SIEM INDUSTRIES INC.

2017

ANNUAL REPORT

The Company

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

Group Values

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

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To Our Shareholders:

The Company reports net income of $68,570,000, or $4.54 per share, attributable to shareholders for 2017.

Our core activities are the offshore oil and gas service and shipping industries. Both areas made good progress and delivered acceptable operating results in the present market environment. Our safety and quality performance records are of high standard with excellence in execution, thanks to our professional and focused organisation. We continue to build on our strength when opportunities arise, without compromising the delivery of predictability of our services.

The oil sector completed its fourth year of downturn caused by the fall in the oil price. The measures taken by the industry to reduce cost and the recovery of the oil price suggest that the market should turn for the better. We see high level of preparations for offshore field developments which are bound to increase the activity offshore in 18 to 24 months and beyond. This will benefit all offshore contractors although rates and pricing will linger in those segments with a large overcapacity of vessels and equipment.

Our ocean-shipping activities include specialised reefer vessel operation and car carriers. The overcapacity in the world's conventional container fleet has lowered container rates and attracted shippers of perishable goods away from the specialised reefer vessels. We have experienced a steady decline of the world reefer fleet for several years, a trend we expect to continue. Older vessels have been scrapped with materials recycled, but not replaced by new vessels. Although we see reduced activity and opportunity for the Company in this segment, we will continue to provide our customers a predictable service based on the high standards set by our strong operating team. In contrast to the reefer activities, we see the car carriers and roll-on/roll-off shipping services as a growth opportunity for the Company.

Subsea 7 S.A. delivered good financial and operational results in 2017, reflecting its ability to consistently deliver through the downturn. In a difficult market, our robust financial performance was driven by disciplined cost management and strong project execution. Our strategic actions, including the acquisition of certain businesses of EMAS Chiyoda Subsea (ECS) from Chapter11 and the alliance with Schlumberger, helped to lower the cost of projects for the clients, differentiated our services and increased our ability to win market share, driving superior shareholder returns.

The activity level and pricing continue to be affected by the fall in the oil price which occurred in 2014 and the postponement of offshore projects that followed. The industry has responded to lower income by numerous initiatives to reduce overall development cost. Coupled with the strong recovery of the oil price from its bottom below $30 a barre, the economics of field development are again strong and activity offshore is expected to pick-up as quickly as the necessary lead time for offshore installations require.

Revenue was $3.986 billion and EBITDA was $1.035 billion. Net income was $455 million and diluted earnings of $1.36 per share. A NOK5 per share cash dividend was paid in May 2018. The cash and backlog at year end was $1.109 billion and $5.208 billion respectively. Subsea 7 operates in 36 countries and employs more than 10,500 people.

Siem Offshore Inc. reported operating revenues of $415.3 million and EBITDA of $152.9 million for 2017. The net loss attributable to shareholders was $164.3 million, or a loss of $0.18 per share. The company's results were adversely affected by impairments of $150.3 million on certain vessels and receivables. No dividend will be paid. The cash and backlog at year-end were $64 million and $1 billion, respectively. Siem Offshore operates a fleet of 43 vessels worldwide and employs 1,182 people.

The imbalance between supply and demand for offshore vessels is expected to remain for several years and continue to adversely affect charter rates and cash flow from operations. The Company continues its cost control measures and to preserve liquidity for ongoing operations. The lenders to the company were approached again with a solid plan to assure liquidity in future years in the event that the recovery for the offshore supply vessel sector lags behind the market recovery and beyond 2019 or 2020. Overall debt has been reduced every year during the past three years of market downturn, including a reduction of $221 million in 2017, and was $1.3 billion at year-end. Siem Offshore is among the few companies in the OSV sector where banks have not been required to write-down loans. The write-down of debt, particularly through Chapter 11 bankruptcy procedures in the U.S., has benefitted some of our competitors and distorted the competitive playing field by lowering their capital costs. We believe, however, that we can continue to reduce debt from operating results based on the contract backlog and future contracting of our young and technically advanced fleet. Our bankers are generally supportive and appreciative of our actions during these difficult times; however, bank organisations are been somewhat paralysed by the regulatory environment and their own inability to make decisions. This is not helpful to the borrowers nor to the banks themselves.

The wholly-owned subsidiary, Siem Offshore Contracting GmbH (SOC), which installs electric cables to offshore windfarms in the renewable energy sector, was sold together with two purpose-built vessels to Subsea 7 in April 2018. We have believed for some time that SOC is better placed in Subsea 7 due to the nature of lump-sum contracts and the project execution which requires different experience and skills from those for ship operation and which is the core business of Subsea 7.

Siem Shipping Inc. reported revenue of $186.4 million and EBITDA of $17.9 million. The net loss was $15.8 million, or $1.75 per share in 2017. Vessel impairment was charged with $20.5 millon. No dividend will be paid. Cash and backlog at year end were $27.6 million and $349.0 million, respectively. The company operates 31 vessels and employs 835 people.

Siem Car Carriers Group, which includes the logistical operations of Siem Car Carriers AS and ownership of 2 vessels, reported gross revenue of $142.1 million and EBITDA of $5.2 million in 2017. Net income was $2,249,000.

At the end of 2017, Siem Car Carriers operated 15 vessels, including 10 chartered, 2 owned by the SCC Group and 3 by Siem Shipping Inc. Four vessels are under order from two shipyards, but delays and internal problems with one of the yards may result in only three vessels being delivered. The car carrier sector is well-supplied by vessels available from owners who have no operating capabilities and the market charter rates are favourable compared to the cost of ownership. We see the need for ocean transport of cars to continue for the foreseeable future, but with less growth than has been experienced historically.

Deusa International GmbH reported revenue of €51.7 million and EBITDA of €12.5 million in 2017. Net income before tax was €4.0 million. Deusa produced 102,504 metric tons of potash in 2017, a record year. In November, the company completed its merger with NDHE, another salt-mining and waste disposal operation in the area. The Deusa shareholders were diluted to 60% of the merged company, which is operating according to plan.

Venn Partners LLP had revenues of £7.1 million and EBITDA of £2.0 million. Venn Partners has experienced growth in revenue from fees in the Dutch mortgage business and in the Private Rental Sector initiative in the UK which has offset the slight decline in the commercial property lending business in the U.K. The Group continued to support the build-up of the Dutch mortgage origination business during 2017 and a second securitisation was successfully completed in the summer of 2017. A third securitisation is scheduled to take place in late-summer 2018. The Group is considering strategic alternatives for the Dutch mortgage business. Venn has 25 employees.

BSR Group Holding Ltd. delivered revenues of £14.6 million and EBITDA of £6.4 million in 2017. Net income was £5.5 million. The company operates and maintains 50 solar parks in the U.K. for third party owners and continues to seek development opportunities for solar parks both in and outside the UK. Our professional organization is now well-managed and new opportunities based on the expertise in the organization are being explored.

Flensburger Schiffbau-Gesellschaft mbH KG had revenues of €224 million, EBITDA of €650,000, and a net loss of €7.6 million. FSG delivered one well-intervention vessel and four ro-ro carriers during the year and contracted for four additional vessels during the year. The backlog is €696 million which will keep the yard occupied until 2020-2021. FSG employs 700 people. The Company has provided substantial financial and operational assistance to the yard with the intent to enable to the yard function as a standalone operation based on backlog, shipyard financing and profitability in the future. The strong Euro and fierce competition within the world shipbuilding industry requires FSG to deliver exceptional efficiency and quality to survive.

On behalf of the Board of Directors, I thank our shareholders and our clients for their continuing support and confidence. I thank our people and our business partners for their commitment to deliver results in a very competitive environment and at a time of challenging industry conditions.

Kristian Siem, Chairman
11 June 2018

Description of Business

Introduction to Business

Siem Industries Inc. operates as a diversified industrial holding company with its major holdings in the oil and gas service industry through its holdings in Subsea 7 S.A., Siem Offshore Inc., Siem OCV Pte. Ltd. and Electromagnetic Geoservices ASA, in the shipping industry through its holdings in Siem Shipping Inc., Siem Car Carriers AS, Siem RoRo Carriers Ltd. 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., Venn Partners LLP, Venn Capital S.a r.l., VSK Holdings Limited and BSR Group Holdings 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 "$" (or "USD"), "NOK", "GBP", "SEK" and "R$" refer to United States dollars, Norwegian kroner, British pounds, Swedish krona and Brazilian reals representing the lawful currencies of the United States, Norway, Great Britain, Sweden and Brazil, respectively, and "EUR" (or "Euros") refers to the official currency of the European Union.

Description of Major Industrial Holdings

Subsea 7 S.A.

At 31 December 2017, the Company beneficially owned 69,731,931 shares of Subsea 7 S.A. ("Subsea 7"; OSE Symbol: SUBC), or approximately 21.4% of its issued and outstanding shares. The Company accounts for Subsea 7 as an investment in associated company using the equity method.

Fiscal 2017 Discussion and Subsequent Events — Subsea 7 performed well and produced solid results reflecting its strong project execution and focus on cost efficiency. Revenues increased to $4.0 billion in 2017 from $3.6 billion in 2016, or a 12% increase, with much of the increase attributed to incremental revenues from renewable energy and conventional oil and gas projects. The EBITDA decreased to $1.0 billion in 2017 from $1.1 billion in 2016, or a decrease of 9%. The EBITDA has been impacted as larger projects that were awarded prior to the downturn were completed and lower margin projects awarded during the downturn became more prominent. The backlog decreased to $5.2 billion at the end of 2017 as compared to $5.7 billion at the end of 2016. Subsea 7 continues to have a strong liquidity position with a net cash balance in excess of $800 million and an undrawn revolving credit facility in excess of $600 million. The acquisitions undertaken by Subsea 7 in 2017 and 2018 and its joint ventures and alliances will continue to broaden and deepen the company's operations.

The following financial highlights show results and amounts for Subsea 7 S.A. for the years ended 31 December 2017 and 2016:

Subsea 7 Financial Highlights (in thousands):		*As of and for the Fiscal Periods Ended 31 December* 2017	2016
Financial Performance:	Revenues	$ 3,985,600	$ 3,566,700
	EBITDA	$ 1,035,000	$ 1,142,000
	Impairment charge	$ –	$ (90,400)
	Tax expense	$ (99,900)	$ (158,400)
	Net income (loss) attributable to shareholders	$ 454,800	$ 436,000
Financial Position:	Assets	$ 7,744,700	$ 7,803,000
	Liabilities	$ 1,803,700	$ 2,266,400
Other notable:	Capital expenditures	$ 146,700	$ 300,300
	Backlog	$ 5,208,000	$ 5,693,000

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

In March 2018, Subsea 7 announced that its board of directors had recommended that a dividend of NOK5 per share which was paid to shareholders in early May 2018.

In April 2018, Subsea 7 completed the acquisition of the shares of Siem Offshore Contractors GmbH, a wholly-owned subsidiary of Siem Offshore Inc. that is engaged in the offshore windfarm energy sector, and two specialized vessels supporting these activities.

At 29 May 2018, the Company beneficially owned 69,731,931 shares of Subsea7 S.A.

SIEM OFFSHORE INC.

At 31 December 2017, the Company owned a beneficial interest of 782,094,365 shares of Siem Offshore Inc. (OSE Symbol: SIOFF), or approximately 83.0% of its issued and outstanding shares.

In June 2017, the Company increased its share ownership by 82,984,357 shares when it exercised its subscription rights received pursuant to a NOK190 million Rights Issue conducted by Siem Offshore at a price of NOK1.90 per share.

Fiscal 2017 Discussion and Subsequent Events — At the end of 2017, Siem Offshore had 43 vessels in operation, including partially-owned vessels and vessels in layup. The fleet includes 11 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"), 10 large-capacity anchor-handling, tug and supply ("AHTS") vessels, 2 well-intervention vessels ("WIVs"), 5 Canadian-flagged vessels including both AHTS vessels and PSVs, 1 scientific core-drilling vessel, 6 smaller Brazilian-flagged vessels and 1 partially-owned WIV. The fleet also included 1 installation support vessel ("ISV") and 1 cable-lay vessel ("CLV") to support the activities of Siem Offshore Contractors.

The total backlog of firm contracts for the fleet was $800 million at the end of 2017 as compared to $900 million at the end of 2016.

In March 2017, meetings of the bondholders of Siem Offshore's two high-yield publicly-traded bonds was announced for the purpose to discuss a proposed extension of the maturity date by 2.75 years from each of the bonds' respective original maturity dates and proposed amendments to certain of the terms, conditions and financial covenants. The first bond for NOK600 million was a 5-year bond issued in 2013, SIOFF01. The second bond was a 5-year bond issued in 2014 for NOK700 million. The bondholders' meetings were held in mid-April and all proposals were approved subject to the condition that Siem Offshore must undertake a rights issue of approximately NOK190 million to strengthen the company's working capital. Siem Europe S.a r.l., the Company's wholly-owned subsidiary and largest shareholder of Siem Offshore, has agreed to underwrite the rights issue.

Siem Offshore completed the Rights Issue in June 2017 which culminated in the satisfaction of the conditions necessary to receive full acceptance of the Finance Plan which had been agreed with lenders in mid-2016 and the bondholders.

In the latter half of 2017, the Company embarked on a new initiative with its lenders to prepare for a possibly slower than expected recovery in the offshore support vessel sector because of excess capacity that had been built on speculation in previous years and because offshore activity has been growing at a slow pace.

One of the facets of the new finance plan will be a restructure of SIOFF01 and SIOFF02. In March 2018, the bondholders of these two public bonds convened to vote on new proposals made by Siem Offshore to exchange their existing bonds for a new convertible bond. Terms of the new convertible bond provided that bondholders would exchange the existing bonds at 80% of their nominal value for new bonds that have a 5-year maturity, bear interest at 2.75% p.a. and are convertible into shares of Siem Offshore at NOK3 per share. Bondholders of SIOFF01 voted down the proposals. Bondholders of SIOFF02 approved the proposals. The SIOFF02 bond agreement was subsequently amended to provide for the exchange. In April 2018, bondholders of SIOFF01 were offered the opportunity to exchange their bonds for the new SIOFF02 convertible bonds and more than NOK250 million accepted. The exchange has reduced Siem Offshore's debt by more than NOK190 million and reduced its interest expense.

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 for the European windfarm market. Siem Offshore built the cable-lay vessel, *Siem Aimery*, and installation-support vessel, *Siem Moxie*, specifically for use in the renewable energy sector.

The challenging market conditions continues to confront Siem Offshore, thus affecting the valuation of its fleet, and has resulted in impairment charges of $126.3 million against vessels and $24 million against projects and long-term receivables as compared to $60.2 million against vessels and $16.4 million against its receivables and research and development assets during 2016.

At the end of 2016, Siem Offshore recorded a currency exchange loss of $60.3 million following its decision to recognize currency losses that had accumulated as other comprehensive income ("OCI") in shareholder's equity in the financial statements of its wholly-owned subsidiary in Brazil. The decision was made after it was determined to be unlikely that the accumulated balance in OCI would naturally reverse during the course of operations as a result of the termination by Petrobras of certain long-term contracts for vessel services and by the continued weakness in the R$ compared to the USD.

The following financial highlights show results and amounts for Siem Offshore for fiscal years 2017 and 2016:

Siem Offshore Financial Highlights (in thousands)		*As of and for the Year Ended 31 December 2017*	*2016*
Financial Performance:	Operating revenue	$ 415,309	$ 469,123
	Operating margin	$ 152,897	$ 128,295
	Impairments of vessels, intangibles, other	$ (150,299)	$ (76,574)
	Currency exchange gains (losses)	$ (15,556)	$ (11,597)
	Currency loss on reversal of OCI	$ –	(60,319)
	Tax benefit (expense)	$ (9,087)	$ 626
	Net income attributable to shareholders	$ (164,324)	$ (142,436)
Financial Position:	Assets	$ 2,045,075	$ 2,413,390
	Liabilities	$ 1,571,464	$ 1,765,405
Other notable:	Capital expenditures	$ 20,031	$ 414,802

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

In April 2018, Siem Offshore completed the sale of SOC and the two vessels to Subsea 7 for an initial consideration of EUR140 million. Proceeds from the sales were used to repay the vessel loans and other loans and for working capital purposes.

At 29 May 2018, the Company beneficially-owned 782,094,365 shares of Siem Offshore, or 83.0%.

SIEM SHIPPING INC.

At 31 December 2017, the Company owned 7,436,498 shares of Siem Shipping Inc. (OSE Symbol: SSI), or approximately 82.6% of its issued and outstanding shares. The Company accounts for Siem Shipping as an investment in subsidiary company and consolidates its financial statements. Siem Shipping operates in the specialized shipping market under the STAR Reefers brand name and in the car carriers market as a provider of tonnage.

Siem Shipping was formally delisted from the Oslo Stock Exchange in February 2017 following a vote by its shareholders approving the motion to delist and the approval of its application for delisting by the Oslo Stock Exchange.

Fiscal 2017 Discussion and Subsequent Events – Siem Shipping Inc. is one of the world's leading specialized reefer vessel owners and operators. At the end of 2017, Siem Shipping directly controlled a modern fleet of 26 owned and chartered-in refrigerated container vessels ("reefers") with a total capacity of 15 million cubic feet ("cbft") and an average age of 13 years. The operations involve the ocean-borne transportation of refrigerated perishable commodities such as fruits and vegetables.

Siem Shipping took delivery of the *Star Spirit*, the first of two specialized reefer vessels which it had contracted for minimum 5-year periods, in January 2017 and took delivery of the *Star Courage* in the second quarter of 2017. Each of these newbuild vessels has a capacity of 650,000cbft in its refrigerator holds and capacity for 300 refrigerated containers on deck.

Siem Shipping also operates in the car carrier industry as the owner of three pure car-and-truck carriers ("PCTC") with the *Siem Cicero* being a newbuild delivered in June 2017 with a capacity of 7,000 car equivalent units ("CEU") and the other two being 2010-built sister vessels acquired in October 2017 with capacities of 4,900 CEU each. Four additional newbuild vessels of 7,000 CEU were on order at year-end. Management has provided management and technical support to this sector since 2012.

The following financial information shows Siem Shipping's results and amounts for 2017 and 2016.

Siem Shipping Financial Highlights (in thousands)		*As of and for the Year Ended 31 December* *2017*	*2016*
Financial Performance:	Net operating revenues	$ 141,846	$ 142,762
	EBITDA	$ 17,879	$ 25,643
	Net income (loss)	$ (15,773)	$ 4,415
Financial Position:	Assets	$ 316,494	$ 294,387
	Liabilities	$ 165,527	$ 127,645

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

At 29 May 2018, the Company owned 7,436,498 shares of Siem Shipping, or 82.6%.

SIEM CAR CARRIERS OPERATIONS

Siem Car Carriers ("SCC") is the owner of one 2000-built PCTC, previously acquired from a sister company, after a second 2000-built PCTC was sold in mid-2017. In December, the company acquired a 2009-built PCTC with a capacity of 5,100 CEU. The company also owns 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 RORO CARRIERS LTD.

The Company established Siem RoRo Carriers ("Siem RoRo"), a Cayman Islands company, as the holding company for three vessel-owning companies. A fourth vessel-owning company was established for Flensburger Schiffbau-Gesellschaft mbH & Co. KG ("FSG"). Each of these vessel-owning companies held separate contractc for the construction of one Roll-on/Roll-off ("RoRo") 4100-design vessel to be built at FSG in Germany for approximately EUR55 million each with deliveries scheduled to begin in 2017. At the time that the shipbuilding contracts were executed, the company had received contracts for two of the vessels for 5-year charters from one large operator and contracts for two of the vessels for 5-year charters from a second large operator with each charter set to commence upon delivery of the respective vessel from the shipyard. Each charter included purchase options.

Siem RoRo entered into separate loan facilities for the long-term financing of the two vessels chartered by each of the operators. One facility was for the amount up to EUR72,710,000 pre-delivery financing and up to EUR94,910,000 post-delivery financing for two vessels and the other facility was for the amount up to EUR71,542,000 pre-delivery financing and up to EUR92,782,000 post-delivery financing for the remaining two vessels.

During the fourth quarter 2016, the Company transferred a 49% interest in Siem RoRo Carriers to FSG as a form of capital contribution. Concurrently, FSG sold its interest in the vessel-owning company for the construction of one RoRo vessel to Siem RoRo Carriers.

The first RoRo vessel was delivered in April 2017 and the charterer announced its intention to exercise the purchase option with closing completed in August 2017. The remaining three RoRo vessels were delivered in 2017 and post-delivery financing was utilized for each of these three vessels.

SIEM OCV PTE. LTD.

Siem Investments established Siem OCV Pte. Ltd., a wholly-owned Singapore company, for the purpose to acquire ownership of the *Siem Daya 1*, an offshore subsea construction vessel ("OSCV"), following an agreement reached with the owner and the Export-Import Bank of Malaysia Berhad ("Ex-Im Bank"). Siem Offshore had sold the vessel, a sister vessel to OSCVs owned by Siem Offshore, to the owner in the fourth quarter of 2015 who used a loan from the Ex-Im Bank to finance the transaction. The owner experienced financial difficulties and it was determined that it was in the best interest of all parties that Siem OCV should acquire the *Siem Daya 1*. The price for the vessel was $82.7 million which was financed by the Ex-Im Bank. Siem OCV holds an irrevocable right to put the vessel back to the original owners who will deliver the vessel to the bank. The Company provided a guarantee of payment of interest on the loan for the first 2 years, or an exposure of approximately $6.4 million. At the time of the transaction, Siem OCV had secured a 3-year contract for the vessel offshore Nigeria. The vessel is presently working under contract.

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 the 83.0%-interest in Siem Offshore Inc., a 100% interest in Siem Kapital AS, a 100% interest in Venn Capital S.a r.l., a 24.9%-interest in Deusa International, a 40%-interest in BSR Group Holdings Ltd. (formerly, Sustainable Power Generation Ltd.), a loan for the Bradenstoke solar park and a 48.3%-interest in Grespo AB.

VENN PARTNERS LLP

Siem Kapital AS, a wholly-owned Norwegian company, owns a 44.5%-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 is responsible for arranging all aspects of the scheme and has successfully placed the first bond offering and has plans to place additional offerings throughout 2018.

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. The pension fund changed its investment strategy and Venn Capital II has since liquidated its portfolio.

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 funds from public pension plans. 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.

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 residential mortgages 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 successfully arranged the securitization of the portfolio held by Cartesian ("Ember 1"). 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 fully repaid the initial investments. 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 a subscription price of EUR8 million for 100% of the A-class shares. The A-class shares hold all 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.

VSK Holdings has capitalized on the experience gained in securitizing the initial residential mortgage portfolio. The company commenced the origination of residential mortgages with the objective to build a portfolio of approximately 350 million ("Ember 2"). Ember 2 was completed and the portfolio securitized in August 2017. A third portfolio ("Ember 3") is currently in the building process.

A warehouse facility has been established for the purpose to finance the origination of the residential mortgage loans. VSK Holdings contributes 5% towards the loan origination process and the bank contributes 95%. The Company has provided for VSK Holdings' funding requirements with a EUR20 million liquidity facility and its subscription of new B-class shares issued by VSK Holding.

The Company has accounted for VSK Holdings as an investment in subsidiary company and consolidated its financial statements with effect from 1 January 2015.

The Company discussed the sale of VSK Holdings and its mortgage origination business with prospective purchasers in 2017 and entered into negotiations with interested party. The parties reached an impasses on certain issues and the Company terminated the discussions. In March 2018, the Company invited offers for the sale of VSK and a transaction is expected to close by mid-2018. The net assets have been reclassified to assets held-for-sale in the balance.

VSK FINANCE LIMITED

The residential mortgage portfolios issue both fixed rate and variable rate mortgages. The notes issued in the securitization pay a variable rate and it was a requirement that the proceeds received from the fixed rate mortgages be swapped for variable rates. 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.

BSR GROUP HOLDINGS LTD ("BSR")

Siem Europe acquired a 40%-interest in BSR, formerly Sustainable Power Generation Ltd., for GBP6,200,000- at the end of September 2014. BSR 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. BSR also performs operations and maintenance activities after the solar parks go into operation.

The Company provided project financing to BSR 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, BSR used funds provided under other working capital facilities to undertake additional activities on smaller solar parks.

Although the timing for the sale of the solar parks had been delayed, all of the solar parks have now been sold with the exception of Bradenstoke. At present, Bradenstoke is currently generating power for the U.K.'s National Grid and may be marketed for sale at a later date. The Company provided more than GBP160 million to finance the engineering, procurement and construction activities. Proceeds from the sales of solar parks were sufficient to repay all of the loans, excluding the original project loan of GBP58 million to Bradenstoke, and generated significant gains for BSR.

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

Siem Offshore entered into two shipbuilding contracts with FSG for the construction of two modern large-tonnage well-intervention vessels in early 2014. These vessels were the subjects of charters that had been procured by Siem Offshore. The charters were scheduled to commence upon delivery of each vessel from the shipyard during 2016. Each charter was for a firm period of 7 years with options to extend the charter periods for up to 22 years. The successful deliveries of these vessels were important to Siem Offshore's business.

In September 2014, FSG informed Siem Offshore that it was experiencing liquidity problems. The Company formed a committee of stakeholders, including owners both 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 had declined to participate in the solution, for EUR1.00 and invested EUR6 million of additional capital, or approximately $7,514,000, in FSG. 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 continue to increase the backlog for the shipyard and find a long-term solution for the shipyard.

In October 2016, the Company contributed a 49% interest in Siem RoRo Carriers to FSG which was recorded as a capital contribution. Concurrently, FSG sold its interest in a vessel-owning company to Siem RoRo Carriers so that Siem RoRo Carriers now had 4 vessel-owning companies.

At the end of 2016, it was determined that the current market conditions created too much uncertainty concerning the timing for selling FSG to a larger shipyard group or finding a partner. As a result, the Company changed its accounting in FSG from a long-term asset held-for-sale to a full consolidation of FSG's financial statements with effect 1 January 2016.

DEUSA INTERNATIONAL GMBH — Siem Investments, a wholly-owned subsidiary of the Company, acquired a 49%-interest in Deusa International GmbH ("Deusa") in 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.

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. Effective 31 December 2015, the Company changed its accounting for Deusa from an investment in associate to an investment in subsidiary and has included Deusa's financial statements within the Company's consolidated financial statements.

In the third quarter of 2017, Deusa completed a merger with its neighboring facility. The neighboring facility has potash reserves and also has abandoned caverns which have used for waste storage.

At the closing of the merger, Deusa issued new shares such that its existing shareholders owned 60% of the issued and outstanding shares and the new shareholders owned the remaining 40%. The Company has advanced loans to Deusa since its first investment about 13 years ago to modernize the facility and expand its operations. The Company received principal repayments of EUR18.2 million during 2017 to reduce the loan balance from EUR42.3 million to EUR24.1 million.

Deusa has targeted a production capacity for operations of 120,000 metric tonnes ("mt") of potash. For 2015, 2016 and 2017, the production has steadily increased to 95,600mt, 101,600mt and 102,300. The financial performance showed EBITDA of EUR12.5 million and EUR8.4 million for 2017 and 2016, respectively.

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 owner 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 and, upon conclusion of the Rights Issue, Siem Investments acquired an additional 290,843,061 new shares in EMGS at NOK0.25 per share to increase its shareholding to 313,769,927 shares in EMGS, or 23.9% of the issued and outstanding shares. The accounting for EMGS was reclassified from an investment in trading securities to an investment in associate.

In March 2017, EMGS a new preferential rights issue for an amount equivalent to approximately USD17 million which was completed in July 2017. The rights issue will be underwritten by its three largest shareholders, which includes Siem Investments. Siem Investments exercised its subscription rights received in connection with its share ownership and acquired 14,025,202 new shares of EMGS, thus maintaining its ownership at 23.9%. EMGS used proceeds from the loan to buyback debt at discounts.

INVESTMENTS AND OTHER ACTIVITIES

DEEP SEAS INSURANCE LTD. — The Company acquired a 51%-interest in Deep Seas Insurance ("DSI"), a Cayman Islands captive insurance affiliate, in early-2006. DSI has provided 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. 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. At the end of

2016, the Company acquired the remaining 49% interest in DSI at book value from a subsidiary of Subsea 7 S.A. and DSI is now wholly-owned. The Company accounts for DSI as an investment in subsidiary.

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 325-375 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 below 100 hundred 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, buyback Common Shares which have been offered for sell to the Company by its shareholders. The Company purchased 12,000 Common Shares at $60.00 per share in May 2017 and these shares were retired.

At the end of the day on 13 April 2018, the best bid and ask prices were $63.20 and $63.20, respectively, with the most recent sale being 200 shares at $63.20 per Common Share on 11 April 2018. The 52-week high and low were $75.00 and $58.00, 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 last declared and paid an extraordinary cash dividend in May 2015 of $0.20 per Common Share.

CONTROL

The following table sets forth certain information, as of 13 April 2018 with respect to the only persons known to the Company who owned beneficially more than 10% of the Company's 15,105,681 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	66.9%
Kristian Siem	1,883,656	12.5%
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 2017. The fiscal years ended 31 December 2017 and 2016 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)	*2017*	*2016*	*2015*	*2014*	*2013*
FINANCIAL PERFORMANCE:					
Total income *(1)*	$ 1,012,442	$ 890,762	$ 706,648	$ 510,113	$ 357,016
Total expenses and other	(1,026,273)	(992,482)	(499,921)	(247,353)	(196,452)
Income (loss) before income tax expense	(13,831)	(101,720)	206,727	262,760	160,564
Income tax (expense) benefit	9,364	1,007	(2,413)	(975)	(273)
Net income (loss) from continuing ops	(4,467)	(100,713)	204,314	261,785	160,291
Loss on discontinued operations attributable to Common Shares	(9,052)	(8,988)	—	—	—
Net income (loss) from continuing ops	$ (13,519)	$ (109,700)	$ 204,314	$ 261,785	$ 160,291
Net income (loss) attributable to:					
Holders of Common Shares	$ 68,570	$ (73,632)	$ 228,844	$ 260,832	$ 159,337
Non-controlling interests	$ (82,089)	$ (36,068)	$ (24,530)	$ 953	$ 954
Earnings (loss) per Common Share:					
Basic and Diluted:					
Net income (loss) from continuing ops	$ 5.14	$ (4.27)	$ 15.12	$ 17.23	$ 10.47
Net income (loss)	$ 4.54	$ (4.86)	$ 15.12	$ 17.23	$ 10.47
FINANCIAL POSITION:					
Working capital	$ 266,820	$ 273,141	$ 27,232	$ 473,217	$ 316,670
Total assets	$ 4,558,427	$ 4,365,872	$ 3,924,511	$ 2,357,965	$ 2,820,795
Interest-bearing debt	$ 1,933,400	$ 1,749,184	$ 1,506,294	$ 417,212	$ 457,884
Shareholders' equity	$ 1,947,454	$ 1,910,893	$ 1,967,681	$ 1,776,515	$ 2,184,310
Weighted avg. no. shares outstanding	15,113	15,135	15,140	15,140	15,222
Ending no. of shares outstanding	15,108	15,120	15,140	15,140	15,140

(1) *Includes share of profit (loss) of associates of $99,103, $100,512, $72,758, $266,054, and $93,764 for each of the years ended 31 December 2017, 2016, 2015, 2014 and 2013, 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 2017, 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 March 2017, the board of directors of Subsea 7 recommended that shareholders approve a proposal to pay a cash dividend of NOK5 per share cash dividend at the annual shareholders' meeting in mid-April 2017. The proposal was approved and the dividend was paid in late April 2017.

In March 2017, the Company sent notice of its intent to exercise its right to redeem the $2 million of $445 million Exchangeable Bonds that remained issued and outstanding. These remaining bonds were redeemed at par plus accrued interest. The entire $445 million Exchangeable Bond issue has been cancelled.

In March 2017, the board of directors of EMGS recommended that its shareholders approve a proposal to carry out a preferential rights issue for an amount equivalent to approximately USD17 million. The shareholders approved the rights issue which was underwritten by EMGS' three largest shareholders, which included Siem Investments.

In March 2017, meetings were announced for the bondholders of Siem Offshore's two high-yield publicly-traded bonds, the first bond with an issue amount of NOK600 million (SIOFF01) maturing in 2018 and the second bond with an issue amount of NOK700 million (SIOFF02) maturing in 2019, to vote on proposals which included the extension of the maturity date by 2.75 years from each of the bonds' respective original maturity dates and proposed amendments to certain of the terms, conditions and financial covenants. The bondholders' meetings were held in mid-April and all proposals were approved subject to the condition that Siem Offshore complete a rights issue of approximately NOK190 million to strengthen the company's working capital. Siem Europe S.a r.l., the Company's wholly-owned subsidiary and largest shareholder of Siem Offshore, agreed to underwrite the rights issue.

In March 2017, the Company commenced an offer to buy up to NOK229 million principal amount of SIOFF01 bonds and up to NOK171 million principal amount of SIOFF02 bonds. The offer price was 72% of par for the SIOFF01 bonds and 69% of par for the SIOFF02 bonds, with related accrued interest, and was conditional upon approval of the proposals presented at the bondholders' meeting. At closing of the offer period, NOK98 million of the SIOFF01 bonds and NOK197 million of the SIOFF02 bonds had been tendered and were acquired at the end of April 2017.

In April 2017, Siem RoRo Carriers took delivery of the first in a series of four RoRo vessels that were under construction at FSG. As indicated previously, each of the four vessels had received 5-year charters which commence upon delivery of the vessel from the shipyard and, further, the charterers had been granted purchase options. The charterer of the first vessel exercised its purchase option and completed the purchase in August 2017. The second, third and fourth deliveries were made in July, September and December, respectively, with the vessels going immediately on charter. The post-delivery financings that had been arranged for each of the vessels was utilized upon delivery.

In March 2017, Siem Investments wholly-owned, Siem OCV Pte. Ltd., acquired ownership of the *Siem Daya 1*, an offshore construction vessel, following an agreement reached with the owner and the Export-Import Bank of Malaysia Berhad ("Ex-Im Bank"). The purchase price of $82.7 million was financed by the Ex-Im Bank. The Company agreed to contribute up to $2 million of working capital and guarantee payment of interest on the loan for the first 2 years, or a total exposure of approximately $6.4 million. A 3-year contract for the vessel offshore Nigeria had been secured to cover operating costs, interest and some debt service and minimize the exposure to the guarantee of interest payments. Siem OCV holds an irrevocable right to exercise a put option and put the vessel back to the seller.

In June 2017, Siem Offshore successfully completed its right issue. Siem Europe exercised its subscription rights that were distributed to all shareholders and received new shares reflecting its current ownership interest. The completion of the rights issue met the conditions that had been set by the lenders and the bondholders in order to fully accept the terms of the Finance Plan.

In June 2017, Siem Shipping took delivery of the *Siem Cicero* which is the first of 5 newbuild PCTC vessels with a capacity of 7,000 CEU to be completed.

In July 2017, EMGS successfully completed its rights issue. Siem Investments exercised its subscriptions rights and received new shares that reflected its current ownership interest. Proceeds of the issue were used to buyback debt and for working capital.

In September 2017, Siem Shipping acquired two 2010-built car carriers with a capacity of 4,900 CEU each for an aggregate price of $32 million. Siem Shipping used $6.4 million and a $25.4 million draw under its credit facility to finance the purchases.

In early-November 2017, the Company sold all of its NOK533.5 million holding in SIOFF02 bonds at a price of 72.99. In late-November 2017, the Company sold NOK80 million of its NOK234 million holding in SIOFF01 bonds.

In December 2017, Siem Car Carriers purchased a 2009-built PCTC vessel with a capacity of 5,100 CEU for $16.2 million. Siem Car Carriers used the proceeds from the recent sale of an older 2000-built PCTC vessel plus a $2.75 million loan from the Company to complete the purchase price.

Results of Operations

Fiscal Years Ended 31 December 2017 and 2016

Operating revenues recorded during fiscal years 2017 and 2016 were $809,999,000 and $772,406,000, respectively.

The share of profits (losses) of associates recorded during fiscal years 2017 and 2016 was approximately $99,103,000 and $100,512,000, respectively.

Interest income recorded during fiscal years 2017 and 2016 was approximately $19,214,000 and $40,449,000, respectively. The decrease reflects the repayment of high interest rate notes receivable that the Company had advanced in prior years.

Net gains (losses) on investments for fiscal years 2017 and 2016 were approximately $49,067,000 and $4,842,000, respectively. The gain includes $20,920,000- that was recognized on the Company's investment in SIOFF01 and SIOFF02 bonds. IFRS requires that the Company's investment in Siem Offshore's bonds, which were purchased at discounts, be recognized at nominal value so that the notes payable recorded by Siem Offshore are matched against the notes receivable in the Company's books. This derecognition is recorded as a gain in the income statement. In 2016, the Company recorded an exceptional gain arising from Siem Offshore's bargain purchase of the remaining 50% of Secunda in May 2016.

Re-valuation gains of $23,184,000 were recorded in 2017 with respect to the re-valuation of the financial derivative established in relation to the EUR Bonds. The gains partially reverse the comparative losses of $55,447,000 recorded in 2016. The valuation is subject to significant swings result from the volatility of the underlying share price and the currency exchange rates.

Operating expenses were $578,821,000 and $558,231,000 for fiscal years 2017 and 2016, respectively.

Depreciation and amortization expenses were $156,533,000 and $139,186,000 for 2017 and 2016, respectively. The increase in depreciation and amortization is related to the delivery of newbuild vessels to Siem RoRo Carriers and to Siem Shipping and the acquisitions of PCTC vessels.

Impairments of $173,479,000 and $95,780,000 were recorded for 2017 and 2016, respectively. The offshore oil and gas industry has continued to experience low activity and the offshore support vessel fleets have suffered. As a result of asset valuations performed by Siem Offshore at the end of each reporting periods, For 2017, Siem Offshore recorded impairments of $126,299,000 for vessels, $19,000,000 for a long-term receivable and $5,000,000 with respect to an investment in a subsidiary. Similarly, for 2017, Siem Shipping performed valuations of its vessels and recorded impairments of $20,543,000. Other vessel impairments included an amount for $2,637,000. For 2016, Siem Offshore recorded impairments of $60,180,000 vessels and $16,394,000 for its receivables and research and development assets. For 2016, Siem Car Carriers performed a valuation of its two older, smaller car carriers and recorded an impairment of $7,688,000.

Interest expense was approximately $68,161,000 and $55,695,000 for 2017 and 2016, respectively. The increase in interest expense is primarily attributed to a full year's expense on the EUR250,000,000 Exchangeable Bond and the financing of new vessels by Siem RoRo Carriers and Siem Shipping.

General and administrative expenses for fiscal years 2017 and 2016 were approximately $58,402,000 and $53,447,000, respectively.

Currency exchange gains (losses) were $22,991,000 and $(87,092,000) for 2017 and 2016, respectively. The Company holds a significant amount of non-U.S.-denominated holdings in cash and monetary investments during 2017 and 2016 which is subject to fluctuations in the currency exchange rates. However, the largest component of the net currency exchange losses was a $60.3 million loss which Siem Offshore recorded at the end of the year when it decided to reverse currency losses that had accumulated as other comprehensive income ("OCI") in shareholder's equity in the financial statements of its wholly-owned subsidiary in Brazil. The company made the decision after it had determined that it was unlikely that the accumulated balance in OCI would naturally reverse during the course of operations.

Income tax expense (benefit) for fiscal years 2017 and 2016 was $(9,364,000) and $(1,004,000), respectively. The tax benefit in 2017 is primarily the result of the recognition of deferred tax assets. Subsea 7 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 1.61 at 31 December 2017 as compared to 1.62 at the end of 2016. The interest-bearing debt-to-total assets ratios were 0.42 and 0.40 at 31 December 2017 and 2016, respectively.

The Company believes that its cash position, the 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 2018, Siem Shipping redelivered two reefer vessels to their owners in following the completion of two-year charters.

In March 2018, meetings were held by the bondholders of Siem Offshore's two bonds for the purpose to vote on proposed changes to the bond arrangements. The bondholders of the NOK600 million bond maturing in 2020 ("SIOFF01") voted against the proposals. The bondholders of the NOK700 million bond maturing in 2021 ("SIOFF02") approved the proposals. The SIOFF02 bond agreement was amended to provide for the exchange of the existing bond for a convertible bond at 80% of the nominal value of the existing bond. The interest rate is 2.75% p.a., the maturity is in early 2023 and the conversion price is NOK3 per share.

In March 2018, the Company invited offers for sale of its mortgage loan origination operations owned by VSK Holdings. A transaction is expected to close before the end of June 2018.

In April 2018, Siem Offshore sold the shares in its wholly-owned subsidiary, Siem Offshore Contractors GmbH, and the cable-lay vessel, *Siem Aimery*, and installation support vessel, *Siem Moxie*, to Subsea 7 for an initial consideration of EUR140 million. Proceeds from the sale were used to repay the banks loans on the two vessels and other loans.

In April 2018, EMGS commenced the subscription periods for the issuance of new shares at NOK2.45 per share under a Rights Issue to generate gross proceeds of approximately $12.5 million and the issuance of convertible bonds for $32.5 million following the approval of a comprehensive refinancing plan by the company's shareholders at an extraordinary general meeting held at the end of March. The Company and two other shareholders agreed to fully underwrite the bond issue with the Company's share of the underwriting amounting to $12,600,000-. The Company subscribed for 9,458,017 new shares in the Rights Issue corresponding to its 23.92% interest in EMGS' issued and outstanding shares. The Company also subscribed for 77,740 convertible bonds at $100 per bond.

Following completion of the Rights Issue and the Bond Issue in May 2018, the Company received 9,458,017 new shares of EMGS and 77,740 convertible bonds. In addition, the Company received an allocation of 49,060 convertible bonds.

In April 2018, the shareholders of Subsea 7 approved a NOK5 per share cash dividend at the annual shareholders' meeting with payment made in early-May 2018.

In late-April 2018, Siem Offshore offered the holders of SIOFF01 bonds the opportunity to exchange their SIOFF01 bonds for the new SIOFF02 convertible bonds. In May 2018, the Company exchanged its NOK236 million nominal amount of SIOFF01 bonds for NOK188.8 million of SIOFF02 convertible bonds. In addition to the Company's existing ownership of 782,094,365 shares, the Company has the right to acquire an additional 62,933,333 shares upon conversion of its bonds.

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*
M.D. Moross	Director *(1,2)*	1995	2018
Kristian Siem	Director and Chairman	1982	2019
Barry W. Ridings	Director *(1,2)*	1993	2019
Ivar Siem	Director	2007	2020

(1) *Member of Audit Committee.*

(2) *Member of Compensation Committee.*

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

Executive Officers

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

Kristian Siem is chairman of Subsea 7 S.A. and Siem Shipping Inc., a director on the boards of Siem Offshore Inc., 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 Senior Advisor to Lazard Frères & Co. and, previously, vice-chairman of U.S. Investment Banking for Lazard Frères & Co., chairman of LMDC Holdings and chairman of Lazard Middle Market LLC, a subsidiary of Lazard focusing on middle market mergers and acquisitions; also, a director on the boards of iStar Inc. and Republic Airways Holdings Inc.

Ivar Siem is the chairman and president of American Resources, Inc. 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 from 2005 to 2011 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.

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SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Dollars in thousands, except per share amounts)	Notes	*For Years Ended 31 December* 2017	2016
TOTAL REVENUES AND OPERATING EXPENSES:			
Total revenues	*10,23*	$ 809,999	$ 772,406
Operating expenses	*7,10,23*	(578,821)	(556,202)
Operating margin		231,178	216,204
OTHER INCOME			
Share of profits of associates	*5*	99,103	100,512
Interest income	*4*	19,214	40,449
Gains (losses) on investments and other assets, net	*12*	49,067	4,842
Gains on exceptional item - bargain purchase	*1,5,6*	—	18,312
Gains (losses) on re-valuation of financial derivatives, net	*8*	23,184	(55,447)
Other income		11,875	9,688
Total other income		202,443	118,356
EXPENSES AND OTHER:			
Depreciation and amortization	*6,7,13,23*	(156,533)	(139,186)
Impairment of vessels and investments	*5,6,23*	(173,479)	(95,780)
Interest expense	*8*	(68,161)	(55,695)
General and administrative expenses	*14,15,17,19*	(58,402)	(53,269)
Currency exchange gains (losses), net	*16*	22,991	(86,953)
Other expenses		(13,868)	(5,396)
Total expenses and other		(447,452)	(436,279)
Income (loss) before income tax expense		(13,831)	(101,719)
Income tax (expense) benefit	9	9,364	1,007
Income (loss) from continuing operations		(4,467)	(100,712)
Income (loss) on discontinued operations attributable to Holders of Common Shares	21	(9,052)	(8,988)
Net income (loss)		$ (13,519)	$ (109,700)
Net income (loss) attributable to:			
Holders of Common Shares		$ 68,570	$ (73,632)
Non-controlling interests		$ (82,089)	$ (36,068)
Earnings (Loss) per Common Share:			
Basic and Diluted:			
Attributble to Holders of Common Shares for net income (loss) from continuing operations		$ 5.14	$ (4.27)
Attributble to Holders of Common Shares for net income (loss)		$ 4.54	$ (4.86)
Weighted avg. no. of Common Shares outstanding for period		15,112,613	15,135,200

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* 2017	2016
Net income (loss)	$ (13,519)	$ (109,700)
Items that may be reclassified to the income statement in subsequent periods:		
Currency exchange differences	$ (35,342)	$ 931
Share of other comprehensive income of associates	28,637	(47,710)
Items that will not be reclassified to the income statement in subsequent periods:		
Share of other comprehensive income of associates	86	107
Other comprehensive income (loss)	(6,619)	(46,672)
Total comprehensive income (loss)	$ (20,138)	$ (156,372)
Total comprehensive income (loss) attributable to:		
Holders of Common Shares from discontinued operations	$ (9,052)	$ (8,988)
Holders of Common Shares from continuing operations	$ 71,003	$ (111,316)
Non-controlling interests	$ (82,089)	$ (36,068)

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 2017*	*31 December 2016*
ASSETS:			
Current assets:			
Cash and cash equivalents	*3*	$ 193,997	$ 233,394
Accounts receivable		100,378	69,353
Accrued interest receivable		2,643	16,667
Trading securitites	*4*	8,929	5,064
Inventories		20,575	20,778
Work-in-process for vessels under construction		177,484	120,398
Notes, loans and other receivables	*4*	7,419	105,536
Due from affiliates	*19*	–	2,293
Prepaid expenses and other current assets		92,819	135,935
Noncurrent assets held-for-sale	*5,6*	102,592	1,099
Total current assets		706,836	710,517
Restricted cash	*3*	77,246	85,315
Notes, loans and other receivables	*4*	175,751	72,030
Investments in associates	*5*	1,191,312	1,130,400
Vessels, property and equipment, net	*6,7*	2,369,592	2,324,239
Other assets and long-term receivables	*4,9*	37,690	43,371
Total Assets		$ 4,558,427	$ 4,365,872

LIABILITIES AND EQUITY:			
Current liabilities:			
Accounts payable, other accrued costs and short-term liabilities		$ 147,209	$ 105,037
Accrued interest payable		13,193	13,148
Due to affiliates	*19*	1,936	–
Current maturities and short-term notes	*8*	178,229	165,486
Other accrued costs and short-term liabilities	*16*	99,449	153,705
Total current liabilities		440,016	437,376
Long-term debt and notes payable	*8*	1,755,171	1,583,698
Financial derivatives	*8*	116,553	122,019
Other liabilities and deferred credits	*14,16*	150,423	94,479
Total Liabilities		2,462,163	2,237,572
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, 15,107,631 and 15,119,681 shares issued and outstanding, respectively	*20*	3,777	3,780
Additional paid-in capital		105,405	105,405
Retained earnings		1,930,970	1,863,118
Currency translation reserves		(25,031)	10,311
Other reserves		(67,667)	(71,721)
Total shareholders' equity		1,947,454	1,910,893
Non-controlling interests		148,810	217,407
Total Equity		2,096,264	2,128,300
Total Liabilities and Equity		$ 4,558,427	$ 4,365,872

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

SIEM INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands, except number of shares)	*Attributable to Common Shares* — *Common Shares* *Number*	*Common Shares* *Share Capital*	*Additional Paid-in Capital*	*Retained Earnings*	*Currency Translation Reserves*	*Other Reserves*	*Non-Controllin Interests*
Balances at 31 December 2015	15,139,681	$ 3,785	$ 105,405	$ 1,937,711	$ 9,380	$ (88,600)	$ 177,381
Net income (loss)	–	–	–	(73,632)	–	–	(36,068)
Currency translation differences	–	–	–	–	931	–	–
Share of other comprehensive income (loss) of associates	–	–	–	–	–	(47,603)	–
Total comprehensive income (loss)	–	–	–	(73,632)	931	(47,603)	(36,068)
Purchase and retirement of Company shares	(20,000)	(5)	–	(1,095)	–	–	–
Subsidiary completes offer to buyback shares from third parties	–	–	–	–	–	–	(794)
Increase interest in subsidiary	–	–	–	–	–	–	(755)
Establish Siem AHTS Pool, issue 21.84% to NCI	–	–	–	–	–	–	77,953
Reclsss adjustment recognized in income statement	–	–	–	–	–	60,319	–
Other	–	–	–	134	–	4,163	(310)
Total transactions with owners	(20,000)	(5)	–	(961)	–	64,482	76,094
Balances at 31 December 2016	15,119,681	$ 3,780	$ 105,405	$ 1,863,118	$ 10,311	$ (71,721)	$ 217,407
Net income (loss)	–	–	–	68,570	–	–	(82,089)
Currency translation differences	–	–	–	–	(35,342)	–	–
Share of other comprehensive income (loss) of associates	–	–	–	–	–	28,723	–
Total comprehensive income (loss)	–	–	–	68,570	(35,342)	28,723	(82,089)
Purchase and retirement of Company shares	(12,000)	(3)	–	(718)	–	–	–
Contribution from non-controlling interest of consolidated subsidiary	–	–	–	–	–	–	7,716
Other	–	–	–	–	–	(24,669)	5,776
Total transactions with owners	(12,000)	(3)	–	(718)	–	(24,669)	13,492
Balances at 31 December 2017	15,107,681	$ 3,777	$ 105,405	$ 1,930,970	$ (25,031)	$ (67,667)	$ 148,810

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* *2017*	*2016*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		$ (13,519)	$ (109,700)
Adjustments to reconcile net income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation and amortization, including drydocking amortization	6,7	156,533	139,186
Share of profits of associates	5	(99,103)	(100,512)
Losses (Gains) on investments and other assets, net	12	(49,067)	1,107
Losses (Gains) on re-valuation of financial derivatives, Exchangeable Bonds	8	(23,184)	55,447
Gain on exceptional item - bargain purchase	5	–	(18,312)
Impairment of vessels and investments	6	154,479	67,868
Impairment of investments in intangible assets	6	–	1,015
Impairment of long-term receivables	4	19,000	26,897
Deferred compensation expense (reversal) for performance unit plan	14	(1,567)	4,234
Currency exchange losses (gains)	16	(22,991)	87,092
Other		(13,018)	10,055
Changes in assets and liabilities:			
(Increase) Decrease in:			
Accounts receivable, other		(25,957)	7,305
Accrued interest receivable		14,024	377
Trading securities		(2,635)	5,472
Inventories		323	(4,265)
Work-in-process for vessels under construction		(57,086)	(120,398)
Prepaid expenses and other current assets		21,300	(62,032)
Increase (Decrease) in:			
Accounts payable		42,172	57,454
Accrued interest payable		652	(2,645)
Due to affiliates		4,229	(18,338)
Other accrued costs and short-term liabilities		(42,256)	–
Net cash provided by (used in) operating activities		62,329	27,307
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to notes receivable and other investments	4	(149,515)	(49,786)
Proceeds from repayment of notes receivable and other investments	4	73,849	177,458
Investments in associates	5	(16,899)	(1,374)
Distributions from associates	18	84,043	17,078
Reclass net assets held-for-sale	21	(6,012)	–
Proceeds from sales of vessels, shipping-related assets and other	6	40,088	12,543
Proceeds from sales of investments in associates		432	–
Capital expenditures for vessels, shipping-related assets and other	6,7	(351,799)	(463,422)
Cash acquired upon consolidation of subsidiaries, net of cash paid	17	–	4,599
Other		32,906	(17,430)
Net cash provided by (used in) investing activities		(292,907)	(320,334)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Buyback and retire Common Shares		(721)	(1,100)
Proceeds from long-term debt and notes payable	8	579,999	786,552
Repayment of long-term debt and notes payable	8	(442,573)	(210,196)
Redemptions and repurchases of Exchangeable Bonds	8	(2,004)	(316,202)
Contribution from non-controlling interest owners		7,716	–
(Increase) Decrease in restricted cash	3	8,069	19,987
Other		42,413	(7,311)
Net cash provided by (used in) financing activities		192,899	271,730
Net increase (decrease) in cash and cash equivalents		(37,679)	(21,297)
Cash and cash equivalents, beginning of period		233,394	221,849
Effect of exchange rate changes on cash		(1,718)	32,842
Restricted cash	3	77,246	85,315
Total cash and cash equivalents, including restricted cash, end of period	3	$ 271,243	$ 318,709

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during period for:	Interest	$ 66,116	$ 58,879
	Taxes	$ 1,207	$ 1,179

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 2017, the Company held beneficial ownerships in the following major holdings: 69,731,931 shares, or 21.4% 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; 782,094,365 shares, or 83.0%, of Siem Offshore Inc. ("Siem Offshore"; OSE Symbol: "SIOFF"), a publicly-traded Cayman Islands company that had 43 vessels in operation at year-end; 7,436,498 shares, or 82.6%, 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 26 owned and chartered-in vessels engaged in the refrigerated transportation of fruits and other perishable products and 3 pure-car-and-truck carriers ("PCTC") vessels in operation with 4 additional PCTC vessels under construction, each newbuild with a capacity of 7,000 CEU ("car equivalent units"), 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 beneficial 100% interest in Siem RoRo Carriers Ltd. (51% interest held directly and 49% held by FSG, see below), a Cayman Islands company, and owner of three RoRo vessel presently under 5-year charters which commenced upon the vessels' deliveries in 2017; a 44%-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 44.3%-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 mbH & Co. ("FSG"), a German company engaged in the shipyard construction of large vessels and owner of a 49% interest in Siem RoRo Carriers; a 40%-interest in BSR Group Holdings Limited (formerly, Sustainable Power Generation Ltd.) ("BSR"), a U.K. company engaged in the engineering, procurement and construction of solar parks in the U.K..; a 20%-interest in Siem Oil Service Invest Holdings Limited, a U.K. company that is positioned to opportunistically acquire distressed oil-related assets; a 100%-interest in Siem OCV Pte. Ltd., a Singapore company, which is owner of an offshore construction vessel; and a 100%-interest in Seven Yield AS, a Norwegian company which plans to build a diversified portfolio of shipping assets and to engage in the long-term charter of these assets to financially-sound counter-parties. The Company also has smaller investments in Deep Seas Insurance Limited, a 100%-owned Cayman Islands, which operates as a 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 2017, 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 66.9% of the issued and outstanding shares, of the Company's Common Stock. Mr. Siem personally owned 1,882,856 shares, or approximately 12.5% 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 2017, Subsea7, BSR, Venn Partners and EMGS represented significant associates of the Company and Siem Offshore, Siem Shipping, Siem Car Carriers Inc., Siem Europe, VSK Holdings, Deusa, FSG and Siem RoRo Carriers represented 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 IFRS 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 2017

The Company adopted certain International Financial Reporting Standards ("IFRS"), amendments and interpretations which were effective for periods commencing on or after 1 January 2017 which did not have a significant impact on the Company's performance or financial position:

IAS 7 (Amendments), "Statements of Cash Flows".

IAS 12 (Amendments), "Recognition of Deferred Tax Assets for Unrealized Losses".

Annual improvements to IFRS 2015-2017 Cycle.

Standards, Interpretations and Amendments to Published IFRS Effective for Fiscal 2018 or Later

The following IFRS standards, amendments and interpretations are effective for periods commencing on or after 1 January 2018. 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 focuses on the classification and measurement of financial assets as defined in IAS 39, requires a change from an incurred loss to an expected credit loss impairment model and introduces new principle-based hedge accounting rules with the objective to create better alignment with risk management practices. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and, with the exception for hedge accounting, is to be applied retrospectively. The Company has adopted IFRS 9 and will not restate comparative information. The implementation of this standard will not have a significant impact on its consolidated balance sheet or statement of comprehensive income.

IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces *IAS 18, Revenue* and *IAS 11, Construction Contracts* upon which certain of the Company's current revenue recognition policies are based and establishes a single comprehensive 5-step model for entities to use in accounting for consideration which the Company expects to receive in exchange for transferring goods or services to a customer.

IFRS 15 is required to be adopted by either full retrospective application or a modified retrospective application for reporting periods beginning on or after 1 January 2018. The Company will use the modified retrospective approach following its adoption. IFRS 15 will require an increased level of disclosure within the Company's consolidated financial statements.

IFRS 16, "Leases". IFRS 16 replaces *IAS 17, Leases* and establishes new recognition, measurement and disclosure requirements for both parties to a lease contract. This standard defines a lease as a contract or part of a contract that conveys the right use an asset for a specified period of time in exchange for consideration and eliminates the classification of a lease as either an operating or a finance lease 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 result in significant changes to the accounting currently applied by the lessee but little to no change for accounting applied by lessors. Leases previously accounted for as finance leases will experience only minor changes. Leases previously accounted for as operating leases will experience significant changes which includes impacts to the balance sheet by increased financial liabilities and the corresponding leased assets and to the income statement by the addition of interest and depreciation expenses which replaces operating lease expenses.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early adoption permitted. A lessee may implement this standard using either a full retrospective application or a modified retrospective application. The adoption of this standard will result in a number of leases currently classified as operating leases being recognized on the balance sheet. The Company will not restate comparative information.

IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration". This interpretation clarifies the spot exchange rate to be used on both the initial recognition and subsequent de-recognition (including any associated income or expense) of a non-monetary asset or liability related to advance consideration in a foreign currency. Further, the interpretation clarifies that the date of the transaction is the date on which the non-monetary asset or liability resulting from advance consideration should be recognized. It also clarifies that individual transaction dates must be identified when there are multiple payments or receipts in advance. This interpretation is effective for reporting periods beginning on or after 1 January 2018. The Company does not expect this interpretation to have a significant impact on its consolidated financial statements.

IFRIC Interpretation 23, "Uncertainty over Income Tax Treatment". This interpretation clarifies the accounting for income taxes when tax treatments involve uncertainty which affects the recognition and measurement requirements within *IAS 12 Income Taxes*. This interpretation addresses whether an entity should consider uncertain tax treatments separately, the assumptions that an entity makes about the examination of tax treatment by taxation authorities, how an entity determines taxable income, tax bases, unutilized tax losses, tax credits and tax rates and how an entity should respond to changes in facts and circumstances. An entity should assess whether to consider uncertain tax treatment separately or together and should follow the approach that more appropriately predicts the resolution of the uncertainty. This interpretation is effective for reporting periods beginning on or after 1 January 2019. The Company does not expect this interpretation to have a significant impact on its consolidated financial statements.

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

	Percentage Change	*2017*	*2016*
Currency:			
NOK/USD	(5.1)%	8.2068	8.6443
USD/GBP	(8.6)%	1.3513	1.2345
USD/EUR	(12.4)%	1.2003	1.0520
BRL/USD	1.8%	3.3123	3.2550

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 other comprehensive income.

Currency exchange gains or losses are included in fair value changes for assets and liabilities measured at fair value through profit and loss.

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 through other comprehensive income 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 as a separate component of equity.

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 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.

The Company uses estimates during the application of the percentage-of-completion method in accounting for its fixed price construction contracts related to activities of Siem Offshore Contractors, a wholly-owned subsidiary of Siem Offshore based in Germany. Siem Offshore Contractors is involved in the design, procurement and installation of submarine power cables for the renewable energy industry. These estimates are used as a measurement for revenue recognition purposes and are based on an assessment of certain technical criteria in the project execution plan that have to be met in order to determine the level of percentage-of-completion rather than simply using costs incurred to expected costs as the measure of completion.

Similarly, FSG uses the percentage-of-completion method to account for its shipbuilding contracts to estimate the stage of completion of contract activity at each reporting date. Revenue recognition and cost estimates are dependent upon such variables as steel prices, supplier and subcontractor costs, labor costs and availability and other production inputs.

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 RECEIVABLE AND POSSIBLE IMPAIRMENTS

Accounts receivable includes 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 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 recognized 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 determined that it will 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.

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.

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 increased 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.

Upon issuance of the EUR Bonds at the end of May 2016, the Company segregated the EUR Bonds into a debt liability and financial derivative.

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.

Revenues reported by Siem Offshore Contractors during the performance of its fixed price offshore construction contracts for the design, procurement and installation of submarine power cables for the offshore windfarm industry are based on the percentage-of-completion method. Management estimates completion based on an assessment of certain technical criteria in the project execution plan that have to be met in order to achieve a certain level of percentage-of-completion. Since the primary risk in the execution of a project arises during the offshore installation phase, a profit margin will not recorded on the contract until the project has reached a minimum 25% technical completion and the offshore installation phase has commenced. Prior to reaching a minimum 25% technical completion and, subject to a projected positive margin on the contract, project revenues are accrued to match the actual costs incurred at the estimated stage.

Revenues reported by FSG are based on the percentage-of-completion method which determines the stage of completion of vessel construction activity at each reporting date. Revenue recognition and cost estimates are dependent upon such variables as steel prices, supplier and subcontractor costs, labor costs and availability and other production inputs. FSG must also evaluate and estimate the effects of variation orders, contract claims and requests from customers involving complex negotiations. Since the primary risk in the execution arises during the construction phase, a profit margin will not recorded on the shipbuilding contract until the project has reached a minimum 25% technical completion of the project and the construction phase has commenced. Prior to reaching a minimum 25% technical completion and, subject to a projected positive margin on the contract, project revenues are accrued to match the actual costs incurred at the estimated stage

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.

CHARTER CONTRACTS

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 IAS 19 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 2017, 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.

Previously, certain of Siem Offshore's activities were structured to be in compliance with the regulations promulgated by the Norwegian Tonnage Tax Regime ("TTR"). Siem Offshore exited the TTR with effect at the beginning of 2015.

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)	*2017*	*2016*
Total cash and cash equivalents	$ 271,243	$ 318,709
Less: Restricted cash – bank loans and guarantees	11,900	9,100
Less: Restricted cash – CIRR deposits	65,346	76,215
Cash and cash equivalents - current assets	$ 193,997	$ 233,394

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)	*2017*	*2016*
Cash and cash equivalents denominated in following currencies:		
USD	$ 118,377	$ 182,570
NOK	49,876	25,289
EUR	67,816	75,360
GBP	20,050	19,405
BRL	4,971	4,722
Other	10,153	11,363
Total cash and cash equivalents	$ 271,243	$ 318,709

(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)	*2017*	*2016*
Trading securities:		
Listed equity securities	$ 8,929	$ 5,064
Trading securities, net fair value	$ 8,929	$ 5,064

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

(in thousands)	*2017*	*2016*
Trading securities:		
Balance, 1 January	$ 5,064	$ 9,883
Purchases	6,707	6,729
Proceeds from sales	(4,071)	(12,200)
Gains (losses), see Note 12	861	1,097
Currency exchange gains (losses), see Note 16	368	(445)
Trading securities, 31 December	$ 8,929	$ 5,064

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)	*2017*	*2016*
Notes, loans and other receivables:		
Listed securities:		
Floating rate notes	$ 8,982	$ 6,750
Unlisted securities:		
Notes receivable, various rates	174,188	170,816
Notes, loans and other receivables	$ 183,170	$ 177,566
Notes, loans and other receivables:		
Current	$ 7,419	$ 105,536
Noncurrent	$ 175,751	$ 72,030

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

(in thousands)	*2017*	*2016*
Notes, loans and other receivables:		
Balance, 1 January	$ 177,566	$ 339,241
Additions and purchases	135,534	49,786
Proceeds from maturities, repayments and sales	(73,849)	(177,458)
Gains (losses) on investments, net, see Note 12	5,439	—
Reclassification to assets held-for-sale	(95,075)	—
Currency exchange gains (losses), see Note 16	18,788	(34,003)
Other	14,767	—
Notes, loans and other receivables, 31 December	$ 183,070	$ 177,566

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.

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.

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 with a good return but the ongoing investment was considered minor to its portfolio and a decision was made to exit.

VSK Holdings used the aggregate EUR11.5 million which it received in March 2015 to commence the origination of residential mortgages. The intent is to build-up a sizable portfolio using a loan warehouse arrangement and then to securitize the portfolios as it had successfully undertaken with the original portfolio. The mortgage origination activities were suspended in late-2015 to re-work the mortgage origination process and activities recommenced in 2016. A securitization was completed in the third quarter of 2017 and the aggregation of a new mortgage portfolio was initiated. The Company has funded the equity portion of the activities through the subscription of additional B-class shares issued by VSK Holdings which proceeds VSK Holdings then invests into its loan origination business.

The Company discussed the sale of VSK Holdings and its mortgage origination business with prospective purchasers in 2017 and entered into negotiations with interested party. The parties reached an impasses on certain issues and the Company terminated the discussions. In March 2018, the Company invited offers for the sale of VSK and a transaction is expected to close by mid-2018. The net assets have been reclassified to assets held-for-sale in the balance.

BSR Group Holdings Ltd. — BSR Group Holding Ltd. ("BSR"), formerly Sustainable Power Generation Ltd., is owned 40% by the Company. BSR 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. During 2015 and into early-2016, the Company 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. All of the solar parks have been sold with the exception of Bradenstoke. At present, Bradenstoke is currently generating power for the U.K.'s National Grid and may be marketed for sale at a later date. The Company provided more than GBP160 million to finance the EPC activities. Proceeds from the sales of solar parks were sufficient to repay all of the loans, except for the project loan of GBP58 million advanced to Bradenstoke.

Siem Offshore Inc. — In consolidation, the Company recorded certain of Siem Offshore's long-term receivables as "Other assets and long-term receivables" in the balance sheet. These receivables related to outstanding hire where the charterer experienced financial difficulties and a seller's credit on the sale of a vessel where the buyer experienced financial difficulties. At the end of 2017, Siem Offshore recorded an aggregate $19,000,000- impairment for these receivables.

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 2017.

(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 2017	Subsea 7 S.A.	21.3%	$ 97,271	$ 1,141,230
	Venn Partners	44.5%	(2,111)	1,703
	Venn Capital II	9.7%	3,392	27
	VeCREF	18.7%	1,229	29,539
	BSR	40.0%	3,716	18,259
	EMGS	23.2%	(5,150)	(2,948)
	Siem Offshore's Associates	various	580	1,535
	Other		176	1,967
			$ 99,103	$ 1,191,312
31 December 2016	Subsea 7 S.A.	21.3%	$ 92,891	$ 1,055,222
	Siem Capital	64.0%	1,841	8
	Venn Partners	44.5%	3	4,211
	Venn Capital II	9.7%	1,733	22,576
	VeCREF	18.7%	3,249	33,239
	BSR	40.0%	13,413	13,690
	EMGS	23.2%	(12,637)	(1,858)
	Siem Offshore's Associates	various	19	2,717
	Other		—	595
			$ 100,512	$ 1,130,400

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

(in thousands)	*2017*	*2016*
Investments in associates:		
Balance, 1 January	$ 1,130,400	$ 1,107,434
Additions to investments	16,899	1,374
Share of profits (losses) of associates	99,103	100,512
Accounting change from investment in associate to consolidation	–	(13,923)
Proceeds from sales or disposals	(432)	–
Dividends or distributions by associates	(84,043)	(17,078)
Share of associates' other comprehensive income	28,723	(47,603)
Cumulative translation adjustments	941	(277)
Currency exchange gains (losses), net, see Note 16	62	(39)
Other	(341)	–
Investments in associates, 31 December	$ 1,191,312	$ 1,130,400

Subsea 7 — Subsea 7 Inc., the predecessor to Subsea 7 S.A., was created by the merger of the offshore subsea construction and development activities of the Company and a subsidiary of a major oil services company. In 2011, the business combination that created Subsea 7 S.A. was completed and the Company's ownership interest was diluted from approximately 44.4% to approximately 20.5%of the merged entity. Share buybacks by Subsea 7 have increased the Company's ownership to 21.3%.

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 is responsible for arranging all aspects of the scheme and has built-up the organization to address the needs of the new activity.

Electromagnetic Geoservices ASA ("EMGS") — EMGS is the owner of proprietary electromagnetic technology which supports the offshore oil and gas industry in its search for viable prospects. Following the conclusion of a Rights Issue conducted by EMGS at the end of 2015, the Company increased its ownership in EMGS from 11.5% to 23.9% of its issued and outstanding shares.

BSR Group Holdings Ltd. ("BSR") — The Company acquired a 40%-interest in BSR, formerly Sustainable Power Generation Ltd., at the end of September 2014. BSR has been 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. BSR also performs operations and maintenance activities after the solar parks go into operation.

Venn Commercial Real Estate Fund ("VeCREF") — VeCREF was established in September 2015 for the purpose to invest pension funds held by certain counties located in the U.K. into financial instruments issued by developers of commercial real estate. The initial size of the fund was GBP160 million and Venn Capital ("VCap") agreed to commit up to GBP30 million, or an interest of 18.66%, into the fund. VCap transferred all but one of its commercial real estate notes receivable into VeCREF.

(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):

	2017		2016	
(in thousands)	*Vessels and Related Assets*	*Property, Equipment and Other*	*Vessels and Related Assets*	*Property, Equipment and Other*
Cost:				
Balance, 1 January	$ 3,129,308	$ 106,023	$ 2,567,432	$ 47,446
Adjustments related to Deusa	—	—	3,404	46,446
Adjusted balance, 1 January	3,129,308	106,023	2,570,836	93,892
Additions following consolidations:				
Secunda and Siem AHTS Pool	—	—	183,631	—
FSG	—	—	—	16,729
Deusa	660	19,422	—	—
Capital expenditures	349,221	8,299	441,904	6,967
Disposals	(112,339)	(621)	(59,853)	(12,198)
Reclassification to Held-for-Sale	—	—	(1,099)	—
Reclass/transfer between asset groups	2,705	1,783	(3,461)	2,794
Translation adjustment and other	13,775	13,864	(2,650)	(2,161)
Cost, 31 December	3,383,330	148,770	3,129,308	106,023
Accumulated depreciation/impairment:				
Balance, 1 January	$ (891,774)	$ (53,844)	$ (755,467)	$ (9,244)
Adjustments related to Deusa	—	—	(3,404)	(46,446)
Other	—	—	226	(453)
Adjusted balance, 1 January	(891,774)	(53,844)	(758,645)	(56,143)
Depreciation, see Note 13	(134,831)	(11,258)	(114,367)	(8,136)
Disposals and eliminations	80,210	580	49,323	9,203
Impairment	(149,479)	—	(67,868)	—
Reclass/transfer between asset groups	(7,329)	—	—	—
Translation adjustment and other	(15,630)	(6,115)	(217)	1,232
Accum. depreciation, 31 December	(1,118,833)	(70,637)	(891,774)	(53,844)
Net book value, 31 December	2,264,497	$ 78,133	$ 2,237,534	$ 52,179
Property, equipment and other, net	78,133		52,179	
Deferred drydocking costs, see Note 7	26,962		34,526	
Vessels, property and equipment, net	$ 2,369,592		$ 2,324,239	

Siem RoRo Carriers received delivery of 4 newbuild ro-ro (roll-on/roll-off) carrier vessels from the Company's wholly-owned shipyard, Flensburger Schifffbau-Gesselschaft ("FSG"), and all 4 immediately commenced 5-year charterparty contracts. The charterer of the first vessel exercised its purchase option shortly after delivery.

Siem Offshore recorded impairments related to its vessels of $126.3 million and $60.2 million in 2017 and 2016, respectively. The offshore supply vessel sector has been hard hit because of overcapacity arising from speculative newbuild programs in recent years and because of the downturn in offshore oil and gas drilling programs.

Siem Shipping recorded impairments of $20.5 million with respect to its older, less efficient refrigerated vessels. Siem Shipping's operation in the specialized refrigerated transportation of fruits and other products has experienced significant competition from the regular container lines as the container lines offer lower rates in an effort to build market share and generate activity for vessels in the overbuilt container lines.

Siem Shipping took delivery of the first of three newbuild pure car-and-truck carrier vessels ("PCTC") with a capacity of 7,000 CEU (car equivalent unit) in mid-2017. In addition, the Company purchased two

2010-built PCTCs, each with a capacity of 4,900 CEU, and a 2009-built PCTC with a capacity of 5,100 CEU. It appears that the timing of these acquisitions was opportune as the market has strengthened since the purchases.

Siem OCV Pte. Ltd. ("Siem OCV"), a Singapore company owned by Siem Investments which is a wholly-owned subsidiary of the Company, was established in 2017 for the purpose to acquire the *Siem Daya 1*, an offshore subsea construction vessel ("OSCV"), whose owner had experienced serious financial difficulties following the downturn in the oil and gas industry. Siem OCV assumed the outstanding $82.7 million financing made available by the Export-Import Bank of Malaysia. The loan is nonrecourse but the Company has guaranteed interest payments for the first 24 months for approximately $6.4 million. The vessel is s sister ship to the 3 OSCV's owned by Siem Offshore and is currently on charter.

Deusa merged with a neighboring facility in the second half of 2017 and the Company's beneficial ownership was diluted from 73.9% to 44.3%. The merger increased Deusa's property and equipment. In 2016, Deusa's beginning balances for cost and accumulated depreciation balances were adjusted by the amount of accumulated depreciation to reflect the gross balances which had not been reflected in the financials at the time that the Company increased its ownership interest and consolidated the company.

In 2016, FSG's property and equipment were recorded as additions following the change in the accounting for the investment in FSG from long-term assets held-for-sale to full consolidation of FSG's financial statements. The progress on construction activities for the shipbuilding contracts is recorded in inventory as "work-in-process" and not as "vessels and related assets".

(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* 2017	2016
Deferred drydocking costs:		
Balance, 1 January	$ 34,526	$ 37,395
Additions	4,791	14,550
Disposals	(3,755)	(1,140)
Amortization, see Note 13	(10,134)	(16,181)
Effects of currency exchange gains(losses)	(1,237)	—
Other	2,771	(98)
Deferred drydocking costs, 31 December, see Note 6	$ 26,962	$ 34,526

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*	*2017*	*2016*
USD-denominated long-term debt and notes payable:			
Exchangeable Bonds	1% p.a.	$ –	$ 2,000
USD100mm Facility	LIBOR plus 2.40%	69,888	61,430
USD124.6mm PCTC Financing:	Tranche 1 - LIBOR plus 2.25%	16,000	11,900
	Tranche 2 - LIBOR plus 2.325%	25,600	–
USD82.7mm Siem OCV	3.6%	82,660	–
USD-denominated long-term debt and notes payable		194,148	75,330
NOK-denominated long-term debt and notes payable, USD-equivalents:			
Margin loan facility	LIBOR plus 1.25%	–	9,255
NOK-denominated long-term debt and notes payable		–	9,255
EUR-denominated long-term debt and notes payable, USD-equivalents:			
Exchangeable Bonds	2.25% p.a.	224,118	196,428
Vessel Pre-/Post-Delivery Financings	EURIBOR plus 0.8%	168,441	35,031
Margin loan facility	LIBOR plus 1.25%	51,147	–
Deusa bank loan		3,338	–
EUR2.9mm Loan	8.00% p.a.	–	2,528
EUR-denominated long-term debt and notes payable		447,044	233,987
Siem Offshore credit facilities, USD-equivalents:			
Secured loans		1,120,311	1,269,618
Public bond issues		119,702	98,928
CIRR loans		65,346	76,215
Siem Offshore credit facilities		1,305,359	1,444,761
Long-term debt and notes payable		1,946,551	1,763,333
Less unamortized financing fees		(13,151)	(14,149)
Long-term debt and notes payable net of unamortized financing fees		$ 1,933,400	$ 1,749,184

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

(in thousands)	*2017*	*2016*
Long-term debt and notes payable:		
Current	$ 178,229	$ 165,486
Noncurrent	$ 1,755,171	$ 1,583,698
Long-term debt and notes payable net of unamortized financing fees	$ 1,933,400	$ 1,749,184

The scheduled total debt service, comprised of principal maturities and accrued interest payments, for the Company's debt and notes payable for each of the years ended 31 December is presented below:

(in thousands)	*Years Ended 31 December*	*Principal Maturities*	*Interest Payments*	*Debt Service*
	2017	$ 178,229	$ 21,282	$ 199,511
	2018	182,366	18,735	201,101
	2019	258,428	17,388	275,816
	2020	438,162	15,965	454,127
	2021	404,095	11,353	415,448
	2022 and thereafter	472,120	2,946	475,066
	Total	$ 1,933,400	$ 87,669	$ 2,021,069

The activity in long-term debt during the fiscal years ended 31 December is presented below:

(in thousands)	*2017*	*2016*
Long-term debt:		
Balance, 1 January	$ 1,749,184	$ 1,506,295
Drawdowns	579,999	786,552
Repayments and buybacks	(444,577)	(526,398)
Currency exchange gains (losses), Note 16	35,073	(16,667)
(Gains) Losses	—	(1,798)
Amortization of financing fees	2,147	9,843
Cumulative translation adjustment	15,798	—
Reclassification	(4,224)	(8,643)
Long-term debt, 31 December	$ 1,933,400	$ 1,749,184

Exchangeable Bonds — In April 2017, the Company exercised its call option to redeem the remaining outstanding amount of $2,000,000- of the total $445,000,000 1% Senior Secured Exchangeable Bonds ("Exchangeable Bonds") that was issued in September 2012. The Exchangeable Bonds had been secured by a pledge of 39,893,677 shares of Subsea 7 with the number of shares pledged subject to adjustment based upon the occurrence of certain events, such as the payment of dividends by Subsea 7. Bondholders held put options that enabled them to redeem the bonds. The Exchangeable Bonds were listed on the Oslo Stock Exchange.

On 12 September 2016, which was the 4-year anniversary date of the issue of Exchangeable Bonds, the Company paid cash to redeem $146,200,000 principal amount of Exchangeable Bonds at par following the Bondholders' exercise of their respective put options. In April 2017, the remaining issued and outstanding $2,000,000 Exchangeable Bonds were repurchased by the Company.

At the end of May 2016, the Company placed EUR250,000,000- 2.25% Senior Secured Exchangeable Bonds ("EUR Bonds") which are exchangeable into shares of Subsea 7 at an Exchange Price of EUR10.2995 per Subsea 7 share, representing a premium of 27.5% to the volume-weighted average price of such shares on the Oslo Stock Exchange, pay interest semi-annually in June and December at the rate of 2.25% p.a., mature on 2 June 2021 and trade on the Oslo Stock Exchange. The Exchangeable Bonds were secured by the pledge of 24,273,022 shares of Subsea 7 with the number of shares pledged subject to adjustment based upon the occurrence of certain events, such as the payment of dividends by Subsea 7. Holders of the Exchangeable Bonds were offered the opportunity to invest in the EUR Bonds as part of an offer made by the Company to repurchase the Exchangeable Bonds at 99.5% of principal amount plus interest and to use the proceeds to acquire EUR Bonds. The Company repurchased a total principal amount of $128,600,000 from Bondholders who accepted the offer. Consequently, in essence, the proceeds from the EUR Bond were used to refinance the Exchangeable Bonds.

Under IFRS, the existence of an exchange provision required that a portion of the EUR Bonds be valued and recorded as a Financial Derivative and the remaining portion was recorded as a long-term debt liability. The Financial Derivative is re-valued at the end of each reporting period using the Black-Scholes Option Pricing Model and changes in the amount of the Financial Derivative are recorded as a gains (losses) on re-valuation of Financial Derivatives. Changes in value may be significant and are a product, amongst other factors, of the volatility of the market prices of Subsea 7 shares. The separate components of the EUR Bonds and changes to the amount and valuation are shown below in USD-equivalents, excluding the deferred financing costs:

(in thousands)	*Long-Term Debt Liability*	*Value of Financial Derivatives*
EUR250 Million Exchangeable Bonds, beginning balance	$ 208,247	$ 70,578
Exchange (gain) loss	(11,819)	(4,006)
Re-valuation (gain) loss	—	55,447
Amounts and valuation of EUR Bonds, 31 December 2016	$ 196,428	$ 122,019
Exchange (gain) loss	27,690	17,718
Re-valuation (gain) loss	—	(23,184)
Amounts and valuation of EUR Bonds, 31 December 2017	$ 224,118	$ 116,553

Siem Shipping Credit Facility — In September 2014, Siem Shipping entered into a $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., 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.

The credit facility for the long-term financing of the three vessels is for $124,600,000 ("PCTC Financing"), bears interest at the rate of Libor plus 2.25% for pre-delivery financing and Libor plus 2.00% for post-delivery financing and a commitment fee of 0.6%. In mid-2017, a portion of the commitment under the facility related to the 3rd vessel, approximately $41,500,000, was cancelled.

Siem Shipping purchased two 4,900 CEU PCTC vessels for a total of $32,000,000. The company negotiated with the lender of the PCTC Financing and increased the availability under the facility by a new tranche of $25,600,000- to a total of $108,700,000-. This tranche bears interest at a rate of LIBOR plus 2.325%. The tranche was fully drawn and used to finance the acquisition of the two vessels.

Siem RoRo Carriers Limited — During 2016, Siem RoRo Carriers ("Siem RoRo") was established as the holding company for four vessel-owning companies. Each of these vessel-owning companies held a separate contract for the construction of one Roll-on/Roll-off 4100-design vessel to be built at FSG in Germany. The shipbuilding contract price for each vessel was approximately EUR55 million with deliveries scheduled to begin in 2017. Prior to confirming the order for the vessels, two of the vessels had received 5-year charters from one large operator and two of the vessels had received 5-year charters from a second large operator, all charters set to commence upon delivery of the respective vessel and each charter included purchase options.

Siem RoRo received separate loan facilities for long-term financing of the two vessels chartered by each of the two operators. One facility was for up to EUR72,710,000 pre-delivery financing and up to EUR94,910,000 post-delivery financing for two vessels and the other facility was for up to EUR71,542,000 pre-delivery financing and up to EUR92,782,000 post-delivery financing for the remaining two vessels. The interest rates on the facilities are Euribor plus 0.90% for pre-delivery financing and Euribor plus 0.80% for post-delivery financing. Maturities of the post-delivery loans are 12 years after the utilization of such loan for each respective vessel. Security for the loan facilities consists of the vessels, the charters, and guarantees provided by the German state. The shipbuilding contract provides for 5 instalments of approximately EUR11.1 million each upon completion of certain stages in the construction process. Siem RoRo paid the first instalment as equity for each vessel and drawdowns under the pre-delivery financing are available for instalments 2, 3 and 4 and drawdowns under post-delivery financing are available at vessel delivery with the proceeds used to repay the pre-delivery financing and the last shipbuilding instalment.

The Company used internal cash to finance the construction instalments for the first vessel and the vessel was sold upon delivery following the exercise of the purchase option by the charterer. The pre-delivery financing was fully utilized for the other 3 vessels and, upon delivery of each of the vessels in 2017, the post-delivery financing repaid the pre-delivery financing and the last instalment.

Siem Offshore Portfolio of Loans — Following the consolidation of 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 ("SIOFF01") which matures in 2020 and NOK700 million (SIOFF02) which matures in 2021. These two high-yield unsecured bonds are presented in the consolidated balance sheet line item, "Long-term debt and notes payable", at an amount of USD101 million (NOK831 million). The Company has purchased in various separate transactions Siem Offshore bonds at a discount. At 31 December 2017, the Company owned USD12 million, or NOK154 million face value, of SIOFF01 bonds. Siem Offshore financial statements are fully consolidated within the Company's consolidated financial statements. Therefore, in accordance with IFRS, the Company's investments in Siem Offshore bonds are treated as debt buybacks in the consolidated financial statements and are de-recognized immediately at the date of purchase for consolidation reporting purposes. In the consolidated financial statements only, this de-recognition of the Company's investments in Siem Offshore bonds resulted in a gain on the "buyback" of the bonds of USD20.9 million, see Note 12. This gain is presented in the consolidated income statement in the line item, "Gains (losses) on investments and other assets, net". In November 2017, Siem Industries sold NOK613.5 million face value of its investment in Siem Offshore bonds in the open market at a discount and, for consolidation reporting purposes only, results in a new amortized cost carrying amount for the consolidated long-term debt at the sales price received by the Company.

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.

Siem OCV Pte. Ltd. — In 2017, a wholly-owned subsidiary of the Company, acquired the *Siem Daya 1*, an OSCV that is a sister ship to 3 OSCV's owned by Siem Offshore. The purchase of the vessel was fully-financed by a master commodity murabahah financing agreement ("Commodity Financing") provided by the Export-Import Bank of Malaysia Berhad for an amount up to $82,744,550-. Terms of the Commodity Financing provide for payment of murabahah profit, which is calculated as the bank's cost of funds plus a margin of (i) 0.25% for the first year and (ii) 0.50% for the second year, or approximately 3.55% p.a. and 3.80% p.a., respectively. Semi-annual principal payments of $1,933,250- commence in September 2019 with a balloon payment due in March 2024. Siem OCV has an irrevocable right to put the vessel back to the seller who shall also assume the obligation for the remaining balance of the Commodity Financing.

The Company, Siem Offshore, Siem Shipping, Siem RoRo and Siem OCV were all in compliance with their respective loan covenants at the end of 2017.

Taking into consideration the variable rate structure of the Company's long-term debt, the fair value of long-term debt at 31 December 2017 approximates its carrying value with the exception of the two public bonds, SIOFF01 and SIOFF02, issued by Siem Offshore. In Siem Offshore's stand-alone financial statements at 31 December 2017, the reported obligation for SIOFF01 is NOK600 million but has a fair value of approximately NOK432 million and the reported obligation for SIOFF02 is NOK700 million but has a fair value of NOK504 million. In the Siem Industries' financial statements, the total amount outstanding is less than whole amounts of the NOK600 million and NOK700 million obligations because of the purchases of SIOFF01 and SIOFF02 by Siem Industries which are considered to be debt buybacks in consolidation. For the consolidated financial statements, the fair value of these bonds as of 31 December 2017 is USD39 million (NOK322 million), and USD62 million (NOK509 million), respectively.

The reconciliation of net debt for the years ended 31 December are shown below:

(in thousands)	*2017*	*2016*
Cash and cash equivalents, restricted cash, liquid investments	$ 280,172	$ 323,773
Borrowings, repayable within one year	(178,229)	(177,166)
Borrowings, repayable after one year	(1,755,171)	(1,650,080)
Net debt	$ (1,653,228)	$ (1,503,473)
Cash and cash equivalents, restricted cash, liquid investments	$ 280,172	$ 323,773
Gross debt – fixed interest rates	(826,240)	(177,166)
Gross debt – variable interest rates	(1,107,159)	(1,650,080)
Net debt	$ (1,653,227)	$ (1,503,473)

The activity affecting the balance of net debt is shown below for fiscal 2017:

(in thousands)	*2017*
Net debt at 31 December 2016	$ (1,503,473)
Changes in cash and cash equivalents, restricted cash, liquid investments	(43,601)
Drawdowns under credit facilities	(526,987)
Repayments of credit facilities	444,577
Currency exchange gains (losses), see Note 16	(35,073)
Cumulative translation adjustments	(11,861)
Reclassification	23,191
Net debt at 31 December 2017	$ (1,653,227)

(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	*2017*	*2016*
Current	$ 5,807	$ (1,507)
Deferred	(15,171)	272
Tax expense (benefit)	$ (9,364)	$ (1,235)

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 2017, Subsea 7 reported income before taxes of $554.5 million and related income tax expense of $99.9 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 certain of 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)	*2017*	*2016*
Deferred tax liabilities (assets):		
Operating assets	$ (32,886)	(4,838)
Deferred capital gains	(701)	(833)
Provisions and accruals	—	(1,948)
Temporary differences	(33,587)	(7,619)
Net operating loss carryforwards	(9,762)	(9,949)
Basis for deferred tax liabilities (assets)	(23,825)	(17,568)
Valuation allowance	14,675	17,568
Net deferred tax liabilities (assets)	$ (9,150)	$ —
Net deferred tax liabilities (assets) for Deusa (detail not available)	(7,172)	—
Net deferred tax liabilities (assets) for FSG (detail not available)	(3,184)	—
Net deferred tax liabilities (assets) – Others	(2,005)	—
Net deferred tax liabilities (assets)	$ (21,511)	—

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 —The deferred taxes at 31 December are shown below:

(in thousands)	*2017*	*2016*
Deferred tax liabilities (assets):		
Operating assets	$ (26,726)	$ (30,927)
Participation in limited liability companies	(2,701)	(2,701)
Pension funds and obligations	(1,784)	(1,493)
Other long-term differences	—	6,517
Net temporary differences	(31,211)	(28,604)
Net operating loss carryforwards	(30,557)	(31,091)
Basis for deferred tax liabilities (assets)	$ (61,768)	$ (59,695)
Deferred tax liabilities:		
Norway	$ (8,060)	$ (1,169)
Holland	(3,065)	(3,075)
Germany	—	(7,223)
Net deferred tax liabilities (assets)	$ (11,125)	$ (11,467)

Siem Offshore has recorded $11.1 million of deferred tax assets at end of 2017, which it believes are probable of recovery through future earnings, as intangible assets.

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* 2017	2016
Operating revenues:		
Net vessel revenues	$ 497,909	$ 453,064
Vessel construction activities	115,435	58,335
Cable-laying	108,243	193,774
Scientific core-drilling	27,237	26,376
Potash-mining operations	59,569	32,783
Other	1,606	8,074
Operating revenues	$ 809,999	$ 772,406

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* 2017	2016
Operating expenses:		
Vessel operating and crew expenses	$ 208,806	$ 213,331
Time charter expenses	129,738	121,871
Vessel construction activities	130,559	55,865
SIOFF industrial segment expenses	65,363	139,111
Potash-mining operations	44,371	23,533
Insurance	—	2,490
Other	(16)	1
Operating expenses	$ 578,821	$ 556,202

(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* 2017	2016
Charter expenses:		
Time charter expenses, see Note 10	$ 129,738	$ 121,871
Other	3,115	3,042
Total charter expenses	$ 132,853	$ 124,913
Minimum lease payments:		
2017	$ 67,639	
2018	66,669	
2019	61,241	
2020	47,040	
2021	25,177	
2022 and thereafter	4,388	
Total minimum lease payments	$ 272,154	

For Siem Shipping, the total 2017 minimum lease payments for the time charter expenses are $266,668,000 and the net present value of the minimum lease payments is $234,493,000 using a 5% discount rate. The comparative 2016 minimum lease payments and related net present value were $344,205,000 and $285,111,000, respectively, using a 6% discount rate.

For Siem Offshore, the total 2017 minimum operating lease payments are $5,486,000 and the net present value of the minimum lease payments is $5,000,000 using a 5% discount rate. The comparative 2016 minimum lease payments and related net present value were $4,191,000 and $3,838,000, respectively.

(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* 2017	2016
Gains (losses) on investments, net:		
Financial assets at fair value through profit or loss, see Note 4	$ 861	$ 1,097
Notes, loans and other receivables, see Note 4	5,439	—
Sales of vessels, property and other	292	1,578
Gain on buyback of Exchangeable Bonds	—	1,798
Gain on the buyback and de-recognition of Siem Offshore public bonds acquired by Company, see Notes 8 and 16	20,921	—
Gain on reclass of VSK Holding to Assets Held-for-Sale	20,346	—
Other	1,208	369
Gains (losses) on investments and other assets, net	$ 49,067	$ 4,842

(13) Depreciation and Amortization

A summary of the depreciation and amortization is presented below:

(in thousands)	*Year Ended 31 December* 2017	2016
Depreciation and amortization:		
Depreciation, see Note 6	$ 146,089	$ 122,503
Amortization, drydock and other, see Note 7	10,134	16,181
Amortization, intangibles	310	502
Depreciation and amortization	$ 156,533	$ 139,186

(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	—
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 will continue to record compensation expense with respect to the Plan with respect to the remaining outstanding units. 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. During 2017, the Company reversed previously recorded compensation liability with the reversal recorded against compensation expense in the amount of $(1,566,000). During 2016, the Company recorded compensation expense of $4,234,000 which is included in general and administrative expenses. 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 Offshore maintains a defined benefit pension plan for its employees in Norway. Benefits under the defined benefit pension plans are based primarily on the participant's age, years of service and level of compensation at the assumed time of retirement. Siem Offshore's costs are shown below for the years ended 31 December:

Components of Pension Cost (in thousands)	*2017*	*2016*
Service cost	$ 1,768	$ 1,690
Interest expense on pension liabilities	289	275
Social contribution and other	271	212
Effect of changes in estimates	(417)	(666)
Net pension cost (benefit)	$ 1,911	$ 1,511

Status of Plan Funding (in thousands)	*2016*	*2016*
Fair value of plan assets	$ 11,063	$ 10,005
Estimated defined benefit obligation	(12,900)	(11,498)
Net pension plan assets (obligations)	$ (1,837)	$ (1,493)
Unrecognized actuarial gains (losses)	(156)	(199)
Net pension plan assets (obligations)	$ (1,993)	$ (1,692)

Siem Shipping maintained a defined benefit pension plan for its employees in Norway until 31 December 2016 when it was terminated because there were no employees remaining.

Siem Shipping's wholly-owned U.K. subsidiary, Siem Shipping UK, maintains a defined contribution pension plan that covered 25 employees in 2017 and 26 in 2016. Under this plan, Siem Shipping 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. Total contributions are recorded as general and administrative expenses when incurred and were approximately $167,000 and $162,000 for 2017 and 2016, 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* *2017*	*2016*
Currency exchange gains (losses):		
Cash and cash equivalents, adjusted using period-ending exchange rates	$ 8,479	32,842
Financial assets at fair value through profit and loss, see Note 4	368	$ (445)
Notes, loans and other receivables, see Note 4	18,788	(34,003)
Intercompany notes and other receivables	67,545	(30,255)
Non-USD-denominated debt, including Exchangeable Bonds, Margin Loan	(35,073)	20,641
Non-USD-denominated Financial Derivatives	(17,718)	4,006
Siem Shipping, breakdown not available	(100)	(16)
Siem Offshore, breakdown not available	(25,753)	(24,532)
Siem Offshore recognized effects of cash flow hedging as currency loss	—	(60,319)
De-recognition of Siem Offshore bonds, see Note 8	5,044	—
Other	1,411	29,775
Currency exchange gains (losses)	$ 22,991	$ (86,953)

At the end of 2016, Siem Offshore re-considered its cash flow hedging strategy which had been established in accordance with IAS39 under IFRS to moderate the currency exchange gains(losses) arising from the revaluation of the significant amount of USD-denominated debt used to finance the constructions of vessels in Brazil within its financial statements that used the Brazilian real ("R$") as the function currency. The strategy involved matching the highly probable USD revenues from its vessels on contracts to Petrobras against the USD-denominated debt. As long as the cash flows were sufficient to service the debt, then any currency gains or losses were recorded and accumulated as other comprehensive income in shareholders' equity. Over the period, the Brazilian currency depreciated in value from just over R$2 to the USD to about R$4 to the USD. Petrobras has since terminated several of the contracts that were identified within the cash flow hedging program and eliminated the source of highly probable USD revenues. Consequently, Siem Offshore decided that it was unlikely that the accumulated losses in other comprehensive income would be able to naturally reverse during the course of operations and thereby reversed the $60,319,000 out of other comprehensive income as a currency loss in the income statement.

(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.

The Company has guaranteed payment of the murabahah profit, or interest, for the first 2-year period of the Commodity Financing provided by the Export-Import Bank of Malaysia to Siem OCV for the purpose to acquire the vessel, *Siem Daya 1*. The interest rates are approximately 3.8% for the first year and 4.05% for the second year.

The following guarantees and commitments relate to the Company's subsidiaries and affiliates:

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 which commences upon delivery of the vessel to Siem Shipping is $10,000,000 and reduces by $1,000,000 at the end of each year over 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. Secondary guarantees for two of the vessels expired in the first quarter of 2018.

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 which commences upon delivery of the vessel to Siem Shipping is $10,000,000 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 Europe – During 2017, Siem Europe provided counter-guarantees and indemnities to banks and insurers who had provided refund guarantees to owners for contracted instalments on their newbuilds under construction at the FSG shipyard. At the end of 2017, a total EUR33,163,000 of counter-guarantees were outstanding of which EUR25,000,000 expires in December 2018 and EUR8,163,000 expires in March 2020.

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. During 2017, the Company received repayments of EUR3,979,000 to reduce the balance to EUR6,930,000. VSK Holdings' financial statements are included in the Company's consolidated financials.

SIEM OFFSHORE – 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)	*2017*	*2016*
Contractual guarantees provided for power cable-laying operations	$ 56,477	$ 54,518
Other guarantees	9,958	6,801
Total guarantees	$ 66,435	$ 61,319

SOC was sold in April 2018.

(18) RISK MANAGEMENT AND CAPITAL MANAGEMENT

Liquidity Risk – The Company's liquidity position, leverage and capitalization are presented below as ratios or metrics for the years ended 31 December:

(in thousands, except for ratios)	*2017*	*2016*
Liquidity ratios and metrics:		
Net cash provided by operating activities (see Statements of Cash Flows)	$ 147,209	$ 27,307
Working capital	$ 266,820	$ 273,141
Current ratio (current assets divided by current liabilities)	1.61	1.62
Quick ratio (current cash plus accounts receivable plus marketable securities divided by current liabilities)	0.69	0.70
Leverage and capitalization ratios:		
Equity multiplier (total assets divided by total equity)	2.17	2.28
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	0.99	0.92
Debt-to-capitalization ratio (long-term debt divided by long-term debt plus total equity)	0.48	0.45

The Company's current and long-term contractual maturities of financial liabilities are presented below for the periods shown:

(in thousands)	*Less than 12 Months*	*Greater than 12 Months*	*Total Contractual Maturities*
Accounts payable, other accrued costs and short-term liabilities	$ 147,209	$ –	$ 147,209
Debt service, comprised of principal maturities and interest payments	$ 199,511	$ 1,821,558	2,021,069
Total contractual maturities of financial liabilities	$ 346,720	$ 1,821,558	$ 2,168,278

Based on the information above and its ability to enter into any needed working capital facilities, the Company believes that it has sufficient liquidity to meet its short-term obligations during 2018.

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). The company entered into a forward contract to cover some of this exposure in 2016. 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 vessels under construction in Croatia that were contracted using EUR. The EUR has fallen which reduces the costs of the vessels in USD and the Siem Shipping has entered into a forward contract to lock EUR5 million of upcoming shipyard installments at the lower exchange rates.

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 99% 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 but 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 2017 and 2016 of approximately $4.2 million and $1.0 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 2015-2019 —A 5-year MSA was agreed between the Company and a separate management company. The management company has procured the services of Kristian Siem who has continued as Chairman. The MSA requires 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 under the MSA for 2017 and 2016 were $3.8 million and $600,000-, 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 2017 and 2016 were approximately $379,000 and $366,000, respectively.

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

(in thousands)	*2017*	*2016*
Due from (to) associates and other related parties:		
Net fees payable in relation to MSA	$ (1,936)	$ 2,293
Total due from (to) associates and other related parties	$ (1,936)	$ 2,293

(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. During 2017, 12,000 Common Shares were offered to, and purchased by, the Company at $60 per share.

The Board of Directors will, on occasion, declare an extraordinary dividend. The Directors last declared and paid extraordinary dividends of $0.20 per Common Share in May 2015.

(21) DISCONTINUED OPERATIONS – ASSETS HELD-FOR-SALE

In 2017, the Company entertained discussions for the sale of VSK Holdings and the mortgage origination business. The Company and an interested party entered into negotiations in the fourth quarter of 2017. During the first quarter 2018, the negotiations reached an impasse and the transaction was terminated. In March 2018, the Company invited offers for the sale of VSK Holdings and several prospective buyers entered into discussions. In April 2018, the Company accepted an offer. Most, if not all, of the important issues have been resolved and documentation is in the advanced stages. The transaction is expected to be completed in mid-year 2018. As a result of the Company's intent to sale VSK Holdings and the expressions of interest from prospective buyers, the Company recorded the investment in VSK Holdings and its operations as Assets Held-for-Sale.

The financial performance for VSK Holdings as discontinued operations are shown below for the years ended 31 December 2017 and 2016:

(in thousands)	*2017*	*2016*
Interest income	$ 5,237	4,069
Gains (losses) on sales of securities	(3,574)	(3)
Gains (losses) on investments	2,734	(5,946)
Other	42	78
Total income	4,439	(1,802)
Operating expenses	(6,438)	(2,029)
Interest expense	(5,997)	(4,239)
Guarantee fees	(391)	(524)
General and administrative expenses	(355)	(178)
Currency exchange (gain) loss	1	(139)
Other	(305)	(73)
Total expenses and other	(13,485)	(7,182)
Income (losses) before taxes	(9,046)	(8,984)
Income tax (expense) benefit	(5)	(4)
Net income (losses) from discontinued operations	$ (9,052)	$ (8,988)

The assets and liabilities of VSK Holdings have been reclassified to net assets held-for-sale at 31 December 2017 are shown below:

(in thousands)	*2017*
Cash	$ 6,012
Other current receivables	23,774
Financial assets and other investments	118,689
Total assets classified as held-for-sale	138,475
Trade and other payables	31,762
Financial liabilities at fair value	1,122
Interest payable	607
Preference shares	2,309
Other	102
Total liabilities directly associated with assets held-for-sale	35,903
Net assets held-for-sale	$ 102,572

(22) SUBSEQUENT EVENTS

In January 2018, Siem Shipping redelivered two reefer vessels to their owners in following the completion of two-year charters.

In March 2018, meetings were held by the bondholders of Siem Offshore's two bonds for the purpose to vote on proposed changes to the bond arrangements. The bondholders of the NOK600 million bond maturing in 2020 ("SIOFF01") voted against the proposals. The bondholders of the NOK700 million bond maturing in 2021 ("SIOFF02") approved the proposals. The SIOFF02 bond agreement was amended to provide for the exchange of the existing bond for a convertible bond at 80% of the nominal value of the existing bond. The interest rate is 2.75% p.a., the maturity is in early 2023 and the conversion price is NOK3 per share.

In March 2018, the Company invited offers for sale of its mortgage loan origination operations owned by VSK Holdings. A transaction is expected to close before the end of June 2018.

In April 2018, Siem Offshore sold the shares in its wholly-owned subsidiary, Siem Offshore Contractors GmbH, and the cable-lay vessel, *Siem Aimery*, and installation support vessel, *Siem Moxie*, to Subsea 7 for an initial consideration of EUR140 million. Proceeds from the sale were used to repay the banks loans on the two vessels and other loans.

In April 2018, EMGS commenced the subscription periods for the issuance of new shares at NOK2.45 per share under a Rights Issue to generate gross proceeds of approximately $12.5 million and the issuance of convertible bonds for $32.5 million following the approval of a comprehensive refinancing plan by the company's shareholders at an extraordinary general meeting held at the end of March. The Company and two other shareholders agreed to fully underwrite the bond issue with the Company's share of the underwriting amounting to $12,600,000-. The Company subscribed for 9,458,017 new shares in the Rights Issue corresponding to its 23.92% interest in EMGS' issued and outstanding shares. The Company also subscribed for 77,740 convertible bonds at $100 per bond.

Following completion of the Rights Issue and the Bond Issue in May 2018, the Company received 9,458,017 new shares of EMGS and 77,740 convertible bonds. In addition, the Company received an allocation of 49,060 convertible bonds.

In April 2018, the shareholders of Subsea 7 approved a NOK5 per share cash dividend at the annual shareholders' meeting with payment made in early-May 2018.

In late-April 2018, Siem Offshore offered the holders of SIOFF01 bonds the opportunity to exchange their SIOFF01 bonds for the new SIOFF02 convertible bonds. In May 2018, the Company exchanged its NOK236 million nominal amount of SIOFF01 bonds for NOK188.8 million of SIOFF02 convertible bonds. In addition to the Company's existing ownership of 782,094,365 shares, the Company has the right to acquire an additional 62,933,333 shares upon conversion of its bonds.

(23) Segment Information

Primary Reporting Format – Operating Segments. For purposes of operating segment reporting, the Company has segregated its operations into Offshore Support Vessels, Reefer Vessels and Car Carriers, Cable-lay for Offshore Wind Farms (OWF), Scientific Core-Drilling, Shipyard Construction, Potash-Mining and Corporate and Other.

($ in thousands)	*Offshore Support Vessels*	*Reefer Vessels RoRo and Car Carriers*	*Cable-lay for OWF*	*Scientific Core-Drilling*	*Shipyard Construction*	*Potash-Mining*	*Corporate and Other*	*Total*
Fiscal Year 2017								
Operating revenues	$ 281,182	216,839	108,243	27,237	115,435	59,569	1,494	$ 809,999
Operating expenses	(137,143)	(176,501)	(81,258)	(11,766)	(123,772)	(44,371)	(4,010)	(578,821)
Depreciation and amort	(117,436)	(17,440)	(2,893)	(3,038)	(2,212)	(7,471)	(6,043)	(156,533)
Impairments	(128,881)	(20,543)	(12)	–	–	–	(24,043)	(173,479)
Operating profit	$ (102,278)	2,355	24,080	12,433	(10,549)	7,727	(32,602)	$ (98,834)
Fiscal Year 2016								
Operating revenues	$ 242,976	210,088	193,774	26,376	58,335	32,783	8,074	$ 772,046
Operating expenses	(146,070)	(197,133)	(161,571)	(11,309)	(55,997)	(26,391)	(38,211)	(556,202)
Depreciation and amort	(104,970)	(21,705)	(1,663)	(3,676)	(2,338)	(3,716)	(1,118)	(139,186)
Impairments	(60,180)	–	–	–	–	–	(35,600)	(95,780)
Operating profit	$ (68,244)	(8,750)	30,540	11,391	–	2,676	(66,855)	$ (19,122)

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

To the General Meeting of Siem Industries Inc.

Independent Auditor's Report

Opinion

We have audited the financial statements of Siem Industries Inc., which comprise the consolidated balance sheet as at 31 December 2017, consolidated statements of income, comprehensive income, changes in equity, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Siem Industries Inc.'s business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters for our audit of the 2017 financial statements. However, we have one less key audit matter this year than last year due to a a business combination which needed focus last year. The other issues we focuses on last year, involves nearly the same complexity and risks this year. Consequently, these issues have also been in focus for this year's audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment vessels in the segment Offshore Support Vessels (OSV)	
Refer to note 2 (Summary of significant accounting policies) and note 6 (Vessel, property and equipment). As of December 31, 2017, the Group owns or operate 43 Offshore Support Vessels ("OSV") with a combined carrying amount of USD 1,740 million, which constitute approximately 85% of the total book values	We evaluated and challenged managements' impairment assessment and the process by which this was performed. We assessed managements accounting policy against IFRS and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met. We also ensured that the accounting policy was consistently applied year on year.

in the balance sheet as of year-end 2017.

Impairment indicators were considered present as of December 31, 2017 as OSV freight rates have been at historically low levels during 2017. During 2017, the Group recognized an impairment on the vessels of USD 126.3 million.

We focused on this area due to the judgement inherent in the impairment review and the considerable amounts the vessels constitute of the balance sheet. Management made judgements on the discounted future cash flow forecasts in the value in use model and certain key inputs including discount rate, future freight rates and terminal values of the vessels.

Management also considered external broker valuations when fair value less costs of disposal was estimated. We concentrated some of our audit effort on understanding how the brokers arrived at their estimated fair value and the judgement management made regarding the costs to sell.

We note that impairment assessment is sensitive to any changes to the assumptions above.

In order to assess each of the assumptions in management's value in use forecast, we interviewed management and challenged their assessments. For certain key assumptions we specifically used;

- Our internal valuation specialists and external market data to assess the assumptions used to build the discount rate. We concluded that the discount rate used was within an appropriate range. We checked the consistency of the use of the discount rate against all vessels and ensured the mathematical accuracy of its application in the value in use calculations.
- Current and historical external market data to corroborate the freight rates used by management. We challenged management on their assessment of market rates, including expected timing and extent of increase in charter rates. Further, we tested the freight rates used by management for reasonableness by comparing these rates with historical average rates. We also corroborated managements' assessment with external market reports where possible. We concluded that freight rates used by management were within an appropriate range.

In order to assess the estimates on fair value less costs of disposal, management compiled broker valuation certificates for the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. In order to assess this we corroborated that under the terms of the bank lending facilities, specific brokers are identified as being approved for use, for purposes of minimum value clause covenant reporting. Management used brokers from this approved list. We obtained an understanding of how selected brokers estimated fair value for the vessels. We also ensured that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. No matters of consequence arose from the procedures above.

We evaluated the appropriateness of the related disclosures and found that they satisfied IFRS requirements and that the disclosures appropriately explained the vessel valuations.

Contract revenue using the percentage-of-completion method

Refer to note 3 (critical accounting estimates and judgment) and note 4 (segment reporting).

Revenue from construction contracts relates mainly to the segment “Submarine Power Cable Installation” and amounts to USD 108.2 million for the year ended December 31, 2017.

Revenue from construction contracts was recognized based on the percentage-of-completion method, which is measured generally by reference to contract costs incurred to date, as compared to the estimated total costs for the contracts.

The revenue from construction contracts using the percentage-of-completion method was key to our audit because of the use of significant management judgment to estimate the total contract costs that could arise, including uncertainties occurring during the execution phase of the projects.

We evaluated and challenged managements’ estimates regarding cost to complete the construction contracts and the process by which this was performed. We assessed managements’ accounting policy against IFRS and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 11 – Construction Contracts, were met.

Our audit procedures included the following:

- Obtained an understanding of the status of the work-in-progress contracts and the project contingencies and risks associated with those customer contracts.
- Evaluated the effectiveness of management’s control over the preparation and revision to the budgeted total costs, and the recording of the actual costs.
- We challenged, on a sample basis, project managers regarding completion percentage by comparing milestone status with milestone status and percentage of completion for similar projects.
- Assessed the reliability of management’s estimates of the budgeted total costs by comparing these against the actual costs.
- Tested, on a sample basis, the actual material and subcontractor costs incurred, to suppliers’ invoices and project job sheets.
- Tested, on a sample basis, the basis of overhead allocation.
- Tested, on a sample basis, total estimated project revenues towards customer contracts and variation orders.
- Recomputed the revenues recognised for the year and traced these to the accounting records.

Based on our audit procedures, we found management’s judgement in relation to estimating the total costs in respect of the construction contracts to be reasonable.

We evaluated the appropriateness of the related disclosures and found that they satisfied IFRS requirements and that the disclosures appropriately explained the use of the percentage of the completion method.

Valuation of embedded derivative incorporated in an exchangeable bond transaction	
Refer to note 2 (summary of significant accounting policies) and note 8 (Long-term debt). As set out in the notes to the consolidated financial statements, the Group issued an exchangeable bond 2016 that can be exchanged into Subsea 7 SA shares, which is owned by the Group. The exchangeable bond includes an embedded derivative, which is valued and recognized in the financial statements of the Company. The bond is denominated in EUR, the shares in Subsea 7 SA are quoted in NOK at Oslo Stock Exchange and the functional currency of the Company is USD. The issuer has the right to either make a share settlement, based on the prevailing share price in NOK, or a cash settlement in EUR. The valuation of the embedded derivative incorporated in the exchangeable bond arrangement was key to our audit because of management's use of judgmental financial assumptions in the valuation. Further, the instrument is rather complex due to the different currencies involved and the interactions between the fluctuations of the different currencies.	We obtained and studied the loan agreement in order to assess whether the financial valuation model used for the valuation of the exchange right was appropriate for the purpose. We satisfied ourselves that managements' accounting policy embedded in the model was in accordance with IFRS and we assessed the mathematical accuracy of the valuation model. No errors were found in our review. No matters of consequence arose from these procedures. We satisfied ourselves about the classification of the instrument as a financial derivative through discussions with management and corroboration of information from management with information in the loan agreement and requirements in IFRS. We tested whether the financial assumptions used in the valuation model was in accordance with the loan agreement. We reviewed share prices and currency exchange rates against quoted prices in the markets. We found no deviations. We assessed the appropriateness of the information in the notes about the valuation of the exchange right and found it reasonable.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and statements on Corporate Governance, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kristiansand, 11 June 2018

PricewaterhouseCoopers AS

Svein A. Andresen

State Authorised Public Accountant

2017 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 30 October 2014.

MEMORANDUM AND ARTICLES OF ASSOCIATION

Cayman Islands' laws and regulations do not require a specifically-defined objects clause within the Company's Memorandum and Articles of Association. 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 1-9 in the Company's 2017 Annual Report.

EQUITY AND DIVIDENDS

The Company's Shareholders' Equity is \$1.95 billion at 31 December 2017 as compared to \$1.91 billion at the end of 2016. 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 97.5% of the holders of Common Shares entitled to vote were present in person or by proxy at the May 2017 Annual General Meeting. This was down slightly from the 97.8% in attendance at the May 2016 and is comparable to the attendance at the May 2015 and 2014 AGMs.

The Board of Directors sets a record date and all Shareholders included in the share register on the record date are 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 is 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 2017 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 66.9% of the Company's issued and outstanding shares. Mr. Siem, the Company's Chairman, personally owns 12.5% 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 2018 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 2017

During 2017, 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. At the end of 2017, a Director's fee of $18,000 was payable to each of Messrs. Moross, Ridings and I. Siem for the past year.

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, expired at the end of 2014 and no further units can be awarded. The existing performance units 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 2017 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 2017 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 2017 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.

11 June 2018

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
Flensburger Schiffbau-Gesellschaft mbH &Co. KG
Deep Seas Insurance Limited
Siem Capital UK Ltd.
Siem RoRo Carriers Ltd.
Subsea 7 S.A.
Siem Offshore Inc.
Siem Offshore do Brasil S.A.
Overseas Drilling Limited
Siem OCV Pte. Ltd.
Venn Partners LLP
BSR Group Holdings Ltd.
Deusa International GmbH
VSK Holdings Limited
Ember VRM S.a rl.
VSK Finance Limited

Directors

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

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Grand Duchy of Luxembourg

Siem Industries Inc. Website

www.siemindustries.com

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