931 shares of Subsea 7 S.A.

SIEM OFFSHORE INC.

At 31 December 2014, the Company owned a beneficial interest of 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 2014 Discussion and Subsequent Events — At the end of 2014, Siem Offshore had 46 vessels in operation, which includes 2 owned by Siem Offshore's pool partner, and 9 newbuilds under construction. The fleet in operation consisted of 12 mid-size and large-size platform supply vessels ("PSVs"), 6 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 installation support vessel, 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, Polish, and German yards included 4 dual-fuel PSVs of VS4411DF design for deliveries 2015 through 2016, 1 cable lay vessel ("CLV") of Vard CLV 01 design for delivery in 2015, 1 AHTS vessel of UT782Wp design for delivery in 2015 and 2 large well-intervention vessels ("WIV") of SALT 307 WIV design for delivery in 2016. The vessel under construction in Brazilian yards includes 1 oil spill recovery vessel ("OSRV") of Ulstein P801 design scheduled for delivery in 2015. Siem Offshore Contractors will utilize the CLV in its operations upon delivery. The The OSRV will commence 8-year contracts with Petrobras upon delivery. The AHTS vessel will commence a long-term contract off Canada upon delivery. The WIV will commence 7-year contracts with Helix Energy upon delivery. The Company is in discussions for long-term contracts for 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 second 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. Secunda will utilize the AHTS vessel on its long-term contract with a major that it was awarded in 2014.

The total backlog of firm contracts for the fleet, including for vessels under construction, was $1.55 billion at 31 December 2014.

Siem Offshore's wholly-owned subsidiary, Siem Offshore Contractors GmbH ("SOC"), performs operations in the installation of inner-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. The projects will combine the project engineering and management experience of SOC with the marine operating capabilities of Siem Offshore. SOC recorded operating revenues of $101.5 million in 2014. The operations of the ISV and CLV newbuilds will be utilized in SOC's projects. SOC's backlog was $118 million at 31 December 2014.

During the fourth quarter of 2014, Siem Offshore recorded a an impairment charge of approximately $29 million against vessels after performing its periodic evaluation for impairment.

The following financial highlights show results and amounts for Siem Offshore for fiscal years 2014 and 2013:

Siem Offshore Financial Highlights (in thousands)		*As of and for the Year Ended 31 December* *2014*		*2013*	
Financial Performance:	Operating revenue	$	491,312	$	363,955
	Operating margin	$	194,125	$	122,663
	Impairment of vessels	$	(29,000)	$	–
	Currency exchange gains (losses)	$	31,069	$	(30,407)
	Tax benefit (expense)	$	(2,729)	$	3,585
	Net income attributable to shareholders	$	58,147	$	22,000
Financial Position:	Assets	$	2,260,584	$	1,902,702
	Liabilities	$	1,436,935	$	1,108,815
Other notable:	Capital expenditures	$	525,674	$	329,413

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

The Company sold its interest in Siem Offshore to its wholly-owned subsidiary, Siem Europe S.a r.l. at the end of December 2014.

In January 2015, Siem Offshore was informed that the options on the 4 AHTS vessels, whose initial 4-year term contracts were expiring, would not be exercised for the 4-year option period. In additiona, Petrobras indicated that the award for a 5th AHTS vessel that had won a tender bid would be withdrawn. The company has since tendered 4 of its AHTS vessels on new tenders issued by Petrobras and is awaiting the outcome. The AHTS vessels will continue to seek term contracts.

In March 2015, SOC received confirmation that the decision had been made to move forward on a contract that had been awarded to SOC but was subject to a final investment decision. In April 2015, SOC was awarded a new contract. The aggregate of these two contracts is approximately $170 million which was not included in the 2014 year-end backlog.

At 8 April 2014, the Company owned 133,279,421 shares of Siem Offshore.

SIEM SHIPPING INC.

At 31 December 2014, the Company owned 7,409,498 shares of Siem Shipping Inc. (OSE Symbol: SSI), or approximately 76.8% of its issued and outstanding shares. Siem Shipping's financial statements are included in the consolidated financial statements of the Company. Siem Shipping continues to operate in the specialized shipping market under the STAR Reefers brand name.

Fiscal 2014 Discussion and Subsequent Events — Siem Shipping Inc. is one of the world's leading reefer vessel owners and operators. At the end of 2014, Siem Shipping controlled a modern fleet of 30 owned and chartered-in refrigerated container vessels ("reefers") with a total capacity of 17 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 the first quarter of 2014, Siem Shipping received delivery of the remaining 2 of 4 C-Class vessels that had entered a Chinese shipyard in late-2013 to undergo a lengthening project which involved 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. Each of the vessels went on a 7-year contract following delivery from the shipyard.

In September 2014, Siem Shipping completed a refinancing of its credit facilities with a new $100 million facility. Proceeds from the first draw for $70 million were used to payoff the amount outstanding under the old facility to and repay a total of $44 million in credit facilities that had been made available by the Company to Siem Shipping on market terms for the purpose of undertaking the lengthening project.

The following financial information shows Siem Shipping's results and amounts for 2014 and 2013.

Siem Shipping Financial Highlights (in thousands)		*As of and for the Year Ended 31 December* 2014		*2013*	
Financial Performance:	Net operating revenues	$	149,441	$	149,707
	EBITDA	$	25,172	$	19,687
	Impairment	$	(2,150)	$	(300)
	Net income (loss)	$	616	$	2,722
Financial Position:	Assets	$	243,568	$	250,599
	Liabilities	$	86,501	$	94,148

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

In January 2015, Siem Shipping completed a share buy-back program to purchase its shares at a maximum price of NOK60 per share subject to a maximum aggregate buy-back value of $5,000,000. A total of 527,674 shares were purchased for $4,100,000 and reduced the number of its issued and outstanding shares to 9,119,805 shares.

At 8 April 2015, the Company owned 7,409,498 shares of Siem Shipping.

SIEM CAR CARRIERS OPERATIONS

Siem Car Carriers ("SCC") is the owner of two 2000-built car carriers which it acquired from a sister company and logistics services taht 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.

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 At the time of closing, 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. In 2014, the shipyard declared bankruptcy and the company commenced the process to exercise the guarantees and receive the refund. In December 2014, the company received $11,500,000- plus 6%p.a. interest since the date of payment of the deposit. In January 2015, the company received payment in full plus interest on the second guarantee.

Following the bankruptcy of the shipyard, the Company entered negotiations with a number of shipyards to enter into shipbuilding contracts for PCTC vessels. The Company agreed new ship-building contracts with Uljanik Shipyard in Croatia, subject to refund guarantees which were provided in the first quarter of 2015, for the construction of three 7,000 CEU PCTC vessels to be delivered in the third quarter of 2016 and the first and second quarters of 2017. The contracted price was EUR46 million, or the equivalent of $52.8 million at the time. The vessels will be incorporated into charters that Siem Car Carriers has obtained.

GTL Resources Limited

At the end of October 2011, Sinav Limited ("Sinav"), a U.K. company was established to acquire shares of GTL Resources PLC ("GTL Limited") which acquisition 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 interest in Illinois River Energy LLC ("IRE") which owned a dry mill, corn-based processing facility located in Rochelle, Illinois which annually processed over 40 million bushels of corn and produced 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. In mid-2013, the Company provided loans to GTL which enabled it to successfully refinance its existing debt, some of which carried certain onerous terms. In January 2014, Sinav retained an investment banker to sell GTL. After a series of competing bidders performed their due diligence, the sale transaction was closed and the Company received proceeds from the sale and recorded a gain of approximately $36,784,000. Because the sale was not completed until the second quarter, the Company recorded approximately $4,403,000 as its share of the net results of Sinav during the first quarter.

VENN PARTNERS LLP

Siem Kapital AS, a wholly-owned Norwegian company, owns a 40%-interest in Venn Partners, a UK companies ("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.

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

Venn Partners has been awarded an exclusive mandate from the UK government to manage the Private-Rented Sector Guarantee Scheme which will offer government guarantees to raise more than GBP3.5 billion of competitive 10 to 30 year financing in the capital markets with the proceeds to be used for eligible private rental housing after construction has been completed. Venn will arrange all aspects of the scheme.

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 provided funds to VCap and its wholly-owned subsidiary, VeTC S.a r.l., to 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 4-6 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 February 2014, VCap sold VeTC.

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 most of the remaining 45%-interest. Ember VRM S.a r.l. ("Ember"), a Luxembourg company, is a wholly-owned subsidiary of VSK Holdings.

At the beginning of December 2013, the Company and the Funds provided equity for share capital in VSK Holdings. In turn, VSK Holdings provided funds to Ember in exchange for tracking preference equity certificates. In mid-December 2013, Ember used the funds provided by VSK Holdings and the proceeds of a EUR354 million bank loan to purchase a portfolio of Dutch residential mortgages.

In late-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 bank loan and a subordinated loan payable to Ember. Ember used the proceeds from the sale to repay its bank loan.

In March 2014, Venn arranged the securitization of the portfolio held by Cartesian. Cartestian used the proceeds from the securitization to repay the bank loan and the subordinated loan owed to Ember. Ember used a portion of the proceeds to repay the equity certificates issued to VSK Holdings. In April and May 2014, VSK Holdings made distributions to the Company and the Funds in the form of dividends and a partial return of capital that repaid the initial investments. In addition, VSK Holdings made additional distributions in July and August.

VSK FINANCE LIMITED

Approximately 70% of the Dutch residential mortgage portfolio paid a fixed rate mortgage with the remaining mortgages paying a variable rate. The notes issued in the securitization pay a variable rate and one of the requirements was that the proceeds received from the fixed rate mortgages be swapped for variable rates. Therefore, in order to optimize the swap function and manage costs, VSK Holdings established VSK Finance Limited, a wholly-owned 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. The intermediary bank arranges the required swaps for the securitization vehicle and concurrently arranges the same swaps back-to-back with Swapco. Swapco hedges the risk which it has assumed as a result of the back-to-back swaps by buying normal market swaps using the intermediary bank. The payments under the back-to-back swaps between the intermediary bank and Swapco and between Swapco and the market are netted. The Company has guaranteed the performance of Swapco to the intermediary bank and receives a guarantee fee. Further, the Company has agreed to provide the intermediary bank 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. Swapco was successful in its swap transactions and earned EUR1,335,000 net interest income on the swaps. The Company had advanced EUR15,820,000 as cash collateral at 31 December 2014.

SIEM EUROPE S.A R.L.

Siem Europe is the Company's wholly-owned Luxembourg subsidiary and the parent company of Siem Kapital, VCap, Siem Capital AB, and SPGL and FSG (latter 2 are discussed below). In December 2013, Venn arranged for Siem Europe to commit up to approximately GBP39 million in project financing and VAT loans to a solar renewables developer in the U.K. The proceeds of the financing were dedicated to the completion of five solar parks that were under various stages of completion in South England. The loan was fully repaid in December 2014.

SUSTAINABLE POWER GENERATION LIIMTED ("SPGL")

Siem Europe acquired a 40%-interest in SPGL for GBP6,200,000- at the end of September 2014. SPGL is the 2nd largest developer of large-scale solar projects in the U.K. and performs engineering, procurement and construction ("EPC") activities for solar parks which may be sold to third parties or remain owned and operated within the company. SPGL also performs operations and maintenance activities after the solar parks go into operation. In connection with the investment, the Company also agreed to provide a GBP30 million revolving credit facility to ramp-up its EPC activities. The terms provide for an interest rate of 9% p.a. on drawn funds, 5% p.a. on undrawn funds, a 5-year term and security for drawdowns.

FLENSBURGER SCHIFFBAU-GESELLSCHAFT MBH & CO. KG ("FSG")

The Company's associate, Siem Offshore, entered into two shipbuilding contracts for the construction of two modern large-tonnage well-intervention vessels in early 2014. The vessels are scheduled to be delivered to the charterer as each vessel is delivered in 2016 with each charter for a firm period of 7 years with options to extend the charter periods for up to 22 years.

In September 2014, FSG informed Siem Offshore that it was experiencing liquidity problems. The Company helped form a committee of stakeholders, including owners with vessels under construction or on order, banks, local German governments, employee union and suppliers, for the purpose to find a solution for the shipyard. As part of the solution, the Company purchased FSG from the former owner, a private equity firm which declined to participate in the solution, for EUR1.00 and agreed to invest additional capital of EUR6 million, or an approximate equivalent of $7,514,000, and make a EUR15 million credit facility available to the shipyard. All parties contributed to the solution. The vessels under construction at this time have been completed and delivered and new construction undertaken. The shipyard is recognized for the quality of its shipbuilding and efforts are ongoing to increase the backlog for the shipyard.

The EUR15 million facility has been fully-drawn by FSG. As part of the solution package, Siem Offshore agreed to provide a EUR15 million facility that is back-to-back with the FSG facility. Steel-cutting is well-progressed on the hulls and is according to schedule and on budget.

Investments and Other Activities

Siem Investments Inc. — During 2014, Siem Investments, a wholly-owned subsidiary of the Company, held 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.

Deusa experienced continued production problems during 2014 with certain of its caverns but begain to bring new caverns into production. The result was an increase in potash production to 79,400 metric tonnes as compared to 67,400mt in 2013. The new caverns will continue to develop and other solutions will be implemented to in an effort to increase the capacity of the operations to 120,000mt over the next several years.

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 a 33.4%-interest in Boule Diagnostics International AB, a developer of hematology diagnostic systems, which is publicly-traded in Sweden and a 48.3%-interest in Grespo AB, a research biotech company.

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. The DSI 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 82 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 2014 and 2013, the Company purchased and retired -0- and 120,246 Common Shares, respectively.

At the end of the day on 8 April 2015, the best bid and ask prices were $65.00 and $70.00, respectively, with the most recent sale being 200 shares at $65.00 per Common Share on 31 March 2015. The 52-week high and low were $96.00 and $60.00, 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 extraordinary cash dividends in each of May 2014 and May 2013 of $0.20 per Common Share.

Control

The following table sets forth certain information, as of 8 April 2015 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. Kristian 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 2014. The fiscal years ended 31 December 2014 and 2013 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)	*2014*	*2013*	*2012*	*2011*	*2010*
FINANCIAL PERFORMANCE:					
Total income *(1)*	$ 510,113	$ 357,016	$ 457,477	$ 272,042	$ 279,095
Total expenses and other	(247,353)	(196,452)	(212,136)	(324,453)	(212,838)
Income (loss) before income tax expense	262,760	160,564	245,341	(52,411)	66,257
Income tax (expense) benefit	(975)	(273)	(138)	(895)	(62)
Net income (loss)	$ 261,785	$ 160,291	$ 245,203	$ (53,306)	$ 66,195
Net income (loss) attributable to:					
Holders of Common Shares	$ 260,832	$ 159,337	$ 246,511	$ (20,586)	$ 65,664
Non-controlling interests	$ 953	$ 954	$ (1,308)	$ (32,720)	$ 531
Earnings (loss) per Common Share:					
Basic and Diluted	$ 17.23	$ 10.47	$ 16.15	$ (1.34)	$ 4.28
FINANCIAL POSITION:					
Working capital	$ 473,217	$ 316,670	$ 535,225	$ 52,911	$ (25,258)
Total assets	$ 2,591,861	$ 2,820,795	$ 2,665,059	$ 1,974,685	$ 1,524,883
Interest-bearing debt *(2)*	$ 417,212	$ 457,884	$ 481,421	$ 79,994	$ 136,414
Shareholders' equity	$ 2,010,411	$ 2,184,310	$ 2,044,363	$ 1,776,092	$ 1,223,031
Wtd. avg. no. shares outstanding	15,140	15,222	15,263	15,330	15,360
Ending no. of shares outstanding	15,140	15,140	15,260	15,290	15,360

(1) Includes share of profit (loss) of associates of $266,054, $93,764, $177,412, $85,904 and $71,617 for each of the years ended 31 December 2014, 2013, 2012, 2011 and 2010, 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 2014, the availability of cash under revolving credit facilities, the liquidity and market value of the Company's investments and the forecast cash flows.

Overview

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 Company received proceeds of approximately $42.4 million and recorded a gain of $24.7 million.

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 would 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 made payments to Ember with respect to the notes and Ember made payments to VSK Holdings. VSK Holdings made distributions to the Company and its other owners in April and May 2014 that repaid the initial investments. Further distributions were received by the Company in July and August 2014. Against the Company's total initial investment of approximately EUR41.3 million, the Company has received total distributions in the form of return of capital and dividends of $64.4 million.

In April 2014, the Buyer of the Put option paid a $3 million premium to extend the option by six months to October 2014 and to make effect the previously-agreed amendments to the Put option agreement. The amended terms of the agreement provide for premium 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. Total premiums payments of $22 million have been received and recorded as other liabilities and deferred credits until such time that recognition as income is appropriate.

In May 2014, the Company's Board of Directors declared and paid an extraordinary dividend in the amount of $0.20 per Common Share.

In June 2014, the sale of GTL was closed and the Company received proceeds of $77.1 million and recorded a gain of $36.8 million.

At the end of September 2014, Siem Shipping refinanced its existing bank facility facility with a $100 millon new bank facility. Proceeds from the initial drawdown of $70 million were used to repay the outstanding debt under the previous bank facility and to repay the aggregate $44 million of revolving and short-term credit facilities that the Company had made available to the company for its vessel lengthening project and for working capital purposes. The remaining commitment under facility will be used for working capital purposes or for vessel acquisitions.

Also at the end of September 2014, the Company purchased its 40% interest in SPGL for GBP6.2 million. As part of the transaction, the Company agreed to make a GBP30 million revolving credit facility available to SPGL and its entities to facilitate additional EPC projects. The aggregate drawdowns of the facility were approximately GBP17.2 million at 31 December 2014.

In October 2014, the Company purchased all of the interest in FSG and agreed to provide new share capital. The total cost of the existing and new capital in FSG was EUR6 million. As part of the agreement, the Company agreed to make a EUR15 million liquidity facility available to FSG. FSG requested a drawdown of the facility in November 2014. A related provision to the purchase transaction was that Siem Offshore would provide a EUR15 million facility to the Company which the Company promptly drew in full. The terms of the facilities are the same and the two facilities are essentially back-to-back.

In November 2014, the Company agreed to provide a $40 million revolving credit facility to Siem Offshore. In December 2014, the Company agreed to increase the commitment to $60 million. The facility was fully drawn at 31 December 2014.

The Company made 5 separate purchases of its Exchangeable Bonds between mid-September 2014 and mid-December 2014. The aggregate amount of the buy-backs was a nominal value of $77 million at an average price of 93.1 of nominal value. The total number of Exchangeable Bonds held after buy-backs by the Company is $91.2 million, all of which remain outstanding.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED 31 DECEMBER 2014 AND 2013

Operating revenues recorded during fiscal years 2014 and 2013 were $188,797,000 and $179,665,000, respectively.

The share of profits of associates recorded during fiscal years 2014 and 2013 was approximately $266,054,000 and $93,764,000, respectively.

Interest income recorded during fiscal years 2014 and 2013 was approximately $34,695,000 and $22,183,000, respectively, and reflects the substantially higher notes receivable balances and interest rates during 2014.

Net gains (losses) on investments for fiscal years 2014 and 2013 were approximately $46,030,000 and $29,199,000, respectively. Much of the gains reflected in 2014 reflect the sales of Veripos and GTL. The dramatic downturn in the oil and gas industries resulted in large mark-to-market adjustments of the Company's various holdings in equity securities.

The loss on the re-valuation of the financial derivatives for fiscal year 2014 was $(26.5) million and the net gain for fiscal year 2013 was $30,458,000. The loss during 2014 represents a reversal of gains previously recorded with respect to the re-valuations.

Operating expenses were $133,764,000 and $141,322,000 for fiscal years 2014 and 2013, respectively.

Depreciation and amortization expense was $20,623,000 and $17,615,000 for fiscal years 2014 and 2013, respectively. The increase in depreciation expense is due to the approximately $36 million investment that Siem Shipping made to lengthen the 4 C-Class vessels.

Impairments of $2,150,000 and $300,000 were recorded in fiscal years 2014 and 2013, respectively, in relation to the disposal of its vessels. A reserve of $7,514,000 was recorded with respect to the Company's investment in FSG since the company is not considered to be a core asset at this time.

Interest expense was approximately $7,640,000 and $7,145,000 for fiscal years 2014 and 2013, respectively.

General and administrative expenses for fiscal years 2014 and 2013 were approximately $28,382,000 and $24,703,000, 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 reversals of previously recorded compensation liability of $(6,824,000) and $(1,736,000) in 2014 and 2013, respectively.. 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 $13,392,000 and $8,316,000 for 2014 and 2013, respectively, which reflects the increased performance and net income of the Company.

Currency exchange gains (losses) were $(47,280,000) and $(5,367,000) for fiscal years 2014 and 2013, 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 2014 and 2013. The NOK, GBP and EUR fell 22%, 6% and 12%, respectively.

Income tax expense (benefit) for fiscal years 2014 and 2013 was $975,000 and $273,000, 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 7.90 and 5.00 at 31 December 2014 and 2013, respectively. The interest-bearing debt-to-total assets ratios were 0.16 and 0.16 at 31 December 2014 and 2013, respectively. The fiscal year 2013 interest-bearing debt-to-total assets ratio did not include the financial derivatives.

The Company's investments remain liquid despite the sharp downward fall of the stock market and can be sold to generate liquidity if required.

SUBSEQUENT EVENTS

At the end of 2014, Venn Partners was awarded an exclusive mandate from the UK government to manage the Private-Rented Sector Guarantee Scheme which will offer government guarantees to raise more than GBP3.5 billion of competitive 10 to 30 year financing in the capital markets with the proceeds to be used for eligible private rental housing after construction has been completed. Venn will arrange all aspects of the scheme.

In January 2015, Siem Shipping sold two of its older, less efficient vessels for an aggregate $10 million.

In January 2015, Siem Shipping completed its share buy-back program to buy-back shares at a maximum price of NOK60 per share. A total of 527,674 shares were purchased and retired at an aggregate cost of approximately $4.1 million. Following the buy-back, Siem Shipping has 9,119,805 shares outstanding and the Company's ownership interest is increased to 81.2%.

In January 2015, the Company repurchased an additional $5 million nominal amount of its Exchangeable Bonds at an average price of 88.25%. The Company currently holds $96.2 million of Exchangeable Bonds that have not been retired.

In January 2015, the Company agreed to provide GBP47.7 million of project financing available to SPGL for the engineering, procurement and construction ("EPC") of a 51.8MW solar park known as Owl's Hatch Solar Park. In February 2015, the Company acquired a single-purpose UK company known as Bradenstock Solar Park and committed with SPGL to build a facility up to 70MW in capacity, one of the largest in the U.K. SPGL-owned entities to perform the EPC. The Company and SPGL agreed to a profit split arrangement on the Bradenstoke Solar Park project. The committed financing was up to GBP58 million. The goal for both solar parks was to have them completed and commissioned by 31 March 2015 in order to have access to the 1.4 Renewable Obligation Certificate which is part of the renewable energy commitment undertaken by the U.K. government. Both Owl's Hatch and Bradenstoke Solar Parks were completed and commissioned by the end of March 2015.

In February 2015, the Company agreed to commit up to EUR50 million to VSK Holding to establish and fund a new Ember II as a new Dutch mortgage originator and leverage the lessons learned by Venn Partners and its related parties during the past year. The intention will be to build a sizable portfolio using a loan warehouse arrangement and then securitize the portfolio. The new vehicle will not require additional funding or liquidity support to structure an interest rate hedging strategy.

In March 2015, VSK Holdings was restructured after the Company's partner decided not to participate in the Ember II transaction at this time. New classes of shares has been added. The Company now owns all of the voting stock and it and the other shareholders hold new classes of shares that pay dividends.

As informed in Note 17, the counter-party in the Put Option Agreement requested another amendment to the option agreement. The terms were agreed in March 2015 and the amended agreement provides for premium payments of $825,000 in each of April 2015 and October 2015, $412,500 in each of April 2016 and July 2016 and $343,750 in October 2016. Further, the shares could be put to Siem Investments for no more than $100 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.

In March 2015 and April 2015, SOC received confirmations of contracts that increased its backlog by more than $170 million.

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 Offshore Inc., Electromagnetic Geoservices ASA and Flensburger Schiffbau-Gesellschaft mbH & Co. KG 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 consolidated financial statements of Siem Industries Inc. and subsidiaries (the "Company") which comprise the consolidated balance sheets at 31 December 2014 and the consolidated income statements and statements of comprehensive income, 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 Management's Responsibility for the Consolidated Financial Statements

The Board of Directors and Management are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and Management determine is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 qualified audit opinion.

Basis for a Qualified Opinion

<u>Measurement of exchangeable bond</u>

The Company has issued a bond with a right to exchange the bond for existing shares in Subsea 7 SA, already held by the Company. According to IFRS, the right-to-exchange represents a financial derivative to be measured at fair value and presented as a liability. Due to the decline in Subsea 7 SA's share price, the value of the derivative has decreased with a material amount during the second half of 2014. Further, the loan itself should be re-measured at year-end as the early redemption right in September 2016 now represents the most likely date of maturity. The Company has neither re-measured the derivative nor the loan as at 31 December 2014 resulting in an understatement of income before tax and an overstatement of non-current liabilities of approximately USD 39 million.

We refer to note 8 where the exchangeable bond is described in further details.

<u>Presentation of impairment charge in Subsea 7 SA</u>

In January 2011, Acergy S.A. and Subsea 7 Inc. completed a combination of the two companies. The transaction was accounted for at fair value, which led to an uplift of values and the recognition of goodwill in Subsea 7 SA. For the Company, the combination led to a dilution of ownership. Under IAS 28 "Investments in Associates", a reduction in ownership interests in an associated company due to a transaction should be treated as a deemed disposal, with any gain or loss to be recorded in the income statement. The Company did not recognize the amount of gain on the deemed disposal through the income statement but, instead, deferred the recognition by recording it directly to equity as a transaction with owners in Other Reserves. The amount recorded directly to equity as a separate component within Other Reserves was USD 601 million.

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At 31 December 2014, the Company held a 21.25% investment in Subsea 7 SA, which is accounted for under the equity method. In 2014, Subsea 7 SA recognized an impairment loss on goodwill recorded in the 2011 combination of USD 1,183 million. The Company's portion of the loss was USD 251 million and offset against Other Reserves. In addition, goodwill recognized only at the Company's level of USD 116 million was also offset against the separate component of equity within Other Reserves. The total USD 367 million is not charged to the income statement as the equity method requires, but is instead offset against the USD 601 million recognized in 2011 within Other Reserves.

In note 5, the Company explains its rationale for the deviation from IFRS. We disagree with Company's rationale.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the consolidated financial position of Siem Industries Inc. at 31 December 2014 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kristiansand, 21 April 2015
PricewaterhouseCoopers AS

Svein A. Andresen
State Authorized Public Accountant (Norway)

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

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Dollars in thousands, except per share amounts)	Notes	*For Years Ended 31 December* *2014*	*2013*
INCOME:			
Operating revenues	*10*	$ 188,797	$ 179,665
Share of profits of associates	*5*	266,054	93,764
Interest income	*4*	34,695	22,183
Gains (losses) on investments and other assets, net	*12*	46,030	29,199
Gains (losses) on re-valuation of financial derivatives, net	*8*	(26,515)	30,458
Dividend income		95	378
Other income		957	1,369
Total income	22	510,113	357,016
EXPENSES AND OTHER:			
Operating expenses	*7,10*	133,764	141,322
Depreciation and amortization	*6,7,13*	20,623	17,615
Impairment of vessels and investments	*5,6*	9,664	300
Interest expense	*8*	7,640	7,145
General and administrative expenses	*14,15,17,19*	28,382	24,703
Currency exchange losses (gains), net	*16*	47,280	5,367
Total expenses and other		247,353	196,452
Income (loss) before income tax expense		262,760	160,564
Income tax expense	9	975	273
Net income (loss)		$ 261,785	$ 160,291
Net income (loss) attributable to:			
Holders of Common Shares		$ 260,832	$ 159,337
Non-controlling interests		$ 953	$ 954
Earnings (Loss) per Common Share:			
Basic and Diluted		$ 17.23	$ 10.47
Weighted avg. no. of Common Shares outstanding for period		15,139,681	15,221,712

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* *2014*	*2013*
Net income (loss)	$ 261,785	$ 160,291
Items that may be reclassified to the income statement in subsequent periods:		
Currency exchange differences	$ 4,851	$ (6,866)
Share of other comprehensive income of associates	(69,521)	(1,118)
Items that will not be reclassified to the income statement in subsequent periods:		
Share of other comprehensive income of associates	17	1,275
Other comprehensive income (loss)	(64,653)	(6,709)
Total comprehensive income (loss)	$ 197,132	$ 153,582
Total comprehensive income (loss) attributable to:		
Holders of Common Shares	$ 196,179	$ 152,628
Non-controlling interests	$ 953	$ 954

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 2014*	*31 December 2013*
ASSETS:			
Current assets:			
Cash and cash equivalents	*3*	$ 436,576	$ 298,397
Accounts receivable		22,945	27,487
Accrued interest receivable		5,582	3,660
Trading securitites	*4*	36,441	16,948
Inventories		8,529	10,833
Notes, loans and other receivables	*4*	11,734	24,368
Due from affiliates	*19*	250	300
Noncurrent assets held-for-sale	*5,6*	9,049	–
Prepaid expenses and other current assets		10,670	13,756
Total current assets		541,776	395,749
Restricted cash	*3*	2,000	2,000
Notes, loans and other receivables	*4*	291,994	344,772
Investments in associates	*5*	1,531,738	1,796,255
Vessels, property and equipment, net	*6*	223,907	277,783
Other assets	*15*	446	4,236
Total Assets		$ 2,591,861	$ 2,820,795

LIABILITIES AND EQUITY:			
Current liabilities:			
Accounts payable, other accrued costs and short-term liabilities		$ 22,757	$ 33,195
Accrued interest payable		1,062	1,447
Due to affiliates	*19*	14,732	5,815
Current maturities and short-term notes	*8*	10,995	11,512
Other accrued costs and short-term liabilities	*16*	19,013	27,110
Total current liabilities		68,559	79,079
Long-term debt and notes payable	*8*	406,217	352,074
Financial derivatives	*8*	–	94,298
Other liabilities and deferred credits	*14,16*	63,548	67,738
Total Liabilities		538,324	593,189
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 15,139,681 shares, respectively, issued and outstanding	20	3,785	3,785
Additional paid-in capital		105,405	105,405
Retained earnings		1,711,896	1,454,093
Currency translation reserves		2,947	(1,904)
Other reserves		186,378	622,931
Total shareholders' equity		2,010,411	2,184,310
Non-controlling interests		43,126	43,296
Total Equity		2,053,537	2,227,606
Total Liabilities and Equity		$ 2,591,861	$ 2,820,795

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-controllin*
(in thousands, except number of shares)	*Number*	*Share Capital*	*Capital*	*Earnings*	*Reserves*	*Reserves*	*Interests*
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
Net income	–	–	–	260,832	–	–	953
Currency translation differences	–	–	–	–	4,851	–	–
Share of other comprehensive income (loss) of associates	–	–	–	–	–	(69,504)	–
Other	–	–	–	–	–	292	–
Total comprehensive income (loss)	–	–	–	260,832	4,851	(69,212)	953
Payment of dividends ($0.20 per Common Share)				(3,029)			
Reversal of deferred recognition of gain on uplift of investment in associate following	–	–	–	–	–	–	–
combination that became Subsea 7 S.A. that was recorded as separate component of equity	–	–	–	–	–	(367,341)	–
Purchase of shares in affiliates from non-controlling interests	–	–	–	–	–	–	(1,123)
Total transactions with owners	–	–	–	(3,029)	–	(367,341)	(1,123)
Balances at 31 December 2014	15,139,681	$ 3,785	$ 105,405	$ 1,711,896	$ 2,947	$ 186,378	$ 43,126

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 2014*	*2013*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		$ 261,785	$ 160,291
Adjustments to reconcile net income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation and amortization, including drydocking amortization	6,7	20,623	17,615
Share of profits of associates	5	(266,054)	(93,764)
Losses (Gains) on investments and other assets, net	12	(46,030)	(29,199)
Losses (Gains) on re-valuation of financial derivatives, Exchangeable Bonds	8	26,515	(30,458)
Impairment of vessels and investments	4,5	9,664	300
Deferred compensation expense (reversal) for performance unit plan	14	(6,824)	(1,736)
Currency exchange losses (gains)	16	47,280	5,367
Other		925	684
Changes in assets and liabilities:			
(Increase) Decrease in:			
Accounts receivable, other		4,542	(12,549)
Accrued interest receivable		(1,922)	(1,165)
Trading securities		(35,259)	21,168
Inventories		2,304	2,520
Prepaid expenses and other current assets		3,136	1,768
Increase (Decrease) in:			
Accounts payable		(10,438)	13,607
Accrued interest payable		(385)	87
Due to affiliates		8,917	3,456
Other accrued costs and short-term liabilities		(8,097)	4,067
Net cash provided by (used in) operating activities		10,682	62,059
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to notes receivable and other investments	4	(394,532)	(579,201)
Proceeds from repayment of notes receivable and other investments	4	347,166	319,921
Investments in associates	5	(12,110)	(9,205)
Distributions from associates	18	107,304	42,467
Proceeds from sales of associates	5	119,544	–
Capital expenditures for vessels, shipping related assets and other	6,7	(6,525)	(39,980)
Deferred recognition of premium income	17	6,000	8,000
Other		4,137	(4,827)
Net cash provided by (used in) investing activities		170,984	(262,825)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid to Company's Shareholders	20	(3,029)	(3,059)
Proceeds from long-term debt and notes payable	8	70,000	39,507
Repayment of long-term debt and notes payable	8	(48,041)	(12,195)
Redemptions and repurchases of Exchangeable Bonds	8	(48,617)	(13,054)
Purchase and retirement of Common Shares	20	–	(9,620)
(Increase) Decrease in restricted cash		–	–
Other		(5,238)	(239)
Net cash provided by (used in) financing activities		(34,925)	1,340
Net increase (decrease) in cash and cash equivalents		146,741	(199,426)
Cash and cash equivalents, beginning of period		298,397	499,424
Effect of exchange rate changes on cash		(8,562)	(1,601)
Cash and cash equivalents, end of period		$ 436,576	$ 298,397
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during period for:			
Interest		$ 8,025	$ 6,374
Taxes		$ 975	$ 273

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 2014, the Company held beneficial ownerships in the following major holdings: 69,731,931 shares, or 21.3% 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 had ownership in 45 vessels operating in the energy service industry, operates 2 AHTS vessels owned by a third party under a pool arrangement, operates 1 scientific core-drilling vessel and has 9 vessels under construction; 7,409,498 shares, or 76.8%, of Siem Shipping Inc., (OSE Symbol: "SSI") (SSI operates 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 30 owned and chartered-in vessels engaged in the refrigerated transportation of fruits and other perishable products; a 100% interest in vessel-owning companies for 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; a 40%-interest in Venn Partners LLP, a U.K. company that provides 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; a 55%-interest in VSK Holdings Limited, a Cayman Islands company, and its wholly-owned Luxembourg subsidiary, Ember VRM S.a r.l.; and a 40%-interest in Sustainable Power Generation Ltd. ("SPGL"), a U.K. company engaged in the engineering, procurement and construction of solar parks in the U.K. Also at year-end 2014, the Company owned a 64%-interest in Siem Capital AB, a Swedish company; a 49%-interest in Deusa International GmbH ("Deusa"), a German company; a 100%-interest in Flenburger Schiffbau-Gesellschaft mgH & Co. ("FSG"), 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. FSG is engaged in the shipyard construction of large vessels. 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 2014, 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, Deusa, VSK Holdings and SPGL represent significant associates of the Company and Siem Shipping, Siem Car Carriers and Siem Europe represent significant subsidiaries.

(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 2014

The IASB and IFRIC issued standards, interpretations and amendments to standards which were effective for periods commencing on or after 1 January 2014 and which were adopted by the Company as follows:

IFRS 10, "Consolidated Financial Statement". IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Adoption of IFRS 10 did not materially affect the Company.

IFRS 11, "Joint Arrangements". Joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Company was not involved in any joint arrangements during 2014 or 2013.

IFRS 12, "Disclosures of Interest in Other Entities". Disclosures of interests in other entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. IFRIC 21, Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company is not currently subject to significant levies so the adoption impact of IFRIC 21 on the Company is not material.

IAS 27, "Separate Financial Statements" .

IAS 32 (amendments), "Offsetting Financial Assets and Financial Liabilities"

IAS 36 (amendments), "Recoverable Amounts Disclosure for Non-Financial Assets"

IAS 39 (amendments), "Financial Instruments: Recognition and Measurement of the Novation of Derivatives and Continuation of Hedge Accounting"

IFRIC 21, "Levies"

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED IFRS EFFECTIVE IN FISCAL 2015 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 2015. 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 9, "Financial Instruments". IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, dependent on EU approval. The Company is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue from Contracts with Customers". IFRS 15, as issued, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Upon its effective date, IFRS 15 will supersede all existing revenue standards and interpretations. In particular, the standard replaces IAS 18 "*Revenue*" and IAS 11 "*Construction Contracts*", upon which the Company's current revenue recognition policies are based.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods and services. IFRS 15 is effective for reporting periods beginning on or after 15 December 2016, with early adoption permitted. The adoption of this standard may have an impact on the timing of revenue recognition and will result in additional disclosure. The Company will evaluate the impact of the requirements of IFRS 15 during 2015.

IAS 16 (Amendments), "Property, Plant and Equipment". The amendments to IAS 16 "*Property, Plant and Equipment*" prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Company will evaluate the requirements to determine the effect that these may have on its depreciation.

There are no other IFRS or interpretations which are not yet effective that may be expected to have a material impact on the Company's financial position, performance or disclosure obligations.

CONSOLIDATION OF SUBSIDIARIES AND ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is assumed to exist where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

The Group consolidates non-wholly owned subsidiaries where it exercises a controlling influence despite holding less than 50% of the voting rights, as it is deemed to have *de facto* control.

Subsidiaries – Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date that the Company obtains control over the subsidiary until the date that the Company ceases to control the subsidiary. Changes in the Company's interest in a subsidiary that do not result in the Company ceasing to control that subsidiary are accounted for as equity transactions.

Where necessary, adjustments are made to the financial statements of subsidiaries to align these with the accounting policies of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Non-controlling interests comprise equity interests in subsidiaries which are not attributable, directly or indirectly to the Company. Non-controlling interests in the net assets of subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date the Company obtains control over the subsidiary together with the non-controlling shareholders' share of net income and share of other comprehensive income since that date.

Associates — An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a commercial business governed by an agreement between two or more participants, giving them joint control over a business.

Investments in associates and joint ventures are accounted for using the equity method. Under this method, the investment is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate or joint venture, less any provisions for impairment. The consolidated income statement reflects the Company's share of the results of operations after tax of the associate or joint venture. Losses in excess of the Company's interest, which includes any long-term interests that, in substance, form part of the Company's net investment, are only recognized to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Where there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share in the consolidated statement of comprehensive income. Net incomes and losses resulting from transactions between the Company and its associate or joint venture are eliminated to the extent of the Company's interest.

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 presentation of financial statements under IFRS requires management to make estimates and assumptions relating to items within the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the report date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from management's estimates. The Company's significant accounting policies are described in this Note 2.

Certain of the Company's accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and may have a material impact on the Company's financial condition, changes in financial condition, or results of operations. Critical accounting estimates could also involve alternative estimates when competing methodologies exist for calculating estimates in an accounting period.

The Company has identified the following significant accounting policies that involve critical accounting estimates:

Determination of Fair Value. Judgment needs to be exercised to determine estimates of fair value management. The level of such judgment is usually minimal when it is necessary to establish the fair value of financial instruments for which there is a quoted price in an active market. Similarly, there is little subjectivity or judgment required to establish the fair value of instruments using valuation models which are accepted and standard across the industry and where all parameter inputs are quoted in active markets.

Valuation of Vessels. Management needs to assess whether indications exist that may require a writedown of a vessel. Such indications may include adverse market conditions, significant changes in charter-hire contracts, day-rates, operating expenses or external broker estimates. When such indications exist, an impairment test is performed in accordance with Company policy.

Impairment of Financial Assets. Significant management judgment is required to assess the existence of objective evidence of possible impairment of financial assets. Such estimates of impairment may change from period to period as conditions change

Accounting for Investments in Associates. Significant management judgment is required to assess the existence of objective evidence of possible impairment of investments in associates. Such estimates of impairment may change from period to period as conditions change

Valuation and Classification of Put Option. Significant management judgment may be required to estimate the fair value of the Put Option agreement due to the complexity of the instrument and such estimates can change significantly from period to period.

Valuation and Recognition of Exchangeable Bond and Financial Derivative. Significant management judgment is required to estimate the fair value of the financial derivative related to the Exchangeable Bond. Due to the volatility of the financial markets, the fair value of the financial derivative can change significantly from period to period.

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.

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; and
- Notes, loans and other receivables.

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 at fair value through profit or loss.

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 and changes in the fair value of embedded derivatives are recognized in the Company's income statement.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An equity instrument is a form of 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. If the equities are actively traded, then the carrying value of the investment is adjusted to market at the end of each reporting period and the adjustment is recorded in the income statement. If the equities are not actively traded, then the investment is recorded at cost unless indications exist that the value should be assessed and adjusted to fair value.

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 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 is 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 should be 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.

In accordance with IFRS, the Company should record gains when the value of the financial derivative declines and increase interest expense with respect to the financial liability based on the amortized difference between the net present value of the obligation and the expected redemption amount by bondholders. For 2014, the effect would be to recognize a net gain at the end of 2014 as gains (losses) on re-valuation of financial derivatives in the income statement and reverse this amount by recording interest expense over the period through the redemption date available to bondholders in September 2016.

At the end of 2014, the Company decided to reclass the financial derivative liability to long-term debt liability and treat the Exchangeable Bond obligation as a conventional debt liability.

For further information, see Note 8.

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 2014. 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 calculated market-adjusted net asset 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 2014, 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)	*2014*	*2013*
Total cash and cash equivalents	$ 438,576	$ 300,397
Less: Restricted cash - noncurrent asset	2,000	2,000
Cash and cash equivalents - current assets	$ 436,576	$ 298,397

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

(in thousands)	*2014*	*2013*
Cash and cash equivalents denominated in following currencies:		
USD	$ 386,572	$ 221,222
NOK	21,897	62,651
EUR	2,831	4,409
GBP	27,008	11,909
Other	268	206
Total cash and cash equivalents	$ 438,576	$ 300,397

(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)	*2014*	*2013*
Trading securities:		
Listed equity securities	$ 36,441	$ 16,948
Trading securities, net fair value	$ 36,441	$ 16,948

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

(in thousands)	*2014*	*2013*
Trading securities:		
Balance, 1 January	$ 16,948	$ 33,044
Purchases	51,450	33,546
Proceeds from sales	(16,192)	(54,714)
Gains (losses), see Note 12	(8,871)	6,146
Currency exchange gains (losses), see Note 16	(6,894)	(1,074)
Trading securities, 31 December	$ 36,441	$ 16,948

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)	*2014*	*2013*
Notes, loans and other receivables:		
Listed securities:		
Floating rate notes	$ 37,132	$ –
Fixed rate notes	–	37,587
Unlisted securities:		
Notes receivable, various rates	266,596	331,553
Notes, loans and other receivables	$ 303,728	$ 369,140
Notes, loans and other receivables:		
Current	$ 11,734	$ 24,368
Noncurrent	$ 291,994	$ 344,772

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

(in thousands)	*2014*	*2013*
Notes, loans and other receivables:		
Balance, 1 January	$ 369,140	$ 87,894
Additions	394,532	579,201
Proceeds from maturities, repayments and sales	(386,674)	(319,921)
Gains (losses) on investments, net, see Note 12	(306)	23,049
Reclassification	(45,600)	(2,733)
Currency exchange gains (losses), see Note 16	(27,364)	1,650
Notes, loans and other receivables, 31 December	$ 303,728	$ 369,140

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.

At 31 December 2013, Siem Investments owned $33,000,000 nominal amount of fixed interest bonds issued by Eksportfinans ASA which were purchased at varying levels of discounts. Siem Investments sold the bonds during the third quarter 2014.

Venn Partners ("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. During the first quarter 2014, VCap sold its investmetns in VeTC for cash and the acquiror's assumption of the bank debt which VeTC used to finance its investment.

During 2014, VCap agreed with a pension fund to set-up an investment vehicle, Venn Capital II, to invest in similar types of projects which it would manage but in which VCap would hold an ownership interest of 9.67% and the fund owned 90%. VCap transferred notes of approximately $19.3 million to Venn Capital II as its share of the capital contributions.

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

At the beginning of December 2013, the Company and the Funds provided equity for share capital in VSK Holdings. In turn, VSK Holdings provided funds to Ember in exchange for tracking preference equity certificates.

In mid-December 2013, Ember used the funds provided by VSK Holdings and the proceeds of a EUR354 million bank loan to purchase a portfolio of Dutch residential mortgages.

In late-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 bank loan and a subordinated loan payable to Ember. Ember used the proceeds from the sale to repay its bank loan.

In March 2014, Venn arranged the securitization of the portfolio held by Cartesian. Cartestian used the proceeds from the securitization to repay the bank loan and the subordinated loan owed to Ember. Ember used a portion of the proceeds to repay the equity certificates issued to VSK Holdings. In April and May 2014, VSK Holdings made distributions to the Company and the Funds in the form of dividends and a partial return of capital that repaid the initial investment. VSK Holdings made additional distributions in July and August.

In 2014, the Company reclassified $47,725,000 from notes receivable to investment in VSK Holdings.

Siem Offshore Inc. — In March 2014, the Company acquired NOK233 million of a NOK700 million bond floating rate bond issued by Siem Offshore. The terms provide for a floating interest rate at 3-month NIBOR plus 4.4% and maturity in March 2019. The bond is unsecured.

In November 2014, the Company agreed to make a $40 million revolving credit facility available to Siem Offshore. Terms of the facility provided for drawdowns in whole multiples of $5 million, an initial period to 15 February 2015 and option periods to be exercised at the discretion of Siem Offshore for 3 months from from 15 February 2015 to 15 May 2015 and for 6 months from 15 May 2015 to 15 November 2015. Fees include a 0.5% arrangement fee and a 1.25%p.a. commitment on any undrawn portions of the commitment. The interest rate is LIBOR plus 2.50% for the initial period and the first 3-month option period and LIBOR plus 3.50% for the 6-month option period. In December 2014, the Company agreed to increase the commitment under the facility to $60 million. The terms remain the same and the facility was fully-drawn at the end of 2014.

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 2014.

(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 2014	Subsea 7 S.A.	21.3%	$ 176,740	$ 1,179,417
	Siem Offshore	34.4%	19,995	269,395
	Siem Capital	64.0%	—	—
	Deusa	49.0%	(528)	953
	GTL	—	4,403	—
	Venn Partners	40.0%	3,555	3,309
	VSK Holdings	55.0%	61,937	48,838
	Venn Capital II	9.7%	341	20,475
	SPGL	40.0%	(389)	9,213
	Other		—	138
			$ 266,054	$ 1,531,738
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
	Venn Partners	40.0%	(203)	(203)
	VSK Holdings	55.0%	—	9,049
	Other		—	156
			$ 93,764	$ 1,796,255

The activity in investments in associates during the fiscal year ended 31 December 2014 follows:

(in thousands)	*2013*	*2013*
Investments in associates:		
Balance, 1 January	$ 1,796,255	$ 1,734,236
Additions to investments	17,586	9,205
Share of profits (losses) of associates	266,054	93,764
Distributions by associates	(85,300)	(42,467)
Return of capital from associates	(22,004)	–
Proceeds from sales of associates	(119,544)	–
Gains (losses) on sales of associates	61,457	–
Impairment of investment	(7,514)	–
Reclass from notes receivable to investments	67,069	
Reversal of step-up in carrying value of investment in Subsea 7 recorded in connection with business combination in 2011	(367,341)	–
Share of associates' other comprehensive income	(69,504)	157
Cumulative translation adjustments	(3,279)	–
Currency exchange gains (losses), net, see Note 12	(2,197)	–
Other	–	1,360
Investments in associates, 31 December	$ 1,531,738	$ 1,796,255

Subsea 7 – Subsea 7's shareholders approved payments of dividends at its annual general meetings held in June during each of the past 2 years and the Company received $40,660,214 and $41,839,000 in July 2014 and 2013. Under IFRS, the dividends are recorded as a distribution by Subsea 7 and reduction of the Company's investment rather than as dividend income.

As a consequence of the business combination that created Subsea 7 S.A. in 2011, the Company's ownership interest was diluted from approximately 44.4% to approximately 20.5%. According to IFRS, the dilution of the Company's ownership interest represented the deemed disposal of a 23.9% interest in Subsea 7 Inc. in exchange for a 20.5% interest in Subsea 7 S.A. Such accounting treatment required the gain recognition of approximately $601 million following the reduction, or disposal, of such ownership interest.

The Company's contention was that the combination was a merger of equals, there was no intent to dispose of the investment and the exchange of shares simply reflected a smaller ownership in a larger company engaged in the same, or similar, operations. Further, the uplift in the value of its investment in Subsea 7 was attributed to goodwill of approximately $2.5 billion that was recorded on the transaction and there was no certainty on the eventual realization of such amount.

The Company agreed with IFRS that the carrying value of the Company's investment should be uplifted to reflect the newly-adjusted carrying value. However, the Company disagreed with the timing of the recognition of the gain that is associated with and based upon the amount of the uplift. Accordingly, the Company decided to conservatively account for the uplift and defer the recognition of the gain by recording the amount as a separate component of equity until such time that the Company, with full intent and purpose, enters into commercial transactions to sell or otherwise dispose of some or all of its holdings in Subsea 7. It should be noted that there was no tax impact related to either the recognition or deferral of this gain.

At the end of 2014, Subsea 7 recorded an impairment charge for a significant portion of the goodwill that it recorded in 2011. Since the Company had not recognized the uplift in the value of its investment in Subsea 7 arising from goodwill, the Company recorded its equity income based on Subsea 7's net income before impairment charges. In addition, the Company reversed a portion of the deferred gain that was recorded as a separate component of equity such that the value of the Company's investment approximated its ownership in Subsea 7's equity.

Veripos – The Company accepted Hexagon AB's tender to buy the shares in Veripos in January 2014 and recorded a gain on the sale of approximately $24,673,000.

Siem Offshore — Siem Offshore's shareholders approved payment of a dividend of NOK0.10 per share at its annual general meetings held in May 2014 and the Company received $2,240,000 shortly thereafter. Under IFRS, the dividends are recorded as a distribution by Siem Offshore and reduction of the Company's investment rather than as dividend income.

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 a 33.4% interest in Boule Diagnostics International AB, a developer of hematology diagnostic systems; and a 48.3% interest in Grespo AB, a research biotech company.

GTL — At the end of October 2011, Sinav Limited ("Sinav"), a U.K. company was established to acquire shares of GTL Resources PLC ("GTL Limited") which acquisition 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 interest in Illinois River Energy LLC ("IRE") which owned a dry mill, corn-based processing facility located in Rochelle, Illinois which annually processed over 40 million bushels of corn and produced 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. In mid-2013, the Company provided loans to GTL which enabled it to successfully refinance its existing debt, some of which carried some onerous terms. In January 2014, Sinav retained an investment banker to sell GTL. After a series of competing bidders performed their due diligence, the sale transaction was closed and the Company received proceeds from the sale and recorded a gain of approximately $36,784,000. Because the sale was not completed until the second quarter, the Company recorded approximately $4,403,000 as its share of the net results of GTL during the first quarter.

VSK Holdings — The Company reclassed approximately $47,725,000 from an investment in tracking preferred equity certificates (TPECs) issued by VSK Holdings to an investment in VSK Holdings' share capital. In March 2014, Cartesian successfully completed a securitization of the residential mortgage portfolio that it had acquired from Ember and used the proceeds to repay the bank loan and the subordinated loan owed to Ember. Ember used the proceeds to repay TPECs it had issued to VSK Holdings. In April and May 2014, VSK Holdings made distributions to the Company and the Funds in the form of dividends and a partial return of capital that repaid the initial investment. VSK Holdings made additional distributions in July and August.

Sustainable Power Generation Ltd. — The Company acquired a 40%-interest in SPGL for GBP6,200,000- at the end of September 2014. SPGL is the 2nd largest developer of large-scale solar projects and performs engineering, procurement and construction activities for solar parks which may be sold to third parties or remain owned and operated within the company. SPGL also performs operations and maintenance activities after the solar parks go into operation. In connection with the investment, the Company also agreed to provide a GBP30 million revolving credit facility to ramp-up its construction activities. The terms provide for an interest rate of 9% p.a. on drawn funds, 5% p.a. on undrawn funds, a 5-year term and security for drawdowns.

Flensburger Schiffbau-Gesellschaft mbH & Co. KG ("FSG") — The Company's associate, Siem Offshore, entered into two shipbuilding contracts for the construction of two modern large-tonnage well-intervention vessels in early 2014. The vessels are scheduled to be delivered to the charterer as each vessel is delivered in 2016 with each charter for a firm period of 7 years with options to extend the charter periods for up to 22 years.

In September 2014, FSG informed Siem Offshore that it was experiencing liquidity problems. The Company helped form a committee of stakeholders, including owners with vessels under construction or on order, banks, local German governments, employee union and suppliers, for the purpose to find a solution for the shipyard. As part of the solution, the Company purchased FSG from the former owner, a private equity firm which declined to participate in the solution, for EUR1.00 and agreed to invest additional capital of EUR6 million, or approximately $7,514,000, and make a EUR15 million credit facility available to the shipyard. All parties contributed to the solution. The vessels under construction were completed and delivered and new construction undertaken. The shipyard is recognized for the quality of its shipbuilding and efforts are ongoing to increase the backlog for the shipyard.

Challenges remain as evidenced by the downturn in the oil and gas industries and the reduced demand for new vessel construction. The Company will continue to search for a long-term solution for a successful future for the shipyard. At present, the Company does not consider FSG to be a core activity of the Company and, therefore, does not want to consolidate FSG's financial statements because of the significant changes to the presentation of the Company's historical financial statements that would result from the volume of revenues and expenses that flow through a shipyard. In order to achieve this goal and comply with the IFRS, the Company has elected to designate FSG as a long-term asset held-for-sale and to fully reserve the Company's investment in FSG.

The EUR15 million facility has been fully-drawn by FSG. As part of the solution package, Siem Offshore agreed to provide a EUR15 million facility that is back-to-back with the FSG facility. Steel-cutting is well-progressed on the hulls and is according to schedule and on budget.

(6) VESSELS, PROPERTY AND EQUIPMENT

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

	2014		*2013*	
(in thousands)	*Vessels and Related Assets*	*Property, Equipment and Other*	*Vessels and Related Assets*	*Property, Equipment and Other*
Cost:				
Balance, 1 January	$ 433,579	$ 9,163	$ 403,193	$ 9,651
Additions	6,525	1	32,658	84
Disposals	(19,786)	(1)	—	—
Reclassification to Held-for-Sale	(41,943)	—	—	—
Translation adjustment and other	(1,532)	(1,723)	(2,272)	(572)
Cost, 31 December	376,843	7,440	433,579	9,163
Less: Accumulated depreciation:				
Balance, 1 January	$ (198,286)	$ (2,193)	$ (184,664)	$ (1,775)
Depreciation, see Note 13	(15,911)	(373)	(13,622)	(418)
Disposals and eliminations	15,189	—	—	—
Impairment	(2,150)	—	—	—
Reclassification to Held-for-Sale	34,205		—	—
Translation adjustment and other	1,555	777	—	—
Accum. depreciation, 31 December	(165,398)	(1,789)	(198,286)	(2,193)
Net book value, 31 December	211,445	$ 5,651	$ 235,293	$ 6,970
Property, equipment and other, net	5,651		6,970	
Deferred drydocking costs, see Note 7	6,811		12,520	
Shipbuilding contracts – instalments paid	—		23,000	
Vessels, property and equipment, net	$ 223,907		$ 277,783	

Siem Shipping — At the end of December 2014, Siem Shipping reclassified two of its older, less-efficient vessels to vessels held-for-sale and recorded a related impairment charge of $2,150,000.

(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* 2014	2013
Deferred drydocking costs:		
Balance, 1 January	$ 12,520	$ 9,383
Additions	317	7,238
Disposals	(376)	(526)
Amortization, see Note 13	(4,339)	(3,575)
Reclassification to Held-for-Sale	(1,311)	—
Deferred drydocking costs, 31 December	$ 6,811	$ 12,520

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*	*2014*	*2013*
USD-denominated long-term debt and notes payable:			
Exchangeable Bonds	1% p.a.	$ 353,804	$ 299,503
USD100mm Facility	LIBOR plus 2.40%	64,167	—
ABN Amro Bank N.V.	LIBOR plus 2.50%	—	24,260
USD-denominated long-term debt and notes payable		417,971	323,763
NOK-denominated long-term debt and notes payable, USD-equivalents:			
NOK36.5mm Loan	NIBOR plus 0.60%	2,820	3,519
NOK-denominated long-term debt and notes payable		2,820	3,519
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		420,791	366,789
Unamortized financing fees		(3,578)	(3,203)
Long-term debt and notes payable		$ 417,213	$ 363,586
Long-term debt and notes payable:			
Current		$ 10,995	$ 11,512
Noncurrent		$ 406,217	$ 352,074

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)*
2015	$ 10,995
2016	11,077
2017	11,076
2018	11,079
2019 and thereafter	372,985
Total	$ 417,212

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 was accounted for as a financial derivative and the remaining portion was 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	\$ 296,673
Amortization – yield-to-maturity recorded as interest expense	494
Buyback of Exchangeable Bonds	(48,617)
Exchangeable Bonds, amortized debt liability at 31 December 2014, net	\$ 248,550
Reclass of Financial Derivatives liability – see discussion below	102,918
Reverse related amount of amortizable deferred finance fees	2,336
Exchangeable Bonds, amortized debt liability at 31 December 2014, gross	\$ 353,804

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.

During 2014, the oil and gas industry experienced a significant downturn which adversely affected the prices of many public companies within this sector, including Subsea 7. The market expects the current downcycle to last for another 18 months to 3 years. As a result of the impact on Subsea 7's share price, the valuation of the optionality of the Exchangeable Bonds is negligible. In accordance with IFRS, the Company should record gains as the value of the financial derivative declines and increase interest expense with respect to the financial liability with the increased interest based amortizing the difference between the net present value of the obligation and the expected redemption amount by bondholders. The net effect would be to recognize approximately \$39,000,000 as income at the end of 2014 and reverse this amount over the period through September 2016 as interest expense.

In 2014, the Company reversed some of the gains that were previously recorded on the change in valuation of the financial derivatives. At the end of 2014, the Company decided to reclass the financial derivative liability to long-term debt liability and treat the Exchangeable Bond obligation as a conventional debt liability.

(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
Loss (gain) on re-valuation of Financial Derivatives	26,515
Buyback of Exchangeable Bonds	(17,895)
Reclass Financial Derivatives to Exchangeable Bond debt liability	(102,918)
Valuation of Financial Derivatives at 31 December 2014	$ —

In each of 2013 and 2014, Subsea 7's shareholders approved the payment of cash dividends. In accordance with terms of the Exchangeable Bond Agreement, the Exchange Price was adjusted for the dividend payments and has been reduced from $29.0021 per share to $27.41 per share. The decrease in the Exchange Price has increased the number of shares for which the Exchangeable Bonds can be exchanged and it was necessary to transfer an additional 891,234 Subsea 7 shares to the pledged account to maintain the collateral ratio, thus bringing the total number of pledged shares to 40,784,911.

Siem Shipping Credit Facility — On 30 September 2014, Siem Shipping refinanced its existing $65,000,000 credit facility with ABN Amro Bank N.V. that was obtained in December 2010 with a new $100,000,000 credit facility provided by ABN Amro Bank and Credit Suisse ("Credit Facility"). Terms of the Credit Facility provide for interest at a rate of LIBOR plus 2.40%p.a., an arrangement fee of 1% payable at drawdown, a commitment fee of 1%p.a., equal annual principal payments during each of the six 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 subsidiary of Siem Shipping and related bank accounts. Siem Shipping used the proceeds of a $70,000,000 draw to repay the old facility and repay the $44,000,000 of loans that had been provided by the Company to Siem Shipping in connection with its vessel-lengthening project for its 4 C-Class vessels. The balance of the remaining commitment will be drawn as necessary for working capital purposes or vessel acquisitions.

Siem Shipping was in compliance with all covenants at the end of 2014.

The weighted average interest rates for the Siem Shipping Credit Facility were 6.8% and 6.1% for 2014 and 2013, respectively.

VeTC S.a r.l. Credit Facility — VeTC was 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.

In February 2014, VCap completed the sale of VeTC with the purchaser assuming the loan obligations as part of the purchase price.

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.

Tax Expense (Benefit), in thousands	*2014*	*2013*
Current	$ 930	$ 241
Deferred	45	32
Tax expense (benefit)	$ 975	$ 273

The Company reports its share of the profits (losses) of associates which are recorded net of tax expenses incurred by each of the associates. In their respective income statements for 2014, the Company's associates have reported the following: Subsea7 with a loss before taxes of $229.5 million and related income tax expense of $151.7 million and Siem Offshore with income before income taxes of $73.4 million and related income tax expenses of $2.7 million.

(in thousands)	*2014*	*2013*
Deferred tax liabilities (assets):		
Fixed assets	$ 2,102	2,221
Deferred capital gains	(423)	(646)
Drydock and other assets	97	128
Provisions and accruals	2,111	2,235
Temporary differences	3,887	3,938
Net operating loss carryforwards	(20,195)	(24,560)
Net deferred tax liabilities (assets)	(16,308)	(20,622)
Valuation allowance	16,308	20,622
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:

(in thousands)	Year Ended 31 December 2014	2013
Operating revenues:		
Net vessel revenues	$ 175,826	$ 174,769
Other	12,971	4,896
Operating revenues	$ 188,797	$ 179,665

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:

(in thousands)	Year Ended 31 December 2014	2013
Operating expenses:		
Ship operating expenses	$ 27,529	$ 31,700
Crew payroll	21,830	22,995
Time charter expenses	77,673	79,891
Bareboat charter expenses	1,643	1,662
Insurance	3,302	3,076
Other	1,787	1,998
Operating expenses	$ 133,764	$ 141,322

(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 2014	2013
Charter expenses:		
Time charter, see Note 10	$ 77,673	$ 79,891
Bareboat, see Note 10	1,643	1,662
Total charter expenses	$ 79,316	$ 81,553
Minimum lease payments:		
2015	$ 63,419	
2016	63,419	
2017	63,419	
2018	63,419	
2019 and thereafter	171,664	
Total minimum lease payments	$ 425,340	

The net present value of the minimum lease payments is $339,553,000 using a 6% discount rate.

Siem Shipping took delivery of each of the 12 STAR First class of specialized reefer vessels under separate 10-year charter-in contracts from the vessel owner effective on the date of delivery.

All 12 of the STAR First class of vessels are chartered-out on long-term contracts with 4 charters expiring at the end of 2015, 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 2014*	*2013*
Gains (losses) on investments, net:		
Financial assets at fair value through profit or loss, see Note 4	$ (8,871)	$ 6,146
Notes, loans and other receivables, see Note 4	(306)	23,049
Sales of associates	61,457	–
Sale of vessel	(1,059)	–
Other	(5,191)	4
Gains (losses) on investments and other assets, net	$ 46,030	$ 29,199

(13) DEPRECIATION AND AMORTIZATION

A summary of the depreciation and amortization is presented below:

(in thousands)	*Year Ended 31 December 2014*	*2013*
Depreciation and amortization:		
Depreciation, see Note 6	$ 16,284	$ 14,040
Amortization, drydock and other, see Note 7	4,339	3,575
Depreciation and amortization	$ 20,623	$ 17,615

(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 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 expired on 31 December 2014 and no additional performance units can be granted. The Compensation Committee will continue to administer the outstanding units until such units are converted into Common Shares, redeemed for cash at the option of the Compensation Committee or forfeited.

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 2014 and 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 $(6,824,000) and $(1,736,000), respectively. 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 2014 and 2013. 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 12 G (indexation of the public national insurance base amount which, from 1 May 2014, is 1 G=NOK88). The actuarial calculation of the pension obligation is as follows (in thousands):

Weighted Average Assumptions	*2014*	*2013*
Discount rate	2.30%	4.00%
Expected return on funds	2.30%	4.00%
Expected increase in salaries	2.80%	3.80%
Expected pension regulation	0.00%	0.60%
Expected G-regulation/inflation	2.50%	3.50%
Social security tax	14.10%	14.10%
Components of Pension Cost	*2013*	*2013*
Service cost	$ 31	$ 28
Interest cost	40	36
Return on plan assets	(52)	(55)
Effect of changes in estimates	—	—
Net pension cost (benefit)	$ 19	$ 9
Status of Plan Funding	*2014*	*2013*
Fair value of pension funds	$ 1,209	$ 1,315
Estimated pension benefit obligation	(1,083)	(1,017)
Pension funds (obligations)	$ 126	$ 298
Unrecognized actuarial gains (losses)	—	(103)
Net pension funds (obligations)	$ 126	$ 195

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 2014, the plan assets were invested as follows: bonds, money market, loans and receivables (78%); real estate (9%); equities (10%); and other (3%).

Siem Shipping' wholly-owned U.K. subsidiary, STAR Reefers UK, maintains a defined contribution pension plan that covered 20 employees in 2014 and 2013. 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 $284,000 and $286,000 for 2014 and 2013, 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:

(in thousands)	*Year Ended 31 December* *2014*	*2013*
Currency exchange gains (losses):		
Financial assets at fair value through profit and loss, see Note 4	$ (6,895)	$ (1,074)
Notes, loans and other receivables, see Note 4	(27,364)	1,650
Cash and cash equivalents, adjusted using period-ending exchange rates	(8,562)	(1,601)
Intercompany notes and other receivables	(3,161)	(3,320)
Siem Shipping, breakdown not available	(126)	(50)
Other	(1,172)	(972)
Currency exchange gains (losses)	$ (47,280)	$ (5,367)

(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 to extend the agreement by another 27 months to mid-December 2016. 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. Further, the shares could 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.

In January 2015, the Buyer requested another amendment to the option agreement and the amended terms were agreed in March 2015. The amended terms provide for premium payments of $825,000 in each of April and October 2015, $412,500 in each of April and July 2016 and $343,750 in October 2016. Further, the shares could be put to Siem Investments for no more than $100 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 23,310,000 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 (car equivalent unit) Pure Car/Truck Carrier ("PCTC") vessels for a price of $57.5 million each. The PCTC vessels were to be built by a Korean shipbuilder in its yard in China. 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 bearing interest at 6%p.a. in the event that the guarantees were called. In 2014, the shipyard went into bankruptcy and the refund guarantees were subsequently called with one guarantee amount plus interest paid in full in December 2014 and the second guarantee amount paid in full in January 2015.

Following the bankruptcy of the Korean shipyard, the Company entered negotiations with a number of shipyards to enter into shipbuilding contracts for PCTC vessels. The Company agreed new ship-building contracts with Uljanik Shipyard in Croatia, subject to refund guarantees which were provided in the first quarter of 2015, for the construction of three 7,000 CEU PCTC vessels to be delivered in the third quarter of 2016 and the first and second quarters of 2017. The contracted price was EUR46 million, or the equivalent of $52.8 million at the time. The vessels will be incorporated into charters that Siem Car Carriers has obtained.

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. The 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 the intermediary bank. The payments under the back-to-back swaps between the intermediary bank and Swapco and between Swapco and the market are netted. The Company has guaranteed the performance of Swapco to the intermediary bank and receives a guarantee fee. Further, the Company agreed to provide intermediary bank with collateral of up to EUR25 million in either cash or Subsea 7 shares. The form of this support is a liquidity facility agreement between the Company and Swapco. Swapco will pay the Company interest at Euribor plus 3% for any drawings for cash collateral and a stock lending fee of 0.5% p.a. of the market value for Subsea 7 shares. Swapco was successful in its swap transactions and earned EUR1,335,000 net interest income on the swaps. The Company had advanced EUR15,820,000 as cash collateral at 31 December 2014.

(18) RISK MANAGEMENT AND CAPITAL MANAGEMENT

Liquidity Risk – The Company has a strong working capital position with $473.2 million at the end of 2014.

Based on the information above, the Company believes that it has sufficient liquidity to meet its short-term obligations during 2014.

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 2014 and 2013.

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 2014 and 2013, 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 2014 or 2013.

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.

Compensation of Directors and Officers — The Company recorded aggregate fees or compensation for the services of its directors and officers during fiscal years 2014 and 2013 of approximately $13.9 million and $8.8 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 — The MSA expired at the end of 20014. A new 5-year MSA was agreed between the Company and a management company. The management company has procured the services of Kristian Siem who will continue as Chairman with effect from January 1, 2015. The new 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 to KS under the former MSA for 2014 and 2013 were $13.4 million and $8.3 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 2014 and 2013 were approximately $345,000 and $337,500, 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)	2014	2013
Due from associates and other related parties:		
Siem Offshore	$ 250	$ 300
Other	—	—
Total due from associates and other related parties	$ 250	$ 300
Due to associates and other related parties:		
Chairman	$ 14,732	$ 5,815
Total due to associates and other related parties	$ 14,732	$ 5,815

(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. 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 paid extraordinary dividends of $0.20 per Common Share in each of May 2014 and May 2013.

(21) SUBSEQUENT EVENTS

At the end of 2014, Venn Partners was awarded an exclusive mandate from the UK government to manage the Private-Rented Sector Guarantee Scheme which will offer government guarantees to raise more than GBP3.5 billion of competitive 10 to 30 year financing in the capital markets with the proceeds to be used for eligible private rental housing after construction has been completed. Venn will arrange all aspects of the scheme.

In January 2015, Siem Shipping sold two of its older, less efficient vessels for an aggregate $10 million.

In January 2015, Siem Shipping completed its share buy-back program to buy-back shares at a maximum price of NOK60 per share. A total of 527,674 shares were purchased and retired at an aggregate cost of approximately $4.1 million. Following the buy-back, Siem Shipping has 9,119,805 shares outstanding and the Company's ownership interest is increased to 81.2%.

In January 2015, the Company repurchased an additional $5 million nominal amount of its Exchangeable Bonds at an average price of 88.25%. The Company currently holds $96.2 million of Exchangeable Bonds that have not been retired.

In January 2015, the Company agreed to provide GBP47.7 million of project financing available to SPGL for the engineering, procurement and construction ("EPC") of a 51.8MW solar park known as Owl's Hatch Solar Park. In February 2015, the Company acquired a single-purpose UK company known as Bradenstock Solar Park and committed with SPGL to build a facility up to 70MW in capacity, one of the largest in the U.K. SPGL-owned entities to perform the EPC. The Company and SPGL agreed to a profit split arrangement on the Bradenstoke Solar Park project. The committed financing was up to GBP58 million. The goal for both solar parks was to have them completed and commissioned by 31 March 2015 in order to have access to the 1.4 Renewable Obligation Certificate which is part of the renewable energy commitment undertaken by the U.K. government. Both Owl's Hatch and Bradenstoke Solar Parks were completed and commissioned by the end of March 2015.

In February 2015, the Company agreed to commit up to EUR50 million to VSK Holding to establish and fund a new Ember II as a new Dutch mortgage originator and leverage the lessons learned by Venn Partners and its related parties during the past year. The intention will be to build a sizable portfolio using a loan warehouse arrangement and then securitize the portfolio. The new vehicle will not require additional funding or liquidity support to structure an interest rate hedging strategy.

In March 2015, VSK Holdings was restructured after the Company's partner decided not to participate in the Ember II transaction at this time. New classes of shares has been added. The Company now owns all of the voting stock and it and the other shareholders hold new classes of shares that pay dividends.

As informed in Note 17, the counter-party in the Put Option Agreement requested another amendment to the option agreement. The terms were agreed in March 2015 and the amended agreement provides for premium payments of $825,000 in each of April 2015 and October 2015, $412,500 in each of April 2016 and July 2016 and $343,750 in October 2016. Further, the shares could be put to Siem Investments for no more than $100 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.

In March 2015 and April 2015, SOC received confirmations of contracts that increased its backlog by more than $170 million.

(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 2014					
Operating revenues	$ 148,075	$ 27,751	$ 12,971	$ –	$ 188,797
Share of profits of associates	–	–	266,054	–	266,054
Gains (losses) on investments, net	–	–	–	46,030	46,030
Losses re-valuation Fin Derivatives, net	–	–	–	(26,515)	(26,515)
Other	–	–	583	35,164	35,747
Total income					510,113
Operating expenses	(115,249)	(16,729)	(1,786)	–	(133,764)
Depreciation and amortization	(16,402)	(5,138)	(213)	1,130	(20,623)
Interest expense	(2,562)	–	(370)	(4,708)	(7,640)
Impairments	(2,150)	–	–	(7,514)	(9,664)
Other, including minority interest	(11,194)	(2,375)	(543)	(44,627)	(76,615)
Income (loss) before income tax					261,807
Income tax (expense) benefit					(975)
Net income (loss) to Common Shares					$ 260,832
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

(in thousands)	*Refrigerated Ocean Transportation of Perishables*	*Car Carriers Ocean Transportation*	*Other*	*Unallocated*	*Total*
Fiscal Year 2014					
Assets	$ 243,318	$ 63,520	$ 7,805	$2,277,218	$ 2,591,861
Liabilities	$ 86,253	$ 12,619	$ 2,582	$ 436,870	$ 538,324
Capital expenditures	$ 7,267	$ –	$ –	$ –	$ 7,267
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

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

2014 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 1-7 in the Company's 2014 Annual Report.

Equity and Dividends

The Company's Shareholders' Equity is $2.1 billion at 31 December 2014 as compared to $2.2 billion at the end of 2013. 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).

Share 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, Common Shares, in issue which are freely-negotiable and carry 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 97.8% of the holders of Common Shares entitled to vote were present in person or by proxy at the May 2014 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 2014 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 2015 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 election of Directors on a staggered, evenly-distributed basis.

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 2014

During 2014, a total of 5 Board of Directors meetings took place at which all Directors were in attendance.

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's performance unit plan, in place since 1995, and expired at the end of 2014 and no further units can be awarded. The existing performance units will remain the responsibility of the Compensation Committee until all have been converted or forfeited. Details of the plan are available in Note 14 in the 2014 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 2014 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 2014 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 confronting the Company.

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

16 April 2015

SIEM INDUSTRIES

Subsidiaries

Siem Shipping Inc.
STAR Reefers Pool Inc.
Siem Car Carriers AS
Siem Europe S.a r.l.
Venn Capital S.a r.l.
Siem Investments Inc.
Siem Kapital AS
DSND Bygg DA
Deep Seas Insurance Limited
Siem Capital UK Ltd.
Flensburger Schiffbau-Gesellschaft mbH &Co. KG

Associates

Subsea 7 S.A.
Siem Offshore Inc.
Siem Offshore do Brasil S.A.
Siem Offshore Contractors GmbH
Overseas Drilling Limited
Venn Partners LLP
Sustainable Power Generation Ltd.
Deusa International GmbH
VSK Holdings Limited
Ember VRM S.a rl.
VSK Finance Limited
Siem Capital AB

Directors

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

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CAYMAN ISLANDS

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Grand Duchy of Luxembourg

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.