SIEM INDUSTRIES INC.

2 0 1 5

A N N U A L R E P O R T

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.

Contents

To Our Shareholders:

After experiencing a number of years with strong markets for offshore services, 2014 marked the beginning of a slowdown which accelerated in 2015. The downturn is likely to last for several years. Reduced day-rates for the vessels within our Group have affected the valuations of our fleets and the related impairments of goodwill and assets in Subsea 7 and Siem Offshore have been substantial.

The Company reports net income of $228.8 million, or $15.12 per share, attributable to shareholders for 2015.

We remain committed to the oil service industry and to the delivery of excellence in execution and predictability in performance and safety. It is expected that the offshore activity will continue to be affected by the cut-back of exploration and development capital among the operators through at least 2017. We expect, however, that oil companies will again focus on the search for new reserves to replace the on-going depletion of production and reserves. The world is now consuming more oil than the discovery and development of new reserves. It remains evident that hydrocarbons will continue to be the world's main source of energy for several decades to come and the present situation is not sustainable. Our fleets are young and have a long productive usage ahead. Our focus during the downturn is to preserve cash and to secure employment. The lay-up of vessels that do not have employment is necessary to reduce costs.

Subsea 7 S.A. had a good year with revenue of $4.8 billion and EBITDA of $1.2 billion. A net loss of $37 million was reported and included impairments of goodwill and assets of $657 million. Project execution was at a high level which delivered reasonable margins and delivered installations to its clients' satisfaction. The downsizing of the organization to match the expected reduced activity level in the industry was successfully implemented. At year-end, the cash position was $947 million and the Company had undrawn bank facilities supporting a strong financial position that will carry it through the market downturn. Capital expenditures during 2015 were $639 million and the backlog at year-end was $6.1 billion.

Siem Offshore Inc. reported a net loss of $186.7 million after impairment charges during 2015 of $166.2 million and EBITDA of $118.5 million. The backlog at year-end was $1.4 billion. The capital expenditures during the year were $149.6 million, mostly related to the newbuilding program. Siem Offshore strengthened its liquidity position with a $100 million Rights Issue which was completed in September 2015. The Company increased its ownership in Siem Offshore to 83% as a result of the Rights Issue and a mandatory offer which was conducted by the Company.

Siem Shipping Inc. reported net income of $10.1 million and EBITDA of $30.5 million. The contract backlog at the end of 2015 was $532 million. The Board has resolved to seek opportunities in other segments of ocean shipping as the market share of transportation provided by specialised reefer vessels continues to decline in favour of transportation by conventional containerships because of the large surplus capacity of such vessels and low rates offered to win business. The Company committed to the construction of 2 large car carriers during 2015.

Siem Car Carriers Inc. delivered net income of $3.9 million in relation to its transportation and logistics operations for the ocean transportation of cars. Siem Car Carriers also utilizes the two smaller car carriers owned by the Company in its activities. The Company is currently constructing 3 large car carriers which are sister ships to those ordered by Siem Shipping and will be incorporated into contracts currently worked by Siem Car Carriers.

Deusa International GmbH delivered EBITDA of $8.5million. The Company's share of net income was $299,000. Net income was affected by a $12 million impairment of its thermolysis project. Potash production increased from 79,400mt to 95,600mt. At the end of 2015, the Company purchased an additional 24.9% interest in Deusa for $3.7 million to increase its ownership from 49% to 73.9%.

Venn Partners LLP, a 40%-owned associate, continued its lending and finance advisory services and has built a valuable portfolio of performing loans for the Company. Venn Partners is expected to conduct its first offering under the exclusive mandate awarded by the U.K. government to raise up to GBP3.5 billion of competitive financing with government guarantees for the private rental housing market after construction has completed.

Sustainable Power Generation Limited, a 40%-owned associate, continued to develop solar parks in the UK with the financial assistance of our Group. Delays in the selling of these solar parks which was intended to return the proceeds back into the operations and repay the construction loans have increased the Group financial commitment to this sector measurably. Our management has taken an active role in the operations. Based on financing from the Group, construction of all parks have been completed and are producing power which is delivered to the National Grid. Four of the 12 parks have been sold since February this year and it is intended that 7 of the remaining 8 parks will be so by the end of June 2016 with the last solar park to be sold within the next 6-8 months.

Flensburger Schiffau-Gesellschaft mbH & Co. KG , our shipyard in Germany, continues to build ships and the two large well-intervention vessels being built for Siem Offshore are on schedule for deliveries in 2016. The shipyard is close to completing contracts for 5 newbuild constructions and, when completed, will fix the backlog for the shipyard through 2018.

Changes in general are happening ever faster and the world we operate in has ever more challenges. Uncertainty makes decision-making more challenging. The markets for the main activities of the Group is in a downturn. It is during such times that Management must demonstrate its ability and energy. I am pleased to be working with a team who is focused and leaves no stone unturned to make the best out of each and every situation. I am grateful to each of them.

Kristian Siem, Chairman

21 April 2016

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 Subsea7 S.A., Siem Offshore Inc. and Electromagnetic Geoservices ASA, 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 Europe S.a r.l., 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

SUBSEA7 S.A.

At 31 December 2015, the Company beneficially owned 69,731,931 shares of Subsea7 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 2015 Discussion and Subsequent Events — Subsea 7 continued to report good operational and financial performance despite the challenging and uncertain environment resulting from the downturn in the oil and gas industry and the postponement of projects and reduced activity. Revenues and the gross profit margin increased reflecting good execution and completion of major projects. The 25% reduction in the backlog to $6.1 billion at the end of 2015 gives evidence to the industry slowdown. Subsea 7 recognized and acted upon the signs of the slowing activity. A strong liquidity position was established to provide support until the industry begins to strengthen again. Difficult decisions were necessary to reduce the company's work force but maintain the requisite engineering and project capabilities to enable good execution. In addition, the fleet of diversified, high-specification vessels was reduced by 12 vessels as the company worked to develop a balance between its capabilities and the present market conditions.

During the fourth quarter of 2015, Subsea 7 recorded a goodwill impairment charge of approximately $521 million following its periodic evaluation of goodwill.

The following financial highlights show results and amounts for Subsea7 S.A. for the years ended 31 December 2015 and 2014:

Subsea7 Financial Highlights (in thousands):		*As of and for the Fiscal Periods Ended 31 December* 2015	2014
Financial Performance:	Revenues	$ 4,758,100	$ 6,869,900
	EBITDA	$ 1,217,000	$ 1,438,800
	Tax benefit (expense)	$ (221,900)	$ (151,700)
	Impairment charge	$ (520,900)	$ (1,183,300)
	Net income (loss) attributable to shareholders	$ (17,000)	$ (337,800)
Financial Position:	Assets	$ 7,854,200	$ 8,624,400
	Liabilities	$ 2,508,000	$ 3,062,700
Other notable:	Capital expenditures	$ 639,200	$ 861,200
	Backlog	$ 6,110,000	$ 8,239,000

For more information regarding Subsea7, please visit its website at **www.subsea7.com**.

In 2016, Subsea 7 announced that its board of directors recommend that a dividend should not be paid to shareholders in 2016 with the intent to preserve cash in order to meet the challenges in the short- to medium-term future.

At 21 April 2016, the Company beneficially owned 69,731,931 shares of Subsea7 S.A.

SIEM OFFSHORE INC.

At 31 December 2015, the Company owned a beneficial interest of 699,110,008 shares of Siem Offshore Inc. (OSE Symbol: SIOFF), or approximately 83.0% of its issued and outstanding shares. During September 2015, the Company increased its ownership interest and commenced to consolidate the Siem Offshore financial statements with effect 30 September.

Fiscal 2015 Discussion and Subsequent Events — At the end of 2015, Siem Offshore had 43 vessels in operation, which includes 2 vessels owned by Siem Offshore's pool partner, and 8 newbuilds under construction. The total fleet of 51 vessels includes, among others, 16 mid-size and large-size platform supply vessels ("PSVs"), 5 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, 2 well-intervention vessels ("WIVs"), 1 installation support vessel ("ISV"), 1 cable-lay vessel ("CLV"), 5 offshore support vessels in Canada including both AHTS vessels and PSVs and 1 scientific core-drilling vessel. The vessels under construction in Norwegian, Polish, and German yards included 3 dual-fuel PSVs of VS4411DF design for deliveries 2016 through 2017, 1 cable lay vessel ("CLV") of Vard CLV 01 design for delivery in 2016, 1 AHTS vessel of UT782Wp design for delivery in 2016 and 2 large well-intervention vessels ("WIV") of SALT 307 WIV design for delivery in 2016. The vessel under construction in Brazilian yard is an oil spill recovery vessel ("OSRV") of Ulstein P801 design scheduled for delivery in 2016. Siem Offshore Contractors will utilize the CLV in its operations upon delivery. The OSRV will commence an 8-year contract with Petrobras upon delivery. The AHTS vessel will commence a long-term contract off Canada upon delivery. The WIVs will commence 7-year contracts with Helix Energy upon delivery. The Company is in discussions for long-term contracts for the 3 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 has been completed and there is a series of options for extensions through 2023. The option for the coming 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 $1.16 billion at 31 December 2015.

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. SOC performs contracts for the installation of submarine cables for the European windfarm market which combine the project engineering and management experience of SOC with the marine operating capabilities of Siem Offshore. SOC recorded operating revenues of $132.3 million in 2015. The operations of the ISV and CLV newbuilds will be utilized in SOC's projects. SOC's backlog was $198 million at 31 December 2015.

During the 2015, Siem Offshore recorded impairment charges of approximately $159.5 million against vessels and $6.7 million against its research and development assets.

The following financial highlights show results and amounts for Siem Offshore for fiscal years 2015 and 2014:

Siem Offshore Financial Highlights (in thousands)		*As of and for the Year Ended 31 December* 2015	2014
Financial Performance:	Operating revenue	$ 422,449	$ 491,312
	Operating margin	$ 118,548	$ 194,125
	Impairment of vessels and intangibles	$ (166,170)	$ (29,000)
	Currency exchange gains (losses)	$ (8,665)	$ 31,069
	Tax benefit (expense)	$ (4,737)	$ (2,729)
	Net income attributable to shareholders	$ (186,687)	$ 58,147
Financial Position:	Assets	$ 2,035,122	$ 2,260,584
	Liabilities	$ 1,369,614	$ 1,436,935
Other notable:	Capital expenditures	$ 149,631	$ 525,674

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. The vessels were repositioned to the North Sea where a number of vessels are being laid-up by the owners in response to the depressed business conditions. At the end of 2015, the Company had 5 AHTS vessels and 2 large PSVs in layup.

During the fourth quarter 2015, Siem Offshore received a contract for one of its AHTS vessels for operations in Australia. Subsequent to year-end, two additional contracts were received, one for another AHTS vessel and another for one of the company's dual-fuel PSVs, for term contracts.

In the fourth quarter, Siem Offshore placed one of its PSVs in Canada under a multi-year contract. The effect of these contracts in Canada and in Australia is that it enables Siem Offshore to grow outside of its historical operational areas in the North Sea and Brazil.

During the third quarter 2015, Siem Offshore conducted a $100 million Rights Issue for new shares at NOK1.80 per share to build its liquidity position as it confronts the downturn in the industry. The Company provided a guarantee of the underwriting on behalf of its wholly-owned subsidiary, Siem Europe. At the closing of the Rights Issue, Siem Europe acquired 390,929,148 of the 454,430,000 available in the Rights Issue as a result of its exercise of its subscription rights and the guarantee of the issue by the Company. Under Oslo Stock Exchange regulations, Siem Europe had exceeded one of the ownership thresholds and was required to issue a Mandatory Offer for shares in Siem Offshore that it did not own. The Mandatory Offer closed in early November 2015 with Siem Europe acquiring an additional 174,901,439 shares of Siem Offshore.

Following the increase in ownership, the Company consolidated Siem Offshore's financial statements with effect 30 September 2015. The Company recorded equity income on its share of the results from Siem Offshore through 30 September 2015 and reflected the full income statement for the fourth quarter which are summarized below.

Siem Offshore Financial Highlights (in thousands)		*Quarter Ended 31 December 2015*
Financial Performance:	Operating revenue	$ 90,011
	Operating margin	$ 13,801
	Impairment of vessels and intangibles	$ (110,170)
	Gain on sale of vessels	$ 16,304

At 21 April 2016, the Company owned 699,110,008 shares of Siem Offshore, or 83.0%.

SIEM SHIPPING INC.

At 31 December 2015, the Company owned 7,409,498 shares of Siem Shipping Inc. (OSE Symbol: SSI), or approximately 81.3% of its issued and outstanding shares. Siem Shipping's financial statements are included in the consolidated financial statements of the Company. Siem Shipping operates in the specialized shipping market under the STAR Reefers brand name.

Fiscal 2015 Discussion and Subsequent Events — Siem Shipping Inc. is one of the world's leading specialized reefer vessel owners and operators. At the end of 2015, 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 15 years. The operations involve the ocean-borne transportation of refrigerated perishable commodities such as fruits and vegetables.

At the end of January 2015, Siem Shipping completed a voluntary share buyback and purchased and retired 527,674 shares at NOK60 per share.

In the second quarter of 2015, Siem Shipping demonstrated its commitment to expand its vessel operations into other sectors by entering into contracts for the construction of two 7,000 CEU pure truck and car carriers ("PCTCs"; CEU means car equivalent units) by a shipbuilder located in Croatia with deliveries scheduled in 2017. Siem Shipping has provided management and technical services to the car carriers sector since 2012 and believes that its existing capabilities are compatible with the new business.

In mid-2015, Siem Shipping exercised purchase options on two vessels and drew down the remaining available balance on its USD100 million loan to finance the acquisitions. The two vessels are STAR First-class vessels and have been on charter to Siem Shipping since delivery from the shipyard.

The following financial information shows Siem Shipping's results and amounts for 2015 and 2014.

Siem Shipping Financial Highlights (in thousands)		*As of and for the Year Ended 31 December* 2015	2014
Financial Performance:	Net operating revenues	$ 159,351	$ 149,441
	EBITDA	$ 30,491	$ 25,172
	Impairment	$ —	$ (2,150)
	Net income (loss)	$ 10,112	$ 616
Financial Position:	Assets	$ 251,426	$ 243,568
	Liabilities	$ 88,310	$ 86,501

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

In January 2016, Siem Shipping agreed to time-charter 2 newbuild reefer vessels under minimum 5-year charters. Each of the vessels has a capacity of 650,000cuft in its refrigerated cargo holds plus space for 300 refrigerated containers on deck and are scheduled for delivery in 2017.

In January 2016, Siem Shipping conducted a second voluntary share buyback offer to purchase its shares at a maximum price of NOK60 per share. A total of 112,053 were purchased and reduced the number of its issued and outstanding shares to 9,006,352 shares.

In March 2016, Siem Shipping and Siem Investments reached an agreement under which Siem Shipping will buy all of the shares of Auto Marine Transport Inc. ("AMT") from Siem Investments. AMT is the owner of 3 newbuild PCTCs which are sister vessels to the 2 PCTCs order by Siem Shipping and are scheduled for delivery in 2016 and 2017. The 3 PCTCs will also include exhaust gas cleaning systems in anticipation of certain environmental regulations that are expected to be imposed on their trading routes over the next several years. The transaction is subject to a vote by the Siem Shipping shareholders at the May 2016 annual general meeting. The purchase price is $44.8 million with a $10.8 million cash payment due at closing and payment of the remaining balance payable with 50% payable at each of 2017 and 2018.

At 21 April 2016, the Company owned 7,409,498 shares of Siem Shipping, or 82.3%.

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 that 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.

SIEM EUROPE S.A R.L.

Siem Europe is wholly-owned by the Company and is a Luxembourg company that functions as a holding company for a number of the Company's investments including a 83.0%-interest in Siem Offshore Inc., Siem Capital AB, Siem Kapital AS, Venn Capital S.a r.l., a 24.9%-interest in Deusa International, a 40%-interest in Sustainable Power Generation Ltd. and numerous related loans for solar park construction and development and a 48.3%-interest in Grespo AB.

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 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 and is expected to conduct the first offering in mid-2016.

VENN CAPITAL S.A R.L.

Venn Capital ("VCap"), a Luxembourg company, was established to finance commercial real estate 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.

In 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.

In September 2015, Venn helped to establish the Venn Commercial Real Estate Fund (VeCREF) for certain counties located in the U.K. with the purpose to invest pension funds. The initial size of the fund is GBP160 million. VCap's commitment is for GBP30 million, or 18.66% of the fund. VCap transferred all but one of its commercial real estate notes into VeCREF. The total amount of notes transferred to VeCREF was $149.9 million and VCap received $107.1 million from the other fund participants with the difference representing VCap's equity investment. The last remaining commercial real estate loan directly held by VCap is for approximately $60.9 million and is secured by hotel properties and senior living facilities.

VSK HOLDINGS LIMITED

VSK Holdings, a Cayman Islands company, was established at the end of 2013 with the Company owning a 55%-interest and a group of funds managed by a global private-equity investment firm (the “Funds”) owning 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. Cartesian 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 2014.

In March 2015, VSK Holdings completed a capital restructuring which replaced the existing class of shares with three new classes of shares. The Company paid EUR8 million and received 100% of the A-class shares. The A-class shares hold voting rights and all rights to participate in the residual value of the VSK Holdings. The original share capital was combined with a portion of the share premium to create 32 million of B-class shares, par value EUR1 per share. The Company paid an additional EUR3.5 million for 3.5 million new B-class shares to increase its holdings to 21.1 million shares of the aggregate 35.5 million B-class-shares in issue. The B-shares bear an interest rate of 8%p.a. with the payment of interest subject to deferral. The B-shares will be redeemed by the VSK Holdings at the end of 5 years. In December 2015, the Company acquired 11,997,655 B-class shares from its original partner in VSK Holdings at 67.3% of nominal value. The partner had recovered its original investment with a good return but the ongoing investment was considered too small for its portfolio. At the end of 2015, the Company owned 33,097,255 B-class shares valued which were valued at par or higher.

VSK Holdings used the EUR11.5 million which it received in March 2015 to commence the origination of residential mortgages. The intent was to build-up a sizable portfolio using a loan warehouse arrangement and then to securitize the portfolios as it had successfully done with the original portfolio. The mortgage origination activities were suspended in the late 2015. After the mortgage origination process was re-worked, the process recommenced in early-2016 and has been successful.

As a result of the March 2015 capital restructuring in which the Company acquired 100% of the voting shares, the Company included the VSK Holdings’ financial statements in its consolidated financial statements with effect 1 January 2015.

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 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 receives 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. The cash collateral provided by the Company increased to EUR16,570,000 during 2015 but has since been reduced to EUR11,135,000.

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 among the larger developers 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.

The Company has provided project financing to SPGL for the construction of several parks, the most notable being the Owl's Hatch Solar Park with a 51.8MW DC-capacity and Bradenstoke Solar Park with a 70MW DC-capacity. In addition, SPGL used funds provided under other working capital facilities to undertake additional activities on smaller solar parks. All of the significant solar parks have now been certified and have produced power. Bradenstoke's cable connection to the U.K.'s National Grid is still under construction and is expected to be completed shortly. The Company has provided financing for more than GBP150 million in EPC activities and will be repaid as the solar parks are sold to parties interested in acquiring facilities that will produce a steady stream of revenue for 20 to 24 years.

At the time that the Company committed to financing the two major solar parks in 2015, SPGL was in advanced discussions to combine its portfolio of solar parks together with those of other owners into an entity which would conduct an initial public offering in the U.S. It was intended that proceeds from the offering would be used to repay much of the loans advanced to SPGL by the Company. After a series of delays in the IPO efforts, SPGL gave notice of its termination of the undertaking and commenced the process to negotiate the sale of its solar parks to other prospective buyers. The process has taken longer than expected and the expected gains on the sales of the parks have been delayed resulting in losses on operations. SPGL sold 1 solar park in the fourth quarter of 2015. Since the beginning of 2016, SPGL has sold several more solar parks and expects to sell all of the remaining parks, with the possible exception of Bradenstoke, by the third quarter.

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

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 experienced liquidity problems which resulted in the Company forming 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 available to the shipyard. All parties contributed to the solution. The vessels under construction at the time have been completed and delivered and new construction has been undertaken. The shipyard is recognized for the quality of its shipbuilding and efforts are ongoing to increase the backlog for the shipyard and find a long-term solution for the shipyard.

DEUSA INTERNATIIONAL GMBH — Siem Investments, a wholly-owned subsidiary of the Company, has owned a 49%-interest in Deusa International GmbH ("Deusa") since 2005 and provided financing for the modernization and development of its operations. Deusa owns significant deposits of potash at its location in Germany and its operations consist of mining the potash and refining the raw materials into commercial products.

Deusa has implemented a plan to increase the production capacity of the operations to 120,000mt over the next several years. The production was 67,400mt, 79,400mt and 95,600mt for 2013, 2014 and 2015, respectively. The financial performance showed EUR8 million in EBITDA for 2015.

At the end of December 2015, Siem Europe acquired a 24.9%-interest from Deusa's major shareholder for EUR3.1 million. As a consequence, the Company is now the beneficial owner of 73.9% of Deusa. The Company recorded its share of the results from Deusa as equity income for the full year in 2015 and included Deusa's financial statements within the consolidated financial statements with effect 31 December 2015.

Electromagnetic Geoservices ASA ("EMGS") — In November 2014, the Siem Investments purchased a block of shares in EMGS, a publicly-traded Norwegian company, to increase its ownership to 11.1%. EMGS is the ownership of proprietary electromagnetic technology which supports the offshore exploration for oil and gas. EMGS provides services for survey design and data acquisition which will be processed and interpreted. EMGS' services can also integrate the data with seismic and other geophysical and geological information to provide a more in-depth and complete understanding of the subsurface which reduces costs and associated risks.

In November 2015, the Siem Investments agreed to underwrite 37.3% of a NOK278 million Rights Issue that was conducted by EMGS. Upon conclusion of the Rights Issue, Siem Investments acquired an additional 290,843,061 new shares in EMGS at NOK0.25 per share which was comprised of shares acquired from the exercise of its subscription rights and its guarantee of the Issue. Siem Investments' shareholding increased to 313,769,927 shares in EMGS, or 23.9% of the issued and outstanding shares. The investment was reclassified from trading securities to investments in associates.

INVESTMENTS AND OTHER ACTIVITIES

SIEM CAPITAL AB — Siem Europe owns a 64% interest in share capital and 50% voting interest in Siem Capital AB, a Swedish company. Siem Capital AB has sold off most of its investments for a good return. At the end of 2015, Siem Capital sold its 33.4%-interest in Boule Diagnostics International AB, a developer of hematology diagnostic systems, which is publicly-traded in Sweden, for approximately SEK73 million and a distribution was made. The last remaining investment is 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 insurance market has been highly competitive for the past several years and the benefits of a captive insurance company with a diversified portfolio of vessels and other assets have disappeared. The participants have placed their insurance coverages directly in the market at low rates. Currently, there are no new insurance programs that are active and the claims are in runoff. 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 80 holders of record with an estimated 350-400 additional shareholders holding shares in street name. 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. The Company was not offered any Common Shares in 2015 or 2014.

At the end of the day on 21 April 2016, the best bid and ask prices were $45.00 and $45.00, respectively, with the most recent sale being 170 shares at $45.00 per Common Share on 14 April 2016. The 52-week high and low were $70.00 and $40.00, 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 2015 and May 2014 of $0.20 per Common Share.

CONTROL

The following table sets forth certain information, as of 21 April 2016 with respect to the only persons known to the Company who owned beneficially more than 10% of the Company's 15,139,681 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 2015. The fiscal years ended 31 December 2015 and 2014 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)	*2015*	*2014*	*2013*	*2012*	*2011*
FINANCIAL PERFORMANCE:					
Total income *(1)*	$ 706,648	$ 510,113	$ 357,016	$ 457,477	$ 272,042
Total expenses and other	(499,921)	(247,353)	(196,452)	(212,136)	(324,453)
Income (loss) before income tax expense	206,727	262,760	160,564	245,341	(52,411)
Income tax (expense) benefit	2,413	(975)	(273)	(138)	(895)
Net income (loss)	$ 204,314	$ 261,785	$ 160,291	$ 245,203	$ (53,306)
Net income (loss) attributable to:					
Holders of Common Shares	$ 228,844	$ 260,832	$ 159,337	$ 246,511	$ (20,586)
Non-controlling interests	$ (24,530)	$ 953	$ 954	$ (1,308)	$ (32,720)
Earnings (loss) per Common Share:					
Basic and Diluted	$ 15.12	$ 17.23	$ 10.47	$ 16.15	$ (1.34)
FINANCIAL POSITION:					
Working capital	$ 27,232	$ 473,217	$ 316,670	$ 535,225	$ 52,911
Total assets	$ 3,924,511	$ 2,357,965	$ 2,820,795	$ 2,665,059	$ 1,974,685
Interest-bearing debt	$ 1,506,294	$ 417,212	$ 457,884	$ 481,421	$ 79,994
Shareholders' equity	$ 1,967,681	$ 1,776,515	$ 2,184,310	$ 2,044,363	$ 1,776,092
Weighted avg. no. shares outstanding	15,140	15,140	15,222	15,263	15,330
Ending no. of shares outstanding	15,140	15,140	15,140	15,260	15,290

(1) *Includes share of profit (loss) of associates of $72,758, $266,054, $93,764, $177,412 and $85,904 for each of the years ended 31 December 2015, 2014, 2013, 2012 and 2011, respectively.*

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 2015, the availability of cash under revolving credit facilities, the liquidity and market value of the Company's investments and the forecast cash flows.

OVERVIEW

In January 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 agreed to provide GBP47.7 million of project financing available to SPGL for the engineering, procurement and construction ("EPC") of a 51.8MW DC-capacity solar park known as Owl's Hatch Solar Park. In February 2015, the Company committed financing for a single-purpose UK company known as Bradenstoke Solar Park 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 committed financing was up to GBP58 million. Both solar parks were 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.

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.

Later in March 2015, Siem Shipping agreed to contracts to build two 7,000 CEU PCTCs by a shipbuilder located in Croatia with deliveries scheduled in 2017.

At the end of March 2015, the counter-party to the Put Option Agreement requested another amendment which was agreed. The amount for which the shares could be put to Siem Investments was reduced to no more than $100 million even though the number of shares underlying the option did not change and the premium payments made to the Company were reduced. A premium payment of $644,000 was received at the beginning of April and the recognition of income deferred.

In May 2015, the Company declared and paid a $0.20 per share cash dividend to its shareholders.

In June 2015, Siem Shipping exercised its options to acquire two STAR First-class vessels and financed the purchase using a drawdown of approximately $29 million and available cash.

At the end of June 2015, Siem Offshore announced a $100 million Rights Issue at NOK1.80 per shares. The Company agreed to support the Rights Issue by providing an underwriting guarantee on behalf of Siem Europe.

In September 2015, the Rights Issue was completed and Siem Europe increased its interest in Siem Offshore to 62.3%. Siem Europe made several significant purchases of shares in the market later in September at average prices of NOK1.78 per share.

At the end of September 2015, the Company and its counterparty in the Put Option agreed to terminate the underlying agreement and the Company recognized $22,644,000 of premium income that it had received and deferred.

In October 2015, Siem Europe launched a Mandatory Offer to acquire the shares in Siem Offshore which it did not own at NOK1.80 per share pursuant to stock exchange regulations that took effect once Siem Europe exceeded a certain ownership threshold level. The Mandatory Offer closed in early-November and Siem Europe increased its ownership to 83.0% of Siem Offshore.

In November 2015, Siem Investments agreed to underwrite 37.3% of a NOK278 million Rights Issue undertaken by EMGS. At closing, Siem Investments acquired an additional 290,843,061 new shares in EMGS at NOK0.25 per share and increased its ownership in EMGS to 23.9%.

In December 2015, Siem Europe purchased a 24.9% interest in Deusa from its former major shareholder for EUR3.1 million. The ownership in Deusa beneficially owned by the Company increased to 73.9%.

The Company made 3 separate purchases of its Exchangeable Bonds during 2015. The aggregate amount of the buy-backs was a nominal value of $33.8 million at an average price of 92.9 of nominal value. The total amount of Exchangeable Bonds held after buy-backs by the Company was $125 million, all of which remain outstanding.

Results of Operations

Fiscal Years Ended 31 December 2015 and 2014

Operating revenues recorded during fiscal years 2015 and 2014 were $315,138,000 and $188,797,000, respectively.

The share of profits (losses) of associates recorded during fiscal years 2015 and 2014 was approximately $72,758,000 and $266,054,000, respectively. The Company recorded its shares of losses on the results of Siem Offshore the 9 months through the end of September. The Siem Offshore financial statements are fully reflected in the consolidated income statements for the fourth quarter 2015.

Interest income recorded during fiscal years 2015 and 2014 was approximately $38,752,000 and $34,695,000, respectively, and reflects higher notes receivable balances during 2015.

Net gains (losses) on investments for fiscal years 2015 and 2014 were approximately $9,910,000 and $46,030,000, respectively. The Company incurred significant losses on its investments in equities of companies involved in the oil and gas industry. This was offset by the recognition of $22.6 million in premium income on the put option that the Company had deferred. Much of the gains reflected in 2014 reflect the sales of Veripos and GTL.

An exceptional gain of $263,989,000 was recorded in 2015 arising from Siem Europe's bargain purchase which was recognized in the acquisition of Siem Offshore shares at prices significantly less than book value.

The loss on the re-valuation of the financial derivatives during 2014 was $(26.5) million. The Company reclassed the financial derivatives to debt liability at the end of 2014 eliminating the need for further re-valuations.

Operating expenses were $243,813,000 and $133,764,000 for fiscal years 2015 and 2014, respectively. The increased losses result from the full consolidation of Siem Offshore's activity for the fourth quarter 2015.

Depreciation and amortization expense was $47,277,000 and $20,623,000 for 2015 and 2014, respectively. The increase in depreciation expense is attributed to depreciation expenses recorded by Siem Offshore during the fourth quarter and to the increased depreciation expense incurred by Siem Shipping following its acquisition of the two STAR First-class vessels.

Impairments of $110,170,000 and $9,664,000 were recorded for 2015 and 2014, respectively. During the fourth quarter of 2015, Siem Offshore recorded an impairment of $103,465,000 following a valuation of its vessels and an impairment of $6,705,000 with respect to its research and development assets. During 2014, Siem Shipping recorded an impairment of $2,150,000 for two vessels which it was in the process of selling and the Company recorded an impairment of $7,514,000 with respect to its Company's investment in FSG since the company was not considered to be a core asset at that time.

Interest expense was approximately $18,041,000 and $7,640,000 for 2015 and 2014, respectively. The increase for 2015 is largely attributed to the inclusion of Siem Offshore in the consolidation.

General and administrative expenses for fiscal years 2015 and 2014 were approximately $36,614,000 and $28,382,000, respectively. Once again, much of the increase is attributed to Siem Offshore.

Currency exchange gains (losses) were $(42,433,000) and $(47,280,000) for 2015 and 2014, 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 2015 and 2014.

Income tax expense (benefit) for fiscal years 2015 and 2014 was $2,413,000 and $975,000, respectively. Subsea7 is the largest taxpayer in the Siem Industries' group of companies; however, its significant tax expense is reflected within the net share of after-taxes results from associates and are therefore not specifically identified as tax expense in the Company's consolidated financial statements.

Financial Condition and Liquidity

The current ratios were 1.04 and 7.90 at 31 December 2015 and 2014, respectively. The interest-bearing debt-to-total assets ratios were 0.37 and 0.16 at 31 December 2015 and 2014, respectively. Two factors are responsible for the adverse trends. For the current ratio, the balance of Exchangeable Bonds was recorded as current despite the fact that the Exchangeable Bonds do not mature until 2019. The Exchangeable Bonds have a single redemption opportunity which is on the 4-year anniversary date in September 2016 and the Company anticipates that all of the outstanding bonds will be tendered. The second factor that adversely affected the ratios is the inclusion of Siem Offshore which has a higher leverage than does the Company.

The Company believes that proceeds from the maturities of its existing notes receivable and its ability to raise additional credit facilities using its assets will generate the liquidity to address all short-term requirements.

Subsequent Events

In January 2016, the Company cancelled $125 million nominal amount of Exchangeable Bonds which it had purchased in market transactions. At the same time, the Company requested the bonds' trustee to release shares of Subsea 7 that had been pledged as security to secure the Company's obligations with respect to the exchange provisions of the bond. A total of 11,456,481 shares of Subsea 7 were released in February 2016 which corresponded to the amount of bonds that were cancelled.

In January 2016, Siem Shipping reached agreement with to time-charter two specialized reefer vessels for minimum 5-year periods. Each of the newbuild vessels will have a capacity of 650,000cbft in its refrigerator holds and capacity for 300 refrigerated containers on deck. Deliveries of the vessels are expected in early 2017.

At the end of January 2016, Siem Shipping issued a voluntary offer to buyback shares from its shareholders at NOK60 per share. A total of 112,053 shares were tendered and acquired the Company pursuant to the offer.

In March 2016, the Company received a margin loan facility with a commitment amount of NOK500 million that can be drawn in USD. Terms of the loan provide for interest payable monthly at a rate of Libor plus 1.25%, cancellation notice of 4 months and security in the form of Subsea 7 shares.

In March 2016, the Company reached agreement to sell all of the outstanding shares in Auto Marine Transport to Siem Shipping subject to approval by the board of Siem Shipping for $44.8 million with settlement in the form of $10.8 million cash payment at closing and seller's credit for the remaining amount. The seller's credit is payable with two payments of 50% each due and payable by the end of 2017 and 2018, respectively. The transaction has been submitted for a vote by the shareholders of Siem Shipping at its May 2016 annual general meeting.

In March 2016, Siem Europe made an additional capital contribution to Flensburger Schiffbau-Gesellschaft, its wholly-owned German shipyard, for EUR11 million. FSG has obtained newbuild contracts for four new roll-on/roll-off "ro-ro" carriers for a price of EUR55 million each. FSG will own one of the vessels and a wholly-owned subsidiary of the Company will own the other three vessels. Terms for 5-year time charters have been agreed for two of the vessels with one customer and agreement is close for time charters on the other two vessels. The vessels will have purchase options.

In early April 2016, the Company advanced EUR5 million to VSK Holdings for the purpose to commence the suspended loan origination activity and build a portfolio of residential mortgage loans that can be securitized. Preliminary indications are that the restructured loan origination process has been successful.

In April 2016, the Company repurchased $21.8 million nominal amounts of its Exchangeable Bonds at average prices of 95.1% to reduce the total amount of Exchangeable Bonds held by bondholders to $298.2 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*
Kristian Siem	Director and Chairman	1982	2016
Barry W. Ridings	Director *(1,2)*	1993	2016
Ivar Siem	Director	2007	2017
M.D. Moross	Director *(1,2)*	1995	2018

(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 a director on the boards of Siem Offshore Inc., Siem Shipping Inc., Flensburger Schiffbau-Gesellschaft mbH & Co., North Atlantic Smaller Companies Investment Trust plc and Frupor S.A. (Portugal).

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., chairman of LMDC Holdings, chairman of Lazard Middle Market LLC, a subsidiary of Lazard focusing on middle market mergers and acquisitions, and a director on the boards of iStar Financial, Inc. and Ultrapetrol Limited.

Ivar Siem is the chairman and president of American Resources, Inc. and a director 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

Report on the Financial Statements

We have audited the accompanying financial statements of Siem Industries Inc. and subsidiaries (the "Company", which comprise the consolidated balance sheet at 31 December 2015 and the consolidated income statement and the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements as described above are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the consolidated financial position of Siem Industries Inc. as at 31 December 2015, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' Report

Based on our audit of the consolidated financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the consolidated financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the consolidated financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the consolidated financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Kristiansand, 2 May 2016
PricewaterhouseCoopers AS

Svein A Andresen
State Authorised Public Accountant (Norway)

[THIS PAGE INTENTIONALLY LEFT BLANK]

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Dollars in thousands, except per share amounts)	Notes	*For Years Ended 31 December* 2015	2014
INCOME:			
Operating revenues	*10*	$ 315,138	$ 188,797
Share of profits of associates	*5*	72,758	266,054
Interest income	*4*	38,752	34,695
Gains (losses) on investments and other assets, net	*12*	9,910	46,030
Gains on exceptional item - bargain purchase	*5*	263,989	–
Gains (losses) on re-valuation of financial derivatives, net	*8*	–	(26,515)
Dividend income		719	95
Other income		5,382	957
Total income	22	706,648	510,113
EXPENSES AND OTHER:			
Operating expenses	*7,10*	243,813	133,764
Depreciation and amortization	*6,7,13*	47,277	20,623
Impairment of vessels and investments	*5,6*	110,170	9,664
Interest expense	*8*	18,041	7,640
General and administrative expenses	*14,15,17,19*	36,614	28,382
Currency exchange losses (gains), net	*16*	42,433	47,280
Other expenses		1,573	–
Total expenses and other		499,921	247,353
Income (loss) before income tax expense		206,727	262,760
Income tax expense	9	2,413	975
Net income (loss)		$ 204,314	$ 261,785
Net income (loss) attributable to:			
Holders of Common Shares		$ 228,844	$ 260,832
Non-controlling interests		$ (24,530)	$ 953
Earnings (Loss) per Common Share:			
Basic and Diluted		$ 15.12	$ 17.23
Weighted avg. no. of Common Shares outstanding for period		15,139,681	15,139,681

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* 2015	2014
Net income (loss)	$ 204,314	$ 261,785
Items that may be reclassified to the income statement in subsequent periods:		
Currency exchange differences	$ 6,433	$ 4,851
Share of other comprehensive income of associates	(41,082)	(69,504)
Items that will not be reclassified to the income statement in subsequent periods:		
Share of other comprehensive income of associates	–	292
Other comprehensive income (loss)	(34,649)	(64,361)
Total comprehensive income (loss)	$ 169,665	$ 197,424
Total comprehensive income (loss) attributable to:		
Holders of Common Shares	$ 194,195	$ 196,471
Non-controlling interests	$ (24,530)	$ 953

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 2015*	*31 December 2014*
ASSETS:			
Current assets:			
Cash and cash equivalents	3	$ 221,849	$ 436,576
Accounts receivable		71,908	22,945
Accrued interest receivable		17,044	5,582
Trading securitites	4	9,883	36,441
Inventories		16,513	8,529
Notes, loans and other receivables	4	259,288	11,734
Due from affiliates	19	–	250
Prepaid expenses and other current assets		75,219	10,670
Noncurrent assets held-for-sale	5,6	3,459	9,049
Total current assets		675,163	541,776
Restricted cash	3	105,302	2,000
Notes, loans and other receivables	4	79,953	291,994
Investments in associates	5	1,107,434	1,297,842
Vessels, property and equipment, net	6	1,887,109	223,907
Other assets and long-term receivables	15	69,550	446
Total Assets		$ 3,924,511	$ 2,357,965

LIABILITIES AND EQUITY:			
Current liabilities:			
Accounts payable, other accrued costs and short-term liabilities		$ 45,934	$ 22,757
Accrued interest payable		15,793	1,062
Due to affiliates	19	18,338	14,732
Current maturities and short-term notes	8	475,900	10,995
Other accrued costs and short-term liabilities	16	91,966	19,013
Total current liabilities		647,931	68,559
Long-term debt and notes payable	8	1,030,394	406,217
Other liabilities and deferred credits	14,16	101,124	63,548
Total Liabilities		1,779,449	538,324
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 issued and outstanding	20	3,785	3,785
Additional paid-in capital		105,405	105,405
Retained earnings		1,937,711	1,711,896
Currency translation reserves		9,380	2,947
Other reserves		(88,600)	(47,518)
Total shareholders' equity		1,967,681	1,776,515
Non-controlling interests		177,381	43,126
Total Equity		2,145,062	1,819,641
Total Liabilities and Equity		$ 3,924,511	$ 2,357,965

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

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Common Shares						
	Common Shares		*Additional Paid-in*	*Retained*	*Currency Translation*	*Other*	*Non-Controlling*
(in thousands, except number of shares)	*Number*	*Share Capital*	*Capital*	*Earnings*	*Reserves*	*Reserves*	*Interests*
Balances at 31 December 2013	15,139,681	$ 3,785	$ 105,405	$ 1,454,093	$ (1,904)	$ 622,931	$ 43,296
Change in accounting principles for investments in associates						(601,237)	
Balances at 1 January 2014 (revised)	15,139,681	$ 3,785	$ 105,405	$ 1,454,093	$ (1,904)	$ 21,694	$ 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)	–	–	–
Purchase of shares in subsidiaries from non-controlling interests	–	–	–	–	–	–	(1,123)
Total transactions with owners	–	–	–	(3,029)	–	–	(1,123)
Balances at 31 December 2014	15,139,681	$ 3,785	$ 105,405	$ 1,711,896	$ 2,947	$ (47,518)	$ 43,126
Net income (loss)	–	–	–	228,844	–	–	(24,530)
Currency translation differences	–	–	–	–	6,433	–	–
Share of other comprehensive income (loss) of associates	–	–	–	–	–	(41,082)	–
Total comprehensive income (loss)	–	–	–	228,844	6,433	(41,082)	(24,530)
Payment of dividends ($0.20 per Common Share)	–	–	–	(3,029)	–	–	–
Subsidiary completes offer to buyback shares from third parties	–	–	–	–	–	–	(4,061)
Acquisition and consolidation of Siem Offshore	–	–	–	–	–	–	166,698
Acquisition and consolidation of Deusa Int'l	–	–	–	–	–	–	(3,852)
Total transactions with owners	–	–	–	(3,029)	–	–	158,785
Balances at 31 December 2015	15,139,681	$ 3,785	$ 105,405	$ 1,937,711	$ 9,380	$ (88,600)	$ 177,381

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* *2015*	*2014*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		$ 204,314	$ 261,785
Adjustments to reconcile net income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation and amortization, including drydocking amortization	6,7	47,277	20,623
Share of profits of associates	5	(72,758)	(266,054)
Losses (Gains) on investments and other assets, net	12	(9,910)	(46,030)
Losses (Gains) on re-valuation of financial derivatives, Exchangeable Bonds	8	–	26,515
Gain on exceptional item - bargain purchase	5	(263,989)	–
Impairment of vessels and investments	6	103,465	9,664
Impairment of investments in intangible assets	6	6,705	–
Deferred compensation expense (reversal) for performance unit plan	14	(3,211)	(6,824)
Currency exchange losses (gains)	16	42,433	47,280
Other		731	925
Changes in assets and liabilities:			
(Increase) Decrease in:			
Accounts receivable, other		5,772	4,542
Accrued interest receivable		(11,462)	(1,922)
Trading securities		(8,519)	(35,259)
Inventories		10,184	2,304
Prepaid expenses and other current assets		38,456	3,136
Increase (Decrease) in:			
Accounts payable		5,995	(10,438)
Accrued interest payable		31	(385)
Due to affiliates		3,606	8,917
Other accrued costs and short-term liabilities		–	(8,097)
Net cash provided by (used in) operating activities		99,120	10,682
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to notes receivable and other investments	4	(319,786)	(394,532)
Proceeds from repayment of notes receivable and other investments	4	156,419	347,166
Investments in associates	5	(17,884)	(12,110)
Distributions from associates	18	3,815	107,304
Proceeds from sales of associates	5	–	119,544
Proceeds from sales of vessels	6	124,908	–
Capital expenditures for vessels, shipping related assets and other	6,7	(124,730)	(6,525)
Cash acquired upon consolidation of subsidiaries, net of cash paid	17	62,091	–
Other		(12,557)	10,137
Net cash provided by (used in) investing activities		(127,724)	170,984
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid to Company's Shareholders	20	(3,029)	(3,029)
Proceeds from long-term debt and notes payable	8	(33,800)	70,000
Repayment of long-term debt and notes payable	8	(118,190)	(48,041)
Redemptions and repurchases of Exchangeable Bonds	8	32,863	(48,617)
(Increase) Decrease in restricted cash		(103,302)	–
Other		31,016	(5,238)
Net cash provided by (used in) financing activities		(194,442)	(34,925)
Net increase (decrease) in cash and cash equivalents		(223,046)	146,741
Cash and cash equivalents, beginning of period		436,576	298,397
Effect of exchange rate changes on cash		8,319	(8,562)
Cash and cash equivalents, end of period		$ 221,849	$ 436,576

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during period for:	Interest	$ 20,322	$ 8,025
	Taxes	$ 679	$ 975

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", "BRL" and "SEK" refer to United States dollars, Norwegian kroner, British pounds, Brazilian reals and Swedish krona representing the lawful currencies of the United States, Norway, Great Britain, Brazil and Sweden, respectively, and "EUR" refers to Euros.

At 31 December 2015, 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; 699,110,008 shares, or 83.0%, of Siem Offshore Inc. ("Siem Offshore"; OSE Symbol: "SIOFF"), a publicly-traded Cayman Islands company that had ownership in 40 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 8 vessels under construction; 7,409,498 shares, or 81.2%, 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 and had 2 pure-car-and-truck carrier ("PCTC") vessels under construction with deliveries scheduled during the latter half of 2017; a 100%-interest in Auto Marine Transport Inc., a vessel-owning company, that has 3 PCTC vessels under construction, each with a capacity of 7,000 CEU ("car equivalent units") and which are sister ships to the two PCTC vessels owned by Siem Shipping, with deliveries commencing in the fourth quarter 2016 into the third quarter of 2017; a 100% interest in vessel-owning companies for two smaller PCTC vessels engaged in the car carrier business and in Siem Car Carriers AS ("Car Carriers"), a Norwegian company, that provides 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 100%-interest in VSK Holdings Limited, a Cayman Islands company, and its wholly-owned Luxembourg subsidiary, Ember VRM S.a r.l.; a 73.9%-interest in Deusa International GmbH ("Deusa"), a German company operations whose 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; a 100%-interest in Flenburger Schiffbau-Gesellschaft mgH & Co. ("FSG"), a German company engaged in the shipyard construction of large vessels; 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.. The Company also has a smaller investments in Deep Seas Insurance Limited, a 51%-owned Cayman Islands captive insurance company that provides a risk management function for 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 and in Grespo AB, a research biotech company.

At 31 December 2015, 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.

At the end of 2015, Subsea7, SPGL and Venn Partners represented significant associates of the Company and Siem Offshore, Siem Shipping, Siem Car Carriers, Auto Marine Transport Inc., Siem Europe, VSK Holdings and Deusa 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 2015

The Company adopted certain International Financial Reporting Standards ("IFRS") amendments and interpretations which were effective for periods commencing on or after 1 January 2015 which did not have a significant impact on the Company's performance or financial position.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED IFRS EFFECTIVE FOR FISCAL 2016 OR LATER

The following IFRS amendments and interpretations are effective for periods commencing on or after 1 January 2016. 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 replaces the multiple classification and measurement models as defined in IAS 39 "Financial Instruments: Recognition and Measurement" with a single model that has initially only two classification categories: amortized cost and fair value. IFRS 9 also contains new hedge accounting rules designed to better align hedge accounting more closely with common risk management practices and a new impairment model. In addition to changes to recognition and measurement criteria, this standard introduces expanded disclosure requirements and changes in presentation. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and the Company will evaluate the impact of these requirements.

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 1 January 2018, 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 2016.

IFRS 16, "Leases". IFRS 16 establishes new recognition, measurement and disclosure requirements for both parties to a lease contract. This standard eliminates the classification of a lease as either operating or finance for lessees and introduces a single model for all leases with the exception of leases for low-value assets or for periods of less than twelve months. The single model will require lessees to recognize most leases on the balance sheet as lease liabilities. A corresponding asset will be recognized which represents the right of use of the leased asset. These changes will result in significant changes to the accounting for the lessee; however, lessor accounting will, in substance, remain unchanged.

The new model will not result in significant changes where leases were previously accounted for as finance leases. However, significant changes will occur for leases previously accounted for as operating leases. The balance sheet will be impacted by increases in leased assets and corresponding financial liabilities. The income statement will also be impacted with operating lease expenses being replaced with interest and depreciation charges.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early adoption permitted provided that IFRS 15 has also been adopted. The adoption of this standard will result in a number of leases currently classified as operating leases being recognized on the balance sheet. Application of the new model will have an impact on both the income statement and balance sheet and the Company is in the process of assessing the impact of these requirements.

IFRS 11 (Amendments), "Acquisition of Interests in Joint Operations". These amendments relate to where an entity acquires an interest in a joint operation which constitutes a business. If an acquisition occurs, then the acquirer, to the extent of its share, must apply the principles of IFRS 3 "Business Combinations" and other IFRSs, provided these principles do not conflict with the requirements of IFRS 11, "Joint Arrangements". Additionally, acquirers must disclose business combination information that are required under relevant IFRSs. The amendments will apply for annual periods commencing on or after 1 January 2016. The Company will consider these requirements to determine the effect that they may have on its future acquisitions.

IAS 1 (Amendments), "Presentation of Financial Statements". These amendments are related to the IASB's Disclosure Initiative, which considers how financial statement disclosures can be improved. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS and provide clarification on a number of issues including materiality, disaggregation and subtotals, notes and the presentation of other comprehensive income arising from investments accounted for under the equity method. The amendments have been endorsed for EU entities and apply prospectively for annual periods beginning on or after 1 January 2016.

IAS 12 (Amendments), "Income Taxes". These amendments clarify the accounting for deferred tax assets related to debt instruments which are measured at fair value and provide guidance concerning which profits should be considered when determining available profits against which unrealized losses can be recovered. These amendments are effective for reporting periods beginning on or after 1 January 2017. The Company will evaluate the impact of these amendments during 2016.

IAS 16 (Amendments), "Property, Plant and Equipment". These amendments clarify acceptable methods of depreciation and amortization. Entities are prohibited from using a revenue-based depreciation method for items of property, plant and equipment. These amendments apply for annual periods beginning on or after 1 January 2016. The Company will evaluate the requirements during 2016 to determine the effect that these amendments may have on its depreciation and amortization policies.

IAS 27 (Amendments), "Equity Method in Separate Financial Statements". These amendments will allow the Company's subsidiaries to use the equity method as described in IAS 28 "Investments in Associates and Joint Ventures" to account for its investments. The amendments will apply for annual periods commencing on or after 1 January 2016. These amendments are not expected to have a material impact on the financial statement of subsidiaries of the Company.

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 AND BARGAIN PURCHASE

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 amount represents a bargain purchase and will be immediately recognized as a gain in the Company's consolidated income statement.

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

INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets are measured at cost at the date of initial acquisition. Following the initial recognition, intangible assets are measured at cost less amortization and impairment charges. Internally-generated intangible assets are not capitalized with the exception of development expenditures which meet the criteria for capitalization.

Intangible assets with finite lives are amortized over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least annually. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method and are treated as changes in accounting estimates.

Research costs are expensed as incurred. Development expenditures are recognized on an individual project as an internally-generated intangible asset when it can be demonstrated that it meets the criteria for recognition.

Amortization of the asset over the period of expected future benefit begins when development is complete and the asset is available for use. The asset is tested for impairment whenever there is an indication that the asset may be impaired.

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. At 31 December, the exchange rates for the following currencies and the percentage change year-over-year were as follows:

	Percentage Change	*2015*	*2014*
Currency:			
NOK/USD	18.7%	8.8424	7.4517
USD/GBP	5.4%	1.4736	1.5579
USD/EUR	10.2%	1.0861	1.2099
BRL/USD	49.1%	3.9608	2.6574

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 an impairment of the value 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 IMPAIRMENTS

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. Provisions are 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 engaged in the support of the offshore oil and gas industry and 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.

NEWBUILD CONTRACTS

Instalments on newbuild contracts are recorded as non-current assets. Costs related to the on-site supervision and other pre-delivery construction costs are capitalized per vessel. Borrowing costs directly attributable to the construction are capitalized as a part of the cost of the asset.

DRYDOCKING, MOBILIZATION AND DECOMISSIONING COSTS

Dry-dock costs are incurred to maintain a vessel's classification and capitalized as a distinct component of the asset. The capitalized costs are amortized over the period until the next scheduled dry-docking (usually between 2.5 to 5 years) and are derecognized at the date of the next dry-docking. All other repair and maintenance costs are recognized in the income statement when incurred.

Mobilization costs consist of expenditures incurred prior to the deployment of vessels or equipment and are classified as prepayments. These costs are expensed over the life of the project or contract.

A provision is recorded for decommissioning costs that will necessary to restore a leased, or chartered-in, vessel to an agreed-upon condition when a current obligation exists and a reliable estimate can be made of the amount of the obligation. The corresponding amount is capitalized as property, plant and equipment.

CONSTRUCTION CONTRACTS

The Company accounts for long-term construction, engineering and project management contracts on the percentage-of-completion basis as costs are incurred. Under this method, when the outcome of a construction contract can be reliably estimated and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. The Company assumes that profit on a contract cannot be reliability estimated until progress has reached at least 25% completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. For projects that are expected to result in a loss, the total estimated loss is recognized immediately.

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 were initially recognised in two separate components: (1) the present value of the liability; and (2) the market value of the exchange option, classified as a financial derivative. The liability was subsequently measured at amortized cost and subsequent changes in the fair value of the exchange option were 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 recorded 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. 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.

COMMERCIAL INTEREST REFERENCE RATE (CIRR) LOANS

Siem Offshore has applied for CIRR loans from the Norwegian Export Credit Agency. The duration of the loans is 12 years. Cash proceeds from drawdowns of the loans are deposited in fixed deposit accounts with reputable banks at the same interest rate as the loans and the agreed periods of the deposits are identical to those with the related loans.

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.

EXCEPTIONAL ITEMS

Exceptional are those items that, in Management's opinion, should be separately disclosed within the Company's income statement as a result of the size or incidence of the items for the purpose to provide a better understanding of the Company's financial performance.

LEASES AND CHARTER CONTRACTS

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Revenues received under time charters and bareboat charters and payments made under charter-in contracts are recognized over the contract periods of such charters, as service is performed on a straight-line basis. Certain contracts include mobilization fees payable at the start of the contract and are recognized as revenue over the mobilization period until contract commencement. In cases where the fees cover specific upgrades or equipment specific to the contract, the mobilization fees are recognized as revenue and the related investment is depreciated over the estimated contract period. In cases where the fee covers specific operating expenses at the start of the contract, the fees are recognized in the same period as the expenses. Vessels without signed contracts in place at discharge have no revenue before a new contract is signed. Charter-related expenses incurred for vessels during the idle time are expensed.

FINANCIAL DERIVATIVES

The Company enters into derivative instruments, primarily foreign currency contracts, and interest rate derivatives, to hedge the foreign currency and interest rate fluctuations. The criteria for qualifying as a hedge under IFRS are strict. The Company's foreign currency contracts do not qualify as hedging. The fair market value of these contracts is recorded as a receivable or liability and any change in the valuation is recognized in the profit and loss as operating expenses.

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 Offshore and Siem Shipping maintain defined benefit plans for their respective employees in Norway. A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement which is usually dependent on one or more factors such as age, years of service and compensation. The pension scheme is financed through contributions to insurance companies or pension funds. The liability recognized by the Company in the financial statements is the net present value of the future obligations of the pension plan as determined which is determined annually by an independent actuary. 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 2015, 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.

Certain of Siem Offshore's activities are structured to be in compliance with the regulations promulgated by the Norwegian Tonnage Tax Regime ("TTR"). Siem Offshore has estimated a tax rate of 0% for its subsidiaries subject to the TTR. Financial income within the TTR is taxed at 27%.

CONTINGENT LIABILITIES AND PROVISIONS

The Company recognizes provisions when there is a legal or self-imposed obligation to do so as a result of events that have transpired, there is a preponderance of evidence that the obligation will be settled by some form of transfer of economic resources and the size of the obligation can be estimated with an adequate degree of reliability. Provisions are measured as the net present value of the expected payments to satisfy the obligation.

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)	*2015*	*2014*
Total cash and cash equivalents	$ 327,151	$ 438,576
Less: Restricted cash – bank loans and guarantees	17,300	2,000
Less: Restricted cash – CIRR deposits	88,002	–
Cash and cash equivalents - current assets	$ 221,849	$ 436,576

The restricted cash includes amounts securing bank loans and guarantees for periods in excess of 12 months. Cash that is restricted for various tax withholdings and other similar transactions is not included in the long-term restricted cash position.

Proceeds from the drawdowns under CIRR loans, as discussed in Note 8, are placed on deposit with the banks as security for the loans. The maturities of the deposits are scheduled to match the maturities of the CIRR loans which had original terms of 12 years.

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

(in thousands)	*2015*	*2014*
Cash and cash equivalents denominated in following currencies:		
USD	$ 199,701	$ 386,572
NOK	33,779	21,897
EUR	60,010	2,831
GBP	25,648	27,008
BRL	4,237	–
Other	3,777	268
Total cash and cash equivalents	$ 327,151	$ 438,576

(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)	*2015*	*2014*
Trading securities:		
Listed equity securities	$ 9,883	$ 36,441
Trading securities, net fair value	$ 9,883	$ 36,441

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

(in thousands)	*2015*	*2014*
Trading securities:		
Balance, 1 January	$ 36,441	$ 16,948
Purchases	13,048	51,450
Proceeds from sales	(4,529)	(16,192)
Gains (losses), see Note 12	(22,885)	(8,871)
Currency exchange gains (losses), see Note 16	(3,164)	(6,894)
Reclassification from trading security to investment in associate	(9,028)	–
Trading securities, 31 December	$ 9,883	$ 36,441

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)	*2015*	*2014*
Notes, loans and other receivables:		
Listed securities:		
Floating rate notes	$ —	$ 37,132
Unlisted securities:		
Notes receivable, various rates	339,241	266,596
Notes, loans and other receivables	$ 339,241	$ 303,728
Notes, loans and other receivables:		
Current	$ 259,288	$ 11,734
Noncurrent	$ 79,953	$ 291,994

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

(in thousands)	*2015*	*2014*
Notes, loans and other receivables:		
Balance, 1 January	$ 303,728	$ 369,140
Additions	319,785	394,532
Proceeds from maturities, repayments and sales	(156,419)	(386,674)
Gains (losses) on investments, net, see Note 12	(2,534)	(306)
Reclassification, intercompany	21,294	(45,600)
Currency exchange gains (losses), see Note 16	(29,350)	(27,364)
Eliminated in consolidation following step acquisition, intercompany	(80,742)	—
Other	(36,521)	—
Notes, loans and other receivables, 31 December	$ 339,241	$ 303,728

General — During 2015, the Company increased its ownership interests in Siem Offshore, Deusa and VSK Holdings. Following the completion of the step acquisition activities, the investee companies were deemed to be controlled by the Company. Accordingly, the respective financial statements for each of these companies is included in the Company's consolidated financial statements and the intercompany receivables and payables and other balances are eliminated in consolidation.

Venn Partners ("Venn") — Since mid-2013, Venn has 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.

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.

In September 2015, Venn helped to establish the Venn Commercial Real Estate Fund (VeCREF) for certain counties located in the U.K. with the purpose to invest pension funds. The initial size of the fund is GBP160 million. VCap's commitment is for GBP30 million, or 18.66% of the fund. VCap transferred all but one of its commercial real estate notes into VeCREF. The total amount of notes transferred to VeCREF was $149.9 million and VCap received $107.1 million from the other fund participants with the difference representing VCap's equity investment. The last remaining commercial real estate loan directly held by VCap is for approximately $60.9 million and is secured by hotel properties and senior living facilities.

VSK Holdings — In March 2015, VSK Holdings completed a capital restructuring which replaced the existing class of shares with three new classes of shares. The Company paid EUR8 million and received 100% of the A-class shares. The A-class shares hold voting rights and all rights to participate in the residual value of the VSK Holdings. The original share capital was combined with a portion of the share premium to create 32 million of B-class shares, par value EUR1 per share. The Company paid an additional EUR3.5 million for 3.5 million new B-class shares to increase its holdings to 21.1 million shares of the aggregate 35.5 million B-class-shares in issue. The B-shares bear an interest rate of 8%p.a. with the payment of interest subject to deferral. The B-shares will be redeemed by the VSK Holdings at the end of 5 years. In December 2015, the Company acquired 11,997,655 B-class shares from its original partner in VSK Holdings at 67.3% of nominal value. The partner had recovered its original investment and made a good return but the ongoing investment was considered to be small for its portfolio. At the end of 2015, the Company owned 33,097,255 B-class shares valued which were valued at par or higher.

VSK Holdings used the EUR11.5 million which it received in March 2015 to commence the origination of residential mortgages. The intent was to build-up a sizable portfolio using a loan warehouse arrangement and then to securitize the portfolios as it had successfully done with the original portfolio. The mortgage origination activities were suspended in the late 2015. After the mortgage origination process was re-worked, the process recommenced in early-2016 and has been successful.

Sustainable Power Generation Limited. — SPGL, which is owned 40% by the Company, provides engineering, procurement and construction ("EPC") services to the solar power generation industry and has developed and built a number of solar park projects in excess of 5MW. The Company has provided project financing for the construction of several parks, the most notable being the Owl's Hatch Solar Park with a 51.8MW DC-capacity and Bradenstoke Solar Park with a 70MW DC-capacity. In addition, SPGL used funds provided under other working capital facilities to undertake additional EPC activities on smaller solar parks. All of the significant solar parks have now been certified and have produced power. Bradenstoke's cable connection to the U.K.'s National Grid is still under construction and is expected to be completed shortly. The Company has provided financing for more than GBP150 million in EPC activities and will be repaid as the solar parks are sold to parties interested in acquiring facilities that will produce a steady stream of revenue for 20 to 24 years.

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 2015.

(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 2015	Subsea 7 S.A.	21.3%	$ 107,245	$ 1,011,685
	Siem Offshore	83.0%	(27,704)	–
	Siem Capital	64.0%	2,923	–
	Deusa	73.9%	299	–
	Venn Partners	40.0%	76	3,234
	VSK Holdings	100.0%	(1,649)	–
	Venn Capital II	9.7%	1,421	23,309
	VeCREF	18.7%	–	42,769
	SPGL	40.0%	(7,683)	548
	EMGS	23.2%	–	9,028
	Siem Offshore's Associates	various	(2,170)	16,660
	Other		–	201
			$ 772,758	$ 1,107,434
31 December 2014	Subsea 7 S.A.	21.3%	$ 176,740	$ 945,522
	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	$ 1,297,842

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

(in thousands)	*2015*	*2014*
Investments in associates:		
Balance, 1 January	$ 1,297,842	$ 1,195,018
Additions to investments	139,277	17,586
Share of profits (losses) of associates	72,258	266,054
Accounting change from investment in associate to consolidation	(374,685)	–
Transfers-in from associates that have been consolidated	18,830	–
Reclassification from trading security to investment in associates	9,028	–
Convert from notes receivable to investments in associates	42,769	67,069
Convert from investments in associates to notes receivable	(21,294)	–
Distributions by associates	(3,815)	(85,300)
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)
Share of associates' other comprehensive income	(68,332)	(69,504)
Cumulative translation adjustments	(4,944)	(3,279)
Currency exchange gains (losses), net, see Note 12	–	(2,197)
Investments in associates, 31 December	$ 1,107,434	$ 1,297,842

Subsea 7 — The business combination that created Subsea 7 S.A. was completed in 2011 and created goodwill of approximately$2.5 billion. The Company's ownership interest was diluted from approximately 44.4% to approximately 20.5%of the merged entity. 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 its 20.5% pre-merger 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 contended that the uplift in the value of its investment in Subsea 7 was attributed to goodwill and there was no certainty on the eventual realization of such amount. The Company recorded the uplift in the value of its investment in Subsea 7 but, rather than recognize the gain in the income statement, the Company deferred the gain and recorded it as a separate component of equity.

The Company has reconsidered its accounting treatment of the merger between Subsea 7 Inc. and Acergy S.A. in 2011. It is the Company's view that IAS 28 does not explicitly require a step-up of dilution gains, as evidenced by the efforts by the IASB to interpret the standard for such events. Following this reassessment, the Company has removed the dilution gain from the balance sheet. That is, the amount of uplift of the investment in Subsea 7 and the gain that was deferred and recorded as a separate component of equity is no longer included in the statement of financial position.

The consequences of this change in accounting policy is that the Company's opening shareholders' equity for 2015 has been adjusted downwards by $233,896,000 and the opening shareholders' equity for 2014 has been adjusted downward by $601,237,000. The change in policy does not impact the income statement because the Company's past practice has been to recycle the gain to offset goodwill impairments that are recorded by Subsea 7. There are no tax consequences associated with the previous treatment or the changes in accounting principles. The Company will not present a third statement of financial position as of 1 January 2014 as long because the change in accounting principle did not have a material effect on the information in the statement of financial position at the beginning of the preceding period. The effect of each change in the Company's accounting policies on each component of equity is presented in the statement of changes in equity.

Siem Offshore — During the third quarter of 2015, Siem Offshore conducted a $100 million Rights Issue which was underwritten by the Company on behalf of its wholly-owned subsidiary, Siem Europe, which is the owner of the Siem Offshore shares. At the conclusion of the Rights Issue in September 2015, Siem Europe acquired 390,929,148 shares of the total 454,430,000 new Siem Offshore shares offered in the Rights Issue at NOK1.80 per share through the exercise of its subscription rights and its guarantee of the Issue. In addition, Siem Europe purchased 27,511,059 shares in the market an average price of NOK1.78 per share to increase its ownership in Siem Offshore from 33.4% to 65.5%.

According to the Oslo Stock Exchange regulations, Siem Europe was required to conduct a Mandatory Offer for the remaining shares of Siem Offshore that it did not own. The Mandatory Offer was made at NOK1.80 per share. Upon settlement of the Mandatory Offer in November 2015, Siem Europe had acquired an additional 144,669,045 shares to increase its ownership in Siem Offshore to 82.7%.

The Company commenced to consolidate the Siem Offshore financial statements effective 30 September following the increase in the ownership interest arising from the Rights Issue and the Mandatory Offer. The Siem Offshore consolidated accounts as of that date were the basis for the purchase price analysis with no material fair value adjustments. The previously-held investment interest in Siem Offshore was remeasured upon consolidation with a loss which was netted against the bargain purchase gain resulting in a net income statement effect of $264 million reported with the line "Gains on exception item – bargain purchase".

The consolidation of Siem Offshore's financial statements has resulted in the addition of Siem Offshore's investments in associates within the Company's financial statements.

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.

In March 2015, VSK Holding completed its capital restructuring. As indicated previously, VSK Holding replaced its existing class of shares with A-shares and B-shares. The original share capital and a portion of share premium were used to establish the B-shares with 32,000,000 shares valued at EUR1 per share for an aggregate value of EUR32 million. The Company invested EUR8 million for the A-shares and EUR3.5 million for new B-shares. The A-shares hold voting rights and sole rights to the residual value in the VSK Holding. The B-shares bear interest at 8% p.a. and will be redeemed by VSK Holding at the end of 5 years. As a result of the Company's acquiring all of the A-shares, the financial statements are now included within the Company's consolidated financial statements.

Deusa International GmbH ("Deusa") — The Company's wholly-owned subsidiary, Siem Investments, acquired a 49%-interest in Deusa, a potash-mining operation with extensive reserves at its location in Germany, following a request by a German bank for assistance from the Company in the restructuring of Deusa's operations. At the end of December 2015, Siem Europe acquired a 24.9%-interest from the major shareholder. The purchase price for the 24.9%-interest, EUR3.1 million, was based on a fair value study undertaken by the major shareholder which takes into account the loans made to Deusa by the Company. The aggregate interest held in Deusa has increased to 73.9% and Deusa's financial statements are now included with the Company's consolidated financial statements.

Venn Partners —Venn Partners was awarded an exclusive mandate from the UK government at the end of 2014 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 and has built-up the organization in 2015 to address the needs of the new activity. Venn is expected to conduct its first offering shortly. Until such time as the activity begins to ramp-up, however, the revenues will be limited.

Electromagnetic Geoservices ASA ("EMGS") — In November 2015, the Company agreed to underwrite 37.3% of a NOK278 million Rights Issue that was conducted by EMGS, the owner of proprietary electromagnetic technology which supports the offshore oil and gas industry in its search for viable prospects. At the time of the Rights Issue, the Company held an 11.5% interest in EMGS. At the conclusion of the Rights Issue, the acquired an additional 290,843,061 new shares in EMGS at NOK0.25 per share comprised of shares acquired from the exercise of its subscription rights and its guarantee of the Issue. The Company's shareholding increased to 313,769,927 shares in EMGS, or 23.9% of the issued and outstanding shares. The investment was reclassified from financial assets at fair value through profit or loss to investments in associates.

Siem Capital — Siem Capital sold its interest in 33.4% interest in Boule Diagnostics International AB and distributed the proceeds to its shareholders. Siem Capital's remaining holding is 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 tons of dried distiller's grains with soluble ("DDGS"). In January 2014, Sinav retained an investment banker to sell GTL. The sale was completed during the second quarter of 2014 and the Company recorded a gain of approximately $36,784,000. During the first quarter 2014, the Company recorded approximately $4,403,000 as its share of the net results of GTL.

Sustainable Power Generation Ltd. ("SPGL") — The Company acquired a 40%-interest in SPGL for GBP6,200,000- at the end of September 2014. SPGL is one of the larger developers 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. The Company has provided significant financing to SPGL for its construction activities. At the time that the Company committed to financing the two major solar parks discussed in Note 4 above, SPGL was heavily involved in negotiations to place its solar parks into an entity that would then conduct an initial public offering in the U.S. It was intended that proceeds from the offering would be used to repay much of the loans advanced to SPGL by the Company. Unfortunately, the negotiations were terminated and it was necessary for SPGL to commence the process to negotiate the sale of its solar parks to other prospective buyers. The process has taken longer than expected and the expected gains on the sales of the parks have been delayed resulting in losses on operations.

Flensburger Schiffbau-Gesellschaft mbH & Co. KG ("FSG") — The Company's subsidiary, 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 the Company 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.

The Company continues to search for a long-term solution for the shipyard. At present, the Company does not consider FSG to be a core activity of the Company and, therefore, and elected to not 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. To achieve this goal and comply with the IFRS, the Company has designated FSG as a long-term asset held-for-sale and fully-reserved its 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.

(6) VESSELS, PROPERTY AND EQUIPMENT

Summaries of the vessels and related shipping assets and property, equipment and other at 31 December are presented below (the Vessels and Related Assets includes Vessels-under-Construction):

	2015		2014	
(in thousands)	*Vessels and Related Assets*	*Property, Equipment and Other*	*Vessels and Related Assets*	*Property, Equipment and Other*
Cost:				
Balance, 1 January	$ 376,843	$ 7,440	$ 433,579	$ 9,163
Additions following consolidations:				
Siem Offshore:				
Vessels and Related Assets, PP&E	1,907,410	21,988	–	–
Vessels-under-Construction	204,149	–	–	–
Deusa, PP&E	–	31,341	–	–
Additions	116,110	827	6,525	1
Disposals	(40,764)	(9,688)	(19,786)	(1)
Reclassification to Held-for-Sale	–	–	(41,943)	–
Translation adjustment and other	141	(919)	(1,532)	(1,723)
Cost, 31 December	2,563,889	50,989	376,843	7,440
Less: Accumulated depreciation:				
Balance, 1 January	$ (165,398)	$ (1,789)	$ (198,286)	$ (2,193)
Additions following consolidations:				
Siem Offshore:				
Vessels and Related Assets, PP&E	(484,858)	(11,989)	–	–
Depreciation, see Note 13	(38,158)	(1,516)	(15,911)	(373)
Disposals and eliminations	44,967	5,873	15,189	–
Impairment	(103,465)	–	(2,150)	–
Reclassification to Held-for-Sale	–	–	34,205	–
Translation adjustment and other	(8,834)	3	1,555	777
Accum. depreciation, 31 December	(755,746)	(9,418)	(165,398)	(1,789)
Net book value, 31 December	1,808,143	$ 41,571	$ 211,445	$ 5,651
Property, equipment and other, net	41,571		5,651	
Deferred drydocking costs, see Note 7	37,395		6,811	
Vessels, property and equipment, net	$ 1,887,109		$ 223,907	

The Company consolidated Siem Offshore's financial statements with effect 30 September 2015 and Deusa's financial statements with effect 31 December.

At the end of December 2015, Siem Offshore reclassified one of its vessels to vessels held-for-sale and recorded an impairment. During the 4th quarter, Siem Offshore recorded aggregate impairments on its vessels for $103.5 million and total impairments of $159.5 million for 2015.

Also in December 2015, Siem Offshore evaluated its capitalized research and development costs and recorded an impairment of $6.7 million.

At the end of December 2014, Siem Shipping reclassified two of its older, less-efficient vessels to vessels held-for-sale and recorded an impairment of $2.1 million.

(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* 2015	2014
Deferred drydocking costs:		
Balance, 1 January	$ 6,811	$ 12,520
Additions following consolidation of Siem Offshore	30,484	–
Additions	7,793	317
Disposals	–	(376)
Amortization, see Note 13	(7,603)	(4,339)
Reclassification to Held-for-Sale	–	(1,311)
Other	(90)	–
Deferred drydocking costs, 31 December	$ 37,395	$ 6,811

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 financing fees and excluding Siem Offshore's debt which is separately shown, at 31 December is presented below:

(in thousands)	*Interest Rate*	*2015*	*2014*
USD-denominated long-term debt and notes payable:			
Exchangeable Bonds	1% p.a.	$ 320,000	$ 353,804
USD100mm Facility	LIBOR plus 2.40%	69,167	64,167
USD-denominated long-term debt and notes payable		389,167	417,971
NOK-denominated long-term debt and notes payable, USD-equivalents:			
NOK36.5mm Loan	NIBOR plus 0.60%	2,344	2,820
NOK-denominated long-term debt and notes payable		2,344	2,820
EUR-denominated long-term debt and notes payable, USD-equivalents:			
EUR2.9mm Loan	8.00% p.a.	3,105	–
NOK-denominated long-term debt and notes payable		3,105	–
Long-term debt and notes payable		394,616	420,791
Less unamortized financing fees		(2,933)	(3,579)
Long-term debt and notes payable net of unamortized financing fees		$ 391,693	$ 417,212

Siem Offshore has an extensive list of long-term debt and notes payable facilities which are used to finance its fleet and other operations. A summary of the amounts as of 31 December 2015 is presented below and more detailed information is available in Siem Offshore's Annual Report.

(in thousands)	*Commitments in Currency and Amount*	*Drawdowns by Currency and Amount*	*Drawdowns in USD-Equivalents*
USD-denominated loans	$ 364,765	$ 364,766	$ 364,766
USD-denominated loans – CIRR	68,794	68,794	68,794
NOK-denominated loans	NOK 4,006,650	$ 444,856	444,856
		$ 878,416	878,416
NOK-denominated loans	NOK 1,574,766	NOK 1,129,016	$ 128,166
NOK-denominated loans – CIRR	NOK 169,200	NOK 169,200	19,208
NOK-denominated publicly-issued bonds	NOK 1,300,000	NOK 1,300,000	147,576
	NOK 3,043,966	NOK 2,598,216	294,950
EUR-denominated loans	EUR 299,770	EUR 49,770	$ 54,346
			$ 1,227,712
Less unamortized financing fees			(17,125)
			1,210,587
Less $60 million loan made available to Siem Offshore by the Company			(60,000)
Less NOK64 million of Siem Offshore 2013/2015 bonds purchased by the Company			(7,265)
Less NOK253 million of Siem Offshore 2014/2019 bonds purchased by the Company			(28,721)
Long-term debt and notes payable net of unamortized financing fees			$ 1,114,601

The consolidated current and noncurrent maturities for the Company, including Siem Offshore's debt, are shown below:

(in thousands)	*2015*	*2014*
Long-term debt and notes payable:		
Current	$ 475,900	$ 10,995
Noncurrent	$ 1,030,394	$ 406,217

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)*
2016	$ 475,900
2017	149,731
2018	441,191
2019	136,076
2020	57,282
2021 and thereafter	246,114
Total	$ 1,506,294

Exchangeable Bonds — In September 2012, the Company placed $445,000,000 1% Senior Secured Exchangeable Bonds ("Exchangeable Bonds") that are exchangeable into shares of Subsea 7. The Exchangeable Bonds were issued 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 mature 12 September 2019. Interest is payable semi-annually in March and September at the rate of 1% p.a. The Exchangeable Bonds were secured by the pledge of 39,893,677 shares of Subsea 7, or a collateral ratio of 260%, and the number of shares pledged was subject to adjustment based upon the occurrence of certain events, such as the payment of dividends by Subsea 7. 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 initially recorded as a Financial Derivative and the remaining portion was recorded as a long-term debt liability. The Financial Derivatives were re-valued at the end of each reporting period using the Black-Scholes Option Pricing Model and the resulting increase or decrease was recorded. 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 a result, the Financial Derivatives liability was 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, and the market expected the 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 was negligible. Under IFRS, the Company would 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 on 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 amortize the amount as increased interest expense over the period through September 2016 so that the long-term debt liability would equal the expected obligation at that time.

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 amount of $102,918,000 to long-term debt liability and treat the Exchangeable Bond obligation as a conventional debt liability.

The Financial Derivatives liability was segregated from the underlying debt liability and the changes to the long-term debt liability are 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
Exchangeable Bonds, amortized debt liability at 31 December 2014, gross	$ 351,468
Amortization – yield-to-maturity recorded as interest expense	501
Buyback of Exchangeable Bonds	(33,800)
Add-back remaining amount of amortizable financing fees	1,831
Exchangeable Bonds, nominal value at 31 December 2015	$ 320,000

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 increased the required number of shares into 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.

During the second quarter of 2015, Siem Shipping exercised its options to acquire two 2006-built specialized reefer vessels which it has had on time charter since delivery from the shipyard. The aggregate $29.1 million purchase price was financed with a $28.1 million drawdown under the Credit Facility and working capital.

Siem Shipping was in compliance with all covenants at the end of 2015.

The weighted average interest rates for the Siem Shipping were 3.8% and 6.8% for 2015 and 2014, respectively.

Siem Offshore Portfolio of Loans — As a result of the consolidation of the Siem Offshore financial statements, Siem Offshore's portfolio of loans are now reflected within the consolidated long-term debt obligations. Most of Siem Offshore's loans are secured with mortgages on vessels. Siem Offshore has issued two high-yield unsecured bonds for NOK600 million and NOK700 million which mature in 2018 and 2019, respectively.

In connection with the ordering of newbuilds from Norwegian shipyards, Siem Offshore applied for and received three Commercial Interest Reference Rate ("CIRR") loans from the Norwegian Export Credit Agency. The duration of the loans are for 12-year periods and the purpose is to secure and improve the terms of related bank loans. The proceeds from the drawdowns of these loans are placed in corresponding deposits as financial security for the loans. The loans and deposits have matching maturities.

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 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. The tax expense (benefit) for the years ended 31 December are reflected below:

Tax Expense (Benefit), in thousands		*2015*		*2014*
Current	$	549	$	930
Deferred		21		45
Current and deferred as reported by Siem Offshore (breakdown not available)		1,843		
Tax expense (benefit)	$	2,413	$	975

The Company records its share of the net income (loss) of associates that are net of tax expenses incurred by each of the associates. In its income statement for 2015, Subsea7 reported income before taxes of $184.9 million and related income tax expense of $221.9 million.

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.

The deferred taxes at 31 December, excluding such amounts for Siem Offshore which are shown later in this Note, are reflected below

(in thousands)	*2015*	*2014*
Deferred tax liabilities (assets):		
Operating assets	$ 1,877	2,102
Deferred capital gains	(285)	(423)
Drydock and other assets	70	97
Provisions and accruals	1,884	2,111
Temporary differences	3,887	3,887
Net operating loss carryforwards	(17,044)	(20,195)
Basis for deferred tax liabilities (assets)	(13,157)	(16,308)
Valuation allowance	13,157	16,308
Net deferred tax liabilities (assets)	$ —	$ —

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.

Siem Offshore — Siem Offshore was consolidated with effect 30 September 2015 and, accordingly, only 3 months of operations are recorded in the consolidated profit and loss. Siem Offshore has not made the information available to identify the current and deferred components of income taxes for the fourth quarter as reported above or the changes to deferred taxes during the fourth quarter. The deferred taxes at 31 December are shown below:

(in thousands)	*2015*
Deferred tax liabilities (assets):	
Operating assets	$ (34,497)
Participation in limited liability companies	(2,701)
Pension funds and obligations	(2,601)
Other long-term differences	4,605
Temporary differences	(35,194)
Net operating loss carryforwards	(31,091)
Basis for deferred tax liabilities (assets)	(66,286)
Deferred tax liabilities:	
Norway	$ (8,137)
Holland	(3,415)
Germany	(115)
Net deferred tax liabilities (assets)	$ (11,668)

Siem Offshore has recorded $11.7 million of deferred tax assets, which it believes are probable of recovery through future earnings, as intangible assets.

Siem Offshore has given notice of its intention to exit the Norwegian Tonnage Tax Regime effective 1 January 2015 and will formalize this decision in the preparation and filing of its 2015 corporate tax return.

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* 2015	2014
Operating revenues:		
Net vessel revenues	$ 277,644	$ 175,826
Cable-laying	29,000	—
Scientific core-drilling	6,632	—
Other	1,861	12,971
Operating revenues	$ 315,138	$ 188,797

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* 2015	2014
Operating expenses:		
Vessel operating expenses	$ 27,102	$ 27,529
Crew payroll	19,127	21,830
Time charter expenses	124,915	77,673
Bareboat charter expenses	—	1,643
Vessel, crew, power cable project expenses for Siem Offshore, 4^{th} quarter	66,727	—
Insurance	2,908	3,302
Other	3,034	1,787
Operating expenses	$ 243,813	$ 133,764

(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 2015*	*2014*
Charter expenses:		
Time charter expenses, see Note 10	$ 124,915	$ 77,673
Bareboat, see Note 10	–	1,643
Total charter expenses	$ 124,915	$ 79,316
Minimum lease payments:		
2016	$ 63,633	
2017	74,992	
2018	65,392	
2019	65,392	
2020	59,426	
2021 and thereafter	63,699	
Total minimum lease payments	$ 392,534	

The net present value of the minimum lease payments is $321,506,000 using a 6% discount rate for 2015. The comparative amounts for 2014 for total minimum lease payments and related net present value were $425,340,000 and $339,553,000, respectively.

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. Siem Shipping exercised its options to purchase two of the STAR First-class vessels during the second quarter 2015. The charter commitments include the commitments for two newbuild Dolphin-class vessels which are scheduled for delivery in early 2017. Siem Shipping holds options to purchase 6 additional STAR First-class vessels and the two Dolphin-class vessels.

Siem Offshore reported lease expenses for 2015 in the amount of $3.0 million. The annual commitments include $1.6 million for 2016, $1.1 million for 2017 and $1.1 million for 2018. The net present value of the minimum lease payments is $3.5 million.

(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 2015*	*2014*
Gains (losses) on investments, net:		
Financial assets at fair value through profit or loss, see Note 4	$ (22,885)	$ (8,871)
Notes, loans and other receivables, see Note 4	(2,534)	(306)
Recognition of deferred premium income on put options sold	22,644	–
Sales of vessels	16,304	(1,059)
Gain on buyback of Exchangeable Bonds	2,384	–
Sales of associates	–	61,457
Other	(6,003)	(5,191)
Gains (losses) on investments and other assets, net	$ 9,910	$ 46,030

(13) DEPRECIATION AND AMORTIZATION

A summary of the depreciation and amortization is presented below:

(in thousands)	*Year Ended 31 December* *2015*	*2014*
Depreciation and amortization:		
Depreciation, see Note 6	$ 39,674	$ 16,284
Amortization, drydock and other, see Note 7	7,603	4,339
Depreciation and amortization	$ 47,277	$ 20,623

(14) PERFORMANCE UNIT PLAN

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 2015 and 2014, 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 $(3,211,000) and $(6,824,000), 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 and Siem Offshore maintain a defined benefit pension plans for their employees in Norway. Benefits under the defined benefit pension plan are based primarily upon the participant's age, years of service and compensation at the assume time of retirement. Siem Shipping's costs are shown below for the periods ended 31 December:

Components of Pension Cost (in thousands)	*2015*	*2014*
Service cost	$ 29	$ 31
Interest expense on pension liabilities	21	40
Expected return on plan assets	(29)	(52)
Effect of changes in estimates	5	—
Net pension cost (benefit)	$ 26	$ 19

Status of Plan Funding (in thousands)	*2015*	*2014*
Fair value of plan assets	$ 894	$ 1,209
Estimated defined benefit obligation	(812)	(1,083)
Net pension plan assets (obligations)	$ 82	$ 126
Unrecognized actuarial gains (losses)	—	—
Net pension plan assets (obligations)	$ 82	$ 126

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.

Siem Shipping's wholly-owned U.K. subsidiary, STAR Reefers UK, maintains a defined contribution pension plan that covered 22 employees in 2015 and 20 in 2014. 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. STAR Reefers UK 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 $259,000 and $284,000 for 2015 and 2014, respectively.

Siem Offshore was consolidated with effect at 30 September 2015 and the consolidated results only reflect Siem Offshore's activities for the fourth quarter. Since Siem Offshore does not provide a breakdown of the pension expense on a quarterly basis, the amounts shown below are for its full year 2015:

Components of Pension Cost (in thousands)	*2015*
Service cost	$ 2,491
Interest expense on pension liabilities	285
Social contribution and other	290
Effect of changes in estimates	(889)
Net pension cost (benefit)	$ 2,177

Status of Plan Funding (in thousands)	*2015*
Fair value of plan assets	$ 8,622
Estimated defined benefit obligation	(10,817)
Net pension plan assets (obligations)	$ (2,195)
Unrecognized actuarial gains (losses)	—
Net pension plan assets (obligations)	$ (2,195)

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 2015 and 2014, 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* *2015*	*2014*
Currency exchange gains (losses):		
Financial assets at fair value through profit and loss, see Note 4	$ (3,164)	$ (6,895)
Notes, loans and other receivables, see Note 4	(29,350)	(27,364)
Cash and cash equivalents, adjusted using period-ending exchange rates	8,319	(8,562)
Intercompany notes and other receivables	(27,898)	(3,161)
Siem Shipping, breakdown not available	24	(126)
Siem Offshore, breakdown not available	1,113	—
Other	8,523	(1,172)
Currency exchange gains (losses)	$ (42,433)	$ (47,280)

(17) Commitments, Guarantees 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 could 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.

The option agreement was amended in February 2014 and again in March 2015 which extended the agreement to mid-December 2016 and reduced the amount for which the shares could be put to Siem Investments to $100 million. Siem Investments received payments of option premiums for $3 million in each of April 2014 and October 2014, and $644,000 in April 2015. The parties to the option agreement mutually agreed to terminate the option at the end of September 2015 and, consequently, Siem Investments recognized $22,644,000 as income which represented the aggregate amount of premium income that had been deferred.

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.

Auto Marine Transport Inc. ("AMT"), a wholly-owned subsidiary of 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 second and third quarters of 2017. The contracted price for each vessel was EUR46 million. During 2015, AMT agreed to have exhaust gas cleaning systems, or scrubbers, installed on each of the vessels for approximately EUR2 million each. The vessels will be chartered-out to Siem Car Carriers under 5-year time charters.

In 2015, AMT secured a loan facility for the aggregate amount of $124.6 million for the predelivery and postdelivery financing of the three PCTC vessels. AMT will pay the initial 30% cost of shipyard installments for each of the vessels. The bank facility will pay 20% of the cost of the shipyard installments for each newbuild as predelivery financing and, upon delivery, will refinance the 20% and pay 50% to the shipyard as the remaining installment for a total postdelivery financing of 70% of each vessel's cost. Terms of the facility provide for interest rates at Libor plus 2.50 for predelivery financing and Libor plus 2.25% for postdelivery financing.

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. The Company made additional advances of EUR750,000 to VSK Finance in early 2015 and received repayments of EUR1.6 million in December 2015 and EUR3 million subsequent to year-end. VSK Holdings financial statements are included in the Company's consolidated financials.

SIEM OFFSHORE – At 31 December 2015, Siem Offshore had 8 vessels under-construction at shipyards in Germany, Poland and Brazil. The contract amounts and unpaid shipyard installments are as follows:

(in thousands)	*2015*
Shipbuilding contract amounts and variation orders	$ 596,594
Paid shipyard installments	200,694
Unpaid shipyard installments	$ 395,900

The unpaid shipyard installments are all payable in 2016.

Siem Offshore's cable-laying subsidiary, Siem Offshore Contractors GmbH ("SOC"), lays power cables primarily for the offshore windfarm industry. SOC's customers generally require Siem Offshore to provide parent company guarantees for the windfarm projects. Siem Offshore has also provided guarantees for work performed in relation to its Brazilian operations. The amount of guarantees as of 31 December are shown below:

(in thousands)	*2015*
Contractual guarantees provided for power cable-laying operations	$ 305,658
Other guarantees	4,429
Total guarantees	$ 310,087

(18) RISK MANAGEMENT AND CAPITAL MANAGEMENT

Liquidity Risk – The Company's working capital position of $27.2 million at 31 December 2015 has declined significantly from the $473.2 million position which it held at the end of 2014. The primary reason is that the Company believes the Exchangeable Bonds, which mature in September 2019, will be redeemed in September 2016 on the only redemption opportunity available to the bondholders. The downturn in the offshore oil and gas industry is expected to last through at least the end of 2017 and this has made the exchange option into Subsea 7 shares less attractive.

Based on the information above and its ability to enter into working capital facilities, the Company believes that it has sufficient liquidity to meet its short-term obligations during 2016.

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 2015 and 2014.

Siem Offshore enters into forward currency contracts and currency options primarily for the purpose to hedge its operating expenses and commitments related to vessels-under-construction that are denominated in currencies other than the USD to reduce the currency risk associated with future cash flows. Cross currency swaps have been entered into for the purpose to hedge both interest and principal payments on long-term financings that are denominated in currencies other than the USD.

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.

Siem Shipping and Siem Offshore 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.

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. The low bunker prices in the recent past has eliminated the need for such activity.

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 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 2015 and 2014 of approximately $12.2 million and $13.9 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 2014. A new 5-year MSA was agreed between the Company and a separate 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 for the services of Mr. Siem under the new MSA and under the former MSA for 2015 and 2014 were $11.8 million and $13.4 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 2015 and 2014 were approximately $350,000 and $345,000, respectively.

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

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

(in thousands)	*2015*	*2014*
Due from associates and other related parties:		
Siem Offshore	$ —	$ 250
Total due from associates and other related parties	$ —	$ 250
Due to associates and other related parties:		
Fees in relations to services performed by Chairman	$ 7,820	$ 14,732
Loans and advances	10,518	—
Total due to associates and other related parties	$ 18,338	$ 14,732

(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. Any Common Shares that are 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 2015 and May 2014.

(21) SUBSEQUENT EVENTS

In January 2016, the Company cancelled $125 million nominal amount of Exchangeable Bonds which it had purchased in market transactions. At the same time, the Company requested the bonds' trustee to release shares of Subsea 7 that had been pledged as security to secure the Company's obligations with respect to the exchange provisions of the bond. A total of 11,456,481 shares of Subsea 7 were released in February 2016 which corresponded to the amount of bonds that were cancelled.

In January 2016, Siem Shipping reached agreement with to time-charter two specialized reefer vessels for minimum 5-year periods. Each of the newbuild vessels will have a capacity of 650,000cbft in its refrigerator holds and capacity for 300 refrigerated containers on deck. Deliveries of the vessels are expected in early 2017.

At the end of January 2016, Siem Shipping issued a voluntary offer to buyback shares from its shareholders at NOK60 per share. A total of 112,053 shares were tendered and acquired the Company pursuant to the offer.

In March 2016, the Company received a margin loan facility with a commitment amount of NOK500 million that can be drawn in USD. Terms of the loan provide for interest payable monthly at a rate of Libor plus 1.25%, cancellation notice of 4 months and security in the form of Subsea 7 shares.

In March 2016, the Company reached agreement to sell all of the outstanding shares in Auto Marine Transport to Siem Shipping subject to approval by the board of Siem Shipping for $44.8 million with settlement in the form of $10.8 million cash payment at closing and seller's credit for the remaining amount. The seller's credit is payable with two payments of 50% each due and payable by the end of 2017 and 2018, respectively. The transaction has been submitted for a vote by the shareholders of Siem Shipping at its May 2016 annual general meeting.

In March 2016, Siem Europe made an additional capital contribution to Flensburger Schiffbau-Gesellschaft, its wholly-owned German shipyard, for EUR11 million. FSG has obtained newbuild contracts for four new roll-on/roll-off "ro-ro" carriers for a price of EUR55 million each. FSG will own one of the vessels and a wholly-owned subsidiary of the Company will own the other three vessels. Terms for 5-year time charters have been agreed for two of the vessels with one customer and agreement is close for time charters on the other two vessels. The vessels will have purchase options.

In early April 2016, the Company advanced EUR5 million to VSK Holdings for the purpose to commence the suspended loan origination activity and build a portfolio of residential mortgage loans that can be securitized. Preliminary indications are that the restructured loan origination process has been successful.

In April 2016, the Company repurchased $21.8 million nominal amounts of its Exchangeable Bonds at average prices of 95.1% to reduce the total amount of Exchangeable Bonds held by bondholders to $298.2 million.

2015 CORPORATE GOVERNANCE REPORT

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

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

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

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

MEMORANDUM AND ARTICLES OF ASSOCIATION

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

BUSINESS

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

The Board of Directors reviews and approves, where appropriate, the strategies, goals and objectives presented by its Management. Details of the Company's activities are presented in pages 1-8 in the Company's 2015 Annual Report.

EQUITY AND DIVIDENDS

The Company's Shareholders' Equity is $2.3 billion at 31 December 2015 as compared to $2.1 billion at the end of 2014. 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 2015 Annual General Meeting. This was the same percentage as for the May 2014 AGM but the number of shares present increased by 1,208 in 2015.

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 2015 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 2016 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 2015

During 2015, a total of four 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 2015 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 2015 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 2015 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.

21 April 2016

SIEM INDUSTRIES

Subsidiaries and Associates

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

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

Registered Office

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

Executive Office

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

Offices

Siem Kapital AS
Jerpefaret 12, Voksenlia
0788 Oslo, NORWAY

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

Siem Europe S.a r.l.
11-13 Boulevard de la Foire
L-1528 Luxembourg
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.