



# SIEM INDUSTRIES

## PRESS RELEASE

For Immediate Release

## SIEM INDUSTRIES INC.

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### **REPORT FOR THE 3<sup>RD</sup> QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2009**

GEORGE TOWN, GRAND CAYMAN, 22 December 2009 – SIEM INDUSTRIES INC. announces its unaudited results for the quarter and nine months ended 30 September 2009 that are prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

#### COMPARATIVE CONSOLIDATED FINANCIAL PERFORMANCE

*Quarter Ended 30 September 2009.* Net income for the quarter was \$44.4 million, or \$2.89 per share (2008: \$27.5 million, or \$1.77 per share).

Operating revenues and operating expenses for the quarter ended 30 September 2009 were \$52.5 million and \$39.7 million, respectively (2008: \$52.4 million and \$35.8 million). The share of profits of associates for the quarter was \$50.0 million (2008: \$21.8 million).

Net gains (losses) on investments for the quarter were \$1.4 million (2008: \$(1.8) million).

Net gains (losses) on the re-valuation of financial derivatives for the quarter were \$(11.8) million (2008: \$53.8 million). The financial derivatives, which were initially valued at the closing of the Exchangeable Bond issue in July 2007 and segregated from the debt liability of the bonds, are re-valued at the end of each quarter and the change in valuation, which can be significant, is recorded as a gain or loss. The valuation is strongly influenced by the volatility of market prices for Subsea 7 shares during the period and the market price at the end of the period.

General and administrative expenses for the quarter were \$9.8 million (2008: \$2.2 million). The 2008 general and administrative expenses reflected a reversal of previously-recorded expenses. Currency exchange gains (losses) for the quarter were \$7.9 million (2008: \$(21.8) million).

*Nine Months Ended 30 September 2009.* Net income for the nine months was \$123.4 million, or \$8.03 per share (2008: \$119.4 million, or \$7.69 per share).

Operating revenues and operating expenses for the nine months ended 30 September 2009 were \$170.9 million and \$116.6 million, respectively (2008: \$181.1 million and \$108.7 million). The share of profits of associates for the nine months was \$128.5 million (2008: \$99.1 million).

Net gains (losses) on investments for the nine months were \$2.8 million (2008: \$(2.2) million). Net gains (losses) on the re-valuation of financial derivatives for the nine months were \$(31.8) million (2008: \$37.3 million).

The net loss on the Company’s repurchase of \$5 million of Exchangeable Bonds for the nine months was \$871,000. The Company has repurchased an aggregate \$58.2 million face amount of

Exchangeable Bonds in the market at an average price of 58% of face value. The repurchased Exchangeable Bonds remain outstanding, but are eliminated in consolidation for accounting purposes.

General and administrative expenses for the nine months were \$21.7 million (2008: \$12.3 million). Currency exchange gains (losses) for the nine months were \$15.7 million (2008: \$(16.5) million).

#### CONSOLIDATED FINANCIAL POSITION

The Company held \$158.7 million of cash and cash equivalents at 30 September 2009. In addition, the Company held \$137.5 million in investments in U.S. Treasuries that mature in January 2010 and are recorded as noncurrent financial assets. The U.S. Treasuries represent a portion of the security provided to holders of the Company's Exchangeable Bonds.

Shareholders' equity was \$1.15 billion at 30 September 2009 as compared to \$1.03 billion at 31 December 2008. There were 15,359,927 Common Shares issued and outstanding at the end of both periods.

#### OPERATIONS AND INVESTMENTS IN ASSOCIATES

The Company reports its investments in Subsea 7 Inc. (OSE Symbol: SUB), Siem Offshore Inc. (OSE Symbol: SIOFF), Siem Capital AB, Deusa International GmbH (Deusa) and Partner Shipping AS under the equity method of accounting. The detail financial statements of the Company's investments in STAR Reefers Inc. (OSE Symbol: SRI), Siem Car Carriers Inc. and Deep Seas Insurance Limited are incorporated within the Company's consolidated financial statements.

Subsea 7 is one of the world's leading subsea engineering and construction companies with operations in all of the major offshore oil and gas areas worldwide. The Company owns a beneficial interest of 65,429,045 Subsea 7 shares, or 44.5%. For more information, please visit Subsea 7's website at [www.subsea7.com](http://www.subsea7.com).

Siem Offshore owns interests in 42 vessels working in the oil and gas industry, which includes 14 vessels under construction or on order. At 30 September 2009, the Company owned 121,163,111 Siem Offshore shares, or 33.7%. During the quarter, the Company maintained its ownership interest when it acquired 35,658,573 new shares of Siem Offshore at NOK8.50 per share that were issued pursuant to a NOK900 million private placement conducted by Siem Offshore. For more information on Siem Offshore, please visit [www.siemoffshore.com](http://www.siemoffshore.com).

STAR controls a modern fleet of approximately 45 owned and chartered reefer vessels, including 2 vessels under construction, that is engaged in the refrigerated transportation of fruit and other perishable products. At 30 September 2009, the Company owned 6,272,534 STAR shares, or 71.6%. For more information, please visit [www.star-reefers.com](http://www.star-reefers.com).

Siem Car Carriers owns two vessels which are all under firm contracts through 2010. The Company owns 100% of Siem Car Carriers.

Siem Capital AB, the Company's 64%-owned Swedish affiliate, holds an interest in 2 Swedish industrial and research companies.

Deusa, the Company's 49%-owned German affiliate, is engaged in the mining of potash and has potash reserves of greater than 60 years. Deusa is completing the construction of a thermolysis process facility which will, when finished, incinerate municipal wastes to produce energy for use in its potash operations.

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

#### RISKS AND UNCERTAINTIES AND MARKET OUTLOOK

The principal risks and uncertainties confronting the Company during the remainder of fiscal 2009 reflect primarily the risks and uncertainties confronting its subsidiary, STAR, and its associates, Subsea 7 and Siem Offshore. The risks and uncertainties of each of these companies are more fully discussed in the individual Reports to Shareholders from each of the respective companies' websites as indicated above.

Similarly, the market outlook for the Company is primarily a product of the market outlooks for each of STAR, Subsea 7 and Siem Offshore.

#### MANAGEMENT COMMENTS

The Company and its associates continue to adjust to the uncertain economic conditions that have prevailed since the third quarter of 2008.

#### SUBSEQUENT EVENTS

In December 2009, STAR conducted a private placement to raise gross proceeds of NOK105,000,000- (approximately \$18.2 million) for debt reduction, working capital and investments. Upon receiving approval of the Prospectus for the placement by the Oslo Stock Exchange, which is expected in February 2010, a total of 875,000 new shares will be issued at a price of NOK120.00 per new share. The Company subscribed to 816,815 new shares which will increase its shareholding to 7,089,349 shares of STAR and increase its ownership interest to 73.6% in the issued and outstanding shares of STAR.

SIEM INDUSTRIES INC. is an industrial group with holdings in offshore oil and gas services and ocean-shipping. The Company also has smaller interests German potash mining and investments in marketable securities. For further information relating to the Company, please visit [www.siemindustries.com](http://www.siemindustries.com).

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the summary consolidated financial information for the nine month period ended 30 September 2009 that is presented in this report has been prepared in accordance with IAS 34 “Interim Financial Reporting” and gives a true and fair view of the Company’s consolidated financial position at 30 September 2009 and the results of its operations and cash flows for the period then ended as a whole. We also confirm, to the best of our knowledge, that this report includes a fair review of important events that have occurred during the nine month period and their impact on the summary financial statements and a description of the principal risks and uncertainties for the remaining three months of fiscal 2009.

For and on behalf of the Board of Directors of

### **SIEM INDUSTRIES INC.**

/s/ Kristian Siem

Kristian Siem, Chairman

/s/ Michael Delouche

Michael Delouche, President

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

STATEMENTS OF INCOME <i>(Dollars in thousands, except per share amounts)</i>	<i>3rd Quarter Ended 30 September</i>		<i>9 Months Ended 30 September</i>		<i>Fiscal Year</i>
	2009	2008	2009	2008	2008
<b>REVENUES</b>					
Operating revenues	\$ 52,450	\$ 52,401	\$ 170,924	\$ 181,110	\$ 234,033
Share of profits (losses) of associates	50,011	21,811	128,450	99,076	105,952
Interest income	1,768	5,137	6,524	15,008	20,507
Gains (losses) on investments, net	1,386	(1,785)	2,811	(2,194)	14,605
Gains (losses) on re-valuation of financial derivatives, net	(11,782)	53,783	(31,832)	37,293	56,964
Gains (losses) on repurchase of Exchangeable Bonds	—	—	(871)	—	4,532
Other	0	148	260	484	1,810
<b>Total revenues</b>	<b>93,833</b>	<b>131,495</b>	<b>276,266</b>	<b>330,777</b>	<b>438,403</b>
<b>OTHER INCOME (EXPENSES)</b>					
Operating expenses	(39,713)	(35,758)	(116,565)	(108,725)	(149,225)
Depreciation and amortization	(6,687)	(5,308)	(19,903)	(15,919)	(21,226)
Interest expense	(1,274)	(1,995)	(4,337)	(6,483)	(8,799)
General and administrative expenses	(9,803)	2,193	(21,741)	(12,318)	(12,993)
Losses on counterparty defaults	—	(39,535)	—	(39,535)	(35,031)
Currency exchange gains (losses), net	7,875	(21,817)	15,665	(16,454)	(38,877)
Other	21	(10)	—	(28)	(303)
<b>Total other income (expenses)</b>	<b>(49,581)</b>	<b>(102,230)</b>	<b>(146,881)</b>	<b>(199,462)</b>	<b>(266,454)</b>
Income before income tax expense and minority interest	44,252	29,265	129,385	131,315	171,949
Income tax expense	5	13	(91)	(123)	(503)
Net income before minority interest	44,257	29,278	129,294	131,192	171,446
Minority interest expense	164	(1,824)	(5,931)	(11,768)	(12,668)
<b>Net income attributed to Common Shares</b>	<b>\$ 44,421</b>	<b>\$ 27,454</b>	<b>\$ 123,363</b>	<b>\$ 119,424</b>	<b>\$ 158,778</b>
<b>Earnings per Common Share – Basic and Diluted</b>	<b>\$ 2.89</b>	<b>\$ 1.77</b>	<b>\$ 8.03</b>	<b>\$ 7.69</b>	<b>\$ 10.24</b>
<b>Weighted avg. no. of Common Shares outstanding for period</b>	<b>15,359,927</b>	<b>15,529,927</b>	<b>15,359,927</b>	<b>15,529,927</b>	<b>15,505,610</b>

STATEMENTS OF FINANCIAL POSITION <i>(Dollars in thousands)</i>	<i>30 September</i>	<i>31 December</i>
	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents, excluding restricted cash	\$ 158,671	\$ 163,916
Trading securities, and notes, loans and other financial assets	8,057	8,434
Other current assets	40,905	37,495
<b>Total current assets</b>	<b>207,633</b>	<b>209,845</b>
Notes, loans and other financial assets	196,627	242,344
Investments in associates	771,702	584,507
Vessels, property and equipment, net	434,045	417,861
Other assets, including restricted cash	15,860	14,062
<b>Total Assets</b>	<b>\$ 1,625,867</b>	<b>\$ 1,468,619</b>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 54,822	\$ 55,860
Current maturities and short-term notes	29,694	26,487
<b>Total current liabilities</b>	<b>84,516</b>	<b>82,347</b>
Long-term debt	233,124	243,662
Financial derivatives	47,084	15,251
Other	29,346	24,621
<b>Total Liabilities</b>	<b>394,070</b>	<b>365,881</b>
<b>EQUITY</b>		
Common Shares, \$0.25 par value, 15,359,927 shares issued and outstanding	\$ 3,840	\$ 3,840
Paid-in capital	130,913	130,953
Retained earnings	1,014,261	890,898
Other reserves	2,581	2,776
<b>Total Shareholders' Equity</b>	<b>1,151,595</b>	<b>1,028,467</b>
Minority, or noncontrolling, interests	80,202	74,271
<b>Total Equity</b>	<b>1,231,797</b>	<b>1,102,738</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,625,867</b>	<b>\$ 1,468,619</b>

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

STATEMENTS OF COMPREHENSIVE INCOME <i>(Dollars in thousands)</i>	<i>3rd Quarter Ended 30 September</i>		<i>9 Months Ended 30 September</i>		<i>Fiscal Year</i>
	2009	2008	2009	2008	2008
Net income attributed to Common Shares for the period	\$ 44,421	\$ 27,454	\$ 123,363	\$ 119,424	\$ 158,778
Other comprehensive income (expense):					
Currency translation adjustments	—	—	(195)	(1)	688
<b>Total Comprehensive Income for the period</b>	<b>\$ 44,421</b>	<b>\$ 27,454</b>	<b>\$ 123,168</b>	<b>\$ 119,423</b>	<b>\$ 159,466</b>

STATEMENTS OF CHANGES IN EQUITY <i>(Dollars in thousands)</i>	<i>3rd Quarter Ended 30 September</i>		<i>9 Months Ended 30 September</i>		<i>Fiscal Year</i>
	2009	2008	2009	2008	2008
Equity at beginning of period	\$ 1,187,578	\$ 1,051,623	\$ 1,102,738	\$ 951,368	\$ 951,368
Net income attributed to Common Shares during period	44,421	27,454	123,363	119,424	158,778
Currency translation adjustments	—	—	(195)	(1)	688
Cash dividends	—	—	—	(1,554)	(1,553)
Reacquisition and retirement of Common Shares	—	—	—	—	(6,402)
Adjustments for issuances of shares by associates to minority interests	(38)	(145)	(40)	(130)	(130)
Adjustments for acquisition and retirement of shares issued by an associate to a minority interest	—	—	—	—	(12,679)
Minority interest expense	(164)	1,826	5,931	11,651	12,668
<b>Equity at end of period</b>	<b>\$ 1,231,797</b>	<b>\$ 1,080,758</b>	<b>\$ 1,231,797</b>	<b>\$ 1,080,758</b>	<b>\$ 1,102,738</b>

STATEMENTS OF CASH FLOWS <i>(Dollars in thousands)</i>	<i>3rd Quarter Ended 30 September</i>		<i>9 Months Ended 30 September</i>		<i>Fiscal Year</i>
	2009	2008	2009	2008	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income attributed to Common Shares	\$ 44,421	\$ 27,454	\$ 123,363	\$ 119,424	\$ 158,778
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization, including drydock	6,687	6,708	19,903	20,119	25,678
Undistributed share of losses (profits) of associates	(50,011)	(21,811)	(128,450)	(99,076)	(105,952)
Losses (gains) on investments and revaluation of financial derivatives	10,619	(52,503)	29,021	(35,099)	(71,569)
Losses (gains) on repurchases of Exchangeable Bonds	—	—	871	—	(4,532)
Impairment of investments and loss on counterparty defaults	—	39,535	—	39,535	35,031
Minority interests in net income	(164)	1,826	5,931	11,651	12,668
Currency exchange losses (gains)	(7,875)	21,817	(15,665)	16,454	38,877
Other	2,783	(6,177)	6,100	(2,673)	(2,771)
Net changes in assets and liabilities	(5,416)	(11,689)	(1,741)	(23,098)	(21,394)
Net cash provided by (used in) operating activities	1,044	5,160	39,333	47,237	64,814
Net cash provided by (used in) investing activities	2,954	(118,366)	(43,394)	(118,366)	(74,423)
Net cash provided by (used in) financing activities	(19,223)	(17,997)	(11,161)	(17,997)	(67,208)
Effect of exchange rate on cash	4,116	(9,284)	9,977	(9,284)	(34,048)
Net increase (decrease) in cash and cash equivalents	(11,109)	(140,487)	(5,245)	(98,410)	(110,865)
Cash and cash equivalents at beginning of period	169,780	257,025	163,916	274,781	274,781
<b>Cash and cash equivalents at end of period</b>	<b>\$ 158,671</b>	<b>\$ 116,538</b>	<b>\$ 158,671</b>	<b>\$ 176,371</b>	<b>\$ 163,916</b>

## NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### (1) BASIS OF PREPARATION

The summary consolidated financial statements for the quarter and six months ended 30 June 2009 have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union (“EU”), but have not been audited or reviewed. The summary consolidated financial statements should be read with reference to the consolidated financial statements and related notes contained within the Company’s 2008 Annual Report which was been prepared in accordance with the respective International Financial Reporting Standards (“IFRS”) as adopted by the EU.

### (2) STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED IFRS

The accounting policies used in the preparation of the summary consolidated financial statements are consistent with the consolidated financial statements prepared for the year ended 31 December 2008, as described in the Notes to the Company’s 2008 Annual Report. In addition, new standards, interpretations and amendments have been adopted with effect 1 January 2009 as follows:

*IAS 1 (Revised) “Presentation of Financial Statements”*  
*IAS 23 (Revised) “Borrowing Costs”*  
*IAS 27 (Revised) “Consolidated and Separate Financial Statements”*  
*IAS 28 (Amendment) “Investments in Associates”*  
*IAS 31 (Amendment) “Interests in Joint Ventures”*  
*IAS 36 (Amendment) “Impairment of Assets”*  
*IAS 39 and IFRS 7 “Financial Instruments: Recognition and Measurement”*  
*IFRS 2 (Amendment) “Share-Based Payment”*  
*IFRS 8 (Revised) “Operating Segments”*

The adoption of these standards, interpretations and amendments have had no material impact on the Company’s summary consolidated financial statements.

### (3) COMMITMENTS AND CONTINGENCIES

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

### (4) SUBSEQUENT EVENTS

In December 2009, STAR conducted a NOK105,000,000 private placement at a price of NOK120.00 per new share of STAR. The Company subscribed to 816,815 new shares to increase its number of owned shares to 7,089,349 shares following delivery of the new shares and increase its ownership interest to 73.6%.