



SIEM SHIPPING INC.

REPORT FOR THE FIRST HALF 2018

2 August 2018 – SIEM SHIPPING INC. (the “Company”) announces its results for the half year ended 30 June 2018, prepared in accordance with International Financial Reporting Standards (“IFRS”).

Siem Shipping Inc. is an owner and operator of vessels engaged in international shipping. The Company operates in the specialised reefer industry as STAR Reefers, where it is a leading global owner and operator of refrigerated vessels, directly controlling 26 vessels with a total capacity of 15 million cbft. The Company also operates in the car carrier industry via subsidiary Auto Marine Transport, with two pure car-and-truck carrier (“PCTC”) vessels in operation; one delivered in 2017 with a capacity of 7,000 car equivalent units (“CEU”) and the other being 2010-built with a capacity of 4,900 CEU. Four additional newbuild 7,000 CEU vessels are on order at Uljanik d.d. in Croatia. There is uncertainty about the delivery of the remaining four PCTC newbuilds at Uljanik, (see Outlook below).

Highlights for the First Half of 2018

- **Net profit of USD4.9 million (H1 2017: Net loss USD19.2 million)**
- **EPS USD0.55 (2017: USD-2.13)**
- **EBITDA of USD10.5 million (2017: USD8.7 million)**
- **PCTC *MV Siem Ashanti* launched in May 2018 with expected delivery to take place late 2018 / early 2019**
- **PCTC *Silver Moon* (2010 built) sold to charterer in June 2018**
- **Weekly service Ecuador to St Petersburg renewed for another year**
- **Fixed approximately 98% of reefer fleet capacity and 100% of car carriers capacity for the balance of 2018**
- **Recorded contract backlog of USD302 million (reefers: USD 212 million, car carriers: USD 90 million)**

Comparative Financial Statements (H1 2018 over H1 2017)

Siem Shipping recorded a net profit for the first half of 2018 of USD4.9 million (H1 2017: USD-19.2 million, which included an impairment charge of USD16.3 million). Earnings/(loss) per share were USD0.55 (USD-2.13).

Gross revenues were USD93.8 million (USD93.6 million). Net revenues after voyage expenses were USD71.3 million (USD70.0 million). The capacity decreased by 10% to 99.0 million cbft (109.9 million cbft). The decrease in capacity was mainly due to the sale of older and less efficient vessels which took place during second half of 2017.

Ship operating and administrative expenses were USD23.0 million (USD25.0 million).

Time charter-in expenses were USD37.8 million (USD36.3 million). The increase was mainly due to the charter in of *MV Star Courage* which was delivered May 2017. EBITDA was USD10.5 million (USD 8.7 million). Depreciation and amortisation expenses were USD8.0 million (USD8.6 million).

Interest expense was USD2.7 million (USD3.1 million).

Other financial items were USD5.2 million (USD0.2 million). The increase was mainly due to interest on the *Silver Moon* bare-boat hire purchase agreement and profit on early termination of same agreement which took place in June 2018.

Statements of Financial Position and Cash Flows

Shareholders' equity was USD155.3 million at 30 June 2018 (31 December 2017: USD151.0 million) or USD17.50 per share (31 December 2017: USD16.76 per share). Cash flow from operating activities for H1 2018 was USD12.7 million (USD4.3 million). The cash position decreased from USD27.6 million at year-end 2017 to USD19.2 million at 30 June 2018. The gross interest-bearing debt decreased from USD144 million at year-end 2017 to USD122.3 million at 30 June 2018 (see note 5).

In addition to the liabilities on the balance sheet, the Company has significant long-term charter commitments (see note 6 to the accounts).

Shareholder Information

The Company acquired 133,850 shares representing 1.5% of issued shares which were treated as treasury shares at 30 June 2018. Following the acquisition and subsequent cancellation of these shares, the number of issued and outstanding shares will be 8,872,502.

Principal Risks

The Board currently believes that the principal risks and uncertainties for the Company include risks relating to the prospects for the specialised reefer industry such as the competition from reefer container vessels, the demand for fresh fruit, threats to the global economy, adverse climatic changes, crop diseases and crop harvests. Demand for vehicle transportation may be adversely affected by tariffs and other disruptions to established patterns of trade. The Company is exposed to high fuel costs, although hedging can be undertaken when appropriate to mitigate this risk. In addition, the Company is exposed to the performance of customers, service providers and suppliers and to the risks of piracy. Although the Company works hard to mitigate the normal risks in operating its ships, for example, by training its crew to a high standard and taking out insurance as appropriate and economical, there nonetheless remains the risk that accidents and uncontrollable events will happen.

Auditing and Related Party Transactions

The H1 2018 financial report has not been audited or reviewed by the auditors. Information on 2017 related party transactions is disclosed in the Annual Report 2017 and for the first half of 2018 in the notes to this report.

Markets:

Reefers:

In the first half of 2018, the average spot market rate was reported as 49 cents per cubic foot per 30 days ("cents"), an increase of 40% compared to the same period in 2017 (35 cents). This increase, although encouraging, is largely based on a shortage of reefer container capacity and weather-related schedule delays experienced by the container lines. Eight ships from the global reefer fleet have been reported as recycled in 2018 (2017: seven vessels).

Car Carriers:

The time charter market for large car carriers (larger than 5,000 CEU) remains weaker but rates for mid-size vessels (smaller than 5,000 CEU) has shown a tendency to improve. The Company's car carriers are all employed on time charters.

Bulk Carriers

As part of its strategy to diversify, the company has entered into a COA to transport clinker in bulk from Tunisia to West Africa during 2018 utilising chartered supramax and ultramax tonnage. Three voyages have been successfully completed to end June.

Operational Issues

Our in-house ship-management company, Siem Ship Management ("SSM"), which is based in Poland, manages the total fleet of 14 owned reefer vessels as well as four car carriers, including two indirectly owned by the Company's largest shareholder, Siem Industries Inc. SSM's performance statistics indicate continued improvement and superior results as compared to the previous third-party managers. SSM has built upon its success with certifications to ISO9001, ISO14001 and OHSAS18001 standards and has implemented integrated management tools to enhance the management and monitoring processes of the fleet. The Company was saddened by the death of a senior fitter on board the *Solent Star* in a tragic accident during operational maintenance in May 2018. The Company continues to promote good health and safety practices in an effort to ensure that all officers, crew and employees return home safely in good health. No other major health, safety, environmental and quality (HSEQ) issues were reported during the first half of 2018.

In the first half of 2018, unplanned operational off-hire was 1.8% of owned fleet (2017: 0.3%). The increase was mainly due to main engine breakdown on one vessel resulting in the vessel being out-of-service for some time.

Fleet Changes, Deployment and Contract Backlog

The Company redelivered *Duncan Island* and *Albemarle Island* in Q1 2018 following the completion of a two-year time charter.

The second 7,000 CEU PCTC vessel built at Uljanik Shipyard d.d. in Croatia, *Siem Ashanti*, was launched in May 2018 with delivery expected to take place late 2018 / early 2019.

The contract to provide a regular weekly service from Ecuador to St. Petersburg utilising five to seven vessels has been renewed for another year.

In October 2017, the Company acquired two 4,900 CEU PCTC vessels; *Siem Socrates* and *Silver Moon*, both built in 2010. Both vessels were chartered out on five-year charters at profitable rates. In June 2018, the Company sold *Silver Moon* to its charterer.

As of 30 June 2018, 98% of reefer fleet capacity and 100% of car carrier's capacity for the remainder of 2018 had been fixed.

The contract backlog at 30 June 2018 was USD302 million; (reefers: USD 212 million, car carriers: USD 90 million)

Outlook

The spot market for reefer transportation remains weak. Some vessel operators have placed vessels into July lay-up as a result of reduced demand. The remainder of 2018 will continue to be challenging for specialised reefer transportation providers.

The Company’s reefer strategy is to take advantage of its position as the leading specialist reefer owner and operator and to provide its customers with a high-quality service at competitive prices. Siem Shipping now controls a fleet of 26 reefer vessels with a capacity of 15 million cbft.

The Company’s continues to diversify its operations by expanding into the car carrier sector as an owner and operator of three PCTC vessels, of which one was sold to its charterer in June 2018. In May 2018 the second newbuild PCTC vessel from Uljanik Shipyard *Siem Ashanti* was launched and it is expected to be delivered late 2018 / early 2019. The excessive delays for the remaining vessels have created uncertainty about the yard’s ability to deliver the remaining three vessels within an acceptable timeframe. The Company continues to evaluate other opportunities in the industrial shipping market and will remain flexible to the needs of its customers.

1 August 2018, The Board of Directors of Siem Shipping Inc.

This release contains certain forward-looking statements regarding the intents, beliefs or current expectations. These forward-looking statements are based on information currently held. The Company assumes no obligation to update these statements. It is important to note that these forward-looking statements involve uncertainties about future performance. The Company’s actual results may differ materially from these statements as a result of various important factors beyond the control of the Company. Source of market rate data: Reefer Trends.

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and give a true and fair view of Siem Shipping’s assets, liabilities, financial position, and profit and loss as a whole. We also confirm that, to the best of our knowledge, the interim report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

1 August 2018

Kristian Siem, Chairman

Harald Kuznik, Director

Sasha Siem, Director

Carsten Plougmann Andersen, Director

Michael Delouche, Director

Kenneth Ross, Chief Executive Officer

SIEM SHIPPING INC. GROUP - FIRST HALF 2018

STATEMENTS OF COMPREHENSIVE INCOME

(in \$ thousand)

	2018	2017	2017
	Jan-Jun	Jan-Jun	Jan-Dec
	Unaudited	Unaudited	Unaudited
Gross revenue	\$ 93,794	\$ 93,571	\$ 186,408
Voyage expenses and other operating revenue	-22,506	-23,600	-44,563
Net operating revenue	71,288	69,971	141,845
Ship operating and administrative expenses	-22,971	-24,964	-50,337
Time charter hire	-37,775	-36,297	-73,629
Earnings before interest, tax, depr. and amort.	10,542	8,710	17,879
Depreciation and amortisation	-8,043	-8,605	-16,608
Impairment charges	-	-16,343	-20,543
Operating income	2,499	-16,238	-19,272
Interest expense	-2,741	-3,124	-6,601
Other financial items, net	5,177	170	603
Profit on sale of vessels	-	-	369
Net financial items	2,436	-2,954	-5,629
Net income (loss) before tax	4,935	-19,192	-24,901
Taxes	-8	-4	9,128
Net (loss) income	\$ 4,927	\$ -19,196	\$ -15,773
Other comprehensive income	-	-	-
Total comprehensive income (loss)	\$ 4,927	\$ -19,196	\$ -15,773
Earnings (loss) per share, basic and diluted (amounts in \$)	\$0.55	-\$2.13	-\$1.75
Wtd. avg. common shares outstanding	8,948,528	9,006,352	9,006,352
Issued and outstanding shares	8,872,502	9,006,352	9,006,352

STATEMENTS OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

Intangible non-current assets:

Deferred tax asset

\$ 9,172 \$ - \$ 9,150

Tangible non-current assets:

Vessels

199,873 206,676 207,616

Capitalised project costs

48,647 40,948 37,091

Other non-current assets

141 153 164

Other non-current assets

Long-term receivables and other assets

- - 12,914

Current assets:

Inventory

4,833 5,550 4,040

Receivables and other current assets

23,242 15,110 17,954

Bank deposits

19,167 33,190 27,564

Total assets

\$ 305,075 \$ 301,627 \$ 316,493

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity:

Share capital

\$ 90 \$ 90 \$ 90

Additional paid-in capital

78,687 78,687 78,687

Retained earnings

76,510 68,769 72,192

Total shareholders' equity

155,287 147,546 150,969

Interest-bearing debt, long-term

88,482 92,489 97,847

Interest-bearing debt, short-term

32,598 35,205 44,446

Other short-term debt

28,708 26,387 23,231

Total liabilities

149,788 154,081 165,524

Total shareholders' equity and liabilities

\$ 305,075 \$ 301,627 \$ 316,493

STATEMENTS OF CASH FLOWS

<i>(in \$ thousand)</i>	2018	2017	2017
	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Unaudited
Net (loss) income	\$ 4,927	\$ -19,192	\$ -15,773
Tax	8	-	-9,128
Depreciation and amortisation	8,043	8,605	16,608
Impairment charges	-	16,343	20,543
Net changes in financing fees / Other	-291	-1,502	-4,897
Cash flow from operating activities	12,687	4,254	7,353
Sales of vessels	-	-	8,568
Paid dry-docking	-	-363	-1,536
Capital expenditure vessels	-11,833	-19,998	-37,855
Cash flow from investing activities	-11,833	-20,361	-30,823
Share buy-back	-609	-	-
New interest-bearing debt	11,868	29,670	55,310
Long-term receivable	12,914	-	-12,924
Repaid interest-bearing debt	-33,424	-7,709	-18,688
Cash flow from financing activities	-9,251	21,961	23,698
Net change in cash	\$ -8,397	\$ 5,854	\$ 228
Cash at beginning of period	\$ 27,564	\$ 27,336	27,336
Cash at end of period	\$ 19,167	\$ 33,190	\$ 27,564

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in \$ thousand)</i>	2018	2017	2017
	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Unaudited
Shareholders' equity at beginning of period	\$ 150,969	\$ 166,742	\$ 166,742
- Repurchased 133,850 shares	-609	-	-
- Net (loss) income for the period	4,927	-	-15,773
Shareholders' equity at end of period	\$ 155,287	\$ 166,742	\$ 150,969

Notes to the Accounts

1 Basis for Preparation

The consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim financial information for 2018 and 2017 is unaudited.

2 Significant Accounting Policies

The accounting policies used in the preparation of the financial statements are consistent with those disclosed in the annual financial statements for the year ended 31 December 2017. The consolidated condensed financial statements should be read in conjunction with the 2017 annual financial statements, which include a full description of the Group's accounting policies.

3 Revenue

Revenue consists of time charters and voyage charters.

Other operating revenue consists of net revenue from short-term charters on non-core vessels and management fees.

<i>(in \$ thousand)</i>	H1 2018	H1 2017	2017
Gross revenue T/C	62,907	58,477	122,309
Gross revenue V/C	30,887	35,094	64,099
Total gross revenue	93,794	93,571	186,408
Voyage expenses and other operating revenue	-22,506	-23,600	-44,563
Net operating revenue	71,288	69,971	141,845

4 Tangible Assets

<i>(in \$ thousand)</i>	30 Jun 18	30 Jun 17	31 Dec 17
Book value beginning of year	244,871	252,364	252,364
Additions, including capitalised project costs	11,833	20,361	37,855
Disposal	-	-	-8,197
Depreciation and amortisation of dry-docking for the period	-8,043	-8,605	-16,608
Impairment	-	-16,343	-20,543
Book value end of period	248,661	247,777	244,871

5 Interest-Bearing Debt

<i>(in \$ thousand)</i>	Credit Suisse	ABN AMRO	Siem	Total
Balance (including financing fees) 31 December 2017	64,399	45,436	32,458	142,293
New debt	11,868	-	-	11,868
Repaid debt	-15,138	-7,708	-10,578	-33,424
Financing fees	219	124	-	343
Balance (including financing fees) 30 June 2018	61,348	37,852	21,880	121,080
Balance (including financing fees) 30 June 2017	40,675	53,019	34,000	127,694

6 Charter Commitments

From 1 July 2018

(in \$ thousand)

	2018	2019-2023	Total
Long-term charters	32,696	201,276	233,972

7 Related Parties

Siem Industries Inc. owns 84% of Siem Shipping Inc. Mr. Kristian Siem is Chairman of the Board in Siem Industries. Siem Industries is controlled by a trust whose potential beneficiaries include Mr. Kristian Siem and his family.

The Company leases office space from other Siem Group companies and shares joint office facilities with other companies in the Siem Group in the Cayman Islands.

Siem Industries provides secondary guarantees for the timely payment of charter hire, relating to certain of the vessels that Siem Shipping has on long-term charters. The fee paid to Siem Industries for providing the guarantees year-to-date was USD0.2 million. Siem Car Carriers AS is indirectly 100% owned by Siem Industries. Siem Shipping provides management services to Siem Car Carriers on an arm's length basis and the fee charged year-to-date for 2018 was USD0.5 million.

In 2016, the Company's Shareholders approved a proposal to acquire all of the shares of Auto Marine Transport Inc. (AMT) for USD44.8 million from Siem Investments Inc., a company 100%-owned by Siem Industries Inc. (the 84% owner of the Company). At the time, AMT was the owner of three PCTC vessels under construction at Uljanik Shipyard d.d. in Croatia for which it had secured long-term financing. The purchase price was settled with USD10.8 million cash and a USD34.0 million seller's credit made available by the Company. The first vessel *Siem Cicero* was delivered to the Company in June 2017 and the second vessel *Siem Ashanti* was launched in May 2018. The vessel is expected to be delivered to the Company late 2018 / early 2019. *Siem Cicero* is on charter to Siem Car Carriers AS for a period of five years from delivery. The contract terms are on an arm's length basis.

Also download our web page: www.siemshipping.com

For further information, please contact

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